DANONE 14

REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

CONTENTS

1 SELECTED FINANCIAL INFORMATION, INFORMATION ABOUT THE ISSUER AND INFORMATION ON THE REGISTRATION DOCUMENT 4

1.1 Selected financial information 6
1.2 Information about the issuer 6
1.3 Information about the Registration Document 8

2 OVERVIEW OF ACTIVITIES, RISK FACTORS 10

2.1 History 12
2.2 Presentation of the Group 13
2.3 Strategic growth areas 15
2.4 Description and strategy of the Divisions 16
2.5 Other elements related to the Group's activity and organization 18
2.6 Simplified organizational chart of the Group as of December 31, 2014 24
2.7 Risk factors 27

3 DANONE'S BUSINESS HIGHLIGHTS IN 2014 AND OUTLOOK FOR 2015 40

3.1 Business highlights in 2014 42
3.2 Consolidated net income review 46
3.3 Free cash-flow 54
3.4 Balance sheet and financial security review 56
3.5 Outlook for 2015 65
3.6 Financial indicators not defined by IFRS 68
3.7 Documents available to the public 70

4 FINANCIAL STATEMENTS 72

4.1 Consolidated financial statements and Notes to the consolidated financial statements 74
4.2 Financial statements of Danone SA, parent company of the Danone group 153
4.3 Fees paid by the Group to the Statutory auditors and members of their network 174
4.4 Information originating from third parties, expert opinions and declarations of interest 175

5 SOCIAL,SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY 176

5.1 Danone social, societal and environmental approach 178
5.2 Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law 181
5.3 Funds sponsored by Danone 208

6 CORPORATE GOVERNANCE 214

6.1 Governance bodies 216
6.2 Positions and responsibilities of the Directors and nominees to the Board of Directors 242
6.3 Compensation and benefits for corporate officers and governance bodies 262
6.4 Internal control and risk management 298
6.5 Statutory auditors' special report on related party agreements and commitments 306

7 SHARE CAPITAL AND SHARE OWNERSHIP 316

7.1 Company's share capital 318
7.2 Treasury shares and DANONE call options held by the Company and its subsidiaries 319
7.3 Authorization to issue securities that give access to the share capital 322
7.4 Financial instruments not representing capital 326
7.5 Dividends paid by the Company 326
7.6 Voting rights, crossing of thresholds 327
7.7 Share ownership structure as of December 31, 2014 and significant changes over the last three fiscal years 330
7.8 Market for the Company's shares 333
7.9 Factors that might have an impact in the event of a public tender offer 334
7.10 Change of control 336

8 COMBINED SHAREHOLDERS' MEETING OF APRIL 29, 2015 338

8.1 Shareholders' Meetings 340
8.2 Draft resolutions presented at the Shareholders' Meeting 340
8.3 Comments on the resolutions of the Shareholders' Meeting 351
8.4 Special reports of the Statutory auditors to the Shareholders' Meeting 381

APPENDIX 386

Cross-reference tables 388
List of subsidiaries 394

"BRINGING HEALTH THROUGH FOOD
TO AS MANY PEOPLE AS POSSIBLE"

2014

REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

This Registration Document
includes all the items of the Annual Financial Report.

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French language version of this Registration Document *(Document de Référence)* was filed with the French financial markets authority (*Autorité des Marchés Financiers*, or AMF) on March 19, 2015, pursuant to Article 212-13 of its general regulations. This Registration Document may be used in support of a financial transaction if supplemented by a Securities prospectus *(Note d'opération)* authorized by the AMF. This Registration Document was prepared by the issuer and its signatories are liable for its contents.

This is a free translation into English for information purposes only.

Copies of this Registration Document are available from Danone at: 17, boulevard Haussmann – 75009 Paris, on Danone's website: www.danone.com and on the website of the Autorité des Marchés Financiers: www.amf-france.org

"OUR 2014 ACHIEVEMENTS LAID A SOLID FOUNDATION FOR DANONE TO BUILD ON IN 2015 AND THE YEARS AHEAD. LOOKING AHEAD, WE ANTICIPATE AN ONGOING DIFFICULT AND UNSTABLE ENVIRONMENT, AND I HAVE WORKED TO DEFINE THREE PRIORITIES:

- CONTINUE TO MAKE OUR BRANDS AND BUSINESSES MORE COMPETITIVE TO SERVE OUR CONSUMERS;
- CONTINUE TO GENERATE PROFITABLE GROWTH IN SALES AND SET THE CONDITIONS FOR MAKING THAT GROWTH SUSTAINABLE;
- ROLL OUT OUR DANONE 2020 ROADMAP WITH A VIEW TO CREATING SHARED VALUE FOR ALL OUR STAKEHOLDERS."

Emmanuel FABER, Chief Executive Officer

+4.7%

2014 like-for-like sales growth

€21,144 MLN

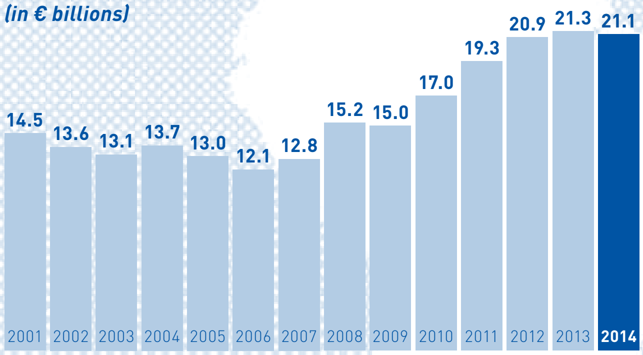
Sales in 2014

€2,662 MLN

Trading operating income in 2014

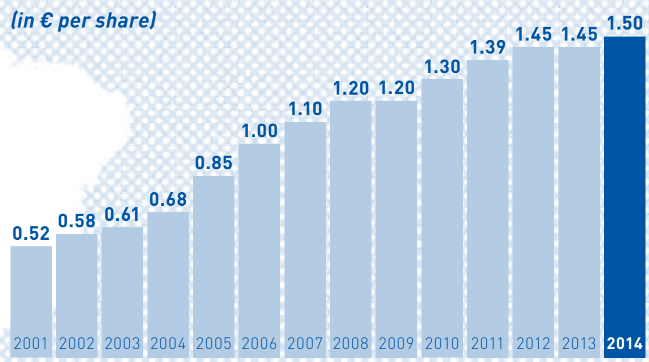
FULL-YEAR GROUP SALES

(in € billions)



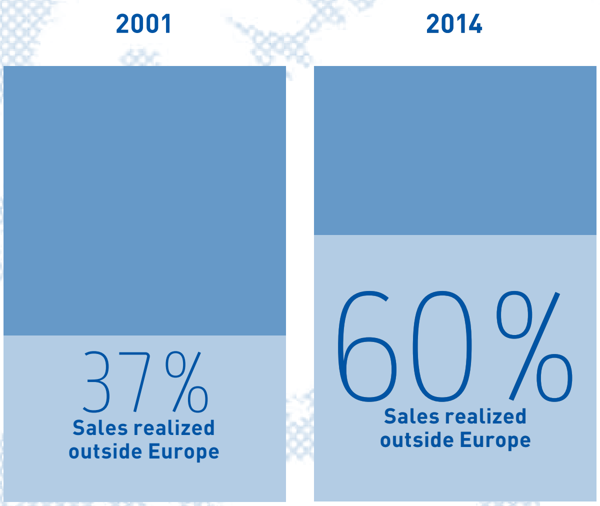
DIVIDEND

(in € per share)



The Group's Strategy is consistent with its mission of "bringing health through food to as many people as possible".

Evolution of the Group's sales since 2001



- 99,927 employees
- Reduction of carbon intensity [a] by 41.6% from 2008 to 2014
- Ranked n°1 in the ATNI index (Access To Nutrition Index)
- Ranked in leading social responsibility indexes: Dow Jones Sustainability Index, Vigeo, Ethibel Sustainability Index.

(a) Based on constant scope of consolidation, excluding Unimilk group's companies, and on emissions under Danone's direct responsibility (packaging, industrial activities, logistics and end of life).

Key Financial Figures

Year ended December 31

	2012	2013	2014
Sales [a]	20,869	21,298	**21,144**
Like-for-like growth [b]	*+5.4%*	*+4.8%*	***+4.7%***
Trading operating income [a] [b]	2,958	2,809	**2,662**
Trading operating margin [b]	14.18%	13.19%	**12.59%**
Like-for-like growth [b]	*- 50 bps*	*- 81 bps*	***-12 bps***
Net income [a]	1,787	1,550	**1,253**
Earnings per share - Group share [c]	2.78	2.42	**1.88**
Underlying fully diluted EPS [b] [c]	3.01	2.78	**2.62**
Free cash-flow excluding exceptional items [a] [b]	2,088	1,549	**1,401**
Dividend [c]	1.45	1.45	**1.50**

(a) In € millions.
(b) Financial indicator not defined by IFRS, see definition in section 3.6 *Financial indicators not defined by IFRS.*
(c) In € per share.

Selected financial information, information about the issuer and information on the Registration Document

1

1.1 SELECTED FINANCIAL INFORMATION 6

1.2 INFORMATION ABOUT THE ISSUER 6

Legal name and trade name 6

Registration number in the Register of commerce and companies 6

Date of incorporation and term of the Company 6

Registered office 6

Legal form and applicable law 6

Corporate purpose 7

Statutory auditors 7

1.3 INFORMATION ABOUT THE REGISTRATION DOCUMENT 8

References and definitions 8

Incorporation by reference 9

Persons responsible for the Registration Document 9

1.1 SELECTED FINANCIAL INFORMATION

The financial information presented in section *Key figures* is extracted from section 3 *Danone's business highlights in 2014 and outlook for 2015* and from the Danone group's consolidated financial statements for 2014 fiscal year prepared in accordance with International Financial Reporting Standards (IFRS).

Consolidated financial statements and Notes to the consolidated financial statements for 2014 fiscal year are presented in section 4.1 *Consolidated financial statements* and *Notes to the consolidated financial statements*.

1.2 INFORMATION ABOUT THE ISSUER

Legal name and trade name

The Company's legal name is "Danone" (hereafter the "Company"), having been changed by the Shareholders' Meeting of April 23, 2009 from "Groupe Danone".

Registration number in the Register of commerce and companies

The Company is registered in the Paris Register of commerce and companies under number 552 032 534.

The Company's APE Industry code is 7010Z, which corresponds to the activity of registered offices.

Date of incorporation and term of the Company

The Company was incorporated on February 2, 1899. The Extraordinary Shareholders' Meeting of April 25, 2013 extended the term of the Company to April 25, 2112.

Registered office

The Company's registered office is located at 17, boulevard Haussmann, in Paris (75009), France. The telephone number of the registered office is +33 (0) 1 44 35 20 20.

Legal form and applicable law

The Company, a French corporation (*société anonyme*) with a Board of Directors, is subject to the provisions of Book II of the French commercial code.

Corporate purpose

In accordance with Article 2 of Danone's by-laws, the purpose of the Company, whether directly or indirectly, in France and in any country, shall be:

- industry and trade relating to all food products; and
- the performance of any and all financial transactions and the management of any and all property rights and securities, whether listed or unlisted, French or foreign, together with the acquisition and the management of any and all real estate properties and rights.

In general, the Company shall be entitled to effect any and all property, real estate, industrial, commercial, and financial transactions relating directly or indirectly or possibly useful in any connection whatsoever to the Company in the fulfillment of its corporate purpose.

It shall be entitled to act and to effect the aforementioned transactions directly or indirectly, in any form whatsoever, on its own behalf or on behalf of third parties, and whether alone or in a joint-venture, association, grouping or company involving any other individuals or companies.

It shall also be entitled to acquire interests and holdings in any and all French and foreign companies and businesses, regardless of the purpose thereof, by means of the establishment of special companies, through asset contributions or subscriptions, through the acquisition of shares, bonds or other securities and any and all company rights, and, in general, by any means whatsoever.

Statutory auditors

Principal Statutory auditors

Ernst & Young et autres

Membre de la Compagnie Régionale des Commissaires aux comptes de Versailles

Tour First, 1, place des Saisons

TSA 14444

92037 Paris-La Défense Cedex

Represented by Gilles COHEN and Pierre-Henri PAGNON

Start date of first term of office: April 22, 2010

Expiration date of term of office: date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ending December 31, 2015

PricewaterhouseCoopers Audit

Membre de la Compagnie Régionale des Commissaires aux comptes de Versailles

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

Represented by Anik CHAUMARTIN and Philippe VOGT

Start date of first term of office: May 21, 1992

Expiration date of term of office: date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ending December 31, 2015

Substitute Statutory auditors

Auditex

Tour First, 1, place des Saisons

TSA 14444

92037 Paris-La Défense Cedex

Start date of first term of office: April 22, 2010

Expiration date of term of office: date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ending December 31, 2015

Yves NICOLAS

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

Start date of first term of office: April 22, 2010

Expiration date of term of office: date of the Shareholders' Meeting deliberating on the financial statements for the fiscal year ending December 31, 2015

1.3 INFORMATION ABOUT THE REGISTRATION DOCUMENT

References and definitions

Unless otherwise noted, all the references mentioned hereafter refer to the following elements:

ALMA	All references herein to the "ALMA" region refer to the Asia/Pacific, Latin America, Middle East and Africa region;
Company	All references herein to the "Company" refer to Danone the issuer;
Company and its subsidiaries	All references herein to the "Company and its subsidiaries", the "Group" or "Danone" refer to the Company and its consolidated subsidiaries;
Consolidated financial statements, Notes to the consolidated financial statements	All references herein to consolidated financial statements and Notes to the consolidated financial statements refer to consolidated financial statements for 2014 fiscal year;
DANONE call options	All references to DANONE call options refer to DANONE share purchase options subscribed by the Company to hedge certain stock-option plans detailed in section 7.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries;*
Division	All references herein to "Division" or "Divisions" refer to Fresh Dairy Products, Waters, Early Life Nutrition and Medical Nutrition Group businesses;
Early Life Nutrition	All references herein to "Early Life Nutrition" and the early life nutrition business or markets refer to baby formula (infant milk formula, follow-on milk, growing up milks), milk-and fruit-based desserts, cereals, small pots of baby food and ready-made baby food;
Emerging countries	All references herein to "emerging countries" refer to countries other than mature countries where the Group is present;
Fresh Dairy Products	All references herein to "Fresh Dairy Products" and the fresh dairy products business or markets refer to processed dairy products and exclude milk, cream and butter;
GPS (Group performance shares)	All references herein to GPS *(Group performance shares)* refer to Company shares subject to performance conditions granted to certain employees and executive directors and officers detailed in section 6.3 *Compensation and benefits for executives and governance bodies;*
GPU (Group performance units)	All references to GPU (Group performance units) refer to multiannual variable compensation detailed in section 6.3 *Compensation and benefits for executives and governance bodies;*
Group	All references herein to the "Group", the "Company and its subsidiaries" or "Danone" refer to the Company and its consolidated subsidiaries;
Group market shares and positions	All references herein to market shares or to the Group's market positions are derived from third-party market studies and data base provided notably by Nielsen, IRI, Euromonitor and Canadean institutes;
Market shares and market positions	Data pertaining to market shares or the Group's market positions are based on the value of sales;
Markets	All references herein to "markets" for products in particular, or to market shares, refer to markets for packaged products and exclude products that may be otherwise marketed or sold;
Mature countries	All references herein to "mature countries" refer to Western Europe (notably France and Southern Europe including Spain, Italy and Portugal), North America, Japan, Australia and New Zealand;
Medical Nutrition	All references herein to "Medical Nutrition" and the medical nutrition business or markets refer to adult or pediatric clinical nutrition products to be taken orally, or through a catheter in the event of malnutrition related to illness or other causes;
North America	All references herein to the "North America" region refer to the United States and Canada;
Put options granted to non-controlling interests	All references herein to "put options granted to non-controlling interests" refer to put options granted by the Group to certain non-controlling shareholders on part or all of their equity investments in certain of its consolidated subsidiaries detailed in section *3.4 Review of the balance sheet and financial security;*
Registration Document	All references herein to the "Registration Document" refer to the Group Registration Document;
Sales	All references herein to "Sales" refer to the consolidated net sales of the Group;
Stock-options	All references herein to stock-options refer to options to purchase DANONE shares granted to certain employees and executive directors and officers detailed in section 6.3 *Compensation and benefits for corporate officers and governance bodies;*
Value of GPS and stock-options	All references herein to the value of the GPS and stock-options refer to the fair value of those shares and options calculated as of grant date in accordance with IFRS 2;
Waters	All references herein to "Waters" and the waters business or markets refer to bottled water, water sold in large containers (jugs), and water sold in small containers (cups).

Incorporation by reference

Pursuant to article 28 of regulation (EC) No. 809/2004 of the European Commission dated April 29, 2004 and to section 36 of IAS 1, *Presentation of Financial Statements*, requiring that at least one-year comparative information be presented, this Registration Document incorporates by reference the following information:

- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2012 on pages 49 to 107 of the Registration Document that was filed with the AMF on March 19, 2013 under filing number D. 13-0175;
- the Company financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2012 on pages 109 to 124 of the Registration Document that was filed with the AMF on March 19, 2013;
- the key financial information, the Group operating and financial review, and all of the non-financial information pertaining to the fiscal year ended December 31, 2012 on pages 4, 29 to 43 of the Registration Document that was filed with the AMF on March 19, 2013;
- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2013 on pages 67 to 138 of the Registration Document that was filed with the AMF on March 21, 2014 under filing number D. 14-0186;
- the Company financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2013 on pages 139 to 158 of the Registration Document that was filed with the AMF on March 21, 2014; and
- the key financial information, the Group operating and financial review, and all of the non-financial information pertaining to the fiscal year ended December 31, 2013 on pages 2 to 3 and 39 to 61 of the Registration Document that was filed with the AMF on March 21, 2014.

Persons responsible for the Registration Document

Person responsible for the Registration Document

Emmanuel FABER

Chief Executive Officer

Danone

Statement by the person responsible for the Registration Document

This is a free translation into English of the Chief Executive Officer's *statement issued in French, and is provided solely for the convenience of English-speaking readers.*

Paris, on March 18, 2015

"We hereby certify, after having taken all reasonable measures, that to our knowledge all of the information in this Registration Document is accurate, and that no information liable to alter its scope has been omitted.

We certify that, to our knowledge, the financial statements in this document have been prepared in accordance with applicable accounting standards and provide a faithful representation of the assets, the financial situation, and the results of the Company and of all companies within its scope of consolidation, and that the management report referred to in the cross-reference table in the Appendix of the present Registration Document presents a faithful representation of the business trends, results, and financial position of the Company and of all companies within its scope of consolidation, as well as a description of the principal risks and uncertainties that they face.

The Statutory auditors have provided us with a letter (*lettre de fin de travaux*, or auditors' completion letter) stating that their work has been completed, and in which they indicate that they have verified the information included in this Registration Document relative to the financial situation and the financial statements, and have read this Registration Document in its entirety."

Chief Executive Officer

Emmanuel FABER

Overview of activities, risk factors

2

2.1 HISTORY 12

Group's roots: from glass to food 12

1973-1990: European expansion 12

1990-1996: global ambitions 12

1996-2007: refocus on health food 12

Since 2007: acceleration of international development 12

2.2 PRESENTATION OF THE GROUP 13

Activities 13

Principal markets 13

2.3 STRATEGIC GROWTH AREAS 15

Develop the geographical presence of Danone 15

Promote a holistic approach of health through food, anchored in local cultures 15

Develop sustainable industrial and agricultural models 15

2.4 DESCRIPTION AND STRATEGY OF THE DIVISIONS 16

Fresh Dairy Products 16

Waters 16

Early Life Nutrition 17

Medical Nutrition 17

2.5 OTHER ELEMENTS RELATED TO THE GROUP'S ACTIVITY AND ORGANIZATION 18

Distribution 18

Marketing 18

Competition 19

Acquisitions 19

Research and Development 19

Plants and equipment 22

Raw materials purchasing 22

Social and environmental responsibility 23

IT systems 23

Financial risk management 24

2.6 SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2014 24

Parent company Danone 24

Danone consolidated Group 25

Main fully consolidated but not fully owned companies 26

Main publicly traded companies 26

2.7 RISK FACTORS 27

Risk identification and control policy 28

Operational risks related to the Group's activity 28

Operational risks specific to the Group's activity and organization 31

Legal and regulatory risks 34

Industrial and environmental risks 35

Financial risks 37

Insurance and risk coverage 38

2.1 HISTORY

Group's roots: from glass to food

The Group's origins date back to 1966 when the French glass manufacturers, Glaces de Boussois and Verrerie Souchon Neuvesel, merged to form Boussois Souchon Neuvesel, or BSN, which in 1967 generated sales of around €150 million in flat glass and glass containers. In 1970, BSN began a program of diversification in the food and beverage industry by successively acquiring three of its primary glass container customers: Brasseries Kronenbourg, Société Européenne de Brasseries and Société Anonyme des Eaux Minérales d'Evian. These acquisitions made BSN France's market leader in beer, bottled water, and baby food.

In 1972, Antoine RIBOUD, then the Chairman and Chief Executive Officer of BSN, laid the foundation of the "dual economic and social project," which has since guided the Group's strategy. The following year, in 1973, BSN merged with Gervais Danone, a French food and beverage group specialized in dairy and pasta products, becoming the largest food and beverage group in France, with consolidated sales of around €1.4 billion, 52% out of which in food and beverage.

1973-1990: European expansion

During the 1970s and 1980s, after selling off its flat glass operations, the BSN group focused its growth on food and beverages, primarily in Western Europe. In particular, this expansion included the acquisition of (i) breweries in Belgium, Spain, and Italy, (ii) Générale Biscuit, a French holding company that owned LU and other European biscuit brands, (iii) the biscuit subsidiaries of Nabisco, Inc. in France, Italy, the United Kingdom and Asia, and (iv) Galbani, Italy's leading cheese maker. With consolidated sales of €7.4 billion in 1989, the BSN group became the third-largest diversified food and beverage company in Europe, and the largest in France, Italy, and Spain.

1990-1996: global ambitions

In the early 1990s, the BSN group started consolidating the positions acquired in previous years in Western Europe, enabling the development of synergies. In France, for example, BSN acquired Volvic to strengthen its position in bottled water. During this period, the Group also laid the groundwork for its international development by completing numerous acquisitions and joint-ventures outside of Western Europe (in the Asia-Pacific region, Latin America and Eastern Europe, as well as in selected markets such as South Africa and the Middle East).

In 1994, in order to consolidate its position as a multinational food and beverage group, the Group decided to change the BSN parent company's name to "Groupe Danone" (in 2009, the shareholders would subsequently approve the change of the legal name of the Groupe Danone parent company to "Danone").

1996-2007: refocus on health food

In 1997, the Group decided to focus on its global business lines. Danone therefore steadily made divestitures in its Grocery, Pasta, Prepared Foods, Confectionery Products, Beer, Sauces and Italian cheese and Meats activities. Danone also sold BSN Glasspack, the holding company of its Glass Containers business.

In 2006, Danone formalized its mission of "bringing health through food to as many people as possible," and the following year it completed a 10-year period of refocusing its operations on the health food sector. Indeed, in 2007 the Group sold nearly all of its Biscuits and Cereal Products business (to the Kraft Foods group), and acquired Numico, which enabled it to add early life nutrition and medical nutrition activities to its portfolio.

Since 2007: acceleration of international development

Since 2007, the Group has pursued its international development strategy built around its four business lines, notably with the acquisition of the Unimilk group's companies in Russia (in 2010) and the Wockhardt group's nutrition activities in India (in 2012). In 2013, Danone forged a strategic alliance with Mengniu, the Chinese fresh dairy products market leader, to accelerate the growth of the fresh dairy products category in China. In 2014, an agreement was signed calling for this alliance to be extended to the infant formula category through Danone's acquisition of a stake in Yashili, a Mengniu subsidiary.

Since 2013, Danone has also accelerated its development on the African continent, notably with the acquisition of a controlling interest in Centrale Laitière (Fresh Dairy Products, Morocco) and equity interests in Fan Milk (Fresh Dairy Products, West Africa) and Brookside (Fresh Dairy Products, Kenya).

2.2 PRESENTATION OF THE GROUP

Activities

The Group's strategy is consistent with its mission of "bringing health through food to as many people as possible". Since 2007 and the acquisition of Numico, this mission has been implemented through four Divisions:

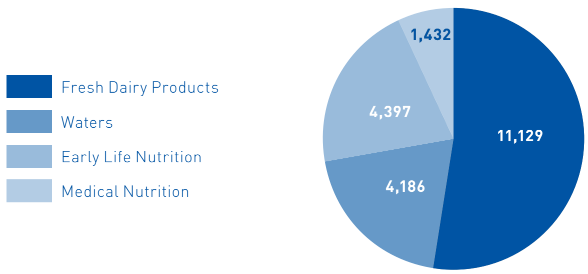
- the Fresh Dairy Products Division (production and distribution of yogurts, fermented dairy products and other specialties of fresh dairy products) accounted for 52% of Group sales in 2014;
- the Waters Division (production and distribution of packaged natural, flavored and vitamin-enriched water) represented 20% of Group sales in 2014;
- the Early Life Nutrition Division (production and distribution of specialized food for babies and young children to complement breast-feeding) accounted for 21% of Group sales in 2014;
- the Medical Nutrition Division (production and distribution of specialized food for people afflicted with certain illnesses or frail elderly people) made up 7% of Group sales in 2014.

Principal markets

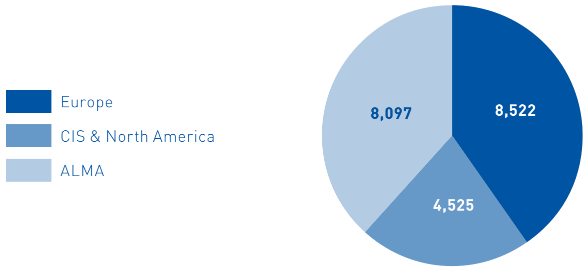
The Group is present in all of the regions of the world:

- Europe, including Turkey, accounted for 40% of Group sales in 2014, with contributions from all four Divisions. The leading countries in this region include France, Spain and the United Kingdom;
- the CIS & North America zone represented 21% of Group sales in 2014 thanks to the strong performance of the Fresh Dairy Products Division in these markets;
- the ALMA zone – which combines the activities in the Asia/Pacific region, Latin America, Africa and the Middle East – represented 38% of Group sales in 2014:
  - in the Asia/Pacific region, Indonesia and China lead the way thanks to the robust sales in the Waters and Early Life Nutrition Divisions;
  - in Latin America, Mexico, Argentina and Brazil are the main contributors in the Group's four Divisions;
  - in Africa and Middle East regions, Morocco and South Africa are the largest markets, focused mainly on the fresh dairy products. The Early Life Nutrition Division is also growing rapidly in this zone through an export model.

Consolidated sales by Division
(in € millions)

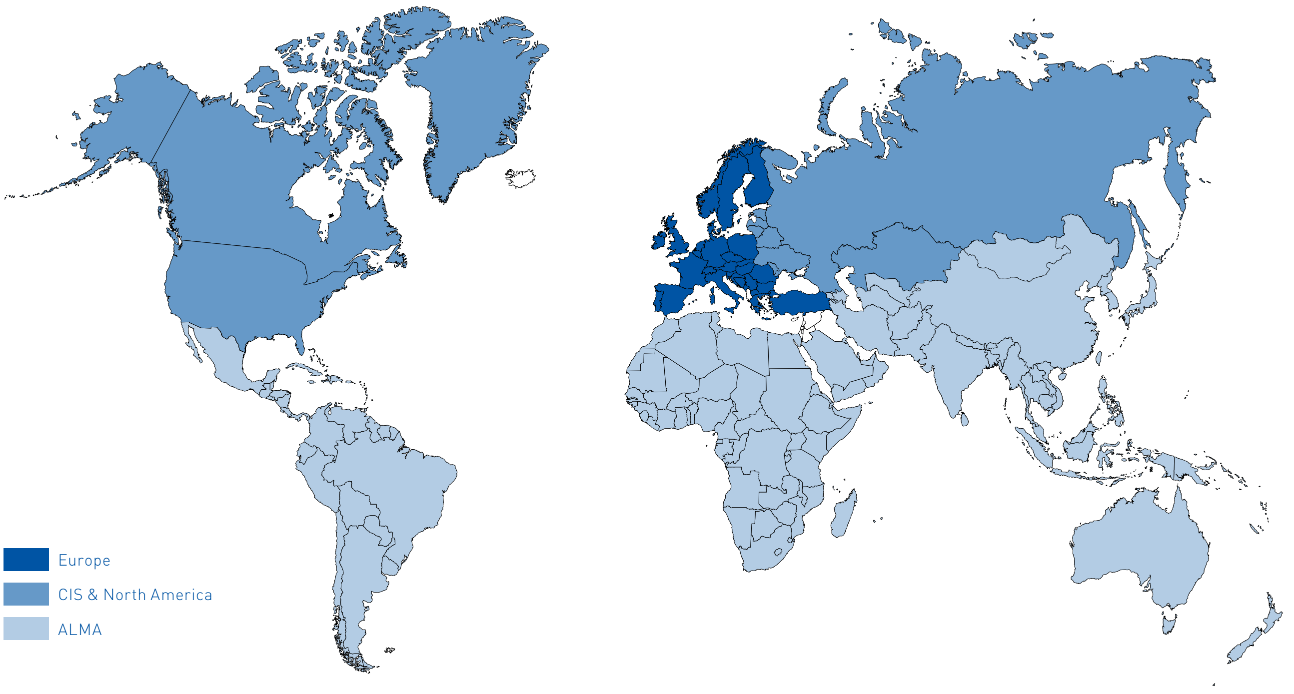


Consolidated sales by geographic area
(in € millions)



Each Division has a global management unit, to which the dedicated local entities report.

The Group enjoys the following leadership positions: No. 1 worldwide for fresh dairy products, No. 3 worldwide for packaged waters and No. 2 worldwide for early life nutrition.



Top ten countries

The Group's top ten countries in terms of contribution to the consolidated net sales are as follows:

	Year ended December 31
	2014
France	10%
Russia	9%
United States	9%
China	7%
Indonesia	5%
United Kingdom	5%
Spain	5%
Mexico	5%
Brazil	5%
Argentina	4%

Top ten customers

In 2014, the Group's top 10 customers worldwide (of which five are French) accounted for approximately 19% of its consolidated sales; the top five customers represented approximately 13% of its consolidated sales.

2.3 STRATEGIC GROWTH AREAS

The Group's strategy is driven by its mission of "bringing health through food to as many people as possible".

Develop the geographical presence of Danone

The development of its activities around the world, in particular emerging markets, constitutes a key mechanism by which Danone successfully carries out its mission while ensuring its long-term growth. In 2014, emerging markets accounted for 53% of Group sales.

This strategy starts with major growth markets in which Danone enjoys strong positions, like Indonesia, China, Russia, the United States, Mexico or Brazil. In these countries, the Group continues to develop the consumption of its product categories through innovation.

Danone is also pursuing its expansion in new countries in order to develop new sources of growth. 2014 was marked in particular by Danone's accelerated growth in Africa, with the increase of its majority stake in Centrale Laitière (Fresh Dairy Products) in Morocco and the purchase of an equity interest in Brookside (Fresh Dairy Products) in East Africa.

With a presence in more than 130 markets, Danone is committed to develop and optimize its organizational model to make the most of its global size while providing strong support to local businesses.

Promote a holistic approach of health through food, anchored in local cultures

For Danone, food is an essential part of life, to build and maintain well-being for both the mind and body. The concept of "alimentation" goes beyond addressing nutritional needs to be a part of every culture and lifestyle around the globe – always different and always special. It is worth taking the time to understand this richness and to harness pleasure in food to promote healthy lifestyles.

Danone works towards this through programs like Nutriplanet, which analyses the habits and health issues of target populations, using nutritional, epidemiological, socio-economic and cultural data to ensure that any solutions we develop are relevant to local communities. As of 2014, the Nutriplanet approach has been applied to over 50 countries.

Innovation plays a key role in order to adapt the products and distribution to local constraints and patterns of consumption. In South Africa, for example, Danone offers several products with longer shelf lives, such as *Mayo* (90 days) and *Ultra Mel* (7 months).

Develop sustainable industrial and agricultural models

The Group's strategy increasingly relies on the upstream segment of its activity (environment management, raw materials, industrial processes and logistics' supply), not only to optimize costs but also to turn it into a genuine mechanism for creating value and standing apart from the competition.

The activities' upstream work in particular enables Danone to develop and secure high-quality supplies, while monitoring volatility risks, for each of its three key resources: water, plastic and milk.

- in the milk supply chain, the Group is for instance working in close cooperation with local producers to improve animal husbandry practices in both developed and emerging countries. Collection entities and cooperatives open to small producers were created in several countries (Egypt, Indonesia, India, Mexico, Turkey, Ukraine, etc.) in order to help members manage their farms, optimize their purchases, improve the herd's feed or get veterinary treatment;
- in the area of water, Danone has made commitments to protect resources, particularly where they are scarce, and uses water in harmony with local ecosystems and communities. By 2020, Danone plans to deploy a new tool for measuring Danone's water footprint in all Waters Division subsidiaries. The Group is also committed to reduce water consumption in its factories by 20% between 2010 and 2020;
- in the area of plastics, Danone is striving to reduce its weight and excess packaging and to use recycled materials. In that regard, Danone contributes to the development of recycling chains for its packaging in many countries.

2.4 DESCRIPTION AND STRATEGY OF THE DIVISIONS

The Group implements its strategy in a specific manner for each of its four Divisions.

Fresh Dairy Products

The Fresh Dairy Products Division produces and markets yogurts, fermented fresh dairy products and specialized dairy products.

The Division's strategy consists of developing consumption of these products in all regions around the world. The strategy is based notably on:

- strengthening the Division's main growth platforms such as the United States, Russia, Brazil, Mexico, Morocco or South Africa, where consumption of fresh dairy products offers strong growth potential;
- maintaining business volume in mature European countries, notably through product quality, constant product line renewal and innovation;
- the development of new regions, in particular in Africa (for example in Egypt, Nigeria and Kenya) or Asia (notably in China through the strategic alliance forged with Mengniu in 2013).

The Division continuously renews its product lines in terms of flavor, texture, ingredients, nutritional content and packaging. This innovative capacity enables it to reach new consumer segments and develop new consumption moments while adapting to the local tastes and dietary preferences of each market and making sure to cover the full range of price points.

To promote the consumption of fresh dairy products, the Division also strives to build a consensus around the central role of its products as part of a balanced daily diet. Fresh dairy products certainly do provide essential nutritional benefits for the human body, notably proteins, carbohydrates, calcium, phosphorus and vitamins B2 and B12.

The Division relies on a solid portfolio of international and local brands benefiting from having a high profile and good reputation.

The Division's main brands and product lines are as follows:

- so-called core business brands, which include basic fresh dairy products such as plain and fruit yogurts;
- Greek-style yogurt lines such as *Oikos* and *Danio*, which contain twice as much protein as standard yogurt;
- the *Activia* line, which has been marketed for more than 20 years and is now present in more than 70 countries;
- brands aimed at children and pre-adolescents, such as *Danonino*, which have been replicated in more than 50 countries (notably under the *Fruchtswerge*, *Danoninho* and *Petit Gervais* brand names), as well as *Danimals* in the United States, *Serenito* in Argentina or *Tëma* in Russia;
- functional brands such as *Actimel*, *Danacol* or *Densia*;
- indulgent lines such as *Danette*, *Fantasia*, *Danissimo* or *YoCrunch*;
- *Vitalinea*, also marketed under the *Light & Fit*, *Taillefine* or *Ser* brand names, which comprises the low-fat product lines.

Waters

The Waters Division comprises the natural waters business along with aquadrinks (flavored and vitamin-enriched waters – natural fruit juice extracts, fruit juices, vitamins, minerals).

The main international brands include *Evian* and *Volvic* (France, Germany, United Kingdom, Japan), *Bonafont* (Mexico, Brazil), and *Mizone* (China, Indonesia). The Division also has very strong local brands in Indonesia (*Aqua*), Spain (*Fontvella* and *Lanjarón*), Argentina (*Villavicencio* and *Villa del Sur*), and in Poland (*Zywiec Zdroj*).

The Division's strategy is based primarily on the development of bottled water consumption, notably in emerging countries, and in particular through the following actions:

- promotion of hydration-related health benefits: Danone is establishing initiatives to promote the benefits of good hydration on health by communicating directly with consumers as well as through cooperation with public health authorities. Notably, the Group runs the "Hydration for Health" scientific platform: for the past five years, 150 scientists and public health authority representatives from around the world have met annually to share and promote the advances in the area of hydration science and its positive effect on health;
- management and environmental protection of high-quality natural water resources: Danone strives to preserve the unique and sustainable nature of its natural waters products by strengthening the protection of its springs. The Group has therefore created associations comprising all of the socio-economic players involved, which favor the development of non-polluting activities around the catchment areas;
- development of an alternative product line with taste qualities that are superior to other products and categories: in the past five years, many of the Group's water brands have been rolled out as so-called aquadrinks, *i.e.* waters flavored with natural fruit extracts or fruit juice. The goal is to attract a new consumer segment to the waters category by offering a light and natural alternative to sodas and other sugary beverages;
- packaging innovation: in order to reduce its environmental footprint, the Division regularly redesigns its packaging in order to reduce the weight of its bottles on the one hand and use new materials – *e.g.* plant-based or recycled materials – to a greater extent on the other.

Early Life Nutrition

The Early Life Nutrition Division focuses on specialized foods for babies and young children to complement breast-feeding while always complying with the World Health Organization (WHO) Code and local laws.

The infant formula segment accounts for more than 80% of this Division's activity, with a special emphasis on the development of second and third stage follow-up milks (designed for children between the ages of one and three).

Solid foods for babies, also known as "weaning food", account for more than 10% of the activity and are concentrated mainly in European countries such as France, Italy and Poland.

The Division deploys its local brands from international brand platforms, thereby enabling the rapid global dissemination of best practices from each country. For example:

- the "Blue House" platform includes in particular the *Aptamil*, *Nutrilon*, *Almiron* and *Gallia* brands;
- the "Heritage Brands" platform includes mainly the *Bebelac*, *Cow&Gate*, *Blédina* and *Malyutka* brands.

The Division's development strategy is built around a main area of focus: develop products suitable for a child's first years, and revolves around three priorities:

- build the credibility of the early life nutrition brands as an answer to the specific needs of babies and young children by making this product category better known and understood among opinion leaders, healthcare professionals and principal order-givers in the sector;
- associate health and flavor as two indivisible qualities in baby food. The Early Life Nutrition Division is very active in research on taste acquisition in the youngest children and prepares products offering a wide range of flavors, in close collaboration with sensory experts;
- identify local nutritional profiles, notably in the new regions where the Division is growing – Malaysia, Vietnam, Cambodia, Colombia, Chile, Bolivia, Senegal, Kenya, and Cameroon – by studying local needs to bring answers to local public health challenges in accordance with the requirements of health authorities and local associations.

Medical Nutrition

The Medical Nutrition Division focuses mainly on people receiving medical treatment, babies afflicted with certain illnesses and frail elderly people. The Division's products are designed primarily to treat disease-related malnutrition by satisfying special food needs. These products – most of which are eligible for insurance reimbursement – are prescribed by healthcare professionals (doctors, medical personnel in hospitals and clinics, pharmacists).

Under the umbrella brand *Nutricia*, the Group has a large portfolio of brands marketed in several countries, including for example:

- *Nutrison*: tube feeding for dietary treatment of patients who are not capable of feeding themselves normally or who suffer from illness-related malnutrition;
- *Fortimel/Fortisip*: liquid oral nutritional supplements;
- *Neocate*: hypoallergenic products aimed at babies and children with lactose or multiple food protein intolerance or allergy-related troubles;
- *Nutrini/Infatrini*: oral and feeding tube food products adapted for the dietary treatment of infants and children incapable of feeding themselves normally or sufficiently or who suffer from illness-related malnutrition.

Since 2012, the Group has introduced the nutritional product *Souvenaid*, which satisfies special medical needs as part of the dietary handling of early onset Alzheimer's disease, to around ten countries.

The Group's strategy consists of increasing its global coverage by penetrating new countries and developing various distribution channels. The Group estimates that the medical nutrition market's growth potential is significant, mainly as a result of (i) the aging of the population in some countries, (ii) the increased awareness of the role of nutrition in health (notably for preventive purposes), (iii) the emergence of new illnesses and allergies, and (iv) the growing number of screening procedures enabling early treatment of afflicted patients. Moreover, current research to accompany certain illnesses and allergies treatments could contribute to this growth potential.

2.5 OTHER ELEMENTS RELATED TO THE GROUP'S ACTIVITY AND ORGANIZATION

Distribution

Although they vary to reflect local specificities, the Group's distribution models reflect two main approaches:

- distribution aimed at major retail chains;
- distribution to traditional commercial sales points.

Moreover, a significant portion of the Group's products in the early life nutrition and medical nutrition markets are distributed through more specialized distribution channels such as hospitals, clinics and pharmacies.

The Group is constantly streamlining its logistics flows in order to improve service quality while reducing costs. This policy is based on an ongoing assessment of its organization, notably through outsourcing of distribution in collaboration with specialized companies.

Major retail chains

The Group establishes global partnerships with its main distributors in order to help develop the sales of its products. These partnerships are related in particular to logistics collaboration and food safety management. Matters involving pricing policies, which are up to each subsidiary, are not included in these agreements.

In particular, the Group has taken several initiatives to work closely with large retailers in order to optimize the flow of goods and the inventory levels of its customers with the Efficient Consumer Response (ECR) approach. In addition to inventory management, automatic inventory replenishments and just-in-time delivery, ECR aims at working with distributors to better manage consumer demand and expectations at the sales points. To that end, the Group has implemented shared inventory management systems with its leading distributors, that are used to coordinate inventory levels among stores, as well as at the distributors' and Danone's warehouses.

The Group also works with its customers to develop specific marketing activities such as joint promotions.

Traditional market outlets

Globally, and in the emerging countries particularly, a large portion of Danone's sales is generated through traditional market outlets thanks to small-scale sales points networks. An in-house sales force and exclusivity agreements with wholesalers represent a competitive advantage for the Group in countries where traditional commerce and independent supermarkets continue to account for a significant share of food and beverage sales.

Moreover, in Latin America and Asia, a significant portion of the Waters Division's products is directly distributed to consumers (Home & office delivery or "HOD").

Finally, in the emerging countries, Danone is developing new local retail models through large networks of independent sellers.

Specialized distribution channels of hospitals, clinics and pharmacies

In the early life nutrition and medical nutrition markets, a significant portion of products are marketed in hospitals, clinics and pharmacies, through specialized distributors or following a tendering process. Danone also maintains an ongoing relationship with healthcare professionals through its medical representatives, who meet with general practitioners and specialists (pediatricians, nutritionists, etc.) as well as pharmacists.

Marketing

Key success factors underpinning the Group's strategy include its brand reputation and close ties to consumers. The Group therefore strives to develop a strong and interactive relationship with its consumers in each of its markets by adapting to media trends and consumption methods.

This dialogue takes place at several levels:

- at the level of communication, through traditional media (TV, press, billboard), and increasingly online through online advertisement campaigns, interactive sites and e-commerce;
- at the product and packaging level, by differentiating the product experience for the consumer as much as possible;
- at the sales points level, through measures that feature the products.

In the early life nutrition and medical nutrition markets, consumers are informed mainly by healthcare professionals (general practitioners and specialists, medical personnel in hospitals and clinics, pharmacists).

Competition

The Group's competitors in its respective business lines include (i) large multinational food and beverage corporations such as Nestlé, PepsiCo, Coca-Cola, General Mills, (ii) large corporations in the medical nutrition and early life nutrition segments such as Abbott and Mead Johnson, (iii) more local companies specialized in certain product lines or markets such as Fresenius, Lala, Yakult and Biostime, or (iv) retail chains offering generic or private label products.

The packaged food and beverage sector is highly competitive due to the large number of national and international competitors. The Group is confident that its strategy for profitable growth is strongly supported by its products' quality, taste, affordability and innovative aspect, and by the powerful brand image conveyed on health, nutrition or societal and environmental responsibility.

Considering that success in this food and beverage industry is achieved through strong local market positions, the Group strives to be the market leader of each segment in every country where it operates, always in compliance with laws and regulations relating to competition. This strategy allows for a long-lasting, balanced and constructive relationship with major distribution networks, by marketing key products yielding growth and profitability for both parties.

Acquisitions

In the pursuit of its international development strategy, the Group will continue to make acquisitions any time suitable for opportunities to arise, in order to strengthen its various Divisions. To that end, the Group is constantly examining acquisition opportunities. In this context, the Group may notably enter into partnerships or create joint-ventures.

Research and Development

Presentation of the Group's Research and Development

Research and Development plays a central role in the implementation of the Group's growth strategy. The Group believes that food can play an essential role in addressing health challenges.

In order to create and improve its products, the Group focuses its Research and Development strategy on four main innovation areas:

- progress: building bridges between science and food to contribute to people's health, from the youngest to the oldest;
- reliability: committing to nutritional quality of the products and managing natural resources sustainably;
- cultures: rooting food styles and leveraging cultural differences to create a unique consumer experience and address local needs;
- well-being: promoting the Group's products categories to support daily health and well-being for all; Danone therefore promotes nutrition research, educates and trains health professionals on diet-related matters and contributes toward improved dietary practices for the population through educational and informational campaigns.

This process is conducted in compliance with a policy of strict food safety and through the development of innovative production processes that strive to optimize production costs.

Research and Development organization

Through Danone Nutricia Research, the Group's Research and Development function has approximately 1,500 employees, including around 500 in France. The competencies are spread among the following:

- two international research centers:
  - Danone Research Centre Daniel Carasso: based near Paris in Palaiseau, France, focuses on fresh dairy products and waters,
  - Nutricia Research: based in Utrecht, the Netherlands, this center is dedicated to early life nutrition and medical nutrition;
- four specialized centers:
  - Danone Research Packaging in Evian, France,
  - Nutricia Research Singapore, in Singapore,
  - Danone Research Fresh Dairy Technological Expertise, in Madrid, Spain,
  - Dumex Research, in Shanghai, China;
- local teams established in most countries where the Group is present. Their primary mission is to adapt the products (texture, aroma, size, packaging and nutrition) to the local consumer preferences and develop products specific to their market.

Scientific collaborations

To conduct research, the Group's Research and Development teams regularly work in collaboration with outside institutions such as universities and public research centers. For example:

- the Group benefits from the expertise of external scientific committees on strategic topics such as probiotics or water;
- the Group maintains permanent contact with the scientific community to better understand health and nutrition issues. This collaborative scientific approach enables the pooling of investments, resources and skills. This ongoing dialogue with scientists and research support are two of the commitments made by the Group in its Food Nutrition Health Charter. This Charter formalizes Danone's strategy in the nutrition and health area and is consistent with the main orientations set by health authorities in many countries;
- as part of its contribution to nutritional research, the Group created the Danone Institutes (non-profit entities) to help further understanding of the links between food, nutrition and health. As of end-2014, 16 Danone institutes are located worldwide. Their initiatives cover everything from support for scientific research to information and training for health professionals, as well as educational programs for children and the general public.

Group's Research and Development innovation areas

The Group determines its Research and Development areas in accordance with the Company's strategy based on its four innovation areas:

Progress: crossing science and nutrition

This innovation field consists of building bridges between science and nutrition in order to develop food that strengthens each individual's health potential, from the youngest to the elderly.

To that end, the Group has developed scientific expertise in selecting and characterizing lactic acid bacteria as well as understanding the way in which these bacteria (known as probiotics) can benefit human health. Notably:

- the digestive tract is used for digestion but also acts as a barrier made up of various elements (intestinal flora or microbiota, immune effectors, etc.) which, through their close interaction, play a major role in anti-infective defenses, nutritional and metabolic balance, digestive comfort, etc.;
- prebiotics and probiotics can have a beneficial impact on the composition and activities of this intestinal barrier and thereby generate positive health effects.

In recent years Danone has therefore developed substantial knowledge of the various genomic, molecular, cellular, physiological and functional elements that form the basis for this link between the microbiota, the immune system, intestinal walls and their overall contribution to health outcomes.

Therefore in order to develop and improve medical nutrition solutions for children suffering from cow's milk allergy, the Group is currently studying the use of a combination of pre- and probiotic ingredients, which are known as synbiotics, which mechanistically may have a role to play in the induction of immunological tolerance.

The symbiotic balance between the human host and microbiota is initiated at the start of life and its formation is a biological process that has an impact on the immune, metabolic and neurological systems. The Research and Development teams of the Advanced Medical Nutrition and Early Life Nutrition divisions are studying the interaction between the determinant factors of microbiota development in the early stages of life, its influence on health and how it can be modulated through nutrition. Group researchers are also studying how bacteria are involved in cerebral development, behavior and metabolic programming at the start of life. The goal is to optimize bacterial colonization in order to improve health.

In order to develop fermented dairy products that have an impact on the human body's balance and homeostasis, the Group, among other approaches, uses its extensive collection of lactic acid bacteria and selects the top-performing ones depending on the desired physiological and clinical effects.

For all the work carried out in these areas, the Research and Development teams use the latest techniques in genomics, cellular and molecular biology, cytometrics and robotics. They design and set up clinical studies based on international standards and utilize the latest statistical analysis methods. They also collaborate with other internationally recognized, high-level scientific partners such as the *Institut Pasteur* (Pasteur Institute), *Institut National de la Recherche Agronomique* – INRA (the French National Institute for Agricultural Research) in Paris and Harvard Medical School in Boston (United States), Mount Sinai Hospital in New York and University College of London. Furthermore to develop this research area more fully, the Group helps to sponsor conferences with these institutions in order to release the latest findings to the international scientific community.

Lastly, Danone Nutricia Research continues to promote science and research on probiotics, notably by acting as the principal sponsor of the "Probiotics Throughout the Lifespan" symposium hosted by Harvard Medical School's Nutrition Department.

Reliability: Making a commitment to nutritional quality and resource preservation

The Group applies the recommendations of the World Health Organization (WHO). Controlling the nutritional composition of its products is a key component of its nutrition strategy, with a dual objective:

- strive to reach nutritional targets defined by nutrient, product category and consumer group. These targets were reset in 2014 for all three divisions: Fresh Dairy Products, Early Life Nutrition and Waters (aquadrinks).
- develop products that constitute an alternative, with nutritional and taste qualities exceeding those of other products or categories that might be chosen in a given consumption situation.

The Group prepares and implements action plans to steadily improve its products in order to maintain the sensory qualities of the products and ensure continued consumer preference.

This approach is also conducted in accordance with a strict food safety policy.

Cultures: Embrace local dietary practices

Danone puts the consumer at the heart of its development projects. To that end, Danone relies on its Sensory & Behavior Science Department within the Research and Development Department.

Indeed, the Group firmly believes that consumer and its specific needs must be taken into account upstream from product development, including the identification of research areas. The Group's Research and Development Department seeks to understand the human parameters of food consumption and identify consumer expectations in terms of taste, usage, experience in everyday life and targeted benefits.

As mentioned above, understanding local challenges surrounding nutrition and food as well as major challenges pertaining to public health and involving food are also key to the Group's strategy. This enables Danone to develop products that are relevant and more closely adapted to local market conditions. To that end, Danone drafted a "Nutriplanet" map of nutrition and public health challenges in order to identify food deficiencies and excesses in these countries and thereby adapt its product recipes. Today, Nutriplanet have been completed in over 50 countries and is a resource for research published in scientific journals. In 2014, for example, a summary of Nutriplanet and national data on children aged six months to three years in Europe was published in "*Annales de Nutrition et du Métabolisme*." For this population, the study confirmed deficiencies in ALA, DHA, iron, vitamin D, iodine and vegetables on the one hand and excessive intake of proteins, saturated fats and added sugars on the other, thereby leading to greater risk of obesity.

This expertise also leads the Group to study dietary practices and trends, and the role of various food groups in the local cultures through a sociological approach.

In 2014, a study conducted by Blédina in France gave rise to an oral presentation on "Feeding young children: what physical and mental workload, what division of labour and what inequalities are involved in caring for young eaters?"

Similar studies conducted in Ivory Coast and Cameroon made it possible in 2014 to integrate socio-anthropological approaches in the training sessions for healthcare professionals. Meanwhile, scientific presentations at *Rencontres Africaines de Nutrition Infantile* (RANI) made it possible to raise awareness among many pediatricians on the importance of this approach.

Well-being: Promote the Group's product categories

Through its four Divisions, Danone focuses on product categories that revolve primarily around health and well-being:

- fresh dairy products, because consuming one yogurt per day is consistent with the recommendations for a balanced diet, as evidenced by the official food pyramids of many countries;
- water, an essential beverage;
- early life nutrition, because the diet in the first 1,000 days of life is critical for good health;
- medical nutrition, because targeted products work together with medical treatment.

The Group is developing a new research area that involves measuring the impact of its products on consumer diets, an area that, among other factors, includes: the creation of quantitative measurement tools; the definition of diet quality indices; the development of methods to classify consumers based on their dietary practices; the quantified simulation of the impact of a change in a given food on the overall quality of the diet.

As for classification methods, the work carried out in 2014 as part of the Metacardis consortium made it possible to determine that a healthier diet is associated with reduced inflammation markers as well as greater diversity of intestinal flora among overweight and obese people. This research shows the value of studying dietary typologies and paves the way for the study of the interaction between food and various health factors.

In the quantified simulation area, the work performed in 2014 in conjunction with the INRA of Marseille focused in particular on one study that was reported in *Journées Françaises de Nutrition*:

- a study on the eating habits of 1,719 French adults showed that it is possible for people of all income levels to comply with dietary recommendations.

The Group is also developing new expertise in nutrition economics, ultimately in order to measure the economic impact of diet on the cost of public health policies. In August 2014, a working Group that includes Danone was created as part of the International Society for Pharmacoeconomics and Outcomes Research (ISPOR) in order to list emerging best practices in economic assessments.

Plants and equipment

The Group's general policy is to own its production facilities. The Group has many, widely-dispersed production facilities, except in the Early Life Nutrition and Medical Nutrition Divisions, whose sites are more concentrated.

The Group has production facilities around the world in its principal markets. As of December 31, 2014, the Group had 184 production sites (see section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*).

Fresh Dairy Products

In 2014, the production of the Fresh Dairy Products Division represented 6.9 million tons. The two leading plants of the Division were located in Mexico and Brazil and accounted for approximately 12% of the Division's total production. It should be noted that the four plants of Centrale Laitière in Morocco account for 12% of the Division's total production.

Waters

In 2014, the production of the Waters Division represented nearly 25 billion liters. The Division's two largest bottled water facilities, located in France, accounted for approximately 11% of the Group's total bottled water production capacity in 2014, and the two largest production facilities for water in large containers, both located in Indonesia, accounted for close to 12% of the Division's total water in large containers production in 2014.

Early Life Nutrition

In 2014, the production of the Early Life Nutrition Division represented 0.8 billion tons. The Group's largest facility in the Early Life Nutrition Division is located in Ireland and accounted for approximately 17% of the Division's production in 2014.

Medical Nutrition

In 2014, the production of the Medical Nutrition Division represented 0.1 billion liters. The Group's largest facility in the Medical Nutrition Division is located in the Netherlands and accounted for around 86% of the Division's production in 2014.

Lastly, the Group rents some facilities, notably offices and warehouses (see section 3.4 *Balance sheet and financial security review*).

The production sites are inspected regularly to assess possibilities for improving quality, environmental protection, safety, and productivity. On the basis of these reviews, management establishes plans for the expansion, specialization, upgrading, and modernization (or closing) of specific sites.

Raw materials purchasing

The Group's raw materials needs consist mainly of:

- materials needed to produce food and beverage products, mainly milk and fruits (the "food raw materials"). On a value basis, milk represents the main raw material purchased by the Group. These purchases consist mainly of liquid milk, for which the operating subsidiaries typically enter into agreements with local producers or cooperatives. Liquid milk prices are set locally, over contractual periods that vary from one country to another. The main other food raw materials are fruit-based preparations and sugar;
- product packaging materials, in particular plastics and cardboard ("packaging"). Packaging purchases are managed through global and regional purchasing programs making it possible to optimize skills and volume effects. Prices are influenced by supply and demand at the global and regional levels, economic cycles, production capacities and oil prices;
- energy supplies. They account for only a limited portion of the Group's overall purchases.

The price trends of major raw materials may have a significant impact on the volatility of the Group's results. In that context, the Group manages cost inflation of raw materials through the following measures:

- continuous productivity gains: the Group strives in particular to optimize its use of raw materials (reductions in production waste, lighter packaging and more effective use of milk sub-components in the Group's various products) and take advantage of pooled purchasing for its various subsidiaries. In 2013, for example, the Group established centralized purchasing for the Fresh Dairy Products Division other than milk;
- implementation of a purchasing policy ("Market Risk Management") that consists of defining rules for securing the physical supply and price setting with suppliers and/or on financial markets when they exist. The monitoring of exposures and the implementation of this policy are made at the level of each raw materials category by the Group's central purchasing team. The buyers typically negotiate forward purchase agreements with suppliers, since no financial markets exist that would allow full hedging of the volatility of the Group's main raw materials purchase prices. Forward purchase agreements are monitored at the Group level at the end of each year. The information regarding these future purchasing commitments is presented in section 3.4 *Balance sheet and financial security review*. Also, with respect to the Group's two main raw materials categories (milk and dairy ingredients and plastics including PET), a sensitivity analysis of the impact of changes in their prices on the Group's annual purchasing costs (applied simultaneously in all countries where the Group has a production activity) is presented in Note 5.7 of the Notes to the consolidated financial statements.

Moreover, the Group's strategy increasingly relies on the upstream portion of its activities and in particular its supply of raw materials, not only to manage its costs but also to make it a genuine source of value added and differentiation relative to the competition (see section 2.3 *Strategic growth areas*).

Social and environmental responsibility

A direct result of Danone's dual economic and social project, Corporate Social Responsibility (CSR) is deeply anchored in the Group's strategy.

In 1972, Antoine RIBOUD noted that "corporate responsibility does not stop at the factory gate or the office door". This vision led to the dual economic and social project that forms the basis for Danone's development and organizational model.

In 2006, Danone redefined the Group's mission: "bringing health through food to as many people as possible". This mission requires that Danone take concrete steps with regard to the major societal challenges today:

- the challenges related to products and consumers with the market launches of safe and healthy products, efforts to promote a healthy lifestyle and nutritional education;
- environmental challenges, because for Danone, healthy food starts with a healthy natural environment;
- social challenges, notably employment, enhancing employability and professional skills, employee commitment, labor relations and consideration for the local and regional areas where the company operates and for their social cohesion.

To continue to meet these challenges and grow in accordance with its mission, Danone decided to focus on three key strategic areas:

- diet: the goal is to promote changes in dietary practices by raising awareness among target populations and helping people to make healthier choices in their daily lives;
- food and water cycles: the goal is to ensure Danone's ability to sustain its operations by promoting sustainable development and securing access to strategic raw materials in terms of both quantity and quality, and to strengthen its competitive advantage for each of its principal resources: water, plastics and milk;
- a unique management model: by 2020, Danone will have incentivized and enabled its nearly 100,000 employees and their ecosystems to work in concert and seize the growth opportunities of a new and constantly changing world.

These strategic areas are the guiding principles for Danone's relationship with stakeholders in the preparation, production and distribution of its products. See also sections 5.1 *Danone social, societal and environmental approach*, 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law* and 5.3 *Funds sponsored by Danone*.

IT systems

The Group has a policy for developing core model IT (Information Technology) systems, which are then deployed in its subsidiaries in order to optimize and streamline investments in information technology while taking advantage of global synergies and limiting risks. The development and deployment of IT systems are the responsibility of a centralized team within the Group's IT Systems Department. This IT systems policy covers all of the Group's functions and activities, in particular.

Integrated information system

At its subsidiaries, the Group implements an integrated information system, Themis, based on a centrally hosted SAP architecture.

The activities supported by Themis account for 81% of consolidated sales in the Fresh Dairy Products and Waters Divisions (excluding Unimilk group's companies) as of December 31, 2014. The Themis roll-out continued in the Unimilk group's companies in 2014.

The same information system is currently being deployed at subsidiaries of the Medical Nutrition and Early Life Nutrition Divisions (accounting for 42% of these two activities' combined sales as of December 31, 2014).

The security level of the data center, which had heretofore been ensured through a redundant infrastructure at two remote sites, was extended through the establishment of a disaster recovery site.

Research and Development

In this area, the Artemis system (developed by SAP) was developed in order to consolidate all formulations of products and raw materials used. This application makes it possible to take advantage of and share nutritional and food safety information related to products and ingredients used by Danone and to accelerate the design phases for new products. When the Fresh Dairy Products Division centralized its purchasing, the roll-out of this system continued in 2014 with a closer integration of the supply cycle.

The Waters Division continued to pursue the Hydre project for systematic quality measurement of hydrological resources that combines an analysis management application along with a GPS (Global Positioning System) application.

Planning

In 2014, the APO sales forecasting and production planning solution (developed by SAP), which is already used by the Fresh Dairy Products Division, was deployed in 22 subsidiaries and 10 plants in Europe and in the CIS region. This program has been complemented by a data gathering solution tailored to the smallest commercial entities, thereby making it possible to cover almost all of Europe.

Purchasing and Supply chain

The Group has implemented a Supplier Relationship Management solution, which covers the processes for analyzing expenditure, selecting suppliers, managing contracts, and analyzing supplier performance. This system is designed to structure and reinforce the internal procurement processes and supplier relationships.

Most notably, when the Fresh Dairy Products Division centralized its purchasing, it used the SAP system to solidify all of its raw materials and packaging supply processes, including the calculation of raw materials needs. This solution covers all of the projected supply needs for the medium term along with short-term orders for the various production facilities. These needs are then sent to suppliers, either through an internet portal or by electronic data interchange (EDI), and the solution implemented also makes it possible to receive supplier invoices. All of these integrated and automated processes enable the purchasing function to manage the supplier relationship and supply chain cycle in a centralized, accurate and comprehensive manner. The solution has been operational in Italy and Poland since end-2013 and its deployment continued to be rolled out in France, Belgium, Germany and North America in 2014.

Environment

Through a joint effort with IT systems developer SAP, the Group developed an innovative application to measure the carbon footprint of its products. Based on an analysis of each product's life cycle and operational monitoring of these various stages, this application makes it possible to measure the carbon footprint of each product. In 2013, this solution was fully integrated into the SAP application and in 2014 functional upgrades were implemented.

Sales and marketing

As described in section 2.5 *Other elements related to the Group's activity and organization* related to *Marketing*, the Group's brand image and close customer ties are key success factors in its strategy. The Group is pursuing its consumer relations strategy by stepping up its communications at the corporate and product levels, enhancing the brand experience and satisfying consumer expectations through a more relevant promotional policy, notably involving:

- development of the www.danone.com and www.nutrijournal.danone.com web sites, which provide abundant and dynamic information on the Group and its product categories;
- development of systems that satisfy new European regulatory standards on consumer product information;
- a special effort to make promotional offers more relevant, notably in Europe, where the situation is structurally more challenging.

Financial risk management

The Group's policy consists of (i) minimizing and managing the impact that its exposure to financial market risks could have on its results and, to a lesser extent, on its balance sheet, (ii) monitoring such exposure centrally, (iii) whenever the regulatory and monetary frameworks so allow, executing the financial transactions locally or centrally, and (iv) using derivative instruments only for the purpose of economic hedging.

Through its Treasury and Financing Department, which is part of the Group Finance Department, the Group possesses the expertise and tools (trading room, front and back office software) to act on different financial markets following the standards generally implemented by first-tier companies. In addition, the Internal Control and Internal Audit Departments review the organization and procedures applied. Lastly, a monthly financing and treasury report is sent to the Group Finance Department, enabling it to monitor the decisions taken to implement the previously approved management strategies (see section 2.7 *Risk Factors*).

2.6 SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2014

Parent company Danone

Danone SA is the parent company of the Danone Group. The company has mainly a role of (i) holding, directly or indirectly, companies of the Group, and (ii) coordinating the Group's main functions and activities, with an average number of employees of 725 in 2014.

Danone consolidated Group

The Group is organized around its four Divisions, which main subsidiaries are presented hereafter. It presents for each Division, the 20 largest fully consolidated subsidiaries in terms of net sales.

Fresh Dairy Products Division	Waters Division	Early Life Nutrition Division	Medical Nutrition Division
DANONE SOUTHERN AFRICA PTY LTD. (SOUTH AFRICA)	DANONE WATERS DEUTSCHLAND GMBH (GERMANY)	MILUPA GMBH (GERMANY)	NUTRICIA GMBH (GERMANY)
DANONE DJURDJURA (ALGERIA)	AGUAS DANONE DE ARGENTINA SA [a] (ARGENTINA)	NUTRICIA-BAGO SA [a] (ARGENTINA)	NUTRICIA AUSTRALIA PTY LTD. [a] (AUSTRALIA)
DANONE GMBH (GERMANY)	DANONE WATERS BENELUX (BELGIUM)	NUTRICIA AUSTRALIA PTY LTD. [a] (AUSTRALIA)	NV NUTRICIA BELGIE [a] (BELGIUM)
DANONE ARGENTINA SA (ARGENTINA)	DANONE LTDA. (BRAZIL)	SUPPORT PRODUTOS NUTRICIONAIS LTDA. [a] (BRAZIL)	SUPPORT PRODUTOS NUTRICIONAIS LTDA. [a] (BRAZIL)
NV DANONE SA (BELGIUM)	ROBUST FOOD & BEVERAGE CO. LTD. [a] (CHINA)	DUMEX BABY FOOD CO. LTD. (CHINA)	NUTRICIA PHARMACEUTICAL (WUXI) CO. LTD. (CHINA)
DANONE LTDA. (BRAZIL)	SHENZHEN DANONE YILI DRINKS CO. LTD. [a] (CHINA)	NUTRICIA EARLY LIFE NUTRITION (SHANGHAI) CO. LTD. (CHINA)	NUTRICIA TRADING (SHANGHAI) CO. LTD. (CHINA)
DANONE INC. (CANADA)	AQUA D'OR MINERAL WATER (DENMARK)	NUTRICIA MIDDLE EAST DMCC [a][b] (UNITED ARAB EMIRATES)	NUTRICIA AS (DENMARK)
DANONE SA (SPAIN)	AGUAS FONT VELLA Y LANJARON SA (SPAIN)	HAPPY FAMILY HOLDING COMPANY [b] (UNITED STATES)	NUTRICIA MIDDLE EAST DMCC [a][b] (UNITED ARAB EMIRATES)
STONYFIELD FARM INC. (UNITED STATES)	DANONE WATERS OF AMERICA INC. (UNITED STATES)	BLEDINA (FRANCE)	NUTRICIA SRL (SPAIN)
THE DANNON COMPANY INC. [a] (UNITED STATES)	EVIAN RESORT [b] (FRANCE)	DANONE BABY NUTRITION AFRICA & OVERSEAS (FRANCE)	NUTRICIA NORTH AMERICA INC. (UNITED STATES)
DANONE PRODUITS FRAIS FRANCE (FRANCE)	SOCIÉTÉ ANONYME DES EAUX MINÉRALES D'EVIAN (FRANCE)	PT NUTRICIA INDONESIA SEJAHTERA (INDONESIA)	NUTRICIA NUTRITION CLINIQUE S.A.S. (FRANCE)
DANONE SPA (ITALY)	PT TIRTA INVESTAMA [a] (INDONESIA)	PT SARIHUSADA GENERASI MAHARDHIKA (INDONESIA)	NUTRICIA IRELAND LTD. [a] (IRELAND)
DANONE JAPAN (JAPAN)	BONAFONT SA DE CV (MEXICO)	MELLIN SPA (ITALY)	NUTRICIA ITALIA SPA (ITALY)
CENTRALE LAITIÈRE (MOROCCO)	GRUPO CUZCO INTERNATIONAL S DE RL DE CV [a] (MEXICO)	DANONE DUMEX (MALAYSIA) SDN. BHD. (MALAYSIA)	NUTRICIA NORGE AS (NORWAY)
DANONE DE MEXICO (MEXICO)	ZYWIEC ZDROJ SA (POLAND)	NUTRICIA NEDERLAND B.V. [a] (NETHERLANDS)	NUTRICIA NEDERLAND B.V. [a] (NETHERLANDS)
DANONE SP Z.O.O. (POLAND)	DANONE WATERS (UK & IRELAND) LTD. (UNITED KINGDOM)	NUTRICIA POLSKA SP Z.O.O. [a] (POLAND)	SORGENTE B.V. [b] (NETHERLANDS)
DANONE PORTUGAL SA (PORTUGAL)	EVIAN -VOLVIC SUISSE SA (SWITZERLAND)	NUTRICIA LTD [a] (UNITED KINGDOM)	NUTRICIA POLSKA SP Z.O.O. [a] (POLAND)
DANONE LTD. (UNITED KINGDOM)	DANONE HAYAT IÇECEK VE GIDA AS (TURKEY)	OJSC ISTRA - NUTRICIA BABYFOODS [b] (RUSSIA)	NUTRICIA LTD [a] (UNITED KINGDOM)
DANONE INDUSTRIA OOO (RUSSIA)	SIRMAGRUP IÇECEK AS (TURKEY)	DUMEX LTD. [a] (THAILAND)	NUTRICIA NORDICA AB (SWEDEN)
OJSC UNIMILK COMPANY [a] (RUSSIA)	COMPANIA SALUS SA (URUGUAY)	NUMIL GIDA ÜRÜNLERI AS [a] (TURKEY)	NUMIL GIDA ÜRÜNLERI AS [a] (TURKEY)
(a) For this consolidated company, the activity is spread among several legal entities in its country.	(a) For this consolidated company, the activity is spread among several legal entities in its country. (b) Evian Resort operates the Evian casino. In that regard, it is subject to the control of the French Ministry of the Interior and all regulations that apply to gaming activities in casinos.	(a) This company also has a medical nutrition activity presented in the financial statements of the Medical Nutrition Division. (b) For this consolidated company, the activity is spread among several legal entities in its country.	(a) This company also has a medical nutrition activity presented in the financial statements of the Early Life Nutrition Division. (b) For this consolidated company, the activity is spread among several legal entities in its country.

The list of the Group's consolidated companies by country appears in the Appendix of the present Registration Document.

Main fully consolidated but not fully owned companies

	Division	Country	Listing market [a]	Ownership percentage of non-controlling interests as of December 31 2013	2014
Danone CIS [b]	Fresh Dairy Products	CIS zone		49.1%	49.1%
Danone Spain [c]	Fresh Dairy Products	Spain		23.4%	23.4%
Centrale Laitière [d]	Fresh Dairy Products	Morocco	Casablanca	31.3%	9.1%

(a) If the company is listed.
(b) The non-controlling interests in that group's parent company have three representatives on the company's board of directors (out of a total of seven directors).
(c) The non-controlling interests in the company have two representatives on the company's board of directors (out of a total of nine directors).
(d) Acquisition of an additional stake by the Group in 2014. Since that time, the non-controlling interests no longer have a representative on the company's board of directors.

Each of these companies operates the Group's Fresh Dairy Products activities in a given country or group of countries. Most of the non-controlling shareholders of each of these companies hold put options on their interest which are described in section 3.4 *Balance sheet and financial security review* in the section on *Liabilities related to put options granted to non-controlling interest.*

In the case of Centrale Laitière, the non-controlling shareholders that have put options represent 5% of the company's share capital.

These put options constitute the principal commitments and/or agreements between the Group and the non-controlling shareholders of certain fully consolidated companies in which the Group does not own a 100% equity interest.

Main publicly traded companies

As of December 31, 2014, the Group holds interests which are either fully consolidated or accounted for using the equity method in the following listed companies:

- Centrale Laitière (Fresh Dairy Products, Morocco) listed on the Casablanca Stock Exchange. The company is fully consolidated;
- China Mengniu Dairy (Fresh Dairy Products, China) listed on the Hong Kong Stock Exchange. The company is accounted for using the equity method;
- Yakult Honsha (Fresh Dairy Products, Japan) listed on the Tokyo Stock Exchange. The company is accounted for using the equity method.

2.7 RISK FACTORS

TABLE OF CONTENTS

Risk identification and control policy **28**

Operational risks related to the Group's activity **28**

Risks associated with price volatility and raw materials availability 28
Risks associated with the concentration of distribution and the default of a customer 28
Risks associated with competition 29
Risks associated with the geopolitical environment 29
Risks associated with economic conditions in the Group's principal markets 29
Risks associated with restructuring plans 30
Risks associated with the Group's image and reputation 30
Risks associated with weather conditions and seasonal cycles 30

Operational risks specific to the Group's activity and organization **31**

Risks associated with the concentration of purchases of some products and services from a limited number of suppliers 31
Risks associated with the Group's position in certain markets 31
Risks associated with the Group's acquisitions and partnerships 31
Risks associated with an unfavorable change in business activity and business activity forecasts and their impact on impairment testing of intangible assets and investments in associates 32
Risks associated with the Group's products 32
Risks associated with human resources 33
Risks associated with information systems 33
Risks of an internal control failure 33
Risks of failure of insurance coverage 34

Legal and regulatory risks **34**

Risks associated with intellectual property 34
Risks associated with regulations 34
Risks associated with changing tax regulations 35
Risks associated with changes in accounting standards 35

Industrial and environmental risks **35**

Industrial risks 35
Risks associated with environmental regulations 36
Risks associated with consumers' choices, preferences or environmental considerations 36
Other environmental risks 36

Financial risks **37**

Introduction 37
Currency risk 37
Financing and liquidity risk 37
Interest rate risk 38
Counterparty risk and credit risk 38
Securities-related risk 38

Insurance and risk coverage **38**

Risk identification and control policy

Danone maintains an active risk identification and management policy aimed at protecting and developing its assets and reputation and protecting the interests of its shareholders, employees, consumers, customers, suppliers, the environment and its other stakeholders.

This risk identification and management policy is described in the Chairman's report on internal control and risk management in section 6.4 *Internal control and risk management*. It is designed to provide reasonable assurance – and not an absolute guarantee – that the following main objectives will be achieved:

- reliability of financial information;
- compliance with applicable laws, rules and internal policies;
- effectiveness and efficiency of internal processes, including those related to the protection of net assets.

The principal risk factors to which the Group believes it is exposed as of the date of this Registration Document are described hereafter.

Other risks that could adversely affect the Group may exist, even though the Group was unaware of them or considered them immaterial as of the date of this Registration Document.

Operational risks related to the Group's activity

Risks associated with price volatility and raw materials availability

Risk identification

The Group's principal raw material needs consist primarily of:

- materials needed to produce Danone's food and beverage products, primarily milk and fruits ("food raw materials");
- materials needed for packaging its products, primarily plastics and cardboard ("packaging");
- energy supplies. They account for only a limited portion of the Group's purchases.

Variations in supply and demand at global or regional levels, weather conditions, government controls, regulatory changes and geopolitical events could substantially impact the price and availability of (i) raw materials, and (ii) materials needed to package certain Group products, which could have an adverse effect on its results. In particular, a potential increase in the prices of these raw materials (especially milk) and other materials may not be passed on, either in full or in part, in the sales price of the Group's products, notably in countries whose economic environment has deteriorated, which could have a significant adverse effect on the Group's activities and results.

Risk monitoring and management

In the context of high raw materials price volatility and to limit its impact on the Group's activity and results to the greatest extent possible, the Group manages this cost inflation through actions described in section 2.5 *Other elements related to the Group's activity and organization*.

The Group's principal raw materials risk exposure, in particular milk and a sensitivity analysis are described in Note 5.7 of the Notes to the consolidated financial statements.

Risks associated with the concentration of distribution and the default of a customer

Risk identification

While the end customers of Danone products are individual consumers, the Group sells its products mainly to major retail and grocery chains. Overall, the distribution market has become increasingly concentrated globally and locally. A continuation of the trend to concentrate distribution at the global level along with the emergence of key players at the local level would result in a smaller number of customers for the Group companies and could lead to retailers demanding better terms. This could affect the operating margin of these companies and therefore of the Group, change their market shares and/or represent a counterparty risk in the event of a default by a major customer, and consequently have a significant adverse effect on the Group's activities and results.

In addition, certain subsidiaries of the Early Life Nutrition and Medical Nutrition Divisions also have commercial relations with public and quasi-public organizations, health insurance and supplementary health insurance companies, as well as hospitals, whose default risk is relatively limited but which have long payment terms. It is possible that some of these organizations would collaborate and issue joint tenders, which could have a significant negative impact on the results of the respective Divisions.

Risk monitoring and management

Danone's international development results in a geographical distribution that helps to diversify and limit the concentration of this risk for a given customer. The relative share of Group sales generated with its leading international customers in 2014 is described in Note 5.4 of the Notes to the consolidated financial statements.

The Group has also taken measures that help to reduce this risk, in particular action programs with respect to the sales and marketing policies involving large, key accounts (see section 2.5 *Other elements related to the Group's activity and organization*) and Credit Committees or their equivalent established in certain subsidiaries.

In 2014, the Group's exposure to unpaid trade receivables not yet impaired was limited (see Note 5.4 of the Notes to the consolidated financial statements).

Risks associated with competition

Risk identification

The Group conducts its business in highly competitive markets that include large multinational companies and numerous local players of different sizes:

- in Western Europe and North America, the Group's markets tend to be relatively mature, and competition is therefore particularly intense, both in terms of pricing and innovations;
- with respect to the Group's activities in the rest of the world, a few international food and beverage groups also hold strong positions in some emerging markets and seek to expand such positions or enter new markets.

In addition, certain retail and grocery chains, having developed their own brands, could reduce the shelf space occupied by the Group's products in favor of their own products.

The Group is thus facing national and international competitors, which are described in section 2.5 *Other elements related to the Group's activity and organization related to Competition*. This competition could lead the Group to reduce its prices in order to defend its market shares, which could have a significant adverse effect on its results.

Risk monitoring and management

The Group's strategy and its implementation help to limit the effects on the Group of competition from the leading players in its markets, notably through its strategy of (i) differentiation relative to its competitors, especially in terms of product lines, price/quality ratios and positioning, and (ii) development through organic growth and acquisitions. These elements of the Group's strategy are described in sections 2.3 *Strategic growth areas* and 2.5 *Other elements related to the Group's activity and organization*.

Risks associated with the geopolitical environment

Risk identification

Danone's activities and employees can be subject directly or indirectly to the effects of a period of economic, political, social or military instability in countries susceptible to experiencing or having recently experienced such a period, in particular in Africa, Argentina, and CIS countries.

Also, some countries where the Group is present have regulations that are not very developed and/or not very protective (in particular with respect to intellectual property rights), and are often unstable due to the influence of powerful local interests. Some of these countries maintain foreign exchange controls and/or control the repatriation of profits and invested capital, impose taxes and other payments and impose restrictions, sometimes retroactively, on the activities of multinational groups. In some countries, national and/or local authorities may also have recourse to laws and regulations, or to any other measure having a similar effect, notably to foreign interests, that restrict the ownership rights and/or access to liquidity and assets availability and/or the freedom to exercise its activity and/or equivalent to confiscation, nationalization or expropriation of assets.

Lastly, the Group conducts business in certain countries, notably Iran, which may be targeted by economic and financial sanctions imposed in particular by U.S. or European regulations; such sanctions prohibit notably transactions with certain financial institutions and require prior authorization with the proper authorities before executing any fund transfers. If the Company and/or its subsidiaries do not comply with these regulations, the Group could be the subject of criminal penalties and/or significant financial penalties. Any period of political, regulatory or economic instability in a country in which the Group operates or any economic or political measure such as the ones described above that may be implemented in some countries could have a negative impact on the Group's activities, results and reputation.

Risk monitoring and management

Danone's international growth results in a geographical distribution that diversifies and limits the concentration of this risk for a given country. In addition, the Group prepares action plans and implements measures aimed at reducing the potential impacts of this risk in the areas of human resources, finance and legal affairs.

Depending on the situation, the Group's Security Department may participate in the development and implementation of these plans and measures. In certain regions, it creates or consolidates relationships with State or private partners, which may be called upon if necessary. The Security Department also gets involved in situations where the safety of the State and/or international crises may affect the activities of the Group's subsidiaries.

However, there can be no assurance that the results of the Group will not be significantly affected by a deterioration of economic, political or regulatory conditions or by a crisis in some of the countries where the Group is present.

Risks associated with economic conditions in the Group's principal markets

Risk identification

The Group's activity and in particular its sales, trading operating income and cash-flows depend on the economic conditions in its principal markets.

In periods of slowing economic growth and/or deficit and public debt reductions that may occur in some countries, the Group may have to contend with the following phenomena:

- contraction in purchases by consumers, whose purchasing power has diminished, and/or change in consumption patterns as a result of economic conditions;
- increase of existing taxes or establishment of new taxes on consumers and/or companies, especially in heavily-indebted countries;
- specifically in the case of the Medical Nutrition Division, a reduction in the insurance reimbursement of medical products and/or pressure on prices and contraction in healthcare expenditures.

These changes could have a negative impact on the Group's activities.

Also, as described in section 2.3 *Strategic growth areas*, in order to ensure its long-term expansion, the Group's growth strategy is based primarily on a limited number of countries in which Danone has strong positions in rapidly growing markets. If the Group's activity in one or more of these countries were subjected to adverse trend, it could have negative effects on the Group's growth.

Finally, given their economic and/or monetary situation, certain countries as Argentina experience very high and potentially volatile inflation, which may affect the Group's activities and results.

Risk monitoring and management

Danone's international growth results in a geographical distribution that diversifies and, to a lesser extent, limits the concentration of risk to economic conditions for a given country. The Group also relies on (i) its reporting system to monitor its activity and the potential impact of economic conditions in countries where it is present, and (ii) its organization to take the necessary measures (adaptation of the Group's activity, its organization and, if necessary, restructuring plans). In particular, with respect to the Group's activities in Europe and in light of the significant deterioration in the consumer environment, in 2012 Danone set goals to achieve cost savings and adapt its organizations in order to regain competitiveness (see section hereafter on *Risks associated with restructuring plans*).

Risks associated with restructuring plans

Risk identification

Danone works continuously to improve its efficiency in order to achieve better performance and anticipate adjustments needed to respond to changes in the market, projects, competition, and with respect to its internal organization, jobs and skills. This commitment to blending both short and medium-term visions may, in some cases, result in difficult decisions regarding jobs (plant closings, restructuring plans with layoffs, etc.).

These decisions may be poorly understood and received by both employees and local constituencies (local elected officials, governmental authorities, etc.) and could affect the Group's relations with its employees, resulting in social disputes including, in particular, stoppages, strikes and other disruptions and, consequently, could have, in addition to the financial impacts, adverse effects on the Group's reputation, activities and results.

Moreover, the Group cannot guarantee that it will successfully implement these decisions, and specifically it may not achieve all of the cost reductions or expected changes and/or it may complete them later than planned, which could have a negative impact on its activities and results. Such is particularly the case of the savings and adaptation plan for the Group's organizations in Europe, which was approved by the Group in 2012 and, which implementation started in 2013 and continued in 2014.

Risk monitoring and management

In order to limit the various risks associated with such decisions (labor disputes, increase in local unemployment, risk on reputation), Danone's policy consists of (i) preparing a restructuring decision as far in advance as possible, when the Group still has the time and resources to prevent and responsibly manage the social and human impacts of such restructurings, and (ii) limiting their potential impact. This policy is implemented through its organization of actions and policies, in particular:

- ensuring ongoing employee dialogue within the company;
- developing the employability of all employees;
- signing collective conventions with International Union of Food workers (IUF) that focus in particular on steps to be implemented when changes in the company's activity affect jobs as well as their implementation, with an emphasis on a return to employment and support for employees.

These elements and additional information are presented in sections 5.1 *Danone social, societal and environmental approach* and 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law*.

Risks associated with the Group's image and reputation

Risk identification

The Group is exposed to criticisms of all types and origin, whether well-founded or not and whether in good or bad faith, that could affect its image and reputation. The Group may therefore face negative publicity that could result from a risk situation, or even a simple allegation, concerning its activities and/or products.

Such events could adversely affect the Group's sales, activities, results, image and growth prospects.

Risk monitoring and management

In order to limit the risk of criticism, Danone has developed governance rules and best practices – which are communicated to the subsidiaries – notably with respect to (i) business conduct, (ii) societal responsibility applied to suppliers, (iii) relations with local communities, and (iv) ethics. In order to ensure that these rules and best practices are communicated and followed within the Group, the Group has integrated the subsidiaries' assessments with respect to these rules and best practices into its Danone Way approach. Further information is available in sections 5.1 *Danone social, societal and environmental approach*, 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*, and 6.4 *Internal control and risk management.*

The Group has also established procedures to manage (i) risks so as to avoid and anticipate potential crises, and (ii) crises in order to prevent the spread and scope of such criticisms and to limit their impacts as much as possible.

Risks associated with weather conditions and seasonal cycles

Risk identification

In some cases and for certain Group products, sales may be tied to weather conditions and seasonal cycles. In particular, beverage consumption typically peaks during the summer months, such that relatively cool summer temperatures may result in substantially reduced sales of beverages, especially bottled water, in the corresponding area compared to a normal year. Seasonal consumption cycles pertaining to certain Group products and weather variations could adversely affect the Group's activities and results.

Weather conditions can also have an impact on the prices and supply of certain raw materials, and as a result on the Group. This risk is described in the section above *Risks associated with price volatility and raw materials availability.*

Risk monitoring and management

The intensity of the seasonal impact varies depending on the Group's business lines. Moreover, Danone's international growth results in a geographical distribution of its activities that helps to diversify and limit the concentration of this risk of weather changes for a given region. Lastly, the Group relies on its operating experience (notably through the development of its product lines and management of its markets) to limit the impact of weather conditions as much as possible.

Operational risks specific to the Group's activity and organization

Risks associated with the concentration of purchases of some products and services from a limited number of suppliers

Risk identification

In connection with its policy of optimizing its purchasing, the Group may move to centralize the purchases of (i) certain goods in particular raw materials (for example the ferments used in the Fresh Dairy Products Division or powdered milk for the Early Life Nutrition Division in some Asian countries), and (ii) certain services (in particular sub-contracted services or information technology services) from a restricted number of suppliers.

If some of these suppliers were not able to provide the Group with the quantities and qualities of products or goods specified that the Group needs under the conditions set forth, or if the suppliers are not able to provide services in the required time period, the Group's activities and results could be materially adversely affected.

Risk monitoring and management

In order to limit this risk, the Group selects and then monitors and supervises its key suppliers. It also prepares and implements procedures designed to secure its supplies and services as well as business continuity plans designating alternative suppliers.

Risks associated with the Group's position in certain markets

Risk identification

The Group is market leader in some of its markets. As a consequence, the Group may be accused by third parties of abusing a dominant position in these markets and/or of engaging in anti-competitive practices. Such allegations could affect the reputation of the Group, and possibly result in investigations by competition authorities in countries where the Group is present, legal proceedings or even potential penalties. This could have an adverse effect on the Group's activities and results.

Risk monitoring and management

The Group has developed, within its legal function, an international network of competition law specialists who monitor this risk.

The Group pays also close attention to this matter and seeks to limit the corresponding risk, mainly by communicating and promoting the Business Conduct Principles and Code of Conduct dedicated to the sales functions, and the Group has integrated these rules and best practices into its Danone Way approach in order to ensure that they are communicated and followed. Further information is available in sections 5.1 *Danone social, societal and environmental approach*, 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*, and 6.4 *Internal control and risk management.*

Risks associated with the Group's acquisitions and partnerships

Acquisitions

Risk identification

The Group's strategy consists of holding leading positions in each of the markets in which it operates. Given the context of continued concentration in the food and beverage industry, this strategy involves the pursuit of growth opportunities through joint-ventures or acquisitions, as was the case in 2010 with the Unimilk transaction in Russia and in other countries with YoCream (Fresh Dairy Products, United States) , Wockhardt (Early Life Nutrition and Medical Nutrition, India), Centrale Laitière (Fresh Dairy Products, Morocco), etc.

Given notably the competitive landscape, the Group may not be able to achieve the transactions that it contemplates for its development or external growth, which could have an adverse effect on its activities, results and reputation.

In addition, acquisitions may have an adverse effect on the Group's results and activities if it does not successfully integrate the acquired companies, provide the necessary resources and/or achieve all of the expected synergies and cost savings, acquisitions may have a negative impact on its activities and results.

Finally, during the integration phase, acquisitions may generate risks associated with the entities and practices pre-dating the acquisitions, which, in the case of major acquisitions, could adversely affect the Group's activities, results and reputation.

Risk monitoring and management

The Group draws up an integration program and provides the resources necessary for its implementation.

In the case of the acquisition of the Unimilk group's companies, which now go by the names of Danone Russia, Danone Ukraine, Danone Belarus and Danone Kazakhstan, they had been part of an integration plan, and have been integrated into the Group's internal control system.

Partnerships

Risk identification

The relationships with partners of the Group in certain entities are governed by contracts or documents that may provide for certain decisions to be made either with the agreement of such partners or without the agreement of the Group. Such restrictions could make it difficult for the Group to carry out its strategy in these entities, which could have an adverse effect on the Group's activities. More generally, problems of any kind encountered with joint-venture partners could adversely affect the Group's activities and results. In addition, certain agreements signed with partners may provide the Group or its partners with call or put options on their stake.

Risk monitoring and management

Danone carefully reviews the drafting of shareholders' agreements and ensures the implementation and maintenance of adequate governance with its partners.

Risks associated with an unfavorable change in business activity and business activity forecasts and their impact on impairment testing of intangible assets and investments in associates

Risk identification

As part of the acquisition price allocation for acquisitions involving groups or companies that are fully consolidated or consolidated using the equity method, a significant amount of the acquisition price could be allocated to goodwill and to acquired brands with an indefinite useful life. Specifically, a significant portion of the acquisition price in connection with the Numico acquisition in 2007 (Early Life Nutrition and Medical Nutrition) was allocated to goodwill and acquired brands with an indefinite useful life, and the same was true, albeit to a lesser extent, in connection with the acquisitions of (i) the Unimilk group companies in 2010 (Fresh Dairy Products, mainly Russia and Ukraine), and (ii) Centrale Laitière in 2013 (Fresh Dairy Products, Morocco).

Acquired goodwill and indefinite useful life brands are not amortized. As with investments in associates, they are subject to an impairment test at least once a year and whenever events or circumstances indicate that a reduction in value may have occurred.

An unfavorable change in business activity, business activity forecasts and assumptions used in the projection of cash-flows for the purpose of the impairment tests, in particular with respect to the goodwill and brands of the Early Life Nutrition and Medical Nutrition Divisions arising from the Numico acquisition, could result in the recognition of impairment charges, which could then have significant adverse effects on the Group's results. As for investments in associates whose shares are listed, a significant or prolonged decrease in their stock price could also result in impairment charges that could adversely affect the Group's results.

Risk monitoring and management

The Group draws up assumptions and business activity forecasts. Each year, it prepares a strategic plan and an annual budget for each subsidiary, analyzes them and, when deemed necessary, draws up suitable action plans.

The principal intangible assets and monitoring of their value are described in Note 9 of the Notes to the consolidated financial statements.

The principal investments in associates and the monitoring of their value are described in Note 4 of the Notes to the consolidated financial statements.

Risks associated with the Group's products

Danone's activity exposes the Group to the risk – known or merely perceived, anticipated or alleged – of product contamination or that its products are harmful, which, in addition to the immediate financial impact, could also have an adverse impact on the Group's reputation, brands, activities and profitability.

Contamination risk

Risk identification

The actual or alleged existence of (i) chemical and microbiological contaminants in raw materials and packaging, (ii) cross-contamination with allergens, and (iii) non-compliance with the safety measures of finished products when they leave the factory and throughout the distribution chain could have a significant adverse impact on the Group's reputation, brands and sales.

Clearly, if certain Group products were actually or allegedly contaminated due to the non-detection of contaminants (even in trace amounts), product deterioration during the distribution phase or any other event, the Group's activities, sales, brands, results and reputation could be adversely affected.

These risks of actual or alleged contamination could also occur (i) upstream from the Group's activity (with the suppliers or during the transportation phase by suppliers), and (ii) downstream from its activity (with its customers and distributors or during the transportation phase by its distributors).

Risk monitoring and management

Danone's priority is to avoid any contamination risk. To that end, the Group applies an uncompromising food quality and security policy, which is implemented through a quality organization at both the central and local levels and makes it possible to achieve the targeted level of food quality and security. The Group has established measures to limit contamination risk, in particular through the implementation of multiple controls of the production lines and throughout the distribution chain as well as regular audits of its plants:

- the risk of contamination is classified into four categories (microbiological, chemical, physical and allergic) and depends on the nature of the products;
- it is controlled at each stage of the production and marketing cycle: at the time of purchase and delivery of raw materials, the production process, the packaging of products, the storage and delivery of finished products to distributors and food retailers, the storage and shelving of finished products at the final sales points.

Danone has also prepared and implemented a procedure at each subsidiary that organizes (i) measures for halting production and withdrawing or even recalling products in certain cases, together with the relevant institutions, and (ii) systematic, in-depth controls and inquiries to determine whether the Group has liability exposure.

Other health risks

Risk identification

In the event that certain of the Group's products (including recipes/formulas or certain active ingredients) were alleged to have harmful short or long-term health effects or to have no health effects, or if that were actually the case, the Group's activities, results and reputation could be adversely affected to an even greater extent since the Group's strategy is based on the development of products with a strong nutrition/health component.

In addition, the food industry must deal with the growth in obesity and consumers, the medical professionals and governmental organizations are increasingly concerned about the resulting public health consequences. Although the Group has a large portfolio of product lines enabling it to offer a wide variety of products meeting the various needs and changing tastes of consumers, local governments could take actions against the food industry, such as imposing surtaxes or more stringent regulation on the advertising of certain products. Such actions could adversely affect not only the Group's results but also its reputation.

Risk monitoring and management

The health of its consumers lies at the core of Danone's history and mission of "bringing health through food to as many people as possible" and Danone's strategy in the nutrition and health area is consistent with the guiding principles set by health authorities in the respective countries and is formalized in the Group's Food Nutrition Health Charter. In implementing this strategy, the Group pays close attention to scientific fundamentals, the regulatory environment and the origin of ingredients used through organizations, actions and procedures that it implements, such as:

- the Group's Research and Development strategy and organization, which are described in section 2.5 *Other elements related to the Group's activity and organization*;
- the development of partnerships with internationally renowned scientific organizations and an ongoing dialogue with public health authorities and consumer associations;
- the establishment of an internal procedure to ensure the consistency, credibility and scientific foundation of health and nutrition claims that are disseminated in its communications (see section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law* relating to *Fair trade practices*).

The Group also pays close attention to risks "perceived" by consumers such as obesity. To monitor this risk, the Group has developed a network of key contacts (including, in particular, consumer associations) in order to discuss common topics of concern in both a formal and informal manner and to offer clarifications.

Further information is presented in sections 2.3 *Strategic growth areas*, 2.5 *Other elements related to the Group's activity and organization* and 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law.*

Risks associated with innovation and consumer taste

Risk identification

The Group's activities are subject to trends in the tastes and preferences of consumers. If the Group cannot predict, identify, and interpret trends in the tastes and dietary habits of consumers, its sales and results could be adversely affected.

Risk monitoring and management

The Group has developed a broad portfolio of product lines that allows it to offer a wide variety of products to respond to different consumption needs and situations. Also, as described in section 2.5 *Other elements related to the Group's activity and organization* related to *Marketing*, the Group strives to foster ongoing dialogue with its consumers by adapting to new forms of communications and consumer patterns.

Risks associated with human resources

Risk identification

The availability, quality and commitment of Danone's employees play an essential role in the Group's success. If the Group's ability to attract and retain employees with the necessary skills or talents – notably in the emerging countries and/or the Group's principal markets – were to diminish or be insufficient – especially in an environment marked by efforts to control wage and salary costs and/or in light of the impact of the economic crisis on the Group's various annual and multi-year variable compensation plans – then Danone's ability to achieve its objectives could be adversely affected, which could also negatively affect its results.

Risk monitoring and management

As described in section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law* related to *Compensation and promotion*, Danone offers competitive and fair compensation, and to that end has developed appraisal systems and procedures that are also described in this section.

Danone has also developed a social, societal and environmental responsibility approach that it rolls out in its subsidiaries, including in emerging countries. Danone believes that its approach and the actions implemented contribute to the Group's appeal. This approach and the related actions are described in sections 5.1 *Danone social, societal and environmental approach* and 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law.*

Risks associated with information systems

Risk identification

The Group is increasingly dependent upon common infrastructures and information technology applications for all its business activities. The main risks are related to the availability of information technology services and the confidentiality and integrity of data. Any failure of these infrastructures, applications or communication networks, any interruption linked to the failure of security of data centers or networks as well as any accidental or intentional loss of data and any use of data by third parties, could block or slow down production or sales, delay or taint certain decisions and, more generally, have an adverse effect on the Group's activities and results.

In addition, most of the former Numico subsidiaries, as well as the recently acquired Unimilk group's companies, rely on different information systems, specific to certain subsidiaries, which may increase the complexity of the monitoring and management of these risks by the Group.

Risk monitoring and management

The Group's policy is to consolidate data centers. In particular, the Group's central applications are hosted in a highly-secure data center managed by IBM.

In addition, Danone is developing and implementing specific information systems (Themis, Artemis, etc.) in its subsidiaries to optimize and streamline information technology investment while promoting global synergies and reducing risks. The former Numico and Unimilk subsidiaries are gradually benefitting from the implementation of Themis, Danone's integrated information system. Additional information is provided in section 2.5 *Other elements related to the Group's activity and organization.*

Risks of an internal control failure

Risk identification

The risk of an internal control failure is mainly associated with (i) reliability of financial information, (ii) compliance with the applicable laws, regulations and internal policies, and (iii) efficiency and effectiveness of internal processes, including those related to the protection of the Group's assets.

If the Group's internal control systems were to experience failures or prove to be inadequate, particularly in the area of fraud, the quality of its financial information, the ability of its executives to take the correct decisions and, more generally, its results, could be adversely affected.

Risk monitoring and management

The Group has implemented an internal control system, which is described in section 6.4 *Internal control and risk management.* Regardless of how adequate it may be, this system can only provide reasonable assurance and not an absolute guarantee with respect to the achievement of the company's objectives, given the limitations inherent in any control process. While the Group cannot fully exclude the risk of an internal control failure, the performance level and widespread deployment of its five internal control components (Control environment, Risk identification and assessment, Control activities, Information and communication, and Continuous monitoring) reduce the Group's exposure to this risk (see section 6.4 *Internal control and risk management*).

Similarly, the Group cannot exclude all risks associated with fraud or corruption. However, the risk profile of its activities and the existence of a widely disseminated anti-fraud program that covers all aspects for reducing the risk of fraud or the potential impact of any fraud (awareness, prevention, detection, investigation, penalty, reporting and continuous improvements to the internal control system) (see section 6.4 *Internal control and risk management*) limit the Group's exposure to this risk.

Risks of failure of insurance coverage

Risk identification

The Group's insurance coverage could be insufficient and/or the Group could be unable to renew its insurance programs on acceptable terms, which could have an adverse effect on its financial situation and results.

Risk monitoring and management

See section *Insurance and risk coverage* hereafter.

Legal and regulatory risks

Risks associated with intellectual property

Risk identification

The Group owns rights to brand names, registered designs and patterns, copyrights and domain names throughout the world.

The territorial extent of the protection depends on the significance of the products and activities concerned. The protection is global for products intended for the international arena, and local or regional for other products.

The Group also owns patents, licenses, proprietary recipes and substantial expertise related to its products and packaging, as well as to their manufacturing processes. Finally, the Group has established licensing agreements with its subsidiaries and partners that use these intellectual property rights. Intellectual property represents a significant portion of the Group's assets.

Danone cannot be certain that third parties will not attempt to infringe on its intellectual property rights. Moreover, the Group's potential recourse to intellectual property rights protection varies by country. The degree of protection may be different, as may be the Group's implementation of a defense strategy. If the Group was unable to protect its intellectual property rights against such infringement or misuse, its results and growth could be negatively affected, as could its reputation.

In addition, certain employees have access to confidential documents in the course of their work. The loss or dissemination of sensitive and/or confidential information could harm the Group's interests and reputation, and have an adverse effect on its results.

Risk monitoring and management

In order to monitor its assets and ensure the protection, management and defense of these rights in a coherent and optimal manner, the Group has drawn up an "Intellectual Property" charter. The Group regularly contacts each of its subsidiaries in order to update its intellectual property rights portfolio and thereby protect and defend, to the best of its ability, the brand names, graphic design, forms, packaging, advertisements, websites, etc. that are used by the Group. The Group also takes all appropriate legal measures, notably through actions for infringement and/or unfair competition, to protect and defend its intellectual property rights at both international and local level.

The Group is continuing its efforts to develop awareness among staff with access to and/or in possession of sensitive and/or confidential information and provides updates to employees on best practices with a view to limiting this risk, notably as regards the use of information systems and social networks.

Risks associated with regulations

Risk identification

As a player in the food and beverage industry present in numerous countries, the Group's activities are subject to extensive laws and regulations enacted by many national and international authorities and organizations, notably with respect to corporate governance, tax and customs duties, commercial laws and regulations, competition authorities, labor law, hygiene and food safety, quality control and the use of water sources. The Group's activities are also subject to good conduct rules such as those of the World Health Organization (WHO) regarding the marketing of breast-milk substitutes and the corresponding rules at the various local regulatory levels. The Group may also be subject to customs duties, trade barriers or penalties that may be imposed.

More particularly, the Group's activities are subject to numerous laws and regulations that are always changing and becoming increasingly restrictive, relating, in particular, to the protection of health and food safety, consumer protection, nutrition and claims about the health benefits of products marketed by the Group, along with environmental claims, the reimbursement of certain products of the medical nutrition and the Group's advertising and promotional activities.

Any change in these laws or regulations, any decision by an authority regarding these laws or regulations or any other event that would challenge the nutritional or health claims related to certain products could have a significant impact on the Group's activities, increase its costs, reduce consumer demand and possibly result in litigation.

Moreover, by strengthening its presence in many emerging countries, subsidiaries and the Group's teams are increasingly involved in zones/countries that may be exposed, to varying extents, to issues of fraud, corruption and compliance with relating national and international laws and regulations, which could have a significant impact on the Group's activities, reputation and results.

Finally, the Group is involved, or could be involved, in litigation associated with its normal course of business. This litigation may result in criminal and/or civil consequences (including financial consequences) on the Group. Should the result of such litigation be unfavorable for the Group, this could adversely affect the Group's financial situation and its image or reputation. The Group's exposure to actual or potential major litigation and major litigation, where applicable, are presented in Note 14.2 of the Notes to the consolidated financial statements.

Risk monitoring and management

Danone's international development results in a geographical distribution of its activities that helps to diversify and limit the concentration of the risk of more restrictive regulations for a given country.

Furthermore, the Group has developed a legal organization at the local (subsidiaries) and central levels. The subsidiaries and the Group, assisted by their legal departments and/or external legal advisors, take steps to ensure that they comply, at all times, with applicable laws and regulations. In addition, the Group developed and implemented internal policies and procedures relating to compliance detailed in section 6.4 *Internal control and risk management.* In order to ensure that such measures are commonly practiced within the Group, Danone has integrated compliance into its quality approach and internal control system.

To the best of the Group's knowledge and as of the date of this Registration Document, no governmental, court, arbitration or any other proceeding to which the Group is a party is currently ongoing which would be likely to have a material impact on the Group's financial position or profitability other than those mentioned in Note 14.2 of the Notes to the consolidated financial statements.

Risks associated with changing tax regulations

Risk identification

The Group is subject to corporate income tax as well as various other expenses, taxes and duties related to its activity, the repatriation of dividends, social security contributions, etc.

Any change in tax regulations through increases in existing taxes or the establishment of new taxes involving in particular tax rates, transfer prices, dividends, social security contributions, special tax plans or tax exemption rules could adversely affect the Group's results.

As described in the above section related to *Risks associated with economic conditions in the Group's principal markets*, efforts from some countries to reduce their indebtedness could lead to increases in existing taxes or the creation of new taxes, which could adversely affect the Group's results.

Risk monitoring and management

Danone's international development results in a geographical distribution of its activities that helps to diversify and limit the concentration of the risk of increased taxes for a given country.

Risks associated with changes in accounting standards

Risk identification

The consolidated financial statements of Danone and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The standards and interpretations applied to prepare these consolidated financial statements are also consistent with IFRS as determined by the International Accounting Standards Board (IASB).

Standards, amendments and interpretations that may be prepared and/or become applicable could have an adverse impact on the Group's consolidated financial statements.

Risk monitoring and management

See section 4.1 *Consolidated financial statements and Notes to the consolidated financial statements* related to *Changes in accounting principles and Current IASB and IFRIC projects.*

Industrial and environmental risks

Industrial risks

Natural risks (floods, earthquakes, hurricanes, tornadoes, etc.)

Risk identification

The Group's geographic expansion sometimes leads it to be present in regions exposed to natural risks, notably seismic. Natural disasters could therefore (i) cause damage to persons, property or the environment, and (ii) directly affect the Group or its consumers or the regions where it is present and potentially have a negative impact on the Group's activities, financial situation and image.

Risk monitoring and management

For its new site development projects, the Group conducts a risk exposure analysis for such risks in order to choose the site with the least possible exposure. If, however, the site chosen (or the existing site in the case of an expansion) is exposed to these risks, the building construction and equipment installation take into account recommendations from prevention/protection experts to limit the potential impacts of these natural risks.

Moreover, its plants (buildings and equipment) are designed by taking into account measures recommended by prevention/protection experts and that often go beyond the applicable national safety standards, which helps to limit the exposure of these sites to natural risks.

The Group's insurance policy also helps to reduce the potential financial impact from a natural disaster (see section hereafter).

Other risks

Risk identification

Like any industrial activity, the Group's sites are exposed to various risks: fire, explosion, equipment failure, security systems failure or human error in equipment operation or works management. Such events could cause damage to persons, property or the environment and possibly have a negative impact on the Group's activities, financial situation and image.

Risk monitoring and management
In order to reduce, if not eliminate, these risks and their potential impact, the Group has decided to elevate personal safety and industrial plant and environmental protection to core values of its policy. These values are "measured" through various programs with ambitious targets and action plans monitored by Group departments, notably the Divisions' industrial departments.

Risks associated with environmental regulations

Risk identification

In the course of its activities, the Group is subject to numerous environmental regulations (mainly regarding water, air, the use of natural resources, noise and waste), which are constantly evolving and becoming increasingly stringent. Specifically, the Group's activities are subject to the following environmental regulations:

With respect to water, air and the use of natural resources
The Group's activity is subject to obtaining authorizations to operate and/or appropriate permits:

- in Europe, pursuant to the laws relating to sites designated for environmental protection;
- in other countries, pursuant to similar regulations.

Access to water sources and resources is sometimes linked to national or local regulations. Changes in these regulations could negatively affect the availability of water intended to be bottled and marketed by Danone.

With respect to waste and packaging
Danone's activities are subject to special regulations, notably European directives:

- directive 2008/98/EC on waste management;
- directive 94/62 (amended in 2004) relating to packaging and packaging waste, which requires source reductions, reductions in the use of substances hazardous to the environment, recycling, and recovery.

With respect to greenhouse gas emissions
The Group's activities are subject to the following regulations:

- the European directive of 2003 establishing a trading system;
- quotas for greenhouse gas emissions and the transpositions of the National allocation plans in the European Union.

With respect to emissions quotas, five of the Group's plants in the European Union are subject to such quotas (whose impact on the Group's financial situation is not significant), while the other sites are currently below the minimum eligibility threshold.

In the future, if the Group is unable to limit the emissions of these five sites and comply with allocated quotas, it will incur a fine and would have to purchase the shortfall on the market for greenhouse gas quotas. The quantity of quotas allocated at no charge will gradually diminish and be reduced to zero in the years ahead, which will represent an additional cost for the Group.

More generally, the Group cannot guarantee that it will always be in compliance with these multiple regulations, which are complex and constantly changing. Also, bringing the Group's activities into compliance with new regulations or changes in existing regulations could be costly or even limit the Group's capacity to pursue or develop its activities.

Risk monitoring and management

In order to comply with applicable environmental regulations, the Group has established organizations and implemented procedures and tools, in addition to setting targets for reducing its environmental footprint.

These various initiatives along with the measures taken in 2014 are described in section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*.

No major provision for contingencies and charges related to environmental protection has been recognized in the consolidated balance sheet as of December 31, 2014.

Risks associated with consumers' choices, preferences or environmental considerations

Risk identification

Consumers' purchasing preferences, notably in the most developed countries, are increasingly influenced by environmental concerns (in particular (i) greenhouse gas emissions, mainly methane emissions by cows producing the milk used by the Group, and (ii) the preservation of water resources), and such preferences are at times supported by NGOs (Non-Governmental Organizations). Distributors also pay increasing attention to communications with consumers (in particular the labeling of the products' carbon footprint). If the Group is unable to anticipate changing consumer preferences, in particular through the implementation of measures to (i) reduce and (ii) disclose environmental impacts, its activities, results and reputation could be negatively affected.

Risk monitoring and management

The Group undertakes continuous efforts to reinforce its societal and environmental commitment and to improve the management of its business activities throughout the entire product life cycle, notably through its Nature strategy. Danone's Nature strategy, its implementation and achievements in 2014 are described in section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*.

Other environmental risks

Risk identification

Other environmental risks are mainly water pollution (essentially organic and biodegradable pollution), environmental risks related to (i) cooling installations (ammonia and other cooling liquids), (ii) the storage of raw materials or products for the cleaning and disinfection of the Group's plants (acid and alkaline products), especially when these plants are located in residential areas, and (iii) wastewater treatment. In the event that the Group is exposed to potential environmental liability as a result of a significant accident or pollution, its results and reputation could be adversely affected.

Risk monitoring and management

Danone prepares and implements actions, procedures, tools and policies aimed at (i) preventing and reducing these risks, (ii) measuring and controlling the Group's impact and implementing action plans when necessary, and (iii) preparing and making public the Group's positions, including for example a "Forest impact study" and a "paper/cardboard packaging and deforestation study" to address the risks related to these challenges.

These various initiatives as well as the measures taken in 2014 are described in section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law.*

Financial risks

Introduction

Risk identification

As part of its normal business, the Group is exposed to financial risks, especially foreign currency, financing and liquidity, interest rate, counterparty risks, securities-related risks and commodity risks.

Additional and quantified information, in particular with regard to the Group's residual exposure (after hedging) to these various risks, are provided in the Notes 5.4, 5.7, 10.3, 10.7, 11.2 and 12.3 to 12.7 of the Notes to the consolidated financial statements.

Risk monitoring and management

The Group's policy consists of (i) minimizing and managing the impact that its exposure to financial market risks could have on its results and, to a lesser extent, on its balance sheet, (ii) monitoring and managing such exposure centrally, (iii) whenever the regulatory and monetary frameworks so allow, executing the financial transactions locally or centrally, and (iv) using derivative instruments only for the purpose of economic hedging.

Through its Treasury and Financing Department, which is part of the Group Finance Department, the Group possesses the expertise and tools (trading room, front and back office software) to act on different financial markets following the standards generally implemented by first-tier companies. In addition, the Internal Control and Internal Audit Departments review the organization and procedures applied. Lastly, a monthly treasury and financing report is sent to the Group Finance Department, enabling it to monitor the decisions taken to implement the previously approved management strategies.

Currency risk

Risk identification

Due to its international presence, the Group could be exposed to foreign exchange rate fluctuations in the three following situations:

- its operating activities: the Group mainly operates on a local basis and consequently in the currency of the country in which it is operating, thereby incurring no foreign exchange risk. However, the location of some of the Group's production units may result in inter-company billings in foreign currencies. This applies particularly to the Early Life Nutrition and Medical Nutrition Divisions and, to a lesser extent, to the Fresh Dairy Products Division. Similarly, some raw materials are billed or indexed in foreign currencies, in particular as regards the Waters and Fresh Dairy Products Divisions. Lastly, the Group is also developing some export activities. The sales and operating margin of some subsidiaries are therefore exposed to fluctuations of foreign exchange rates against their functional currency;
- in relation to its financing activities: in application of its risk centralization policy, the Group manages multi-currency financings and liquidities;
- translating into euros the financial statements of subsidiaries denominated in a foreign currency: the Net sales and the Trading operating income are generated in currencies other than the euro (see section 2.2 *Presentation of the Group related to Principal markets* for the top ten countries in terms of contribution to consolidated net sales). Consequently, fluctuations in exchange rates of foreign currencies against the euro may have an impact on the Group's income statement. These fluctuations also have an impact on the carrying amount in the consolidated balance sheet of assets and liabilities denominated in currencies other than euro.

In accordance with IAS 39, *Financial instruments: recognition and measurement*, foreign exchange rate fluctuations can have an impact on the Group's results and consolidated shareholders' equity (see Notes 12.3 and 12.4 of the Notes to the consolidated financial statements).

Risk monitoring and management

Pursuant to its operational currency risk hedging policy, the Group's residual exposure (after hedging) was significantly reduced during the fiscal year (see Note 5.6 of the Notes to the consolidated financial statements).

Pursuant to its financial currency risk hedging policy, the Group's residual exposure (after hedging) is not material (see Note 10.7 of the Notes to the consolidated financial statements).

The Group has established a policy for monitoring and hedging the net position of certain subsidiaries, with regular assessments of risks and opportunities to use hedging instruments.

Financing and liquidity risk

Risk identification

The Group does not use debt in either a recurring or a significant way in connection with its operating activities. Operating cash flows are generally sufficient to finance the Group's business operations and organic growth.

The Group may, however, take on additional debt to finance acquisitions or, occasionally to manage its cash cycle, particularly when dividends are paid to the Company's shareholders.

The Group's objective is always to keep this debt at a level enabling it to maintain the flexibility of its financing sources.

The Group's liquidity risk arises mainly from the maturities of its (i) interest-bearing liabilities (bonds, bank debt, etc.), and (ii) non-interest-bearing liabilities (liabilities on put options granted to non-controlling interests), and from payments on derivative instruments.

As part of its debt management strategy, the Group regularly seeks new financing, especially to refinance its existing debt.

In countries where centralized financing is not accessible, when medium-term financing is unavailable and/or in cases where certain financing existed at a company prior to being acquired by the Group, the Group is exposed to liquidity risk on limited amounts in these countries.

More generally, it is possible that in the event of a systemic financial crisis, the Group could be unable to access the financing or refinancing it needs on the credit or capital markets, or to access such finance on satisfactory terms, which could have an adverse impact on its financial situation.

Meanwhile, the Group's ability to access financing and its interest expense may depend in part on its credit rating from credit rating agencies. The Company's short-term and long-term credit ratings and their possible downgrade could result in higher financing costs for the Group and affect its access to financing.

Finally, most of the financing agreements entered into by the Company (credit facilities and bonds) include a change of control provision, which offers creditors a right of early repayment in the event a change in control of the Company causes its rating by the financial rating agencies to fall below investment grade.

Risk monitoring and management

Under its refinancing risk management policy, the Group reduces its exposure to financing risk by (i) centralizing its financing sources, (ii) borrowing from diversified financing sources, (iii) arranging a significant portion of its financing as medium-term financing, (iv) maintaining financing sources available at all times, and (v) ensuring that it is not subject to any covenant relative to maintaining financial ratios in connection with financing contracts. In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financing in a company prior to the acquisition by the Group of a controlling interest in it, certain Group companies may, for operational reasons, be required to borrow from local sources. From a Group perspective, the amounts borrowed are relatively small, whether considered individually or in total, given the level of operating cash flow that is generally sufficient to finance their operations and organic growth.

Further information on the financing structure and on financial security is provided in section 3.4 *Balance sheet and financial security review.*

Interest rate risk

Risk identification

The Group is exposed to interest rate risk on its financial liabilities as well as its cash and cash equivalents. Through its interest-bearing debt, for example, the Group is exposed to the risk of interest rate fluctuations that affect the amount of its financial expense.

In addition, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, interest rate fluctuations may have an impact on the Group's consolidated results and consolidated equity (see Note 10.7 of the Notes to the consolidated financial statements).

Risk monitoring and management

The Group has established a policy for monitoring and managing interest rate risk aimed at limiting the volatility of its financial result through the use of hedging instruments.

Counterparty risk and credit risk

Risk identification

The Group is exposed to counterparty risk, especially on banking counterparties, as part of its financial risk management activities.

As part of its normal activities, the Group has financial institutions as counterparties, mainly to manage its cash and foreign exchange rate and interest rate risks. The failure of these counterparties to comply with one or more of their commitments could adversely affect the Group's financial situation.

Risk monitoring and management

The Group's banking policy aims to reduce its risks by focusing on the quality of counterparty credit and by applying limits for each counterparty The Group's exhibition at these risks is described in the Note 5.4 and 12.6 of the Notes to the consolidated financial statements.

Securities-related risk

Risk identification

Risk related to the Company's shares

Pursuant to its share buyback policy and the authorizations granted by the Shareholders' Meeting, the Company may choose to repurchase its own shares. Any fluctuations in the price of the Company's treasury shares repurchased in this manner have no impact on the Group's results. Any decrease in the Company's share price could, however, have an impact on the potential amount paid out in shares in connection with the financing of acquisitions.

Risk related to other shares

The Group holds stakes in listed companies. Any significant and/or prolonged decline in the prices of these companies' shares could have an adverse impact on the Group's results.

Risk monitoring and management

The Group has established a monitoring policy for this risk. The Group's exhibition at these risks is described in the Note 11.2 and 12.7 of the Notes to the consolidated financial statements.

Insurance and risk coverage

As regards risks other than financial market risks (which are described in the above section), the Group has a global insurance coverage policy that is based on stringent underwriting assessments and uses insurance products from the world market, depending on availability and local regulations. This risk coverage is therefore consistent for all companies over which the Group has operational control.

Insurance programs for property damage, business interruption and commercial general liability risk are negotiated at Group level for all subsidiaries, with leading international insurers. The "all risks except" policies are based on the broadest guarantees available on the market, coupled with deductibles of varying amounts, which are relatively low compared to those extended to groups of comparable size to reflect the autonomous management of the subsidiaries. The guarantee limits are set on the basis of worst case scenarios and on insurance market availability. These programs were renewed on January 1, 2013 for a term of two years; the total cost of these programs was approximately €27 million in 2014.

Insurance programs for "traditional" risks, which require local management, such as coverage of vehicle fleets, guarantees for the transportation of merchandise, work-related accidents (in countries in which these accidents are covered by private insurance), and insurance specific to some countries, are negotiated and managed in accordance with local practices and regulations, within the framework of precise directives provided and controlled by the Group. Total premiums came to approximately €21 million in 2014.

Lastly, insurance programs for potentially significant special risks, which require centralized management, such as the liability of the Group's corporate officers, fraudulent acts, and assorted risks (taking products off the market, credit risk, environmental risk, etc.) are negotiated according to market availability, on the basis of scenarios estimating the probable impact of any claims. The total cost of this category of coverage amounted to approximately €4 million in 2014.

In addition, in order to optimize its insurance costs and properly control its risks, the Group has a self-insurance policy through its captive reinsurance subsidiary Danone Ré (a fully consolidated Group entity). The self-insurance policy applies to specific risks where the costs can be accurately estimated as the Group is aware of their frequency and financial impact. This concerns essentially (i) coverage of property damage, business interruption, commercial general liability, and transportation for a large majority of the Group's companies (these self-insurance programs are limited to frequent claims with a maximum of €7.5 million per claim), and (ii) for the French subsidiaries payments for death, long-term disability, and education. Moreover, stop-loss insurance protects Danone Ré against any increased frequency of claims. These self-insurance programs are managed by professional insurers under Danone's supervision and the provisions are determined by independent actuaries.

Danone's business highlights in 2014 and outlook for 2015

3

3.1 BUSINESS HIGHLIGHTS IN 2014 42

Highlights of 2014 42

Other business activities in 2014 43

3.2 CONSOLIDATED NET INCOME REVIEW 46

Sales 46

Trading operating income and trading operating margin 50

Net financial income (expense) 52

Tax rate 52

Underlying net income and underlying fully diluted earnings per share 52

Dividend for the 2014 fiscal year 53

3.3 FREE CASH-FLOW 54

Free cash-flow 54

Consolidated statement of cash-flows 55

3.4 BALANCE SHEET AND FINANCIAL SECURITY REVIEW 56

Simplified consolidated balance sheet 56

Financing structure and financial security 56

Liabilities related to put options granted to non-controlling interests 61

Net debt and net financial debt 63

Shareholder's equity 64

Off-balance sheet commitments 64

3.5 OUTLOOK FOR 2015 65

Material change in financial or trading position 65

Subsequent events 65

Profit forecasts or estimates 65

Statutory auditors' report on the profit forecasts 67

2015 financial communication calendar 68

3.6 FINANCIAL INDICATORS NOT DEFINED BY IFRS 68

3.7 DOCUMENTS AVAILABLE TO THE PUBLIC 70

Danone's consolidated financial statements and the Notes to the consolidated financial statements are presented in section 4.1 Consolidated financial statements and Notes to the consolidated financial statements. Risk identification and control policy, as well as the major operational risks relating to the Group's business sectors or to the Group's activity and organization, are described in section 2.7 Risk factors.

Unless indicated otherwise, amounts are expressed in millions of euros and rounded to the nearest million. Generally speaking, the values presented are rounded to the nearest unit. Consequently, the sum of the rounded amounts may differ, albeit to an insignificant extent, from the reported total. In addition, ratios and variances are calculated on the basis of the underlying amounts and not on the basis of the rounded amounts.

The Group reports on financial indicators not defined by IFRS, internally (among indicators used by the chief operating decision makers) and externally. These indicators are defined in section 3.6 Financial indicators not defined by IFRS:

- *like-for-like changes in net sales, trading operating income, trading operating margin, underlying net income and underlying net income per share;*
- *trading operating income;*
- *trading operating margin;*
- *underlying net income;*
- *underlying fully diluted EPS or current net income – Group share, per share after dilution;*
- *free cash-flow;*
- *free cash-flow excluding exceptional items;*
- *net financial debt.*

The Group also uses references that are defined in section 1.3 Information about the Registration Document related to References and definitions.

3.1 BUSINESS HIGHLIGHTS IN 2014

Highlights of 2014

Highlights were detailed in the main press releases issued by the Group during 2014.

- on January 8, 2014, Danone announced its decision to terminate its existing supply contract with Fonterra and making any further collaboration contingent on a commitment by its supplier. Danone is also initiating proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore;
- on January 16, 2014, Danone announced the implementation of a liquidity contract;
- on February 12, 2014, Danone raised its stake in China's leading dairy company Mengniu;
- on May 28, 2014, Danone announced the result of the option to receive the 2013 dividend payment in shares;
- on June 11, 2014, Danone announced plan to close plants in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary);
- on July 18, 2014, Danone partners with Brookside, enabling Danone to acquire 40% stake in the holding company Brookside. With 2013 revenues of around €130 million, Brookside is East Africa's leading dairy products group. Established in Kenya in 1993, Brookside operates a unique distribution platform enabling a daily access to over 200,000 outlets. The company manages the largest milk collection network in East Africa, with 140,000 farmers in the region;
- on September 2, 2014, Danone announced change in its governance with, chairman and CEO functions to be separated, with Chairman's duties strengthened, Franck RIBOUD remains Chairman of the Board and Emmanuel FABER appointed Chief Executive Officer;
- on October 31, 2014, Danone and Mengniu expand their strategic alliance to infant milk formula in 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. Upon completion of the subscription, Mengniu, currently Yashili's majority shareholder, will hold a 51.0% equity interest and Danone will hold 25.0%. As part of this agreement, Danone will recommend candidates to serve as Yashili's CEO. 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;
- on November 3, 2014, Danone acquires an additional 21.75% equity interest in Centrale Laitière (Morocco) for an amount of €278 million. The transaction will raise Danone's equity stake in Centrale Laitière to 90.86%;
- on December 12, 2014, Danone confirms strategic priorities and strengthens management team.

See also section 3.7 *Documents available to the public.*

Other business activities in 2014

Acquisitions, disposal of company shares

Main changes in fully consolidated companies

(in percentage)	Division	Country	Transaction date [a]	Ownership percentage as of December 31 2013	2014
Main companies consolidated for the first time during 2014					
Infant formula production and packaging companies [b]	Early Life Nutrition	New Zealand	July	–	100.0%
Main consolidated companies with change in ownership percentage					
Centrale Laitière	Fresh Dairy Products	Morocco	November	68.7%	90.9%
Main companies that are no longer fully consolidated as of December 31					
Group's fresh dairy products companies in China [c]	Fresh Dairy Products	China	July	100.0%	20.0%
Group's fresh dairy products companies in Indonesia	Fresh Dairy Products	Indonesia	December	100.0%	0.0%

(a) Month of the fiscal year.
(b) NEW ZEALAND CAN AUCKLAND LTD, SUTTON GROUP LTD, K&B LTD, which produce and package drinks, notably infant formula. The companies have been restructured and/or renamed as DANONE NUTRICIA NZ LTD and NUTRICIA CAN MANUFACTURERS LTD.
(c) DANONE DAIRY BEIJING and DANONE DAIRY SHANGHAI CO. LTD. Danone now owns 20% of the new group formed together with the Mengniu group's fresh dairy products companies.

Main changes in investments in associates

(in percentage)	Division	Country	Transaction date [a]	Ownership percentage as of December 31 2013	2014
Main companies accounted for using the equity method for the first time in 2014					
Mengniu [b]	Fresh Dairy Products	China	January	4.0%	9.9%
Danone Group's and Mengniu group's fresh dairy products companies in China [c]	Fresh Dairy Products	China	July	–	20.0%
Brookside [d]	Fresh Dairy Products	Kenya	July	–	40.0%
Main associates with change in ownership percentage					
Yakult [e]	Fresh Dairy Products	Japan	January	20.0%	21.3%
Main companies no longer accounted for using the equity method as of December 31, 2014					
–	–	–	–	–	–

(a) Month of the fiscal year.
(b) INNER MONGOLIA MENGNIU DAIRY (GROUP) CO. LTD. This company was recognized within Investments in other non-consolidated companies in 2013.
(c) INNER MONGOLIA MENGNIU DANONE DAIRY CO. LTD.
(d) BROOKSIDE AFRICA LIMITED. With 2013 revenues of around €130 million, Brookside is East Africa's leading dairy products group. Established in Kenya in 1993, Brookside operates a unique distribution platform that provides daily access to over 200,000 sales outlets. The company manages the largest milk collection network in East Africa, with 140,000 farmers in the region. By uniting international expertise in fresh dairy products with Brookside's regional expertise and robust supply chain, the partnership will enable Brookside to accelerate its growth by expanding its product portfolio and strengthening its geographical presence in key markets in the East African region, including Uganda and Tanzania. This partnership has significantly strengthened the platform Danone is in the process of constructing in Africa.
(e) YAKULT HONSHA CO. LTD. The Group's ownership percentage increased mechanically in 2014 due to the purchases of its own shares carried out by Yakult in 2013 and reflected in the Group's consolidated financial statements in 2014.

Reduction of carbon footprint

Danone products depend on natural ecosystems. It is thus in its best interest to take care for the environment an integral part of its business activities.

Since carbon footprint is a global indicator that reflects a wide range of environmental criteria, Danone has committed to reducing the carbon intensity (grams of CO_2 per kilo of product sold) of its products very significantly over the past several years. As a result of action plans deployed to this end, the Company and its affiliates reduced their carbon intensity by -42% (based on constant scope of consolidation, excluding Unimilk group's companies, and on emissions under Danone's direct responsibility – packaging, industrial activities, logistics and end of life) from 2008 to 2014.

See also section 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law.*

Social and societal responsibility

These activities are described in sections 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law* and 5.3 *Funds sponsored by Danone.*

Governance

At its meeting on February 19, 2015, Danone's Board of Directors approved draft resolutions for the Group's Annual General Meeting of Shareholders, to be held on April 29 this year.

Acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors will ask shareholders to approve the renewal of the appointments of Jean LAURENT, Lead Independent Director, Jacques-Antoine GRANJON, Benoît POTIER, Mouna SEPEHRI and Virginia A. STALLINGS, whose current terms are expiring.

Meeting on February 19, 2015, the Board also noted former Director Richard GOBLET D'ALVIELLA's decision not to seek a new term as Director. Speaking on behalf of the Board, Franck RIBOUD expressed his deep gratitude for Richard GOBLET D'ALVIELLA's active contribution to Danone's Board and Committees for 12 years.

Acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors will ask shareholders to fill this directorship by appointing Serpil TIMURAY to the Board. Serpil TIMURAY qualifies as an Independent Director under the AFEP-MEDEF governance code.

A native of Turkey, 45-year-old Serpil TIMURAY holds a degree in business administration from Bogazici University in Istanbul. She began her career in 1991 at Procter & Gamble, where she was later on appointed to the Executive Committee of Procter & Gamble Turkey. In 1999, she moved to Groupe Danone as the Marketing Director and a member of the Executive Committee for the Fresh Dairy Products subsidiary in Turkey. From 2002 to 2008, she served as General Manager of Danone Turkey, overseeing the acquisition and integration of several companies in the region. In 2009 she joined Vodafone Group as the Chief Executive Officer of Vodafone Turkey, contributing to its considerable growth. Since January 2014, Serpil TIMURAY is serving as the Regional CEO of Africa, Middle East and Asia-Pacific and as a member of the Executive Committee of Vodafone Group. Her widely recognized skills in executive positions, her success in helping international groups grow their business, and her thorough knowledge of markets that are critical for Danone will be valuable assets for the work of the Board of Directors.

The Board notes that these renewals and this new appointment are in keeping with its commitment, made several years ago, to continue to improve corporate governance by increasing the Board's independence (with the percentage of independent Directors rising from 71% to 77% at the end of the General Meeting), the number of women Directors (up from 29% to 38%), and the expertise and diversity of its composition.

Research and Development

Fresh Dairy Products

In 2014, the Fresh Dairy Products Division continued its research on the impact of the consumption of yogurt as an essential food category in terms of diet and health. It financed independent studies performed by academic researchers. In Spain, a study of people whose average age was 37 showed that those who consumed at least one yogurt per day had a reduced risk of obesity. This study was published in the international journal "The SUN cohort study, Nutrition, Metabolism & Cardiovascular Diseases" in 2014. Meanwhile, a different study that analyzed current consumption data in Sao Paolo, Brazil showed that adults (ages 18 to 59) who consume at least four yogurts per week ensure greater coverage of nutritional needs and enjoy better quality of life. These results were released at the World Congress of Public Health Nutrition Las Palmas in November 2014.

The Fresh Dairy Products Division also worked with scientific institutions such as the Institut Pasteur, INRA and Harvard Medical School. These scientific collaborations focused on such topics as understanding intestinal flora, its changes and the impact of diet or probiotics on the richness of this flora. These studies were published in 2014 in journals – Nature Biotechnology, ISME (Journal of the International Society for Microbial Ecology) and PLOS One (Public Library of Science) – and presented at a symposium co-sponsored by Yakult at Harvard Medical School (United States) in September 2014.

Finally, the Division pursued a major innovation project that led to the launch of the Greek yogurts *Oikos* and *Danio* across Europe and the Americas (United States and Brazil). In 2014, the *Danonino* bottle was launched in Europe and then America in a redesigned and more child-friendly packaging format. Meanwhile, the *Zakvaska* brand posted strong gains in Russia.

Waters

In 2014, the Waters Division's Research and Development department, which develops innovative solutions to promote healthier hydration for consumers, continued its efforts in the aquadrinks and packaging areas:

- the Division continued to develop the line of aquadrinks (beverages made from water and fruit juice), with the launch of Vit' in Indonesia, sugar-free versions in Argentina and Uruguay, and a line of carbonated aquadrinks in Mexico. Consistent with its strategy, the Group develops product lines that are adapted to the specific local tastes and traditions of each country where the Waters Division is active;
- in the packaging area, the Group continues to develop a 100% plant-based plastic bottle, with various bottle types blow-molded and filled. It is also pursuing the development of innovative packaging formats, notably with the launch of Evian's "The Drop," which won the 2014 Diamond Pentaward for global innovation in packaging.

The Group also continued to conduct scientific research on the health benefits of water and to collaborate with scientific partners EASO (European Association for the Study of Obesity) and ISN (International Society of Nephrology). All of the innovative findings were presented at the sixth annual H4H ("Hydration For Health") symposium with a special focus on children's hydration.

Lastly, the Group is developing awareness-raising programs on the benefits of water, notably in Mexico among women and employees in their working place.

Early Life Nutrition

The food that a mother and her child eat during The concept of early life nutrition, focusses on the principle that what a mother and her child eat in the first 1,000 days, *i.e.* from the first day of pregnancy until the child is two years old, can significantly affect the child's health later in adulthood.

The Danone Nutricia Research center, which is dedicated to maternal and infant nutrition, is progressing research and scientific discoveries in order to better understand the science behind the first 1,000 days of life, and in particular on:

- maternal physiology during pregnancy and lactation;
- the benefits of breast milk and lactation;
- the metabolism of infants and young children;
- the development of the intestinal function and microbiota, the immune system and the brain;
- the development of healthy eating habits; and
- product development and technology to apply science to products.

To that end, the three Research and Development centers (Utrecht, Singapore, Shanghai) work closely with a global network of collaborators – from opinion leaders in a specific area to healthcare professionals, scientists and political decision-makers. The strength of this network enables the development of special products which are optimized to contribute to healthy growth and development in the first 1,000 days. Through its understanding of the needs of mothers, infants and young children around the world as well as science based on nutritional standards for products, the research center seeks to develop nutritionally optimal products for each stage in the first 1,000 days of life.

Danone Nutricia Research consistently delivers high quality and food safety standards for its products by ensuring that quality is a priority for every employee.

In 2014, the research teams launched a line of services and products – covering everything from pregnancy and lactation to formulas for young children – in several European markets to set up an optimal program for future health. This unique concept is based specifically on metabolic, cerebral and immune system health. It is marketed under the *Profutura* brand.

Medical Nutrition

The Medical Nutrition division strives to be a pioneer in the area of nutritional discoveries to help people to live longer healthier lives. To that end, Research and Development teams focused their efforts in 2014 on memory and brain health, frailty and muscle health and allergy and gut health. Through our clinical study programs with partners, they work to build solid clinical evidence for the Group's products.

In 2014, a major study on age-related loss of muscle mass, strength and function was completed. The results of this PROVIDE study were presented at the European Society for Clinical Nutrition and Metabolism (ESPEN) conference in September 2014. Pivotal studies are also under way with nutritional treatment in the early Alzheimer's stages (LipiDiDiet) and severe cow's milk allergy (ASSIGN, PRESTO).

Another key area is to optimize consumers' experience with our products. For example, significant changes were made to optimize the taste of the metabolic product line (Anamix®, Lophlex®) and Souvenaid®.

Legal arbitration proceedings

Following a statement by the New Zealand government and Fonterra on August 2, 2013 warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with *Clostridium botulinum bacteria*, Danone has reviewed its recourse and compensation options and decided to initiate proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring all facts to light and to obtain compensation for the harm it has suffered. Proceedings are in progress.

Company and its subsidiaries are parties to legal proceedings arising in the normal course of business, in particular by competition authorities in certain countries. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

To the best of the Group's knowledge, no other governmental, court or arbitration proceedings are currently ongoing, to which the Group is a party that are likely to have, or have had in the past 12 months, a material impact on the Group's financial position or profitability.

Major contracts and related party transactions

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries.

As of December 31, 2014, financial liabilities related to these options totaled €2,558 million and are classified as financial debt. The main commitment involves Danone Spain, for €1,030 million as of December 31, 2014 and Danone-Unimilk entity for €912 million (see section 3.4 *Balance sheet and financial security review*).

Related party transactions are described in Note 15 of the Notes to the consolidated financial statements.

See also section 6.5 *Statutory auditors' special report on related party agreements and commitments.*

3.2 CONSOLIDATED NET INCOME REVIEW

		Year ended December 31	
(in € millions except per-share data in €, percentage and bps)	**2013**	**2014**	**Change**
Net sales	21,298	21,144	+4.7% [a]
Trading operating income [c]	2,809	2,662	+3.7% [a]
Trading operating margin [c]	13.19%	12.59%	-12 bps [a]
Underlying net income [c]	1,636	1,561	+3.6% [a]
Underlying fully diluted EPS [c]	2.78	2.62	+2.5% [a]
Free cash-flow excluding exceptional items [c]	1,549	1,401	-9.6% [b]

(a) Like-for-like and after treatment of over-inflation during the year.
(b) As reported.
(c) See definition section 3.6 *Financial indicators not defined by IFRS*.

Sales

Consolidated net sales

Consolidated sales stood at €21,144 million in 2014, down -0.7% from the figures reported in 2013. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up +4.7%. This organic growth reflects a -1.5% decline in sales volume and a +6.2% increase in value.

The negative impact of fluctuations in exchange rates was -5.5% and reflects a marked decline in certain emerging currencies, including the Russian ruble, the Argentine peso and the Indonesian rupiah.

The impact of changes in scope of consolidation were neutral on the whole (+0.1%), reflecting both the deconsolidation of various Fresh Dairy Products operations (in Saudi Arabia in 2013, and in China and Indonesia in 2014) and the full consolidation of companies in which Danone acquired a controlling interest in 2013, in particular Centrale Laitière (Morocco), YoCrunch (United States), Sirma (Turkey) and Happy Family (United States).

Sales by Division

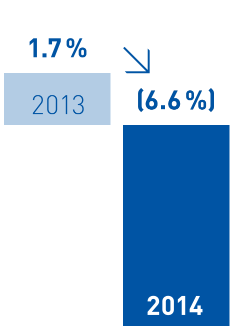
				Year ended December 31
(in € millions except percentage)	**2013**	**2014**	**Like-for-like net sales growth**	**Like-for-like volume growth**
Net sales by Division				
Fresh Dairy Products	11,790	11,129	+1.5%	-6.6%
Waters	3,903	4,186	+11.6%	+7.5%
Early Life Nutrition	4,263	4,397	+6.1%	+1.7%
Medical Nutrition	1,342	1,432	+7.9%	+5.6%
Total	**21,298**	**21,144**	**+4.7%**	**-1.5%**

Fresh Dairy Products

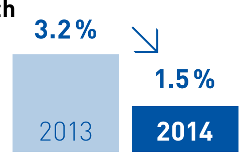
Sales

The Fresh Dairy Products Division recorded sales of €11,129 million in 2014, up 1.5% on a like-for-like basis. This growth resulted from the combined impacts of a -6.6% decline in sales volume and a robust +8.1% increase in prices, reflecting the actions taken in certain regions to improve the product portfolio mix.

Like-for-like volume growth



Like-for-like net sales growth



Main Markets

In Europe, sales continued to decline in 2014, albeit at a slower pace than in the previous year. This decline reflected the continued drop in sales volume, which was partially due to market trends but also to greater selectivity in the use of discounting and the elimination of certain product lines. These measures were implemented gradually over the course of 2014 in order to improve the product portfolio mix.

In the United States, after several years of robust growth the category's growth ebbed in 2014, notably in the Greek yogurt segment. Danone confirmed its position as the market leader and undertook many initiatives in terms of innovation, distribution and partnerships in order to continue developing the category.

Sales in the CIS region were marked by very high milk price inflation, which led to several major price increases in this region beginning in the third quarter of 2013. These increases enabled Danone to increase the value of its product portfolio, notably through a positive mix effect linked to the favorable performance of high value-added products. Overall sales volumes contracted sharply, however, illustrating significant sales volume declines for lower value items such as milk and fermented products. Overall, full-year sales were solid despite a slowdown in the second half.

Sales growth remained solid in Latin America, in particular in Brazil, where the Division recorded double-digit growth. Growth in the Africa/Middle East region was more modest in 2014 than in 2013, mainly as a result of flat sales in Morocco given the unfavorable economic climate there.

Brands and new products

The Greek-style yogurt segment has remained one of the Division's main growth drivers, especially in North America with the *Light&Fit* and *Oikos* brands, as well as in France and Brazil with the replications of this product line under the *Danio* brand. The Group is the fresh dairy products market leader in all of the 38 principal countries where it is present, with a 26% market share in 2013 (source: Nielsen). The *Indulgence* segment ("gourmet" brands) also recorded strong growth, notably the *Danissimo* brands in Russia and *Griego* in Europe and Latin America.

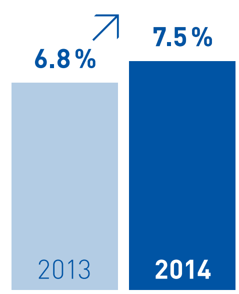
The Group is the fresh dairy products market leader in all of the 37 principal countries where it is present, with a 26% market share in 2014 (source: Nielsen).

Waters

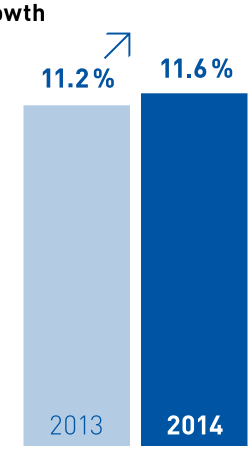
Sales

The Waters Division recorded an excellent performance in 2014, with sales up 11.6% on a like-for-like basis to €4,186 million. This growth reflected the combined impact of a +7.5% increase in sales volume and +4.1% increase in prices.

Like-for-like volume growth



Like-for-like net sales growth



Main markets and new products

The Division's performance resulted in part from the solid growth in Europe along with rapid growth in emerging countries, notably in the Asian markets where the roll-out of the *Mizone* aquadrinks brand is continuing apace.

In 2014, the Division maintained its policy of innovation and product portfolio renovation, notably with the introduction of new flavors in the aquadrinks line, new packaging formats and the launch of a new brand identity for the international brand *Volvic*.

3

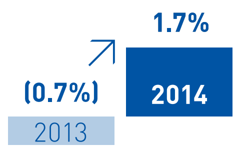
Early Life Nutrition

Sales

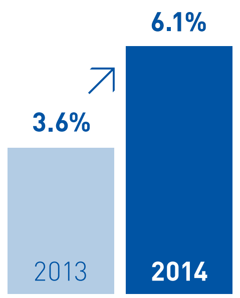
The Early Life Nutrition Division recorded sales of €4,397 million in 2014, up +6.1% on a like-for-like basis. This increase resulted from +1.7% growth in sales volume and a +4.4% increase in prices.

In the first half of the year, the Division's growth remained affected by the false alarm triggered by its supplier Fonterra in August 2013, which resulted in recalls of certain infant formula products in eight Asian markets. In the second half, however, the Division's performance benefited from the favorable base impact in these eight markets, most of which have since returned to their pre-crisis levels.

Like-for-like volume growth



Like-for-like net sales growth



Main markets

Europe recorded a very satisfactory performance, sustained by strong demand for international brands, notably *Aptamil* and *Nutrilon*.

In Asia, sales performances remained mixed. In Indonesia, sales were particularly robust, marked by double-digit growth. In China, the market most affected by the Fonterra false alarm in 2013, demand for all Group brands grew throughout 2014. The *Nutrilon* brand thereby continued its strong growth, notably in the ultra-premium segment and in the specialized retail distribution channel ("mom & baby stores"). The Group is also benefiting from the surge in e-commerce sales, which is drastically changing consumer purchasing trends in China. Meanwhile, *Dumex* brand sales remained below their projected levels.

Latin America and the Africa/Middle East region continued to record strong, double-digit growth.

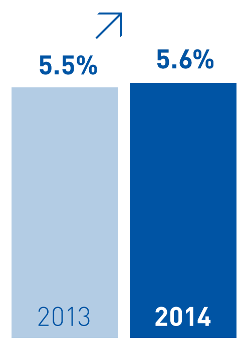
The infant formula product category continued to drive growth, whereas sales in the weaning food category continued to fall.

Medical Nutrition

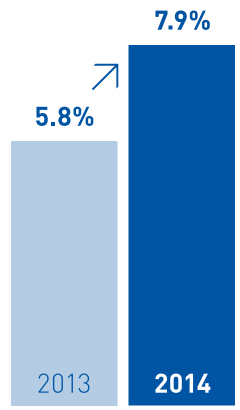
Sales

The Medical Nutrition Division recorded a very strong performance in 2014, with sales rising by +7.9% on a like-for-like basis to €1,432 million. This growth consisted of a +5.6% increase in sales volume and a +2.3% increase in prices.

Like-for-like volume growth



Like-for-like net sales growth



Main markets

The Division's performance reflected solid growth of its activity in Europe on the one hand and the dynamic growth in its principal emerging markets such as China, Brazil and Turkey. Across all regions, growth is driven by the pediatric nutrition brands *Neocate* and *Nutrini*, whose performances remained above the Division's average.

Sales by geographic area

Year ended December 31

(in € millions except percentage)	2013	2014	Like-for-like net sales growth	Like-for-like volume growth	Sales breakdown by geographic area in 2013	Sales breakdown by geographic area in 2014
Net sales by geographic area						
Europe excl. CIS	8,197	8,522	+2.0%	-0.9%	39%	40%
CIS & North America (a)	4,713	4,525	+5.0%	-6.9%	22%	22%
ALMA [b]	8,388	8,097	+7.4%	+0.5%	39%	38%
Total	**21,298**	**21,144**	**+4.7%**	**-1.5%**	**100%**	**100%**

(a) North America = United States and Canada.
(b) ALMA = Asia-Pacific/Latin America/Middle-East/Africa.

Europe

The Europe region recorded sales of €8,522 million in 2014, up +2.0% on a like-for-like basis. This increase was driven by the Early Life Nutrition Division, which benefited from the robust demand for its international infant formula brands such as *Aptamil* and *Nutrilon*. Growth remained solid in the Waters and Medical Nutrition Divisions. Sales in the Fresh Dairy Products Division continued to fall, but at a slower rate than in 2013.

CIS &North America

The CIS & North America zone recorded sales of €4,525 million in 2014, up +5.0% on a like-for-like basis. Sales in the CIS region were marked by significant price increases against a backdrop of high milk price inflation. The price increases enabled Danone to improve its product portfolio mix while sharply reducing sales volumes in the lowest-margin segments such as milk and fermented products. In the United States, Danone confirmed its position as the leader in the Fresh Dairy Products category even as the market slowed in 2014 after several years of robust growth.

ALMA

The ALMA zone generated sales of €8,097 million in 2014, up +7.4% on a like-for-like basis. The Waters Division in Asia and the Fresh Dairy Products Division's activities in Latin America were the main contributors to this growth. Meanwhile, the Early Life Nutrition Division's activities in Asia continued to be significantly affected by the false alarm triggered by its supplier Fonterra in August 2013, which led to the recall of certain infant formula products in eight Asian markets.

Sales breakdown by quarter

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	
(in € millions)	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014
By Division										
Fresh Dairy Products	2,952	2,809	3,071	2,831	2,913	2,796	2,854	2,693	11,790	11,129
Waters	887	895	1,104	1,179	1,089	1,169	823	944	3,903	4,186
Early Life Nutrition	1,177	1,029	1,206	1,042	924	1,084	956	1,241	4,263	4,397
Medical Nutrition	322	328	339	354	333	366	348	384	1,342	1,432
By geographic area										
Europe excl. CIS	2,005	2,053	2,155	2,208	2,068	2,156	1,969	2,105	8,197	8,522
CIS & North America [a]	1,163	1,154	1,197	1,176	1,183	1,153	1,170	1,042	4,713	4,525
ALMA [b]	2,170	1,854	2,368	2,022	2,008	2,107	1,842	2,114	8,388	8,097
Total	**5,338**	**5,061**	**5,720**	**5,406**	**5,259**	**5,416**	**4,981**	**5,261**	**21,298**	**21,144**

(a) North America = United States and Canada.
(b) ALMA = Asia-Pacific/Latin America/Middle-East/Africa.

	First quarter 2014		Second quarter 2014		Third quarter 2014		Fourth quarter 2014		Total 2014	
(in percentage)	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change [c]	Reported change	Like-for-like change
By Division										
Fresh Dairy Products	-4.8%	+3.9%	-7.8%	+2.4%	-4.0%	+0.7%	-5.7%	-1.0%	-5.6%	+1.5%
Waters	+0.9%	+8.9%	+6.8%	+13.1%	+7.3%	+11.8%	+14.6%	+12.3%	+7.3%	+11.6%
Early Life Nutrition	-12.6%	-7.7%	-13.6%	-9.2%	+17.3%	+19.2%	+29.9%	+28.1%	+3.1%	+6.1%
Medical Nutrition	+1.8%	+5.2%	+4.4%	+7.3%	+10.1%	+10.1%	+10.3%	+8.7%	+6.7%	+7.9%
By geographic area										
Europe excl. CIS	+2.4%	+0.5%	+2.5%	+0.1%	+4.2%	+2.8%	+6.9%	+4.8%	+4.0%	+2.0%
CIS & North America [a]	-0.8%	+7.8%	-1.8%	+7.0%	-2.6%	+3.3%	-10.9%	+2.0%	-4.0%	+5.0%
ALMA [b]	-14.6%	+0.5%	-14.6%	+2.0%	+4.9%	+13.5%	+14.7%	+14.0%	-3.5%	+7.4%
Total	**-5.2%**	**+2.2%**	**-5.5%**	**+2.3%**	**+3.0%**	**+6.9%**	**+5.6%**	**+7.5%**	**-0.7%**	**+4.7%**

(a) North America = United States and Canada.
(b) ALMA = Asia-Pacific/Latin America/Middle-East/Africa.
(c) Like-for-like and after treatment of over-inflation during the year.

Trading operating income and trading operating margin

Consolidated trading operating income and trading operating margin

Trading operating income totaled €2,662 million in 2014, compared with €2,809 million in 2013.

Danone's trading operating margin stood at 12.59%, down -60 bps as reported, reflecting:

- a -20 bps decline due to changes in the scope of consolidation, resulting primarily from the integration of Centrale Laitière (Morocco), YoCrunch (United States) and Sirma (Turkey) ;
- a -28 bps decline due to trends in exchange rates and overinflation in Argentina in 2014 ; and
- a -12 bps decline in trading operating margin like-for-like.

As expected, the consequences of the false alert on quality triggered by Fonterra in August 2013 and the decline in sales of *Dumex* brand products in China in particular continued to undermine Danone's growth and profitability in 2014.

Cost of goods sold totaled €11,056 million in 2014 (€10,977 million in 2013), or 52.3% of consolidated sales (51.5% in 2013). Key developments during the year included a very steep rise in the cost of milk and dairy ingredients. This surge was offset by solid growth trends, by selective and competitive price increases, by optimization of the mix, and, finally, by additional efforts to reduce costs. A focus on optimizing raw material, production and logistics costs led to continued high productivity. In addition, most of the cost-reduction plan for Europe was finalized by the end of 2014 and delivered the savings anticipated.

Danone continued to invest in its growth drivers, with no change (on a like-for-like basis) in amounts spent on marketing, sales and research and development compared with 2013.

Selling expense was €5,209 million in 2014 (€5,425 million in 2013), or 24.6% of consolidated sales (25.5% in 2013).

General and administrative expense was €1,743 million in 2014 (€1,707 million in 2013), or 8.2% of consolidated sales (8.0% in 2013).

Research and Development costs totaled €272 million in 2014 (€275 million in 2013), or 1.3% of consolidated sales (1.3% in 2013) (see section 3.1 *Business highlights in 2014*).

Other operating items stood at €(511) million, and mainly reflected expenses related to cost-reduction and organizational adaptation plans rolled out by the Company and its affiliates, especially in Europe (€(186) million for the all plans), and the €(249) million in impairment for *Dumex* reflecting a relaunch for the brand that was longer than initially anticipated.

Trading operating income and trading operating margin by Division

Year ended December 31

(in € millions except percentage and bps)	Trading operating income		Trading operating margin		Like-for-like change
	2013	2014	2013	2014	
Fresh Dairy Products	1,219	1,033	10.35%	9.28%	-67 bps
Waters	509	539	13.04%	12.88%	+93 bps
Early Life Nutrition	837	828	19.62%	18.83%	-40 bps
Medical Nutrition	244	262	18.16%	18.28%	+89 bps
Total	**2,809**	**2,662**	**13.19%**	**12.59%**	**-12 bps**

The Fresh Dairy Products Division's trading operating margin was 9.28% in 2014, down -67 bps on a like-for-like basis. The backdrop of high milk price inflation weighed heavily on the Division's profitability.

The Waters Division's trading operating margin was 12.88% in 2014, a robust +93 bps increase on a like-for-like basis. This increase was largely due to the Division's increased sales volume and a favorable mix effect linked to the strong growth in the aquadrinks segment.

The Early Life Nutrition's trading operating margin was 18.83% in 2014, down -40 bps on a like-for-like basis. The impact of the false alarm triggered by Fonterra in August 2013, and in particular the drop in *Dumex* brand sales in China, adversely affected this profit margin as did the substantial inflation in milk and milk ingredient prices.

The Medical Nutrition Division's trading operating margin was 18.28% in 2014, up +89 bps on a like-for-like basis relative to 2013. The continued gains recorded by this margin in 2014 reflected the Division's solid sales volume growth in Europe despite an overall environment marked by pressure on health expenditures.

3

Trading operating income and trading operating margin by geographic area

Year ended December 31

(in € millions except percentage and bps)	Trading operating income		Trading operating margin		Like-for-like change
	2013	2014	2013	2014	
Europe excl. CIS	1,182	1,336	14.42%	15.67%	+158 bps
CIS & North America [a]	450	387	9.56%	8.56%	-63 bps
ALMA [b]	1,177	939	14.03%	11.60%	-157 bps
Total	**2,809**	**2,662**	**13.19%**	**12.59%**	**-12 bps**

(a) North America = United States and Canada.
(b) ALMA = Asia-Pacific/Latin America/Middle-East/Africa.

The trading operating margin for the Europe region, excluding the CIS countries, was 15.67% in 2014, up +158 bps on a like-for-like basis. The region's profitability benefited from the strong growth in the international infant formula brands as well as the favorable performances of the Waters and Medical Nutrition Divisions.

The trading operating margin of the CIS & North America zone was 8.56% in 2014, down -63 bps on a like-for-like basis. High milk price inflation weighed on profitability in this zone, notably in the CIS countries.

The trading operating margin of the ALMA zone was 11.60% in 2014, down -157 bps on a like-for-like basis. This decline reflected in particular the drop in the trading operating margin due to the false alarm triggered by Fonterra in August 2013 along with strong milk price inflation throughout all the countries of the zone.

Net financial income (expense)

Market risks exposure and management policy

See section 2.7 *Risk factors*.

Net financial income (expense)

	Year ended December 31	
(in € millions)	**2013**	**2014**
Interest income on cash, cash equivalents and short term investments	76	94
Interest expense on financial debt	(269)	(274)
Cost of net financial debt	**(193)**	**(179)**
Other financial income	52	5
Other financial expense	(122)	(137)
Other financial income or expense	**(70)**	**(132)**
Net financial income (expense)	**(263)**	**(312)**

Cost of net financial debt

In 2014, the cost of net financial debt was €(179) million (€(193) million in 2013).

Cost of net debt declined despite higher net financial debt than in 2013. This decline was linked in particular to lower interest rates and the benefits of bond issues that enabled the Company to extend the average maturity of its debt at favorable market conditions.

Other financial income (expense)

In 2014, Other financial income and expense was €(132) million (€(70) million in 2013).

The change in Other financial income and expense resulted primarily from the exceptionally high basis for comparison in 2013, which recorded a capital gain linked to Danone's disposal of its interest in SNI as part of the transaction that led to its takeover of Centrale Laitière (Morocco).

Tax rate

The underlying tax rate for the full year was 30.45% in 2014, stable compared with 2013. This tax rate excludes the non-current items and the tax income and expense pertaining to these items (see table hereafter).

Moreover, when including the non-current items, the Group's effective tax rate was 32.6% in 2014 (32.4% in 2013) and the differential with the legal tax rate in France in 2014 and 2013 is provided in Note 8 of the Notes to the consolidated financial statements.

Underlying net income and underlying fully diluted earnings per share

The net income amounted to €1,253 million in 2014 (€1,550 million in 2013). The net income – Group share amounted to €1,119 million in 2014 (€1,422 million in 2013).

Share of profit of associates

The sharp change in net income of affiliated companies also largely reflects the exceptionally favorable basis for comparison in 2013, boosted by the €226 million revaluation of Danone's historical 29.2% interest in Central Laitière. Excluding non-current items, the net income of affiliated companies came to €66 million in 2014. During the year, Danone also booked a €54 million charge representing impairment of interests in some affiliated companies consolidated on an equity basis (recorded as non-current).

Underlying net income

Underlying net income stood at €1,561 million in 2014, up +3.6% from 2013 like-for-like and down -4.6% as reported. Underlying fully diluted EPS was €2.62, up +2.5% like-for-like from 2013 and down -5.6% as reported.

Transition from Net income – Group share to Underlying net income – Group share

Year ended December 31

(in € millions except percentage)	2013 Underlying	2013 Non-current items	2013 Total	2014 Underlying	2014 Non-current items	2014 Total
Trading operating income	**2,809**		**2,809**	**2,662**		**2,662**
Other operating income (expense)		(681)	(681)		(511)	(511)
Operating income	**2,809**	**(681)**	**2,128**	**2,662**	**(511)**	**2,151**
Cost of net debt	(193)		(193)	(179)		(179)
Other financial income (expense)	(118)	48	(70)	(129)	(3)	(133)
Income before tax	**2,498**	**(633)**	**1,865**	**2,353**	**(514)**	**1,839**
Income tax expense	(750)	146	(604)	(716)	117	(599)
Effective tax rate	30.0%		32.4%	30.5%		32.6%
Net income from fully consolidated companies	**1,748**	**(487)**	**1,261**	**1,637**	**(397)**	**1,239**
Share of profit of associates	50	239	289	66	(52)	14
Net income	**1,798**	**(248)**	**1,550**	**1,703**	**(450)**	**1,253**
• Group share	1,636	(214)	1,422	1,561	(442)	1,119
• Non-controlling interests	162	(34)	128	142	(7)	134

Transition from Net income – Group share per share to Underlying net income – Group share per share

Year ended December 31

(in € per share except for number of shares)	2013 Underlying	2013 Total	2014 Underlying	2014 Total
Net Income - Group share	1,636	1,422	1,561	1,119
Number of shares				
• Before dilution	587,411,533	587,411,533	594,472,798	594,472,798
• After dilution	588,469,577	588,469,577	595,536,328	595,536,328
Net Income - Group share, per share				
• Before dilution	2.79	2.42	2.63	1.88
• After dilution	2.78	2.42	2.62	1.88

Dividend for the 2014 fiscal year

At the Annual General Meeting on Wednesday, April 29, 2015, Danone's Board of Directors will ask shareholders to approve distribution of a €1.50 dividend per share in respect of the 2014 fiscal year, up +3.5% from 2013. This dividend reflects the confidence of both the Board and management in Danone's scope for growth in profit.

In keeping with the current absence of share buybacks, shareholders will be asked to opt for full payment of their dividend in either cash or in DANONE shares. New shares would be issued at a price set at 90% of the average opening DANONE share price on Euronext over the twenty trading days prior to the General Meeting on April 29, 2015 less the amount of the dividend.

Assuming this proposal is approved, the ex-dividend date will be Thursday, May 7, 2015. The period during which shareholders may opt to receive dividends in cash or in shares will begin on Thursday, May 7 and run through Thursday, May 21. Dividends will be payable in cash or in shares on Wednesday, June 3, 2015.

3.3 FREE CASH-FLOW

At the date of this Registration Document, the Group is confident that the cash-flows generated by its operating activities, its cash and cash equivalents and the funds available under committed credit facilities managed at Corporate level will be sufficient to cover the expenditures and investments necessary for its operations, service its debt (including the financing during the year of the exercise of all put options granted to non-controlling interests) and pay dividends.

Free cash-flow stood at €1,277 million in 2014, including €123 million (net of tax) in outlays linked to the Company and its affiliates' cost-reduction and adaptation plan in Europe.

Free cash-flow excluding exceptional items thus came to €1,401 million (6.6% of sales), down -9.6% from 2013, reflecting in particular the impact of negative exchange-rate effects.

Capital expenditure for 2014 came to €984 million, or 4.7% of sales.

Free cash-flow

Transition from operating cash-flow to free cash-flow

	Year ended December 31	
(in € millions)	**2013**	**2014**
Cash-flow from operating activities	**2,356**	**2,189**
Capital expenditure	(1,039)	(984)
Disposal of tangible assets	79	67
Transaction fees related to business combinations [a]	32	6
Earn-outs related to business combinations [b]	–	–
Free cash-flow	**1,428**	**1,277**
Cash-flows related to plan to generate savings and adapt organization in Europe [c]	121	123
Free cash-flow excluding exceptional items	**1,549**	**1,401**

(a) Represents acquisition costs related to business combinations paid during the period.
(b) Represents earn-outs related to business combinations and paid subsequently to acquisition date and over the period.
(c) Net of tax.

Consolidated statement of cash-flows

(in € millions)	Year ended December 31 2013	2014
Net income	**1,550**	**1,253**
Share of profit of associates	(289)	(14)
Dividends received from associates	27	18
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	772	956
Increases in (reversals of) provisions	62	43
Change in deferred taxes	(6)	(94)
(Gains) losses on disposal of property, plant and equipment and financial investments	(29)	(8)
Expense relating to stock-options and Group performance shares	19	19
Cost of net financial debt	193	179
Net interest paid	(178)	(212)
Net change in interest income (expense)	14	(33)
Other components with no cash impact	17	19
Other net cash outflows	(6)	(6)
Cash flows provided by operating activities, before changes in net working capital	**2,132**	**2,154**
(Increase) decrease in inventories	(231)	(105)
(Increase) decrease in trade receivables	(15)	(96)
Increase (decrease) in trade payables	392	184
Change in other receivables and payables	78	52
Change in working capital requirements	224	35
Cash flows provided by (used in) operating activities	**2,356**	**2,189**
Capital expenditure [a]	(1,039)	(984)
Proceeds from disposal of property, plant and equipment [a]	79	67
Net cash outflows on purchases of subsidiaries and financial investments [b]	(1,246)	(1,070)
Net cash inflows on disposal of subsidiaries and financial investments [b]	69	34
(Increase) decrease in long-term loans and other long-term financial assets	(19)	(14)
Cash flows provided by (used in) investment activities	**(2,156)**	**(1,966)**
Increase in issued capital and additional paid-in capital	37	33
Purchases of treasury shares (net of disposals) and of DANONE call options [c]	(793)	13
Dividends paid to Danone shareholders	(848)	(307)
Buyout of non-controlling interests	(121)	(363)
Dividends paid	(107)	(110)
Contribution from non-controlling interests to capital increases	15	1
Transactions with non-controlling interests	(213)	(471)
Net cash-flows on hedging derivatives [d]	54	(4)
Bonds issued or raised during the period	2,900	150
Bonds repaid during the period	(193)	(618)
Increase (decrease) in other current and non-current financial debt	(111)	312
Increase (decrease) in short term investments	(1,176)	535
Cash flows provided by (used in) financing activities	**(343)**	**(357)**
Effect of exchange rate changes	(157)	45
Increase (decrease) in cash and cash equivalents	**(300)**	**(89)**
Cash and cash equivalents at beginning of period	**1,269**	**969**
Cash and cash equivalents at end of period	**969**	**880**
Supplemental disclosures		
Payments during the year of income tax	598	601

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.
(b) Acquisition/disposal of companies shares. In the case of fully-consolidated companies, this comprises cash net of financial liabilities as of the acquisition/disposal date.
(c) DANONE call options acquired by the Company.
(d) Derivative instruments used to manage net debt.

3.4 BALANCE SHEET AND FINANCIAL SECURITY REVIEW

Simplified consolidated balance sheet

	As of December 31	
(in € millions except percentage)	**2013**	**2014**
Non-current assets	23,078	24,299
Current assets	7,850	7,448
Total assets	**30,928**	**31,747**
Equity - Group share	**10,694**	**11,696**
Non-controlling interests	35	49
Net debt	7,966	7,764
Net financial debt	4,722	5,206
Gearing based on net debt	74%	66%
Gearing based on net financial debt	44%	45%

Financing structure and financial security

Liquidity risk exposure and management policy

Liquidity risk exposure

The Group does not use debt in either a recurring or a significant way in connection with its operating activities. Operating cash–flows are generally sufficient to finance the Group's business operations and organic growth.

The Group may, however, take on additional debt to finance acquisitions or, occasionally to manage its cash cycle, particularly when dividends are paid to the Company's shareholders.

The Group's objective is always to keep this debt at a level enabling it to maintain the flexibility of its financing sources.

The Group's liquidity risk arises mainly from the maturities of its (i) interest-bearing liabilities (bonds, bank debt, etc.), and (ii) non-interest-bearing liabilities (liabilities on put options granted to non-controlling interests), and from payments on derivative instruments.

As part of its debt management strategy, the Group regularly seeks new financing, especially to refinance its existing debt.

In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financing in a company prior to the acquisition by the Group of a controlling interest in it, certain Group companies may, for operational reasons, be required to borrow from local sources. From a Group perspective, the amounts borrowed are relatively small, whether considered individually or in total, given the level of operating cash–flow that is generally sufficient to finance their operations and organic growth.

More generally, it is possible that in the context of a systemic financial crisis, the Group could be unable to access the financing or refinancing it needs on the credit or capital markets, or to access such finance on satisfactory terms, which could have an adverse impact on its financial situation.

Financial security management

Under its refinancing risk management policy, the Group reduces its exposure to financing risk by (i) centralizing its financing sources, (ii) borrowing from diversified financing sources, (iii) arranging a significant portion of its financing as medium-term financing, (iv) maintaining financing sources available at all times, and (v) ensuring that it is not subject to any covenant relative to maintaining financial ratios in connection with financing contracts.

Group's financing structure and financial security

As of December 31

	2013		2014	
(in € millions)	**Principal amount**	**Amount used** [f]	**Principal amount**	**Amount used** [f]
Bank financing [a]				
Syndicated credit facility [b]	2,000	–	2,000	–
Committed credit facilities [c]	3,400	–	3,400	–
Capital markets financing [a]				
EMTN financing [d] [e]	9,000	7,018	9,000	6,615
Bond issued in the United States market [d]	NA	850	NA	850
Commercial paper (*Billets de trésorerie*)	3,000	737	3,000	1,068

(a) The Group's financial structure and financial security are managed at the Company level.
(b) Syndicated credit facility (revolving) maturing in December 2019.
(c) A portfolio of back-up facilities entered into with major credit institutions, with maturities ranging from 2015 to 2018.
(d) Bonds issued by the Company are disclosed on the Group's website.
(e) Euro Medium Term Notes.
(f) Amount denominated in euros except bond issued in the United States market denominated in U.S. dollars.

Most of the financing agreements entered into by the Company (bank lines of credit and bonds) include a change of control provision, which offers creditors a right of early repayment in the event a change in control of the Company causes its rating by the financial rating agencies to fall below investment grade.

None of these financing sources is subject to any covenant relating to the maintenance of financial ratios.

Company's rating

As of December 31

	2013		2014	
	Moody's	**Standard and Poor's**	**Moody's**	**Standard and Poor's**
Short-term rating [a]				
Rating	–	A-2	–	A-2
Outlook	–	Stable	–	Stable
Long-term rating [b] [c]				
Rating	A-3	A-	Baa1 [c]	A-
Outlook	Stable	Stable	Stable	Negative [d]

(a) Rating given to the Company's commercial paper program.
(b) Rating given to the Company's debt issues with a maturity of more than one year.
(c) Rating lowered on December 13, 2014.
(d) Outlook attributed on December 23, 2014.

Use of its financing sources

The Group's policy consists of keeping its financing sources available and managing them at the Company level. The Group may need to use (i) its commercial paper program and syndicated credit facility to manage its cash cycle, notably when paying out the dividend to Danone shareholders, and (ii) alternatively, its commercial paper and EMTN programs or its syndicated credit facility to optimize its financing cost while still ensuring its financial security, such that the maturity and currency of its financing raised may vary without changing the net debt level or the Group's financial security.

Financing situation and liquidity risk

Main financing transactions in 2014

	Year ended December 31		
			2014
	Currency	**Nominal** *(in millions of currency)*	**Maturity**
New financing			
Euro bond issue under the EMTN program	EUR	150	2019
Renewal			
Syndicated credit facility [a]	EUR	2,000	2019
Repayment			
Euro bond issue under the EMTN program	EUR	618	2014

(a) Multi-currency revolving credit facility implemented in July 2011 and renewed in December 2014.

Main financing transactions in 2013

	Year ended December 31		
			2013
	Currency	**Nominal** *(in millions of currency)*	**Maturity**
New financing			
Euro bond issue under the EMTN program	EUR	750	2018
Euro bond issue under the EMTN program	EUR	650	2019
Euro bond issue under the EMTN program	EUR	500	2023
Euro bond issue under the EMTN program	EUR	1,000	2021
Repayment			
Private placement under the EMTN program	CZK	814	2013
Private placement under the EMTN program	CZK	374	2013
Private placement under the EMTN program	JPY	23,900	2013

Carrying amount of financial debt and change during the period

		Movements during the period							
(in € millions)	**As of December 31, 2013**	**Bond issue or net increase of other items**	**Bond repayment or net decrease of other items**	**Transfer to current portion**	**Translation adjustments**	**New put options**	**Exercise or expiration of put options**	**Other [e]**	**As of December 31, 2014**
Bonds [a] [b]	***618***	–	*(618)*	*603*	–	–	–	–	***603***
Commercial paper [b]	***737***	*331*	–	–	–	–	–	–	***1,068***
Other financing and other debts [a] [c]	***740***		*(39)*	*40*	*(68)*	–	–	*(12)*	***661***
Financing [a]	**2,095**	331	(657)	644	(68)	–	–	(12)	**2,332**
Derivatives – liabilities [a] [b]	**–**	–	(4)	–	7			–	**3**
Financing and derivatives – liabilities [a]	**2,095**	331	(661)	644	(61)	–	–	(12)	**2,336**
Liabilities related to put options granted to non-controlling interests [a]	**2,767**	–	–	–	–	–	(340)	(218)	**2,209**
Current financial debt	**4,862**	**331**	**(661)**	**644**	**(61)**	**–**	**(340)**	**(230)**	**4,544**
Bonds [b] [d]	***6,460***	*150*	–	*(603)*	*81*	–	–	–	***6,087***
Other financing and other debts [a] [c]	***116***	*23*	–	*(40)*	*43*	–	–	*8*	***150***
Financing [d]	**6,576**	173	–	(644)	124	–	–	8	**6,238**
Derivatives – liabilities [b] [d]	**12**	–	–	–	–	–	–	–	**11**
Financing and derivatives – liabilities [d]	**6,588**	173	–	(644)	124	–	–	8	**6,249**
Liabilities related to put options granted to non-controlling interests [d]	**477**	–	–	–	–	–	–	(128)	**349**
Non-current financial debt	**7,065**	**173**	**–**	**(644)**	**124**	**–**	**–**	**(120)**	**6,598**
Financial debt	**11,927**	**504**	**(661)**	**–**	**63**	**–**	**(340)**	**(350)**	**11,143**

(a) Less than one year portion.
(b) Financing managed at the Company level.
(c) Subsidiaries' bank financing and other financing, liabilities related to finance leases.
(d) More than one year portion.
(e) Other movements correspond mainly to (i) the revaluation of the liability related to put options granted to non-controlling interests including currency translation adjustments, and (ii) changes in scope.

Financial debt repayment schedule

Projected cash outflows linked to the contractual repayment of the principal amount and contractual interest payments on the financial assets and liabilities, including premiums to be paid on derivative financial instruments, based on the assumption of non-renewal

(in € millions)	Carrying amount on consolidated balance sheet as of December 31, 2014	Cash flows 2015	Cash flows 2016	Cash flows 2017	Cash flows 2018	Cash flows 2019 and after
Bonds [a] [b]	6,691	(603)	(696)	(921)	(802)	(3,669)
Commercial paper [a] [f]	1,068	(1,068)	–	–	–	–
Derivatives – liabilities [a] [d] [e] [i]	14	(14)	–	–	–	–
Financial debt managed at Corporate level	7,773	(1,685)	(696)	(921)	(802)	(3,669)
Subsidiaries' bank financing and other financing [c]	738	(668)	(12)	(10)	(10)	(37)
Finance lease commitments [c] [d]	74	(15)	(16)	(9)	(8)	(26)
Liabilities related to put options granted to non-controlling interests [g]	2,558	(2,209)	(238)	–	(111)	–
Total debt (before flows of financial instruments other than accrued interest)	**11,143**	**(4,578)**	**(962)**	**(940)**	**(931)**	**(3,732)**
Interest on above-mentioned debt [d] [h]		(134)	(119)	(107)	(93)	(243)
Flows on derivatives [d] [e] [h] [j]		–	(5)	65	6	–

(a) Financing managed at the Company level.
(b) Flows determined on the basis of the carrying amount of the bonds as of December 31, 2014 and their contractual maturity date.
(c) Contractual nominal and interest flows.
(d) The floating interest rates are calculated on the basis of the rates applicable as of December 31, 2014.
(e) Net contractual flows, including premiums payable, net flows payable or receivable relating to the exercise of options in the money at the year-end.
(f) The Commercial Paper issuances are backed-up by available confirmed credit lines.
(g) Cash flows determined on the basis of the carrying amount of the options as of December 31, 2014 and their contractual exercise date.
(h) Interest flows are net of accrued interest taken into account in the subtotals above.
(i) The amount recognized in the balance sheet represents the market value of these instruments. The flows in respect of these instruments as well as those relating to derivatives - assets are detailed hereafter.
(j) Concerns derivative instruments on net debt, assets and liabilities.

Cash outflows linked to the contractual repayment of swapped bonds

Currency swap agreements are used in order to hedge against exchange rate fluctuations for certain bonds denominated in foreign currency and obtain equivalent financing in euros.

Carrying amount and repayment value after taking into account swaps into euros

	As of December 31	
(in € millions)	**2013**	**2014**
Carrying amount	7,078	6,691
Repayment value after taking into account swaps into euros [a]	7,018	6,633

(a) Corresponds to (i) the carrying amount for the bonds not swapped into euros, and (ii) the value after swaps for the bonds swapped into euros. The difference with the carrying amount therefore corresponds to the fair value of the cross-currency swaps qualified as fair value hedge on the bonds swapped into euros and presented on the balance sheet under the Derivatives heading.

Sources of financing available at any time

The sources of financing available at any time established by the Group are composed mainly of committed available credit facilities carried by the Company. The Group also has other bank credit facilities carried by certain of its subsidiaries.

(in € millions)	Amount available as of December 31, 2014	Amount available as of December 31, 2015	Amount available as of December 31, 2016	Amount available as of December 31, 2017	Amount available as of December 31, 2018	Amount available as of December 31, 2019 and after
Credit facilities [a]	5,465	5,465	4,515	3,247	2,597	2,397
Other credit facilities [b]	326	–	–	–	–	–

(a) Nominal amount of the portion of the syndicated credit facility and back-up credit facilities managed at the Company level and not drawn down as of December 31, 2014.
(b) Nominal amount of the portion not drawn as of December 31, 2014.

Liabilities related to put options granted to non-controlling interests

General principles

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest.

3

Main characteristics

As of December 31

(in € millions)	2013	2014	Start of exercise period	Price calculation formula
Non-current portion	337	236		
Current portion	799	794		
Danone Spain [a]	1,136	1,030	At any time [a]	Average earnings multiple over several years
Danone CIS	1,079	912	2014	Earnings multiple with floor price
Other – Non-current portion	140	113	After 2014	
Other – Current portion	889	503	2014	
Other [b]	1,029	616		
Total	**3,244**	**2,558**		
of which, Non-current financial liabilities	**477**	**349**		
of which, Current financial liabilities	**2,767**	**2,209**		

(a) Contractually, these options can be exercised at any time. However, some beneficiaries signed a rider under the terms of which they accepted that the settlement of the amount owed by Danone and the transfer of ownership would be deferred by one year.
(b) Several put options with an individual amount less than or equal to 10% of the total amount of put options granted by the Group to some non-controlling interests.

Change during the period

(in € millions)	**2013**	**2014**
As of January 1	3,271	3,244
New options [a]	403	–
Options exercised	(509)	(341)
Change in the present value of the strike price of outstanding options	79	(345)
As of December 31	**3,244**	**2,558**

(a) Carrying amount as of December 31.

Current and non-current financial liabilities relating to put options granted to non-controlling interests in Danone Spain

Since 2012, the Group had discussed with Danone Spain's non-controlling shareholders the terms and conditions of these put options, especially in light of Southern Europe's deteriorating economy and its significant impact on Danone Spain.

As a reminder of the background, during the first half of 2013, the Group repurchased a total of 1,642,618 shares from several Danone Spain non-controlling shareholders (including 1,550,315 shares through the exercise of put options by their beneficiaries, and the remainder through direct purchases of Danone Spain shares from their holders), raising its Danone Spain shareholding from 65.6% to 75.6%. Shares were acquired in exchange for cash payments totaling €108 million and for 6,715,266 DANONE treasury shares (1.0% of the Danone SA share capital). An equal number of DANONE shares was purchased on the market by the Group over the first six months, under its share buyback program to offset dilution resulting from this transaction.

After that share buyback, Danone Spain's shares were held (i) for 75.6% by the Group, (ii) for 22.1% by non-controlling interests with put options, (iii) for 1.0% by non-controlling interests without put options, and (iv) for 1.3% by Danone Spain.

Non-controlling shareholders representing around 15% of Danone Spain's share capital exercised their put options in 2013. The Group contested those exercises and invited the shareholders concerned to continue the process of renegotiation of their put options' terms and conditions. During the first six months of 2013, these non-controlling shareholders opted not to continue the discussion process and initiated proceedings against the Group for the purpose of execution of their put options before an arbitration tribunal.

The arbitration panels petitioned by these holders of put options issued their rulings in December 2014 and February 2015. Following these decisions, in early 2015 the Group purchased in exchange for cash 2,581,030 shares in Danone Spain. For the shares subject to put options, the Group paid an amount below the carrying value as of December 31, 2014 of the related liabilities. The shares purchased through this transaction represent approximately 15.7% of Danone Spain's share capital, thereby bringing the Group's overall equity interest in the company to 91%.

Accounting in 2014

The financial liabilities related to put options granted to non-controlling interests of Danone Spain amounted to €1,030 million as of December 31, 2014.

Accounting in 2013

The financial liabilities related to put options granted to non-controlling interests of Danone Spain amounted to €1,136 million as of December 31, 2013.

Based on these events, the share buyback, option exercises and procedures, the Group decided to maintain a portion of the remaining put options (€799 million related to the 15% of the capital mentioned above) as short-term financial debt in its financial statements as of December 31, 2013. Put options amounting to €337 million continued to be classified as non-current financial debt, as these options are subject to a one-year payment term.

The main impacts on the consolidated financial statements related to the Danone Spain options repurchased in 2013 are as follows:

- decrease by €504 million of the liabilities related to put options granted to non-controlling interests;
- favorable impact of €80 million on consolidated equity and the Group net debt, the transaction price paid being lower than the carrying values of these commitments, for purchases by means of put options exercises;
- €108 million cash–flows used in financing activities, corresponding to the portion paid in cash (to holders of put options and other selling shareholders) and presented in Transactions with non-controlling interests in the Consolidated statement of cash–flows;
- the transfer of 6.7 million DANONE shares did not have any impact on the Consolidated statement of cash–flows. Nevertheless, as described above, an equal number of DANONE shares had been purchased on the market by the Group over the first six months of 2013. Those purchases are presented in the item Purchases of treasury shares (net of disposals) and of DANONE call options in the cash–flows used in financing activities in the Consolidated statement of cash-flows.

Net debt and net financial debt

Net debt

(in € millions)	As of December 31 2013	2014
Non-current financial debt	7,065	6,598
Current financial debt	4,862	4,544
Short-term investments	(2,862)	(2,317)
Cash and cash equivalents	(969)	(880)
Derivatives – assets – Non-current	(130)	(181)
Derivatives – assets – Current	–	–
Net debt	**7,966**	**7,764**

Change in net debt in 2014

Net debt stood at €7,764 million as of December 31, 2014, including €2,558 million in put options granted to non-controlling shareholders. The debt represented by these options is down €686 million from December 31, 2013 due in particular to Danone's increased equity interest in Centrale Laitière (Morocco) during the year.

Excluding put options for non-controlling shareholders, the Group's net financial debt stood at €5,206 million, up €484 million from December 31, 2013. The rise is linked mainly to acquisitions made by Danone in the course of 2014, including its increased stake in Centrale Laitière (Morocco) and Mengniu (China), and its acquisition of an interest in Brookside (Kenya).

Change in net debt in 2013

In 2013, the Group's net debt increased by €1,674 million to reach €7,966 million.

Excluding put options granted to non-controlling interests, the Group's net debt totaled €4,722 million as of December 31, 2013, up €1,701 million from the previous year. This increase was mainly due to the acquisitions carried out by Danone in 2013. They included the purchase of a portion of the non-controlling interests in Danone Spain, the increased equity interest acquired in Centrale Laitière, the acquisition of a controlling interest in Sirma in Turkey, the acquisition of Happy Family and YoCrunch in the United States and strategic investments of a 4.0% equity interest in Mengniu in China and a 49% equity interest in Fan Milk in West Africa.

Transition from net debt to net financial debt

(in € millions)	As of December 31 2013	2014
Non-current financial debt [a]	7,065	6,598
Current financial debt	4,862	4,544
Short term investments	(2,862)	(2,317)
Cash and cash equivalents	(969)	(880)
Derivatives – assets	(130)	(181)
Net debt	**7,966**	**7,764**
Liabilities related to put options granted to non-controlling interests – Non current	(477)	(349)
Liabilities related to put options granted to non-controlling interests – Current	(2,767)	(2,209)
Financial debt excluded from net financial debt	**(3,244)**	**(2,558)**
Net financial debt	**4,722**	**5,206**

(a) Includes Derivatives–liabilities.

Shareholder's equity

Change in shareholder's equity – Group share

(in € millions)	2013	2014
As of January 1	**12,191**	**10,694**
Net income	1,422	1,119
Dividend paid for the previous fiscal year	(848)	(307)
Cumulative translation adjustments [a]	(1,417)	177
Transactions with non-controlling interests	(350)	290
Transactions involving DANONE shares	(475)	13
Capital increase under the Company Savings Plan for the benefit of employees of French entities	37	33
Other comprehensive income	131	(323)
Counterpart entry to expense relating to Group performance shares and stock-options	19	19
Other	(16)	(18)
As of December 31	**10,694**	**11,696**

(a) In 2013, negative translation differences were due to the decrease in the exchange rate for several currencies against the euro, in particular the Indonesian rupiah, Russian ruble and Turkish lira.

Off-balance sheet commitments

Commitments given in 2014 relating to operating activities

		Amount of financial flows for the year				
(in € millions)	Total	2015	2016	2017	2018	2019 and after
Operating lease commitments	(622)	(162)	(113)	(84)	(62)	(200)
Commitments to purchase goods and services	(2,863)	(1,646)	(556)	(301)	(111)	(249)
Capital expenditure commitments	(161)	(140)	(6)	(2)	(2)	(11)
Guarantees and pledges given	(224)	(170)	(12)	(16)	(2)	(25)
Other	(189)	(121)	(23)	(16)	(5)	(23)
Total	**(4,059)**	**(2,239)**	**(711)**	**(419)**	**(182)**	**(508)**

Commitments received in 2014 relating to operating activities

	Commitments as of December 31 of each year					
(in € millions)	2014	2015	2016	2017	2018	2019
Guarantees and pledges received	83	68	–	–	–	15
Other	43	30	6	6	1	–
Total	**126**	**98**	**7**	**6**	**1**	**15**

.

3.5 OUTLOOK FOR 2015

Material change in financial or trading position

The Company and its subsidiaries overall have not experienced any material changes in their financial or trading position since the close of the 2014 fiscal year.

Subsequent events

Danone launches a successful dual-tranche €1.3 billion bond issue

Danone announced the successful launch of a €1.3 billion dual-tranche bond issue in euros on January 7, 2015.

An integral part of financing for Danone and its development, this issue enables the Group to extend the maturity of its debt in a market favorable to quality bond issues.

The issue consists of two tranches:

- a tranche of 5-year floating rate notes of €550 million (coupon of Euribor 3 months +33 basis points);
- a tranche of 10-year fixed rate bonds of €750 million, priced at mid swap +48 basis points (coupon of 1.125%).

Euronext, the leading exchange in the Eurozone, congratulated Danone on January 23, 2015 on the success of its dual-tranche €1.3 billion bond issue. Aimed at financing the Group's business and growth by extending the maturity of its debt, the bonds were admitted to trading on 14 January.

Other events

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 19, 2015, the date on which the Board of Directors approved the 2014 consolidated financial statements and at the date of this Registration Document.

3

Profit forecasts or estimates

Financial outlook for 2015

Danone assumes that economic conditions will remain difficult and unstable overall, with fragile or even deflationary consumer trends in Europe, emerging markets undermined by volatile currencies, and difficulties specific to a few major markets, in particular the CIS.

In 2015, Danone also anticipates marked but varied trends in the cost of major strategic raw materials, particularly milk:

- lower prices in Europe and the United States in the first half, with a rebound likely in the second half of the year; and
- gradual price increases in emerging countries all year long.

Altogether, Danone anticipates a moderate rise in the cost of main raw materials and packaging in 2015.

Against this backdrop, Danone will focus on developing its product categories and winning market share. In Europe, Danone will continue to strengthen its competitive edge. In growth markets, it will focus on developing its product categories, in particular through strong local brands in the most attractive geographical markets.

After delivering profitable growth in the second half of 2014, Danone will seek to make this equation sustainable, generating organic growth in sales and in operating margin in 2015, while making the investments necessary to ensure this performance is lasting.

As a result, Danone's 2015 targets include:

- organic growth in sales of between +4% and +5% on a like-for-like basis (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*);
- slight growth in trading operating margin on a like-for-like basis (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*).

Lastly, Danone will continue to work towards lasting gains in free cash-flow (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*) without setting a short-term target.

These forecasts, outlooks, representations and other forward-looking information included in this Registration Document are based mainly on the data, assumptions and estimates detailed hereafter, and which are deemed reasonable by the Group. They are not historical data and should not be interpreted as guarantees that actual results will be in line with said forecasts. By their very nature, such data, assumptions and estimates, as well as all other factors taken into account in the preparation of such forward-looking representations and information, may happen and are susceptible to change or be amended because of uncertainties notably related to the Group's economic, financial and competitive environment. In addition, the occurrence of certain risks described in section 2.7 *Risk factors* could have an impact on the Group's activities, financial position, earnings and outlook and on the achievements of its forecasts, outlooks, representations and forward-looking information provided above.

Main assumptions underlying the profit forecasts

The forecasts presented above were prepared using accounting methods consistent with those used by the Group to prepare the historical information. They are based on a number of assumptions, including:

- the data were prepared using projected exchange rates and interest rates determined at the Group level;
- the overall macroeconomic context will remain challenging and unstable, with fragile and in some cases deflationary consumption trends in Europe, adverse impacts of currency volatility on emerging markets and, lastly, specific contextual challenges in several key markets, notably the CIS region; and
- cost trends for the main strategic raw materials will be pronounced but not uniform, especially milk prices:
  - a decline in Europe and the United States in the first half before a likely rebound in the second, and
  - steady increases in the emerging countries throughout the year.

Statutory auditors' report on the profit forecasts

This is a free translation into English of the Statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Chairman of the Board of Directors,

In our capacity as Statutory auditors of your Company and in accordance with EC Regulation No. 809/2004, we have prepared this report on Danone's like-for-like trading operational margin forecasts for year 2015, included in section 3.5 of this Registration Document.

These forecasts and the significant assumptions on which they are based are your responsibility, in accordance with the provisions of EC Regulation No. 809/2004 and the ESMA recommendations on profit forecasts.

It is our responsibility, on the basis of our procedures, to express an opinion, in accordance with the terms specified in appendix I, point 13.2 of EC Regulation No. 809/2004, as to whether such forecasts have been properly prepared.

We have carried out the procedures we deemed necessary with regard to the professional standards of the French society of auditors (*Compagnie nationale des commissaires aux comptes*) regarding this assignment. This work has comprised an assessment of the procedures implemented by management for the preparation of the forecasts and the implementation of procedures to verify the consistency of the accounting methods used with those applied for the preparation of Danone's consolidated financial statements for the year ended December 31, 2014. Our procedures have also included gathering such information and explanations that we have considered necessary in order to obtain reasonable assurance that the forecasts were properly prepared on the basis of the assumptions as set out.

We would remind you that, since forecasts are, by their very nature, subject to uncertainties, actual results sometimes differ significantly from the forecasts presented and that we do not express any opinion on the likelihood, or otherwise, of the actual results being in line with these forecasts.

In our opinion:

- the forecasts have been properly prepared in accordance with the basis indicated; and
- the accounting principles used in the preparation of these forecasts are consistent with the accounting policies applied by Danone for the preparation of its consolidated financial statements for the year ended December 31, 2014.

This report is issued solely for the purposes of filing the 2014 Registration Document with the French securities regulator (*Autorité des marches financiers* – AMF) and, where relevant, for a public offering in France and in the other countries of the European union, or admission to trading on a regulated market in the European union of securities offered in France or in other countries of the European union, in which a prospectus containing this Registration Document, authorized by the AMF, would be published, and may not be used in any other context.

Neuilly-sur-Seine and Paris La Défense, March 18, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

2015 financial communication calendar

February 20, 2015	2014 Final full year results
April 15, 2015	2015 1st quarter sales
April 29, 2015	Shareholders Annual Meeting
July 24, 2015	2015 1st half sales and results
October 19, 2015	2015 nine months sales

3.6 FINANCIAL INDICATORS NOT DEFINED BY IFRS

Information published by Danone uses the following financial indicators that are not defined by IFRS:

- like-for-like changes in net sales, trading operating income, trading operating margin, underlying net income and underlying net income per share;
- trading operating income;
- trading operating margin;
- underlying net income
- underlying fully diluted EPS or current net income – Group share, per share after dilution;
- free cash-flow;
- free cash-flow excluding exceptional items; and
- net financial debt.

Given severe deterioration in consumer spending in Europe, Danone has set a target for savings and adaptation of its organization to regain its competitive edge. Starting in the first half of 2013, Danone published a free cash-flow indicator excluding cash-flows related to initiatives deployed within the framework of this plan.

Calculation of financial indicators not defined in IFRS and used by the Group is as follows:

Like-for-like changes in net sales, trading operating income, trading operating margin, current net income – Group Share (or underlying net income) and current net income – Group Share per share (or underlying net income per share) reflect the Group's organic performance and essentially exclude the impact of:

- changes in consolidation scope with indicators related to a given fiscal year calculated on the basis of previous-year scope;
- changes in applicable accounting principles;
- changes in exchange rates, (i) with both previous year and current year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year), and (ii) correcting differences caused by the exceptional volatility of inflation in countries that are structurally subject to hyperinflation, which would otherwise distort any interpretation of the Group's organic performance.

Since inflation in Argentina –already structurally high– accelerated further in 2014, in particular following the sharp, steep devaluation of the peso in January, using an identical exchange rate to compare 2014 figures with those for the prior year would not have reflected the Group's organic performance accurately. As a result, Danone fine-tuned the definition of like-for-like changes to include in its exchange-rate impact the differences caused by the exceptional volatility in structurally hyperinflationary countries. Danone is applying this methodology starting with the release of 2014 full-year results, where it is applicable only to Argentina, and where adjustment for the full year was recorded in the fourth quarter. More specifically, it led to (i) limit the inflation of price and cost of goods sold per kilo to their average level for the past three years and (ii) cap trading operating margin at its prior-year level; this methodology has been applied to each Division operating in Argentina.

Trading operating income is defined as the Group operating income excluding other operating income and expense. Other operating income and expense is defined under Recommendation 2013-03 of the French ANC (format of consolidated financial statements for companies reporting under international reporting standards), and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Furthermore, in connection with of IFRS 3 (Revised) and IAS 27 (Revised) relating to business combinations, the Group also classifies in Other operating income and expense (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs relating to business combinations and subsequent to acquisition date.

Trading operating margin is defined as the trading operating income over net sales ratio.

Underlying net income (or current net income – Group Share) measures the Group's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's current performance. Such non-current income and expense mainly include capital gains and losses on disposals and impairments of non-fully-consolidated equity interests and tax income, and expense related to non-current income and expense. Non-current net income – Group Share is defined as non-current income and expense excluded from Net income– Group share.

Underlying fully diluted EPS (or current net income – Group Share, per share after dilution) is defined as the underlying net income over diluted number of shares ratio.

Free cash-flow represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with of IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives that may be taken by the Group to deploy the plan to generate savings and adapt organization in Europe.

Net financial debt represents the net debt portion bearing interest. It corresponds to current and non-current financial debt (i) excluding Liabilities related to put options granted to non-controlling interests and (ii) net of Cash and cash equivalents, Short term investments and Derivatives – assets.

3.7 DOCUMENTS AVAILABLE TO THE PUBLIC

The by-laws, the minutes of Shareholders' Meetings, reports of the Statutory auditors, and other corporate documents may be consulted at the Company's registered office. Moreover, historical financial information and certain information regarding the organization and businesses of the Company and its subsidiaries are available on the Group's website in the section pertaining to regulated information.

The table below lists all of the regulated information published between January 1, 2014 and March 18, 2015:

Subject	Date	Place of consultation
Danone sets terms for continued partnership with Fonterra and initiates legal proceedings	01/08/2014	www.danone.com, AMF, OTC
Implementation of a liquidity contract	01/16/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (January 2014)	02/07/2014	www.danone.com, AMF, OTC
Danone raises its stake in China's leading dairy company Mengniu	02/12/2014	www.danone.com, AMF, OTC
2013 Full-Year Results	02/20/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (February 2014)	03/06/2014	www.danone.com, AMF, OTC
Danone publishes its 2013 Registration Document	03/24/2014	www.danone.com, AMF, OTC
Convening to combined Shareholders' meeting of April 29th 2014	04/04/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (March 2014)	04/07/2014	www.danone.com, AMF, OTC
2014 First-Quarter Sales	04/16/2014	www.danone.com, AMF, OTC
2014 Danone Shareholders' Meeting	04/29/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (April 2014)	05/13/2014	www.danone.com, AMF, OTC
Result of the option to receive the 2013 dividend payment in shares	05/28/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (May 2014)	06/06/2014	www.danone.com, AMF, OTC
Danone announces plan to close plants in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary)	06/11/2014	www.danone.com, AMF, OTC
Half-Year liquidity contract statement	07/02/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (June 2014)	07/04/2014	www.danone.com, AMF, OTC
Danone partners with Brookside, East Africa's leading dairy products company	07/18/2014	www.danone.com, AMF, OTC
2014 First-Half Results	07/25/2014	www.danone.com, AMF, OTC
Notification of availability of Danone's 2014 interim financial report	07/25/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (July 2014)	08/21/2014	www.danone.com, AMF, OTC
Change in Danone's Governance	09/02/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (August 2014)	09/05/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (September 2014)	10/03/2014	www.danone.com, AMF, OTC
Sales in the third quarter and first nine months of 2014	10/15/2014	www.danone.com, AMF, OTC
Danone and Mengniu expand their strategic alliance to infant milk formula in China	10/31/2014	www.danone.com, AMF, OTC
Danone acquires an additional 21.75% equity interest in Centrale Laitière (Morocco)	11/03/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (October 2014)	11/06/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (November 2014)	12/04/2014	www.danone.com, AMF, OTC
Danone confirms strategic priorities and strengthens management team	12/12/2014	www.danone.com, AMF, OTC
Half-Year liquidity contract statement	01/05/2015	www.danone.com, AMF, OTC
Voting Rights Declaration (December 2014)	01/07/2015	www.danone.com, AMF, OTC
Danone launches a successful dual-tranche €1.3 billion bond issue	01/07/2015	www.danone.com, AMF, OTC
Voting Rights Declaration (January 2015)	02/06/2015	www.danone.com, AMF, OTC
2014 Full-Year Results	02/20/2015	www.danone.com, AMF, OTC
Voting Rights Declaration (February 2015)	03/05/2015	www.danone.com, AMF, OTC
Danone appoints Lorna DAVIS and Pascal de PETRINI to the Executive Committee to shape the "Danone 2020" initiative	03/17/2015	www.danone.com, AMF, OTC

Financial statements

4

4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 74

Consolidated financial statements 74

Notes to the consolidated financial statements 81

Cross-reference table with the Notes to the consolidated financial statements for the year ended December 31, 2013 150

Statutory auditors' report on the consolidated financial statements 151

4.2 FINANCIAL STATEMENTS OF DANONE SA, PARENT COMPANY OF THE DANONE GROUP 153

Financial statements of Danone SA 153

Notes to the financial statements of the parent company Danone 155

Statutory auditor's report on the financial statements of the parent company Danone 173

4.3 FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK 174

4.4 INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT OPINIONS AND DECLARATIONS OF INTEREST 175

4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated income statement and earnings per share

		Year ended December 31	
(in € millions except earnings per share in €)	Notes	**2013**	**2014**
Net sales	5.1 to 5.2	**21,298**	**21,144**
Cost of goods sold		(10,977)	(11,056)
Selling expense		(5,425)	(5,209)
General and administrative expense		(1,707)	(1,743)
Research and development expense		(275)	(272)
Other income (expense)	5.3	(105)	(202)
Trading operating income		**2,809**	**2,662**
Other operating income (expense)	6.1	(681)	(511)
Operating income		**2,128**	**2,151**
Interest income		76	94
Interest expense		(269)	(274)
Cost of net debt	10.6	(193)	(179)
Other financial income	11.3	52	5
Other financial expense	11.3	(122)	(137)
Income before tax		**1,865**	**1,839**
Income tax expense	8.1	(604)	(599)
Net income from fully consolidated companies		**1,261**	**1,239**
Share of profit of associates	4.7	289	14
Net income		**1,550**	**1,253**
Net income – Group share		**1,422**	**1,119**
Net income – non-controlling interests		128	134
Net income – Group share, per share	13.4	**2.42**	**1.88**
Net income – Group share, per share after dilution	13.4	**2.42**	**1.88**

Consolidated statement of comprehensive income

	Year ended December 31	
(in € millions)	**2013**	**2014**
Net income – Group share	**1,422**	**1,119**
Translation adjustments	(1,417)	177
Cash-flow hedging derivatives		
Gross unrealized gains and losses	89	(120)
Tax effects	(31)	5
Available-for-sale financial assets		
Gross unrealized gains and losses	119	(71)
Amount recycled to profit or loss in the current year	(52)	–
Tax effects	(3)	(1)
Other comprehensive income, net of tax	–	3
Items that may be subsequently recycled to profit or loss	**(1,295)**	**(7)**
Actuarial gains and losses on retirement commitments		
Gross gains and losses	11	(203)
Tax effects	(2)	64
Items not subsequently recyclable to profit or loss	**9**	**(138)**
Total comprehensive income – Group share	**136**	**973**
Total comprehensive income – non-controlling interests	83	77
Total comprehensive income	**219**	**1,051**

Consolidated balance sheet

		As of December 31	
(in € millions)	Notes	**2013**	**2014**
Assets			
Goodwill		11,474	11,582
Brands		4,501	4,337
Other intangible assets		333	315
Intangible assets	9.1 to 9.3	16,308	16,234
Property, plant and equipment	5.5	4,334	4,582
Investments in associates	4.1 to 4.8	1,033	2,146
Investments in other non-consolidated companies	11.1 to 11.2	313	92
Long-term loans and other long-term financial assets	11.1 to 11.2	251	228
Other financial investments		564	320
Derivatives – assets [a]	12.4	130	181
Deferred taxes	8.2	709	836
Non-current assets		**23,078**	**24,299**
Inventories	5.4	1,252	1,340
Trade receivables	5.4	1,809	1,900
Other receivables	5.4	916	974
Short-term loans		23	30
Short-term investments	10.4	2,862	2,317
Cash and cash equivalents		969	880
Assets held for sale		19	8
Current assets		**7,850**	**7,448**
Total assets		**30,928**	**31,747**

(a) Derivative instruments used to manage net debt.

		As of December 31	
(in € millions)	Notes	**2013**	**2014**
Equity and liabilities			
Share capital		158	161
Additional paid-in capital		2,930	3,505
Retained earnings		11,153	11,817
Cumulative translation adjustments		(1,553)	(1,501)
Accumulated other comprehensive income		(123)	(427)
Treasury shares and DANONE call options [a]	13.2	(1,871)	(1,859)
Equity – Group share		**10,694**	**11,696**
Non-controlling interests	3.1 to 3.6	35	49
Consolidated equity		**10,729**	**11,745**
Financing	10.1 to 10.3	6,576	6,238
Derivatives – liabilities [b]	12.4 to 12.5	12	11
Liabilities related to put options granted to non-controlling interests	3.5	477	349
Non-current financial debt		7,065	6,598
Provisions for retirement obligations and other long-term benefits	7.3	584	818
Deferred taxes	8.2	1,265	1,225
Other non-current provisions and liabilities	14.2	678	737
Non-current liabilities		**9,592**	**9,377**
Financing	10.1 to 10.3	2,095	2,332
Derivatives – liabilities [b]	12.4 to 12.5	–	3
Liabilities related to put options granted to non-controlling interests	3.5	2,767	2,209
Current financial debt		4,862	4,544
Trade payables	5.4	3,248	3,334
Other current liabilities	5.4	2,497	2,741
Liabilities directly associated with assets held for sale		–	6
Current liabilities		**10,607**	**10,625**
Total equity and liabilities		**30,928**	**31,747**

(a) DANONE call options acquired by the Company.
(b) Derivative instruments used to manage net debt.

Consolidated statement of cash flows

(in € millions)	Notes	Year ended December 31 2013	2014
Net income		**1,550**	**1,253**
Share of profit of associates	4.7	(289)	(14)
Dividends received from associates		27	18
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	5.5, 9.2	772	956
Increases in (reversals of) provisions	14.2	62	43
Change in deferred taxes	8.2	(6)	(94)
(Gains) losses on disposal of property, plant and equipment and financial investments	5.4, 9.2	(29)	(8)
Expense relating to stock-options and Group performance shares	7.4	19	19
Cost of net financial debt	10.6	193	179
Net interest paid		(178)	(212)
Net change in interest income (expense)		14	(33)
Other components with no cash impact		17	19
Other net cash outflows		(6)	(6)
Cash flows provided by operating activities, before changes in net working capital		**2,132**	**2,154**
(Increase) decrease in inventories		(231)	(105)
(Increase) decrease in trade receivables		(15)	(96)
Increase (decrease) in trade payables		392	184
Change in other receivables and payables		78	52
Change in working capital requirements	5.4	224	35
Cash flows provided by (used in) operating activities		**2,356**	**2,189**
Capital expenditure [a]	5.5	(1,039)	(984)
Proceeds from disposal of property, plant and equipment [a]	5.5	79	67
Net cash outflows on purchases of subsidiaries and financial investments [b]	2, 4, 11	(1,246)	(1,070)
Net cash inflows on disposal of subsidiaries and financial investments [b]	2, 4, 11	69	34
(Increase) decrease in long-term loans and other long-term financial assets	11	(19)	(14)
Cash flows provided by (used in) investment activities		**(2,156)**	**(1,966)**
Increase in issued capital and additional paid-in capital		37	33
Purchases of treasury shares (net of disposals) and of DANONE call options [c]	13.2	(793)	13
Dividends paid to Danone shareholders	13.4	(848)	(307)
Buyout of non-controlling interests	3	(121)	(363)
Dividends paid		(107)	(110)
Contribution from non-controlling interests to capital increases		15	1
Transactions with non-controlling interests		(213)	(471)
Net cash flows on hedging derivatives [d]	12.4, 12.5	54	(4)
Bonds issued or raised during the period	10.3	2,900	150
Bonds repaid during the period	10.3	(193)	(618)
Increase (decrease) in other current and non-current financial debt	10.3	(111)	312
Increase (decrease) in short term investments	10.4	(1,176)	535
Cash flows provided by (used in) financing activities		**(343)**	**(357)**
Effect of exchange rate changes		(157)	45
Increase (decrease) in cash and cash equivalents		**(300)**	**(89)**
Cash and cash equivalents at beginning of period		**1,269**	**969**
Cash and cash equivalents at end of period		**969**	**880**
Supplemental disclosures			
Payments during the year of income tax		598	601

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.
(b) Acquisition/disposal of companies' shares. In the case of fully-consolidated companies, this comprises cash net of financial liabilities as of the acquisition/disposal date.
(c) DANONE call options acquired by the Company.
(d) Derivative instruments used to manage net debt.

The cash flows described correspond to items presented in the consolidated balance sheet. However, these flows may differ from changes in assets and liabilities, mainly as a result of the rules for (i) translating transactions in currencies other than the functional currency, (ii) translating the financial statements of companies with a functional currency other than the euro, and (iii) changes in the consolidation scope.

Consolidated statement of changes in equity

			Movements during the period									
(in € millions)	Notes	**As of January 1, 2013**	**Other comprehensive income**	**Capital increase**	**Decrease in issued capital**	**Other transactions involving treasury shares and DANONE call options [a]**	**Counterpart entry to expense relating to Group performance shares and stock-options [b]**	**Dividends paid in shares**	**Dividends paid in cash**	**Other transactions with non-controlling interests**	**Other changes**	**As of December 31, 2013**
Share capital		161			(3)							158
Additional paid-in capital		3,487		37	(594)							2,930
Retained earnings		10,926	1,422				19		(848)	(350)	(16)	11,153
Cumulative translation adjustments		(136)	(1,417)									(1,553)
Unrealized gains and losses related to cash-flow hedging derivatives, net of tax		(87)	58									(29)
Unrealized gains and losses related to available-for-sale financial assets net of tax	11	85	64									149
Other comprehensive income, net of tax		2										2
Actuarial gains and losses on retirement commitments not recyclable to profit or loss	7	(254)	9									(245)
Other comprehensive income		(254)	131	–	–	–	–	–	–	–	–	(123)
Treasury shares and DANONE call options	13	(1,993)			597	(475)						(1,871)
Equity – Group share		**12,191**	**136**	**37**	**–**	**(475)**	**19**	**–**	**(848)**	**(350)**	**(16)**	**10,694**
Non-controlling interests		63	83						(107)	(4)		35
Consolidated equity		**12,254**	**219**	**37**	**–**	**(475)**	**19**	**–**	**(955)**	**(354)**	**(16)**	**10,729**

(a) DANONE call options acquired by the Company.
(b) Group performance shares and stock-options granted to certain employees and corporate officers.

			Movements during the period									
(in € millions)	Notes	**As of January 1, 2014**	**Other comprehensive income**	**Capital increase**	**Decrease in issued capital**	**Other transactions involving treasury shares and DANONE call options** [a]	**Counterpart entry to expense relating to Group performance shares and stock-options** [b]	**Dividends paid in shares**	**Dividends paid in cash**	**Other transactions with non-controlling interests**	**Other changes**	**As of December 31, 2014**
Share capital		158						3				161
Additional paid-in capital		2,930		33				541				3,505
Retained earnings		11,153	1,119				19	(544)	(307)	290	88	11,817
Cumulative translation adjustments		(1,553)	177								(126)	(1,501)
Unrealized gains and losses related to cash-flow hedging derivatives, net of tax		(29)	(115)								34	(109)
Unrealized gains and losses related to available-for-sale financial assets net of tax	11	149	(73)								(31)	45
Other comprehensive income, net of tax		2	3								(5)	
Actuarial gains and losses on retirement commitments not recyclable to profit or loss	7	(245)	(138)								21	(363)
Other comprehensive income		(123)	(323)	–	–	–	–	–	–	–	19	(427)
Treasury shares and DANONE call options	13	(1,871)				13						(1,859)
Equity – Group share		**10,694**	**973**	**33**	**–**	**13**	**19**	**–**	**(307)**	**290**	**(18)**	**11,696**
Non-controlling interests		35	77	1					(110)	37	8	49
Consolidated equity		**10,729**	**1,051**	**35**	**–**	**13**	**19**	**–**	**(418)**	**327**	**(10)**	**11,745**

(a) DANONE call options acquired by the Company.
(b) Group performance shares and stock-options granted to certain employees and corporate officers.

Notes to the consolidated financial statements

TABLE OF CONTENTS

NOTE 1. ACCOUNTING PRINCIPLES 83

Note 1.1. Basis for preparation 83

Note 1.2. Accounting framework applied 83

NOTE 2. FULLY CONSOLIDATED COMPANIES 84

Note 2.1. Accounting principles 84

Note 2.2. Main changes during the period 85

Note 2.3. Main fully consolidated companies 86

Note 2.4. Transactions in respect of Centrale Laitière (Fresh Dairy Products, Morocco) 86

Note 2.5. Accounting for other material acquisitions resulting in control being obtained in 2014 87

Note 2.6. Finalization in 2014 of the accounting for the other material acquisitions resulting in control being obtained carried out in 2013 87

Note 2.7. Liabilities/assets linked to earn-outs related to acquisitions resulting in control being obtained 88

NOTE 3. NON-CONTROLLING INTERESTS AND RELATED LIABILITIES 88

Note 3.1. Accounting principles 88

Note 3.2. Main companies in terms of net income and consolidated net assets, fully consolidated but not fully-owned 88

Note 3.3. Main changes during the period 89

Note 3.4. Transactions relating to non-controlling interests in Danone Spain (Fresh Dairy Products, Spain) 89

Note 3.5. Liabilities related to put options granted to non-controlling interests 90

Note 3.6. Impact of Other transactions with non-controlling interests on the consolidated financial statements 91

NOTE 4. ASSOCIATES 92

Note 4.1. Accounting principles 92

Note 4.2. Main associates in terms of net income and consolidated net assets 93

Note 4.3. Main changes during the period 93

Note 4.4. Mengniu (Fresh Dairy Products, China) 94

Note 4.5. Yakult (Fresh Dairy Products, Japan) 95

Note 4.6. Carrying amount and change during the period 96

Note 4.7. Impairment review of investments in associates 97

Note 4.8. Share of profit of associates 97

NOTE 5. INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES 98

Note 5.1. Accounting principles 98

Note 5.2. Operating segments 98

Note 5.3. Other components of trading operating income 100

Note 5.4. Working capital 100

Note 5.5. Property, plant and equipment and capital expenditure 102

Note 5.6. Off-balance sheet commitments relating to operating activities 105

Note 5.7. Financial risks associated with operating activities 106

NOTE 6. EVENTS AND TRANSACTIONS OUTSIDE THE GROUP'S ORDINARY ACTIVITIES 107

Note 6.1. Other operating income (expense) 107

Note 6.2. Savings and adaptation plan for the Group's organizations in Europe 107

Note 6.3. Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia in 2013 108

NOTE 7. NUMBER OF EMPLOYEES, PERSONNEL COSTS AND EMPLOYEE BENEFITS 109

Note 7.1. Number of employees at fully consolidated companies 109

Note 7.2. Personnel costs of fully consolidated companies 110

Note 7.3. Retirement obligations and other long-term benefits 110

Note 7.4. Group performance shares and stock-options granted to certain employees and corporate officers 114

Note 7.5. Company Savings Plan 115

NOTE 8. INCOME TAX 115

Note 8.1. Income tax 115

Note 8.2. Deferred taxes 116

Note 8.3. Tax loss carryforwards 117

NOTE 9. INTANGIBLE ASSETS 118

Note 9.1. Accounting principles 118

Note 9.2. Carrying amount and change during the period 119

Note 9.3. Impairment review 121

NOTE 10. FINANCING AND FINANCIAL SECURITY, NET DEBT AND COST OF NET DEBT 124

Note 10.1. Accounting principles 124
Note 10.2. Liquidity risk and management policy 124
Note 10.3. Financing situation and liquidity risk 126
Note 10.4. Short-term investments 129
Note 10.5. Net debt 129
Note 10.6. Cost of net debt 130
Note 10.7. Financial risks associated with the financing activity 130

NOTE 11. OTHER FINANCIAL INVESTMENTS, OTHER FINANCIAL INCOME (EXPENSE) 132

Note 11.1. Accounting principles 132
Note 11.2. Other financial investments 132
Note 11.3. Other financial income and other financial expense 133

NOTE 12. ORGANIZATION OF FINANCIAL RISKS AND DERIVATIVES MANAGEMENT 133

Note 12.1. Organization of financial risks management 133
Note 12.2. Accounting principles 134
Note 12.3. Derivatives used to hedge operational currency risk 134
Note 12.4. Derivatives used to hedge currency risks relating to financing, currency translation and assets 136
Note 12.5. Derivatives used to hedge interest rate risk 136
Note 12.6. Counterparty risk 137
Note 12.7. Securities risk 138
Note 12.8. Other information required by IFRS 7, *Financial instruments: disclosures* 138

NOTE 13. DANONE SHARES, DIVIDEND, EARNINGS PER SHARE 140

Note 13.1. Accounting principles 140
Note 13.2. Transactions and changes involving DANONE shares 141
Note 13.3 Outstanding DANONE shares 142
Note 13.4. Earnings per share – Group share 142
Note 13.5. Dividend 143

NOTE 14. OTHER NON-CURRENT PROVISIONS AND LIABILITIES AND LEGAL AND ARBITRATION PROCEEDINGS 144

Note 14.1. Accounting principles 144
Note 14.2. Carrying amount and change during the period 144
Note 14.3. Legal and arbitration proceedings 144

NOTE 15. RELATED PARTY TRANSACTIONS 145

Note 15.1. Accounting principles 145
Note 15.2. Transactions with associates 145
Note 15.3. Compensation and benefits granted to members of the Executive Committee and Board of Directors 145
Note 15.4. Related party agreements 145

NOTE 16. SUBSEQUENT EVENTS 145

NOTE 17. LIST OF SUBSIDIARIES AS OF DECEMBER 31, 2014 146

Note 17.1. Fully consolidated holding companies and financial companies held directly by the Company 146
Note 17.2. Main fully consolidated companies of the Fresh Dairy Products Division 146
Note 17.3. Main fully consolidated companies of the Waters Division 147
Note 17.4. Main fully consolidated companies of the Early Life Nutrition Division 148
Note 17.5. Main fully consolidated companies of the Medical Nutrition Division 149
Note 17.6. Main investments in associates 149

NOTE 1. ACCOUNTING PRINCIPLES

Note 1.1. Basis for preparation

The consolidated financial statements of Danone (the "Company"), its subsidiaries and associates (together, the "Group") as of and for the year ended December 31, 2014 were approved by Danone's Board of Directors on February 19, 2015 and will be submitted for approval to the Shareholders' Meeting on April 29, 2015.

The consolidated financial statements and the Notes to the consolidated financial statements are presented in euros. Unless indicated otherwise, amounts are expressed in millions of euros and rounded to the nearest million. Generally speaking, the values presented are rounded to the nearest unit. Consequently, the sum of the rounded amounts may differ, albeit to an insignificant extent, from the reported total. In addition, ratios and variances are calculated on the basis of the underlying amounts and not on the basis of the rounded amounts.

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated balance sheet, consolidated income statement and Notes to the consolidated financial statements. The main such estimates and assumptions relate to:

	Notes
Measurement of intangible assets	9.3
Measurement of investments in associates	4.1, 4.4, 4.5, 4.7
Measurement of deferred tax assets	8.2, 8.3
Recognition of liabilities related to put options granted to non-controlling interests	1.2, 3.1
Determination of the amount of provisions for risks and charges	14.2, 14.3
Determination of the amount of rebates, trade supports and other deduction relating to agreements with customers	5.1

These assumptions, estimates and appraisals are made on the basis of available information and conditions at the end of the financial period presented. Actual amounts may differ from those estimates, particularly in an economical and financial volatile context.

In addition to the use of estimates, the Group's management uses its judgment to define the accounting treatment for certain activities and transactions, when they are not explicitly addressed in IFRS and related interpretations, particularly in the case of the recognition of put options granted to non-controlling interests.

Note 1.2. Accounting framework applied

The consolidated financial statements have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union, which are available on the website of the European Commission (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm).

First-time application of new accounting standards

Standards, amendments and interpretations whose application is mandatory as of January 1, 2014

- IFRS 10, *Consolidated financial statements*;
- IFRS 11, *Joint arrangements*;
- IFRS 12, *Disclosure of interests in other entities*;
- Amendments to IFRS 10, IFRS 12 and IAS 27 on investment entities;
- Revised IAS 27, *Separate financial statements*;
- Revised IAS 28, *Investments in associates*;
- Amendment to IAS 32 on the offsetting of financial assets and financial liabilities;
- Amendment to IAS 36 on the recoverable amount disclosures for non-financial assets;
- Amendment to IAS 39 on the novation of derivatives and the continuation of hedge accounting.

The standards, amendments and interpretations applied since January 1, 2014 do not have a material impact on the consolidated financial statements for the year ended December 31, 2014. In particular, the application of IFRS 10 and IFRS 11 did not affect the Group's consolidation scope as of December 31, 2013 and 2014.

Standards, amendments and interpretations published by the IASB which may be adopted early as of January 1, 2014

- IFRIC 21, *Levies*.

The Group did not exercise the option to apply this interpretation in advance to the consolidated financial statements for the year ended December 31, 2014 and does not expect it to have a material impact on its results and financial position.

In addition, the IASB has published standards, amendments and interpretations that have not yet been adopted by the European Union:

- IFRS 9, *Financial Instruments*;
- IFRS 15, *Revenue from Contracts with Customers*;
- Amendments to IAS 16 on property, plant and equipment;
- Amendment to IAS 38 on intangible assets.

The Group is currently assessing the impact of these standards on its results and financial position.

Other standards

The Group is closely monitoring the economic conditions that could, in 2015, result in Argentina being qualified as a hyperinflationary economy, with the result that IAS 29 *Financial Reporting in Hyperinflationary Economies* would become applicable. This standard would require the balance sheets and net income of the subsidiaries concerned to be (i) restated to reflect the changes in the general purchasing power of the local currency by using official inflation rate indices applicable at the end of the reporting period, and (ii) translated into euros at the exchange rate ruling at the end of the reporting period.

Current IASB and IFRIC projects

The Group is also closely monitoring the work of the IASB and the IFRIC, which could lead to a revision of the treatment of put options granted to non-controlling interests. The draft interpretation published by IFRIC on May 31, 2012 specifies that all changes in the measurement of the financial liability in respect of put options granted to non-controlling interests must be recognized in profit or loss in accordance with IAS 39 and IFRS 9. The Group, in the absence of specific IFRS guidance, applies the recommendations issued by the AMF (*Autorité des marchés financiers*) in November 2009: the difference between the exercise price of the options granted and the carrying amount of the non-controlling interests is presented in equity, as a deduction from Retained earnings – Group share.

NOTE 2. FULLY CONSOLIDATED COMPANIES

Note 2.1. Accounting principles

Fully consolidated companies

All subsidiaries, in which the Group has direct or indirect exclusive control, are fully consolidated. Exclusive control over an investee exists when the Group has (i) power over said investee, (ii) exposure, or rights, to variable returns from its involvement with the investee, and (iii) the ability to use its power over the investee to affect the amount of the Group's returns.

Full consolidation enables the recognition of all assets, liabilities and income statement items relating to the companies concerned in the Group's consolidated financial statements, after the elimination of intercompany transactions, the portion of the net income and equity attributable to owners of the Company (Group share) being distinguished from the portion relating to other shareholders' interests (Non-controlling interests). Intercompany balances and transactions between consolidated entities (including dividends) are eliminated in the consolidated financial statements.

Business combinations: acquisitions resulting in control being obtained, partial disposal resulting in control being lost

The accounting treatment of acquisitions resulting in control being obtained and partial disposals resulting in control being lost is as follows:

- when control is obtained, the incidental transaction costs are recognized in the income statement under the heading Other operating income (expense) in the year in which they are incurred. In addition, price adjustments are initially recognized at their fair value in the acquisition price and their subsequent changes in value are recognized in the income statement under the heading Other operating income (expense);
- when control is obtained (or lost), the revaluation at its fair value of the interest previously held (or the residual interest) is recognized in the income statement under the heading (i) Other operating income (expense) when control is lost, (ii) Share of profit of associates when control is obtained of an entity previously accounted for as an associate, and (iii) Other financial income (expense) when control is obtained of an entity previously accounted for as an investment in a non-consolidated company;
- when control is obtained, non-controlling interests are recognized, either at their share of the fair value of the assets and liabilities of the acquired entity, or at their fair value. In the latter case, the goodwill is then increased by the portion relating to these non-controlling interests. The treatment adopted is selected on an individual basis for each acquisition.

Business combinations may be recognized on a provisional basis, as the amounts allocated to the identifiable assets acquired, liabilities assumed and goodwill may be amended during a maximum period of one year from their acquisition date.

Note 2.2. Main changes during the period

Main changes during 2014

(in percentage)	Division	Country	Transaction date [a]	Ownership percentage as of December 31 2013	2014
Main companies consolidated for the first time during 2014					
Infant formula production and packaging companies [b]	Early Life Nutrition	New Zealand	July	–	100.0%
Main consolidated companies with change in ownership percentage					
Centrale Laitière [c]	Fresh Dairy Products	Morocco	November	68.7%	90.9%
Main companies that are no longer fully consolidated as of December 31					
Group's fresh dairy products companies in China [d]	Fresh Dairy Products	China	July	100.0%	20.0%
Group's fresh dairy products companies in Indonesia	Fresh Dairy Products	Indonesia	December	100.0%	0.0%

(a) Month of the fiscal year.
(b) NEW ZEALAND CAN AUCKLAND LTD, SUTTON GROUP LTD, K&B LTD, which produce and package drinks, notably infant formula. The companies have been restructured and/or renamed as DANONE NUTRICIA NZ LTD and NUTRICIA CAN MANUFACTURERS LTD.
(c) See Note 2.4 of the Notes to the consolidated financial statements.
(d) DANONE DAIRY BEIJING and DANONE DAIRY SHANGHAI CO. LTD. Danone now owns 20% of the new group formed together with the Mengniu group's fresh dairy products companies (See Note 4.4 of the Notes to the consolidated financial statements).

Main changes during 2013

(in percentage)	Division	Country	Transaction date [a]	Ownership percentage as of December 31 2012	2013
Main companies consolidated for the first time during 2013					
Centrale Laitière [b]	Fresh Dairy Products	Morocco	February	30.7%	68.7%
Sirma	Waters	Turkey	June	–	50.1%
Happy Family	Early Life Nutrition	United States	June	–	91.9%
YoCrunch	Fresh Dairy Products	United States	August	–	100.0%
Main consolidated companies with change in ownership percentage					
Danone Spain [c]	Fresh Dairy Products	Spain	July	66.5%	76.6%
Main companies that are no longer fully consolidated as of December 31					
Alsafi Danone [d]	Fresh Dairy Products	Saudi Arabia	July	50.1%	50.1%

(a) Month of the fiscal year.
(b) See Note 2.4 of the Notes to the consolidated financial statements.
(c) See Note 3.4 of the Notes to the consolidated financial statements.
(d) As from July 1, 2013, the Group no longer had exclusive control of this company, which was fully consolidated as of December 31, 2012. The governance contract giving the Group said exclusive control expired on July 1, 2013 and was not renewed. Consequently, the company has been accounted for as an associate since that date. In accordance with Revised IAS 27, the loss of control of the company resulted in the recognition of a revaluation reserve under the heading Other operating income (expense) in the income statement for the year ended December 31, 2013.

Note 2.3. Main fully consolidated companies

Main Group companies are listed in Notes 17.1 to 17.5 of the Notes to the consolidated financial statements.

Note 2.4. Transactions in respect of Centrale Laitière (Fresh Dairy Products, Morocco)

Acquisition resulting in control being obtained in 2013

Description of the transaction

On June 27, 2012, Danone announced that it was increasing its equity interest in Centrale Laitière from 29.2% to 67.0%. Centrale Laitière is Morocco's leading dairy products company with a market share of nearly 60%. The company generates sales of around €600 million and markets products under the *Danone* brand such as *Yawmy*, *Moufid* and *Activia*.

The acquisition resulting in control being obtained was subject to approval by the relevant Moroccan authorities. It was finalized on February 20, 2013: the Group acquired an additional 37.8% equity interest and obtained control of the company for a €543 million consideration.

Furthermore, (i) the increase in Danone's shareholding to 67.0% led to subsequent additional purchases of the company's shares in the Casablanca stock market, notably through a mandatory takeover bid, and (ii) a 26.7% stake held by non-controlling interests is subject to a shareholders' agreement and put and call options with a fixed exercise price and exercise date in 2014 at subsequent periods. The transaction is not subject to a contingent payment (earn-out). Furthermore, in connection with this transaction, the Group carried out the disposal of its 2.61% equity stake in the company SNI, by exercising its put option.

In total, Danone acquired an additional 39.5% equity interest in Centrale Laitière for a total consideration of €566 million. As of December 31, 2013, the Group held 68.7% of the shares of the company, non-controlling interests holding 31.3%.

Acquisition of additional stake in 2014

On November 3, 2014, Danone announced it had acquired an additional 21.75% interest in Centrale Laitière from SNI, at a price estimated on that date of €278 million as a result of the exercise of put options by non-controlling shareholders. Following this transaction, Danone held a 90.9% interest in Centrale Laitière. Those non-controlling interests with put options over their residual interest held a 5% stake. They no longer have a representative on Centrale Laitière's board of directors (see Note 3.5 of the Notes to the consolidated financial statements).

Accounting for acquisition resulting in control being obtained

Accounting in 2013

The Company has been fully consolidated since February 20, 2013, the remaining 31.3% not held by the Group being accounted for as a non-controlling interest, including a 26.7% stake, which is subject to a shareholders' agreement and put and call options. Pursuant to this agreement, non-controlling interests holding the 26.7% stake keep their voting rights and rights to receive dividends related to their stake, as well as two representatives on the company's board of directors.

In accordance with Revised IFRS 3, the acquisition of an additional stake in Centrale Laitière resulting in control being obtained is analyzed as follows:

- the revaluation at fair value of the equity interest previously held by the Group, which resulted in a €226 million profit recognized under the Share of profit of associates heading in the consolidated income statement for the 2013 fiscal year;
- the acquisition resulting in control being obtained, which requires (i) an allocation of the purchase price, and (ii) the acquired assets and liabilities to be recognized at their fair value. As of December 31, 2013, this business combination was recorded on a definitive basis.

In addition, the disposal by Danone of its equity interest in SNI, previously accounted for under Other non-consolidated investments in the consolidated financial statements, resulted in a €52 million profit, recognized under the Net financial income (expense) heading in the consolidated income statement for the year ended December 31, 2013, fully recycled from equity to profit and loss.

Purchase price allocation

	At the acquisition date
(in € millions)	**2013**
Fair value of net assets acquired (at 100%) [a]	211
Net assets attributable to non-controlling interests	(66)
Partial goodwill [b]	727
Fair value at the date of acquisition of the consideration being transferred [c]	**872**

(a) The assets acquired mainly comprise three brands with indefinite useful lives (€173 million) and other property, plant and equipment and intangible assets (€240 million). The liabilities mainly comprise net debt (€48 million) and other liabilities (€135 million).
(b) Residual goodwill represents mainly the human capital, the advantages associated with the size and industrial structure and the expected synergies in terms of Research and Development, the pooling of expertise and industrial marketing and access for Danone to a significant distribution network in Morocco.
(c) The fair value, as of the acquisition date, of the consideration transferred comprises (i) the €566 million paid for Danone's additional 39.5% equity interest in the company and (ii) the fair value of the equity interest previously held (€306 million).

Note 2.5. Accounting for other material acquisitions resulting in control being obtained in 2014

The business combinations carried out in 2014 have been accounted for on a provisional basis since the amounts allocated to the acquired identifiable assets and liabilities and to goodwill may be adjusted during a period of one year from the respective date of each of these combinations.

Since these transactions are not material on an individual basis, they have been grouped for the purposes of the preparation of the information provided hereafter.

The main characteristics of these other acquisitions carried out in 2014 are as follows:

- they were paid for in cash;
- none of them is subject to a contingent payment (earn-out) or put options granted to non-controlling interests;
- the acquisition-related expenses incurred during the period totaled €3 million before taxes and have been expensed in the consolidated income statement under Other operating income (expense).

They did not have a material impact on the items of the consolidated income statement for the year ended December 31, 2014 and would not have had a material impact if they had been calculated on a full-year basis.

Purchase price allocation

	At the acquisition date
(in € millions)	**2014**
Fair value of net assets acquired (at 100%) [a]	75
Net assets attributable to non-controlling interests [b]	–
Partial goodwill [c] [d]	124
Fair value at the date of acquisition of the consideration paid to the sellers	**199**

(a) The assets acquired correspond mainly to property, plant and equipment and the liabilities correspond mainly to financial debt.
(b) For each of the subsidiaries not fully acquired, the non-controlling interests are recognized at their share of the fair value of the assets and liabilities of the acquired entity.
(c) Provisional goodwill.
(d) Residual goodwill represents mainly the human capital and the expected synergies in terms of industrial activity, cost savings and security of the milk supply.

Note 2.6. Finalization in 2014 of the accounting for the other material acquisitions resulting in control being obtained carried out in 2013

In 2014, the Group finalized the accounting treatment of the companies acquired during 2013 other than Centrale Laitière. This did not result in a material adjustment to the purchase price allocation in the consolidated financial statements for 2014 as compared with the consolidated financial statements for 2013.

Purchase price allocation

	At the acquisition date
(in € millions)	**2013**
Fair value of net assets acquired (at 100%) [a]	96
Net assets attributable to non-controlling interests [b]	(14)
Partial goodwill [c]	299
Fair value at the date of acquisition of the consideration paid to the sellers	**381**

(a) The assets acquired correspond mainly to property, plant and equipment and the liabilities correspond mainly to financial debt.
(b) For each of the subsidiaries not fully acquired, the non-controlling interests are recognized at their share of the fair value of the assets and liabilities of the acquired entity.
(c) Residual goodwill represents mainly the human capital, the expected synergies in terms of commercial and industrial activity and cost savings, market shares and their growth potential.

Note 2.7. Liabilities/assets linked to earn-outs related to acquisitions resulting in control being obtained

	At December 31	
(in € millions)	**2013**	**2014**
Total liabilities (assets) [(a)]	–	–

(a) Comprises all earn-outs related to acquisitions resulting in control being obtained, *i.e.* relating to transactions carried out in 2013, 2014 and during earlier fiscal years.

NOTE 3. NON-CONTROLLING INTERESTS AND RELATED LIABILITIES

Note 3.1. Accounting principles

Acquisitions or disposals of interests in controlled companies with no impact on control

Purchases or disposals of interests in controlled companies that do not result in control being obtained or lost are recognized directly in equity under the heading Retained earnings, as transfers between the Group share and the non-controlling interests' share in the consolidated equity, with no impact on profit or loss and the corresponding cash flows are presented within cash flows relating to financing activities. The same accounting treatment is applied to the costs associated with these transactions.

Liabilities related to put options granted to non-controlling interests

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest.

In accordance with IAS 32, *Financial instruments: presentation*, when non-controlling interests hold put options enabling them to sell their investment in the Group, a financial liability is recognized in an amount corresponding to the present value of the option strike price, and the counterpart of the liability arising from these obligations is:

- on the one hand, the reclassification as debt of the carrying amount of the corresponding non-controlling interests;
- on the other, a reduction in the equity – Group share: the difference between the present value of the strike price of the options granted and the carrying amount of non-controlling interests is presented as a reduction of Retained earnings – Group share. This item is adjusted at the end of each reporting period to reflect changes in the strike price of the options and the carrying amount of non-controlling interests. In the absence of specific provisions stipulated by IFRS, the Company has applied the recommendations issued by the AMF (Autorité des marchés financiers) in November 2009.

Note 3.2. Main companies in terms of net income and consolidated net assets, fully consolidated but not fully-owned

				Ownership percentage of non-controlling interests as of December 31	
	Division	**Country**	**Listing market** [(a)]	**2013**	**2014**
Danone CIS [(b)]	Fresh Dairy Products	CIS zone		49.1%	49.1%
Danone Spain [(c)]	Fresh Dairy Products	Spain		23.4%	23.4%
Centrale Laitière [(d)]	Fresh Dairy Products	Morocco	Casablanca	31.3%	9.1%

(a) If the company is listed.
(b) The non-controlling interests in that group's parent company have three representatives on the company's board of directors (out of a total of seven directors).
(c) The non-controlling interests in the company have two representatives on the company's board of directors (out of a total of nine directors).
(d) Acquisition of an additional stake by the Group in 2014 (see Note 2.4 of the Notes to the consolidated financial statements). Since that time, the non-controlling interests no longer have a representative on the company's board of directors.

Each of these companies operates the Group's Fresh Dairy Products activities in a given country or group of countries. Most of the non-controlling shareholders of each of these companies hold put options on their interest as described hereafter (in the case of Centrale Laitière, the non-controlling shareholders that have put options represent 5% of the company's share capital).

Lastly, in 2014 as in 2013, the non-controlling interests' share in these companies did not exceed 5% of the Group's net sales or assets and liabilities (excluding liabilities related to put options), which is deemed to be not material.

Note 3.3. Main changes during the period

See Note 2.2 of the Notes to the consolidated financial statements.

Note 3.4. Transactions relating to non-controlling interests in Danone Spain (Fresh Dairy Products, Spain)

Since 2012, the Group had discussed with Danone Spain's non-controlling shareholders the terms and conditions of these put options, especially in light of Southern Europe's deteriorating economy and its significant impact on Danone Spain.

As a reminder of the background, during the first half of 2013, the Group repurchased a total of 1,642,618 shares from several Danone Spain non-controlling shareholders (including 1,550,315 shares through the exercise of put options by their beneficiaries, and the remainder through direct purchases of Danone Spain shares from their holders), raising its Danone Spain shareholding from 65.6% to 75.6%. Shares were acquired in exchange for cash payments totaling €108 million and for 6,715,266 DANONE treasury shares (1.0% of the Danone SA share capital). An equal number of DANONE shares was purchased on the market by the Group over the first six months, under its share buyback program to offset dilution resulting from this transaction.

After that share buyback, Danone Spain's shares were held (i) for 75.6 % by the Group, (ii) for 22.1 % by non-controlling interests with put options, (iii) for 1.0 % by non-controlling interests without put options, and (iv) for 1.3% by Danone Spain.

Non-controlling shareholders representing around 15% of Danone Spain's share capital exercised their put options in 2013. The Group contested those exercises and invited the shareholders concerned to continue the process of renegotiation of their put options' terms and conditions. During the first six months of 2013, these non-controlling shareholders opted not to continue the discussion process and initiated proceedings against the Group for the purpose of execution of their put options before an arbitration tribunal.

The arbitration panels petitioned by these holders of put options issued their rulings in December 2014 and February 2015. Following these decisions, in early 2015 the Group purchased in exchange for cash 2,581,030 shares in Danone Spain. For the shares subject to put options, the Group paid an amount below the carrying value as of December 31, 2014 of the related liabilities. The shares purchased through this transaction represent approximately 15.7% of Danone Spain's share capital, thereby bringing the Group's overall equity interest in the company to 91%.

Accounting in 2014

The financial liabilities related to put options granted to non-controlling interests of Danone Spain amounted to €1,030 million as of December 31, 2014.

Accounting in 2013

The financial liabilities related to put options granted to non-controlling interests of Danone Spain amounted to €1,136 million as of December 31, 2013.

Based on these events, the share buyback, option exercises and procedures, the Group decided to maintain a portion of the remaining put options (€799 million related to the 15% of the capital mentioned above) as short-term financial debt in its financial statements as of December 31, 2013. Put options amounting to €337 million continued to be classified as non-current financial debt, as these options are subject to a one-year payment term.

The main impacts on the consolidated financial statements related to the Danone Spain options repurchased in 2013 are as follows:

- decrease by €504 million of the liabilities related to put options granted to non-controlling interests;
- favorable impact of €80 million on consolidated equity and the Group net debt, the transaction price paid being lower than the carrying values of these commitments, for purchases by means of put options exercises;
- €108 million cash flows used in financing activities, corresponding to the portion paid in cash (to holders of put options and other selling shareholders) and presented in Transactions with non-controlling interests in the Consolidated statement of cash flows;
- the transfer of 6.7 million DANONE shares did not have any impact on the Consolidated statement of cash flows. Nevertheless, as described above, an equal number of DANONE shares had been purchased on the market by the Group over the first six months of 2013. Those purchases are presented in the item Purchases of treasury shares (net of disposals) and of DANONE call options in the cash flows used in financing activities in the Consolidated statement of cash-flows.

Note 3.5. Liabilities related to put options granted to non-controlling interests

Carrying amount and main characteristics

As of December 31

(in € millions)	2013	2014	Start of exercise period	Price calculation formula
Non-current portion	337	236		
Current portion	799	794		
Danone Spain [(a)]	1,136	1,030	At any time [(a)]	Average earnings multiple over several years
Danone CIS	1,079	912	2014	Earnings multiple with floor price
Other – Non-current portion	140	113	After 2014	
Other – Current portion	889	503	2014	
Other [(b)]	1,029	616		
Total	**3,244**	**2,558**		
of which, Non-current financial liabilities	**477**	**349**		
of which, Current financial liabilities	**2,767**	**2,209**		

(a) Contractually, these options can be exercised at any time. However, some beneficiaries signed a rider under the terms of which they accepted that the settlement of the amount owed by Danone and the transfer of ownership would be deferred by one year.
(b) Several put options with an individual amount less than or equal to 10% of the total amount of put options granted by the Group to some non-controlling interests.

Change during the period

(in € millions)	2013	2014
As of January 1	3,271	3,244
New options [(a)]	403	–
Options exercised	(509)	(341)
Change in the present value of the strike price of outstanding options	79	(345)
As of December 31	**3,244**	**2,558**

(a) Carrying amount as of December 31.

Note 3.6. Impact of Other transactions with non-controlling interests on the consolidated financial statements

Impact on the consolidated financial statements for the fiscal year ended December 31, 2014

		Movements during the period							
(in € millions)	**As of December 31, 2013**	**Change before effect of Other transactions with non-controlling interests**	**New options**	**Options exercised**	**Change in present value of strike price of outstanding options**	**Other**	**Total Other transactions with non-controlling interests**	**Total**	**As of December 31, 2014**
Equity – Group share	10,694	712	–	(10)	305	(5)	290	1,002	11,696
Holders of put options	*–*	*(40)*	–	–	*40*	–	*40*	–	–
Not holding put options	*35*	*17*	–	–	–	*(3)*	*(3)*	*14*	*49*
Non-controlling interests	35	(23)	–	–	40	(3)	37	14	49
Equity	**10,729**	**689**	**–**	**(10)**	**345**	**(8)**	**327**	**1,016**	**11,745**
Liabilities related to put options	3,244	**–**	–	(341)	(345)	–	(686)	(686)	2,558
Financing flows received (paid) [a]		(109)	–	(351)	–	(12)	(363)	(471)	–

(a) Transactions with non-controlling interests.

4

Impact on the consolidated financial statements for the fiscal year ended December 31, 2013

		Movements during the period							
(in € millions)	**As of December 31, 2012**	**Change before effect of Other transactions with non-controlling interests**	**New options**	**Options exercised**	**Change in present value of strike price of outstanding options**	**Other [b]**	**Total Other transactions with non-controlling interests**	**Total**	**As of December 31, 2013**
Equity – Group share	12,191	(1,147)	(332)	80	(97)	(1)	(350)	(1,497)	10,694
Holders of put options [a]	–	*(18)*	*(71)*	–	*18*	*71*	*18*	–	–
Not holding put options	*63*	*(6)*	–	–	–	*(22)*	*(22)*	*(28)*	*35*
Non-controlling interests	63	(24)	(71)	–	18	49	(4)	(28)	35
Equity	**12,254**	**(1,171)**	**(403)**	**80**	**(79)**	**48**	**(354)**	**(1,525)**	**10,729**
Liabilities related to put options	3,271		403	(509)	79	–	(27)	(27)	3,244
Financing flows received (paid) [b]		(107)	–	(94)	–	(27)	(121)	(228)	

(a) Transactions with non-controlling interests.
(b) Mainly effects of changes in consolidation scope and in shareholding of non-controlling interests holding put options.

NOTE 4. ASSOCIATES

Note 4.1. Accounting principles

All companies in which the Group exercises a significant influence, directly or indirectly, are accounted for using the equity method. Under this method, the Group recognizes in the carrying amount of the shares held in the associated or jointly-controlled entity the acquisition-related cost of the shares adjusted by its proportionate share of changes in the entity's net assets since its acquisition.

On the acquisition of investments accounted for using the equity method, the acquisition price of the shares is allocated on a fair value basis to the identifiable assets acquired and liabilities assumed. The difference between the acquisition price and the Group's share in the fair value of the assets acquired and liabilities assumed represents goodwill, which is added to the carrying amount of the shares.

The main components of Net income of associates are:

- the Group's share of the profits or losses of its associates, calculated on the basis of estimates;
- gains or losses on disposals of shareholdings in associates;
- revaluation reserve resulting from a loss of influence where there is no disposal of shares;
- impairment of investments in associates.

Note 4.2. Main associates in terms of net income and consolidated net assets

	Division	Country	Listing market [a]	Ownership percentage as of December 31 2013	2014
Mengniu [b]	Fresh Dairy Products	China	Hong Kong	4.0%	9.9%
Yakult [c]	Fresh Dairy Products	Japan	Tokyo	20.0%	21.3%

(a) If the company is listed.
(b) INNER MONGOLIA MENGNIU DAIRY (GROUP) CO. LTD. This company was recognized within Investments in other non-consolidated companies in 2013.
(c) YAKULT HONSHA CO. LTD.

The Group acquired its stake in these companies under the terms of broader agreements, the main aim of which was operational collaboration and the development of regional categories and markets.

In 2014, these companies accounted for more than 60% in total of Investments in associates (other investments in associates did not, individually, account for more than 10% of the total). In addition, none of these companies accounted for more than 5% of the net income or consolidated net assets.

Note 4.3. Main changes during the period

Main changes during 2014

	Division	Country	Transaction date [a]	Ownership percentage as of December 31 2013	2014
Main companies accounted for using the equity method for the first time in 2014					
Mengniu [b]	Fresh Dairy Products	China	January	4.0%	9.9%
Danone group's and Mengniu group's fresh dairy products companies in China [c]	Fresh Dairy Products	China	July	–	20.0%
Brookside [d]	Fresh Dairy Products	Kenya	July	–	40.0%
Main associates with change in ownership percentage					
Yakult [e]	Fresh Dairy Products	Japan	January	20.0%	21.3%
Main companies no longer accounted for using the equity method as of December 31, 2014					
–	–	–	–	–	–

(a) Month of the fiscal year.
(b) INNER MONGOLIA MENGNIU DAIRY (GROUP) CO. LTD. This company was recognized within Investments in other non-consolidated companies in 2013.
(c) INNER MONGOLIA MENGNIU DANONE DAIRY CO. LTD. See Note 4.4 of the Notes to the consolidated financial statements.
(d) BROOKSIDE AFRICA LIMITED. With 2013 revenues of around €130 million, Brookside is East Africa's leading dairy products group. Established in Kenya in 1993, Brookside operates a unique distribution platform that provides daily access to over 200,000 sales outlets. The company manages the largest milk collection network in East Africa, with 140,000 farmers in the region. By uniting international expertise in fresh dairy products with Brookside's regional expertise and robust supply chain, the partnership will enable Brookside to accelerate its growth by expanding its product portfolio and strengthening its geographical presence in key markets in the East African region, including Uganda and Tanzania. This partnership has significantly strengthened the platform Danone is in the process of constructing in Africa.
(e) YAKULT HONSHA CO. LTD. The Group's ownership percentage increased mechanically in 2014 due to the purchases of its own shares carried out by Yakult in 2013 and reflected in the Group's consolidated financial statements in 2014.

Main changes during 2013

	Division	Country	Transaction date [a]	Ownership percentage as of December 31 2012	2013
Main companies accounted for using the equity method for the first time in 2013					
Alsafi Danone [b]	Fresh Dairy Products	Saudi Arabia	July	50.1%	50.1%
FanMilk	Fresh Dairy Products	West Africa	November	–	49.0%
Main associates with change in ownership percentage					
–	–	–	–	–	–
Main companies no longer accounted for using the equity method as of December 31, 2013					
Centrale Laitière [c]	Fresh Dairy Products	Morocco	February	30.7%	68.7%

(a) Month of the fiscal year.
(b) See Note 2.2 of the Notes to the consolidated financial statements.
(c) See Note 2.4 of the Notes to the consolidated financial statements.

Note 4.4. Mengniu (Fresh Dairy Products, China)

Main characteristics of the investment and increase in the Group's investment in 2014

On May 20, 2013, Danone announced that the Group had signed agreements with COFCO and Mengniu to join forces to accelerate the development of fresh dairy products in China. The main terms and conditions of these agreements are as follows:

- pursuant to the terms and conditions of the agreement signed with COFCO, Danone becomes a strategic shareholder in Mengniu, owning an indirect interest of approximately 4% initially, with an aim to increase the interest in Mengniu based on market conditions in the future;
- a framework agreement was signed with Mengniu to establish a joint venture for the production and sale of fresh dairy products in China. The joint venture will combine their respective assets in this segment and will generate 2012 pro forma net sales of about €500 million, with an estimated market share of around 21%. Danone will own 20% and Mengniu 80% of the new joint-venture in China.

These agreements were implemented gradually in 2013 and 2014:

- with respect to the fresh dairy products production and distribution joint venture in China, the approval obtained from China's antitrust authorities on January 8, 2014 enabled the joint venture (the INNER MONGOLIA MENGNIU DANONE DAIRY CO. LTD company) to be launched through the operational integration of activities and asset contributions, which were finalized during the second half of 2014;
- on February 12, 2014, Danone announced the joint signature along with COFCO Dairy Investments of an agreement to subscribe a reserved rights issue by Mengniu. This transaction valued at €486 million, which increased Danone's stake in Mengniu from 4.0% to 9.9%, was completed on March 27, 2014;
- meanwhile, COFCO, Danone and Arla, the three reference shareholders in Mengniu, combined their respective equity interests (16.3%, 9.9% and 5.3%) in a joint venture, COFCO Dairy Investments, enabling the pooling of interests in Mengniu's governance and becoming the company's largest single shareholder with an equity interest of nearly 32%.

When these steps were completed, Danone was the second-largest shareholder in Mengniu behind COFCO, with a 9.9% indirect stake through its 31% ownership interest in COFCO Dairy Investments.

In addition, on October 31, 2014, Danone, Mengniu and Yashili announced the expansion of their strategic alliance into infant milk formula in China through the signing of an agreement allowing Danone to take part in a private placement by Yashili totaling around €437 million on that date, at a price of HKD 3.70 per share. This transaction will give Danone an equity stake of 25.0% in Yashili, one of China's main infant milk companies that generated revenue of CNY 3.9 billion in 2013. Under the terms of the agreement, Danone will recommend candidates to serve as Yashili's Chief Executive Officer.

Accounting treatment of the investment

As of December 31, 2013, the 4% indirect equity interest in Mengniu was recognized under Investments in other non-consolidated companies and classified as available-for-sale securities in accordance with IAS 39.

Effective January 1, 2014, this investment was recognized under Investments in associates. Indeed, according to those elements above and notably following the Chinese antitrust authorities' approval of the joint venture, which endorsed the transaction, the Group considers that it can exercise significant influence over the financial and operating policies of the Mengniu group as (i) a strategic shareholder in Mengniu pursuant to the agreements with COFCO, (ii) its participation in Mengniu's governance, and (iii) the Group's operating involvement in Mengniu's fresh dairy products activities and the joint operating activities involving Mengniu and Danone Dairy China, pursuant to those agreements.

Carrying amount and market capitalization

	As of December 31	
(in € millions)	**2013**	**2014**
Market capitalization [a]	6,318	6,651
Carrying amount [b]	250	759

(a) The amount disclosed is 100% of the company's market capitalization.
(b) See Note 4.3 of the Notes to the consolidated financial statements.

Main financial information

	2013		2014
(in € millions)	**Financial statements for the half-year ended June 30**	**Financial statements for the year ended December 31**	**Financial statements for the half-year ended June 30**
Non-current assets [a]	1,816	2,877	3,136
Current assets [a]	1,565	1,955	2,324
Equity [a]	1,787	2,157	2,742
Non-current liabilities [a]	121	511	809
Current liabilities [a]	1,474	2,164	1,910
Sales [a]	2,543	5,310	3,056
Net income [a]	105	228	145
Other comprehensive income [a]	(16)	(22)	21

(a) Published financial statements prepared in accordance with IFRS. Income statement items have been translated into euros at the average exchange rate for the reporting period. Balance sheet items and the market capitalization have been translated at the exchange rate ruling at the end of the reporting period.

Note 4.5. Yakult (Fresh Dairy Products, Japan)

Main characteristics of the investment

Danone has a stake in Yakult of around 20% and has representatives on the company's board of directors under the terms of its strategic alliance signed in 2004, which aimed at strengthening their global leadership in probiotics and accelerating the growth of both companies in the functional food market, the first phase of which had ended in May 2012.

On April 26, 2013, Danone and Yakult signed a new cooperation agreement to replace the existing strategic alliance. This new agreement calls for existing collaborations to be continued and envisages extending them into areas that are more operational in nature. It does not modify either Danone's equity interest in Yakult or its influence in that company (Danone had 21,3% of the voting rights and two representatives on the company's board as of December 31, 2014) and does not have any impact on the Group's consolidated financial statements, as the company will continue to be accounted for as an associate.

It should be noted that, as Yakult's fiscal year closing date is March 31, the amounts prepared for Group consolidation purposes as of December 31 are estimated on the basis of the most recent financial statements published for each fiscal year (interim financial statements for the six months ended September 30, 2013 for 2013 and interim financial statements for the six months ended September 30, 2014 for 2014).

Carrying amount and market capitalization

	As of December 31	
(in € millions)	**2013**	**2014**
Market capitalization [a]	6,454	7,728
Carrying amount	587	634

(a) The amount disclosed is 100% of the company's market capitalization.

Main financial information

	2013			2014
(in € millions)	Financial statements for the year ended March 30	Financial statements for the half-year ended September 30	Financial statements for the year ended March 30	Financial statements for the half-year ended September 30
Non-current assets [a]	2,094	2,116	2,165	2,319
Current assets [a]	1,532	1,523	1,483	1,565
Equity [a]	2,375	2,152	2,163	2,336
Non-current liabilities [a]	247	462	721	695
Current liabilities [a]	1,003	1,024	765	853
Sales [a]	2,620	1,357	2,488	1,293
Net income [a]	159	102	192	103
Other comprehensive income [a]	160	126	193	(15)

(a) Published financial statements prepared in accordance with Japanese GAAP. Income statement items have been translated into euros at the average exchange rate for the reporting period. Balance sheet items and the market capitalization have been translated at the exchange rate ruling at the end of the reporting period.

Note 4.6. Carrying amount and change during the period

(in € millions)	Net goodwill	Group's share in net assets and income	Total
As of January 1, 2013	**311**	**662**	**973**
Acquisitions, losses of exclusive control and capital increase during the year	159	107	266
Disposals and losses of influence during the year	(32)	(59)	(91)
Share of profit of associates before impact of disposals	–	52	52
Dividends paid	–	(28)	(28)
Translation adjustments	(49)	(90)	(139)
Impairment	–	–	–
Others	–	–	–
As of December 31, 2013	**389**	**644**	**1,033**
Acquisitions, losses of exclusive control and capital increase during the year	636	421	1,057
Disposals and losses of influence during the year	–	–	–
Share of profit of associates before impact of disposals	–	76	76
Dividends paid	–	(19)	(19)
Translation adjustments	53	–	53
Impairment	(54)	–	(54)
Others	–	–	–
As of December 31, 2014	**1,024**	**1,123**	**2,146**

Note 4.7. Impairment review of investments in associates

Methodology

The Group reviews the measurement of its investments in associates when events or circumstances indicate that impairment is likely to have occurred. With regard to listed shares, a significant or prolonged fall in their stock price below their historical stock price constitutes an indication of impairment.

An impairment provision is recognized within Share of profit of associates when the recoverable amount of the investment falls below its carrying amount. This impairment provision may be reversed if the recoverable amount subsequently exceeds the carrying amount, up to the limit of the share of the equity held by the Group.

Measurement review as of December 31, 2014

Mengniu shares

The Group noted a fall in the stock price of the Mengniu group as compared with the average purchase price paid by the Group for its shareholding. However, the Group does not consider this fall to be long-term or material with regard to (i) the price as of December 31, 2014, its volatility and recent movements, (ii) the outlook for valuations of the shares as published by the main brokers, and (iii) qualitative information available on Mengniu's performance. The Group therefore concluded that there was no indication that these shares were to be impaired as of December 31, 2014.

Other investments in associates

Following the review of its other investments in associates, the Group recognized, under the heading Share of profit of associates, an impairment provision in respect of the shares of some companies in the Fresh Dairy Products and Waters Divisions totaling €54 million.

Measurement review as of December 31, 2013

No impairment provision was recognized in 2013.

Note 4.8. Share of profit of associates

	Year ended December 31	
(in € millions)	**2013**	**2014**
Share of profits of associates before gains (losses) on disposal	52	76
Impairment charges	–	(54)
Gains (losses) on disposal and revaluation and other [a] [b]	237	(8)
Total	**289**	**14**

(a) In 2013, corresponded mainly to the €226 million revaluation surplus recognized in connection with control being obtained of Centrale Laitière (see Note 2.4 of the Notes to the consolidated financial statements).
(b) Comprised the withholding tax applied to the dividends paid by Yakult.

NOTE 5. INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

Note 5.1. Accounting principles

Net sales

The Group's sales mainly comprise sales of finished products. They are recognized in the income statement when the risks and benefits incident to ownership are transferred.

Sales are stated net of trade discounts and customer rebates, as well as net of costs relating to trade support and listing or linked to occasional promotional actions invoiced by customers. These amounts are estimated when net sales are recognized, on the basis of agreements with the concerned customers.

Cost of goods sold

The cost of goods sold mainly comprises industrial costs (including raw material costs, depreciation of industrial assets and overheads dedicated to production activity) and certain logistics and transport costs.

Selling expense

The selling expenses mainly comprise marketing spends and consumer promotions as well as sales force overheads.

General and administrative expense

The general and administrative expenses mainly comprise other overheads and administrative costs.

Research and development expense

Development costs are generally expensed as incurred due to the very short time between the date on which technical feasibility is demonstrated and the date on which the products are launched.

Certain development costs are recognized under assets in the consolidated balance sheet (see Note 9 of the Notes to the consolidated financial statements).

Note 5.2. Operating segments

General principles

The key indicators reviewed and used internally by the Group's primary operational decision-makers (the Chief Executive Officer, Mr. Emmanuel FABER and the Chief Financial Officer, Mr. Pierre-André TERISSE) to assess operational performance are:

- net sales;
- trading operating income;
- trading operating margin, which is defined as the trading operating income over net sales ratio;
- free cash-flow, which represents cash flows provided or used by operating activities less capital expenditure net of disposals and, in connection with Revised IFRS 3, excluding (i) acquisition costs related to business combinations, and (ii) cash flows related to earn-outs related to business combinations and paid subsequently to the acquisition date;
- free cash-flow excluding exceptional items, an indicator published by the Group since the first half of 2013, in connection with its plan to generate savings and adapt its organizations in Europe corresponding to free cash-flow before cash flows related to initiatives that may be taken by the Group in connection with the plan;
- net financial debt, which represents the interest-bearing portion of net debt. It corresponds to Current and non-current financial debt, excluding Liabilities related to put options granted to non-controlling interests and net of Short-term investments, Cash and cash equivalents and Derivatives – assets.

Among the key indicators reviewed and used internally by the Group's primary operational decision-makers, only Net sales, Trading operating income and Trading operating margin are monitored by Division, the other indicators being monitored at the Group level. The primary operational decision-makers monitor the four Divisions listed below: it should be noted that the Group has not carried out a reorganization of its operating segments.

Information by Division

Year ended December 31

	Net sales [a]		Trading operating income		Trading operating margin	
(in € millions, except percentage)	2013	2014	2013	2014	2013	2014
Fresh Dairy Products	11,790	11,129	1,219	1,033	10.3%	9.3%
Waters	3,903	4,186	509	539	13.0%	12.9%
Early Life Nutrition	4,263	4,397	837	828	19.6%	18.8%
Medical Nutrition	1,342	1,432	244	262	18.2%	18.3%
Group total	**21,298**	**21,144**	**2,809**	**2,662**	**13.2%**	**12.6%**

(a) Net sales to third parties.

Information by geographic area

Net sales, Trading operating income and Trading operating margin

Year ended December 31

	Net sales [a]		Trading operating income		Trading operating margin	
(in € millions, except percentage)	2013	2014	2013	2014	2013	2014
Europe excl. CIS [b]	8,197	8,522	1,182	1,336	14.4%	15.7%
CIS & North America [c]	4,713	4,525	450	387	9.6%	8.6%
ALMA [d]	8,388	8,097	1,177	939	14.0%	11.6%
Group Total	**21,298**	**21,144**	**2,809**	**2,662**	**13.2%**	**12.6%**

(a) Net sales to third parties.
(b) Including €2,210 million in France in 2014 (€2,045 million in 2013).
(c) North America: United States and Canada.
(d) Asia-Pacific/Latin America/Middle-East/Africa.

Top ten countries contributing to the consolidated net sales

Year ended December 31

(in percentage)	2013	2014
France	10%	10%
Russia	11%	9%
United States	8%	9%
China	7%	7%
Indonesia	6%	5%
United Kingdom	5%	5%
Spain	5%	5%
Mexico	5%	5%
Brazil	4%	5%
Argentina	5%	4%

Non-current assets: property, plant and equipment and intangible assets

	As of December 31	
	Property, plant and equipment and intangible assets	
(in € millions)	**2013**	**2014**
Europe excl. CIS [a]	10,268	10,208
CIS & North America [b]	3,341	2 779
ALMA [c]	7,033	7,830
Group total	**20,642**	**20,816**

(a) Including €1,857 million in France as of December 31, 2014 (€1,783 million as of December 31, 2013).
(b) North America: United States and Canada.
(c) Asia-Pacific/Latin America/Middle-East/Africa.

Note 5.3. Other components of trading operating income

Other income (expense)

	Year ended December 31	
(in € millions)	**2013**	**2014**
Employee benefits [a]	(142)	(141)
Various taxes	(14)	(54)
Capital gains on disposal of property, plant and equipment and intangible assets	28	27
Restructuring costs [b]	(19)	(19)
Other [c]	42	(16)
Total	**(105)**	**(202)**

(a) Employee profit-sharing, Group performance shares and stock-options, defined benefit retirement plans and other employee benefits.
(b) Excluding restructurings implemented in connection with the plan for savings and adaptation of the Group's organizations in Europe (see Note 6.2 of the Notes to the consolidated financial statements).
(c) Comprises mainly exchange differences, impairments, provisions for doubtful receivables and several other components.

In 2014, capital gains on disposal of property, plant and equipment and intangible assets resulted mainly from the sale of buildings and industrial equipment.

In 2013, capital gains on disposal of property, plant and equipment and intangible assets resulted mainly from the sale of buildings.

Note 5.4. Working capital

Accounting principles

Inventories

Inventories and work-in-progress are recognized at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Trade receivables

Trade receivables are recognized at their nominal value. Impairment provisions are recognized when their recovery appears uncertain. The methods used for determining such provisions are based mainly on a historical analysis of overdue payments.

The fair value of Trade receivables is considered to be equivalent to their carrying amount due to the high degree of liquidity of these items.

Transactions denominated in foreign currencies

When they are not hedged, transactions denominated in foreign currencies are translated using the exchange rate prevailing on the date of the transaction. At period-end, trade receivables and trade payables denominated in foreign currencies are translated using exchange rates on that date. Foreign exchange gains and losses arising from transactions in foreign currencies are recognized under the heading Other income (expense) in the consolidated income statement.

When transactions denominated in foreign currencies are hedged, the hedging impact is recognized in the same item as the hedged element. As a result, all such transactions are recognized at the hedged spot rate, swap points being recognized under the heading Other financial income (expense).

Carrying amount

	As of December 31	
(in € millions except percentage)	**2013**	**2014**
Goods purchased for resale	50	77
Raw materials and supplies	560	562
Semi-finished goods and work-in-progress	106	95
Finished goods	581	655
Non-refundable containers	47	50
Impairment provisions	(92)	(99)
Inventories, net	1,252	1,340
Trade receivables	1,842	1,930
Notes receivable	35	38
Impairment provisions	(68)	(68)
Trade receivables, net	1,809	1,900
State and local authorities	450	486
Social security bodies and non-operating receivables	210	206
Prepaid expense	106	109
Derivatives – assets [a]	40	86
Other	110	87
Total other current assets	916	974
Total current assets	**3,977**	**4,214**
Trade payables	(3,248)	(3,334)
Year-end rebates payable to customers	(903)	(926)
Personnel costs, including social security charges	(548)	(584)
Taxes payable	(279)	(303)
State and local authorities	(189)	(199)
Refundable containers	(81)	(94)
Customers deposits	(87)	(68)
Derivatives – liabilities [a]	(27)	(169)
Prepayments from customers	(7)	(3)
Other	(376)	(395)
Total other current liabilities	(2,497)	(2,741)
Total current liabilities	**(5,745)**	**(6,075)**
Working capital	**(1,768)**	**(1,861)**
As a percentage of consolidated sales	8.3%	8.8%

(a) Fair value of derivatives other than derivative instruments used to manage net debt.

Credit risk on trade receivables

Credit risk exposure

Credit risk represents the risk of financial loss for the Group if a customer or counterparty should fail to meet its contractual payment obligations. The customer payment term is generally 30 days and the Group's main customers are essentially in the mass retail sector where credit risk is considered low.

Due to the number of customers located in diverse geographic areas and the fact that its main customers are in the mass retail sector and despite the current economic situation, the Group believes that it is neither exposed to significant credit risk, nor dependent on any single customer.

Sales to the Group's largest customers and overdue receivables for which no impairment provision has been recognized

	Year ended December 31	
(in percentage)	**2013**	**2014**
Portion of sales made to the Group's largest customers		
Group's largest customer	4.0%	4.3%
Group's five largest customers	14%	13%
Group's ten largest customers	21%	19%
Portion of overdue trade receivables for which no impairment provision has been recognized [a]	**3.0%**	**4.1%**

(a) More than 30 days overdue.

Trade receivables derecognized in connection with the non-recourse factoring program

	As of December 31	
(in € millions)	**2013**	**2014**
Total trade receivables derecognized in connection with the non-recourse factoring program [a]	241	257

(a) These relate to several Group subsidiaries that have used non-recourse factoring programs (with transfer of risks and benefits).

Note 5.5. Property, plant and equipment and capital expenditure

Accounting principles

Property, plant and equipment acquired by the Group are recognized at cost of acquisition or at construction cost.

Assets used by the Group under finance leases are recognized as Property, plant and equipment in the consolidated balance sheet, when, in substance, the terms of the lease transfer to the Group essentially all of the risks and rewards associated with the ownership of the asset. The asset is recognized for an amount that corresponds to the lower of fair value and the discounted value of future lease payments. The assessment of the level of risks and rewards transferred is based on an analysis of the lease agreement. The financial debt associated with the leased asset is recognized as a liability in the consolidated balance sheet under Financial debt.

Interest on borrowings to finance the construction of property, plant and equipment until their operational start date is considered to be an integral part of the cost price of the property, plant and equipment, provided that the criteria of IAS 23, *Borrowing Costs* are met.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives as follows:

- buildings: 15 to 40 years;
- equipment, furniture, fixtures: 5 to 20 years;
- other: 3 to 10 years.

The depreciation charges in respect of property, plant and equipment are allocated to various headings in the income statement on the basis of the nature and utilization of the assets concerned.

Refundable containers

Refundable containers (including, in particular, jugs in the Waters Division) are recognized at cost. They are depreciated on a straight-line basis, based on available statistics for each Group entity, over the shorter of the following lengths of time:

- physical useful life, taking into account the internal and external breakage rates and wear and tear;
- commercial useful life, taking into account planned or likely modifications of containers.

When the amount of the refund changes, the liability for deposits received is measured based on the new amount.

Carrying amount and change during the period

(in € millions)	Land	Buildings	Machinery and equipment	Refundable containers	Others	Capital assets in progress	Total
Gross amount							
As of January 1, 2013	**270**	**1,922**	**5,205**	**274**	**708**	**600**	**8,979**
Capital expenditure [a]	14	51	167	51	38	718	1,039
Disposals	(8)	(33)	(125)	(30)	(64)	(7)	(267)
Reclassification of assets held for sale	–	–	–	–	–	–	–
Changes in consolidation scope	22	31	182	–	79	37	351
Translation adjustments	(17)	(107)	(352)	(41)	(45)	(55)	(617)
Other	14	122	425	–	57	(612)	6
As of December 31, 2013	**295**	**1,986**	**5,502**	**254**	**773**	**681**	**9,491**
Depreciation							
As of January 1, 2013	**(38)**	**(896)**	**(3,274)**	**(161)**	**(484)**	**(11)**	**(4,864)**
Depreciation charges and impairment	(2)	(110)	(402)	(45)	(72)	–	(631)
Disposals	1	22	100	27	57	–	207
Reclassification of assets held for sale	–	–	–	–	–	–	–
Changes in consolidation scope	–	(10)	(71)	–	(54)	1	(134)
Translation adjustments	–	34	183	25	27	–	269
Other	–	2	(8)	–	(8)	10	(4)
As of December 31, 2013	**(39)**	**(958)**	**(3,472)**	**(154)**	**(534)**	**–**	**(5,157)**
Carrying amount							
As of December 31, 2013	**256**	**1,028**	**2,030**	**100**	**239**	**681**	**4,334**

(a) Including property, plant and equipment acquired under finance leases. The gross amount and carrying amount of property, plant and equipment acquired under finance leases totaled €100 million and €40 million respectively as of December 31, 2013.

(in € millions)	Land	Buildings	Machinery and equipment	Refundable containers	Others	Capital assets in progress	Total
Gross amount							
As of January 1, 2014	**295**	**1,986**	**5,502**	**254**	**773**	**681**	**9,491**
Capital expenditure [a]	2	86	145	49	27	613	921
Disposals	(5)	(50)	(194)	(27)	(56)	(4)	(338)
Reclassification of assets held for sale	(1)	–	6	–	–	–	5
Changes in consolidation scope	15	9	(1)	–	–	(2)	21
Translation adjustments	3	(18)	(28)	15	(2)	(28)	(57)
Other	13	108	358	(3)	168	(694)	(50)
As of December 31, 2014	**322**	**2,121**	**5,787**	**288**	**909**	**565**	**9,992**
Depreciation							
As of January 1, 2014	**(39)**	**(958)**	**(3,472)**	**(154)**	**(534)**	**–**	**(5,157)**
Depreciation charges and impairment	(2)	(98)	(398)	(45)	(96)	–	(640)
Disposals	1	40	162	27	50	–	280
Reclassification of assets held for sale	–	1	3	–	–	–	4
Changes in consolidation scope	–	1	16	–	–	–	17
Translation adjustments	(1)	2	18	(8)	1	–	11
Other	2	34	132	3	(96)	–	74
As of December 31, 2014	**(39)**	**(979)**	**(3,539)**	**(176)**	**(675)**	**–**	**(5,410)**
Carrying amount							
As of December 31, 2014	**283**	**1,142**	**2,248**	**112**	**234**	**565**	**4,582**

(a) Including property, plant and equipment acquired under finance leases. The gross amount and carrying amount of property, plant and equipment acquired under finance leases totaled €129 million and €47 million respectively as of December 31, 2014.

Impairment review of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or circumstances indicate that the recoverable amount of the asset (or group of assets to which it belongs) may be impaired:

- the recoverable amount corresponds to the higher of the market value and value in use;
- value in use is estimated on the basis of the discounted cash flows that the asset (or group of assets to which it belongs) is expected to generate over its estimated useful life in the conditions of use determined by the Group;
- market value corresponds to the estimated net selling price that could be obtained by the Group in an arm's length transaction.

An impairment provision is recognized when the recoverable amount of the asset proves to be lower than its carrying amount.

As of December 31, 2014 and December 31, 2013, impairment in respect of property, plant and equipment related mainly to the savings and adaptation plan for the Group's organizations in Europe (see Note 6.2 of the Notes to the consolidated financial statements).

Capital expenditure during the period

Capital expenditure fell slightly in 2014, with the related cash flows totaling €984 million, or 4.7% of consolidated net sales (4.9% in 2013).

.

Note 5.6. Off-balance sheet commitments relating to operating activities

Commitments given in 2014

		Amount of financial flows for the year				
(in € millions)	Total	2015	2016	2017	2018	2019 and after
Operating lease commitments	(622)	(162)	(113)	(84)	(62)	(200)
Commitments to purchase goods and services	(2,863)	(1,646)	(556)	(301)	(111)	(249)
Capital expenditure commitments	(161)	(140)	(6)	(2)	(2)	(11)
Guarantees and pledges given	(224)	(170)	(12)	(16)	(2)	(25)
Other	(189)	(121)	(23)	(16)	(5)	(23)
Total	**(4,059)**	**(2,239)**	**(711)**	**(419)**	**(182)**	**(508)**

Commitments received in 2014

	Commitments as of December 31 of each year					
(in € millions)	2014	2015	2016	2017	2018	2019
Guarantees and pledges received	83	68	–	–	–	15
Other	43	30	6	6	1	–
Total	**126**	**98**	**7**	**6**	**1**	**15**

Commitments given in 2013

		Amount of financial flows for the year				
(in € millions)	Total	2014	2015	2016	2017	2018 and after
Operating lease commitments	(610)	(164)	(109)	(83)	(66)	(188)
Commitments to purchase goods and services	(2,386)	(1,722)	(377)	(206)	(65)	(16)
Capital expenditure commitments	(200)	(192)	(8)	–	–	–
Guarantees and pledges given	(193)	(146)	(7)	(10)	(3)	(27)
Other	(338)	(189)	(69)	(48)	(19)	(13)
Total	**(3,727)**	**(2,413)**	**(570)**	**(347)**	**(153)**	**(244)**

Commitments received in 2013

	Commitments as of December 31 of each year					
(in € millions)	2013	2014	2015	2016	2017	2018
Guarantees and pledges received	64	45	1	–	–	18
Other	48	27	12	5	4	–
Total	**112**	**71**	**12**	**5**	**4**	**18**

Other commitments

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business, notably as a result of guarantees given on disposals between 1997 and 2014. In some cases, damages and interest are sought. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

Note 5.7. Financial risks associated with operating activities

The Group's financial risk policy and its organization are described in Note 12.1 of the Notes to the consolidated financial statements.

Foreign exchange risk

Due to its international presence, the Group could be exposed to foreign exchange rate fluctuations in the context of:

- its operating activities: the Group mainly operates on a local basis and consequently in the currency of the country in which it is operating, thereby incurring no currency risk. However, the location of some of the Group's production units may result in inter-company billings in foreign currencies. This applies particularly to the Early Life Nutrition and Medical Nutrition Divisions and, to a lesser extent, to the Fresh Dairy Products Division. Similarly, some raw materials are billed or indexed in foreign currencies, in particular as regards the Waters and Fresh Dairy Products Divisions. Lastly, the Group is also developing some export activities. The sales and operating margin of some subsidiaries are therefore exposed to fluctuations of foreign exchange rates against their functional currency;
- translating into euros the financial statements of subsidiaries denominated in a foreign currency: The Net sales and the Trading operating income are generated in currencies other than the euro. Consequently, fluctuations in exchange rates of foreign currencies against the euro may have an impact on the Group's income statement. These fluctuations also have an impact on the carrying amount in the consolidated balance sheet of assets and liabilities denominated in currencies other than euro.

Pursuant to its operational currency risk hedging policy, the Group's residual exposure (after hedging) was significantly reduced during the fiscal year. As of December 31, 2014, the main hedged currencies in terms of value included the British pound, U.S. dollar, Russian ruble, Mexican peso, Chinese Yuan and Brazilian real (see Note 12.3 of the Notes to the consolidated financial statements).

Commodities risk

The Group is also exposed to price volatility and to a potential shortage of the commodities that it purchases, mainly to produce its finished products. To manage this exposure, the Group has implemented a commodity purchasing policy (Market Risk Management).

In fact, the Group's raw material needs mainly involve:

- materials needed to produce food and beverage products, mainly milk and fruits (the "food raw materials"). On a value basis, milk represents the main raw material purchased by the Group. These purchases consist mainly of liquid milk, for which the operating subsidiaries typically enter into agreements with local producers or cooperatives. Liquid milk prices are set locally, over contractual periods that vary from one country to another. The main other food raw materials are fruit-based preparations and sugar;
- product packaging materials, in particular plastics and cardboard ("packaging"). Packaging purchases are managed through global and regional purchasing programs making it possible to optimize skills and volume effects. Prices are influenced by supply and demand at the global and regional levels, economic cycles, production capacities and oil prices;
- energy supplies. They account for only a limited portion of the Group's overall purchases.

The price trends of major raw materials may have a significant impact on the volatility of the Group's results. In that context, the Group manages cost inflation of raw materials through the following measures:

- continuous productivity gains: the Group strives in particular to optimize its use of raw materials (reductions in production waste, lighter packaging and more effective use of milk sub-components in the Group's various products) and take advantage of pooled purchasing for its various subsidiaries. In 2013, for example, the Group established centralized purchasing for the Fresh Dairy Products Division other than milk;
- implementation of a purchasing policy ("Market Risk Management") that consists of defining rules for securing the physical supply and price setting with suppliers and/or on financial markets when they exist. The monitoring of exposures and the implementation of this policy are made at the level of each raw materials category by the Group's central purchasing team. The buyers typically negotiate forward purchase agreements with suppliers, since no financial markets exist that would allow full hedging of the volatility of the Group's main raw materials purchase prices. Forward purchase agreements are monitored at the Group level at the end of each year. Also, with respect to the Group's two main raw materials categories (milk and dairy ingredients and plastics including PET), a sensitivity analysis of the impact of changes in their prices on the Group's annual purchasing costs (applied simultaneously in all countries where the Group has a production activity) is presented in the following section.

Moreover, the Group's strategy increasingly relies on the upstream facets of its activity, notably its supply of raw materials, not just to manage costs but also as a genuine means of value creation and differentiation relative to the competition.

Sensitivity of net income to changes in prices of the two main categories of raw materials purchased by the Group

	Year ended December 31	
	2013	**2014**
(in € millions)	**Gain (loss)**	**Gain (loss)**
Increase of 5%		
Liquid milk, milk powder and other milk-based ingredients	(167)	(191)
Plastics, including PET	(78)	(77)
Decrease of 5%		
Liquid milk, milk powder and other milk-based ingredients	165	191
Plastics, including PET	78	77

NOTE 6. EVENTS AND TRANSACTIONS OUTSIDE THE GROUP'S ORDINARY ACTIVITIES

Note 6.1. Other operating income (expense)

Accounting principles

Other operating income (expense) is defined under Recommendation 2013-03 of the French ANC relating to the format of consolidated financial statements prepared under international accounting standards, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and incurred or estimated costs related to major crisis and major litigation. Furthermore, in connection with Revised IFRS 3 relating to business combinations, the Group also classifies in Other operating income (expense) (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs related to business combinations and subsequent to the acquisition date.

Other operating income (expense) in 2014

In 2014, the net Other operating expense of €(511) million consisted mainly of expenses, including (i) €(249) million relating to the impairment of the *Dumex* brand following the false safety alert issued by Fonterra in 2013 in respect of some ingredients supplied to the Group in Asia, (ii) €(160) million relating to the plan for savings and adaptation of the Group's organizations in Europe, (iii) €(26) million relating to the restructuring of the Group's activities in Argentina as a result of the economic climate, (iv) €(21) million of losses on company disposals, and (v) €(14) million corresponding to Unimilk integration expenses (Fresh Dairy Products, mainly Russia and Ukraine).

Other operating income (expense) in 2013

In 2013, the net Other operating expense of €(681) million consisted mainly of expenses including (i) €(280) million related to the plan for savings and adaptation of the Group's organizations in Europe, (ii) €(201) million relating to the false safety alert issued by Fonterra in respect of some ingredients supplied to the Group in Asia, (iii) €(62) million relating to the impairment of brands with indefinite useful lives, (iv) €(36) million of costs relating to acquisitions resulting in control being obtained carried out in 2013, (v) €(34) million corresponding to Unimilk integration expenses (Fresh Dairy Products, mainly Russia and Ukraine), and (vi) €(21) million paid as a result of the investigation by the Chinese national development and reform commission.

Note 6.2. Savings and adaptation plan for the Group's organizations in Europe

Since 2010, the lasting downturn in the economy and consumer trends in Europe have resulted in a significant decrease in sales in this part of the world. Despite signs of a gradual increase in volumes, the Fresh Dairy Products Division in Europe has experienced a decrease in its global activity and overcapacity in the region.

On December 13, 2012, Danone announced the preparation of a cost reduction and adaptation plan to win back its competitive edge in order to address a lasting downturn in the economy and the consumer trends in Europe. On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe.

In addition to this project to reorganize its structure, in order to address the overcapacity in Europe, on June 11, 2014, Danone announced the planned closure of its sites in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary), these three countries having been particularly badly affected by the drop in sales. The planned closure of these three plants and the gradual reallocation of volumes to Belgium, Poland, Germany and France should enable the Fresh Dairy Products Division to improve the use of its production facilities and its competitiveness in Europe.

Costs relating to this plan mainly comprise (i) costs of employee-related measures (measures with respect to internal mobility, redundancy and support for departing employees), (ii) impairment losses in respect of property, plant and equipment and intangible assets, and (iii) other reorganization costs (notably compensation for early termination of contracts and consulting fees). As this plan consists in a strategic restructuring, costs incurred directly in connection to the plan are accounted for as Other operating income (expense). Costs recognized consist in costs (i) paid (ii) incurred or (iii) provisioned. Provisions are recognized based on the Group's best estimate as of the closing date of the costs to be incurred in connection with these measures, given the information then available to the Group

Cash flows related to initiatives that may be taken by the Group to deploy this plan are presented in Cash flows provided by (used in) operating activities in the consolidated statement of cash-flows.

Costs and cash flows relating to this plan

	Year ended December 31	
(in € millions)	**2013**	**2014**
Costs		
Employee-related measures	(185)	(75)
Impairment of intangible assets and property, plant and equipment	(30)	(11)
Other reorganization costs	(65)	(74)
Total [a]	(280)	(160)
Cash flows net of taxes [b]	**(121)**	**(123)**

(a) Of which, €58 million in provisions as of December 31, 2014 (€62 million as of December 31, 2013).
(b) Including a tax saving calculated on the basis of the applicable tax rate in the respective countries.

Note 6.3. Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia in 2013

Following a statement by the New Zealand government and Fonterra on August 2, 2013 warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with *Clostridium botulinum* bacteria, the Group recalled selected infant formula products from sale in eight markets (New Zealand, Singapore, Malaysia, China, Hong Kong, Vietnam, Cambodia and Thailand) of this region as a precautionary measure. The alert was lifted on August 28 when New Zealand's Ministry for Primary Industries (MPI) concluded after several weeks of tests that there was no *Clostridium botulinum* in any of the batches concerned.

None of the many tests conducted by the Group, both before and after this critical period, showed any contamination whatsoever of its products with *Clostridium botulinum*. Danone's food safety management system is among the most demanding and effective in the world and includes rigorous testing of all of its products. But because Danone makes consumer safety an absolute priority, its teams nonetheless quickly and efficiently deployed recall procedures.

On January 8, 2014, the Group also announced its decision to terminate its existing supply contract with Fonterra and make any further collaboration contingent on a commitment by its supplier to full transparency and compliance with the cutting-edge food safety procedures applied to all products supplied to Danone.

Legal and arbitration proceedings

Danone has reviewed its recourse and compensation options and decided to initiate proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring all facts to light and to obtain compensation for the harm it has suffered. Proceedings are in progress.

Impact on Early Life Nutrition Division's sales in Asia

The Early Life Nutrition Division's sales, notably those under the *Dumex* brand, were seriously affected by these recalls. Action plans have been gradually deployed as from the second half of 2014 to restore sales in affected markets, *via* the relaunch of the *Dumex* brand and the introduction of innovative products.

The Group can now determine the effects of these initiatives, which were as follows:

- in China, activity has gradually recovered but ended the year at a level significantly below pre-crisis levels;
- in the other countries concerned, which now generate more than 50% of the sales generated under the *Dumex* brand, the level of activity is equivalent to pre-crisis levels.

Consequently, the Group has carried out additional restructurings in respect of its Early Life Nutrition business in Asia and notably in China.

Impact on the carrying amount of the *Dumex* brand

As of December 31, 2014, the Group reviewed the recoverable amount of the *Dumex* brand based on the principles described in Note 9.3 of the Notes to the consolidated financial statements.

The key assumptions adopted in the valuation model used by the Group have been determined on the basis of the following, assessed by management based on its best estimate at the time:

- growth in net sales: the Group has drawn up the annual budget and an eight-year strategic plan based on a gradual and limited upturn in the *Dumex* brand in China;
- royalty rate, determined for each country on the basis of (i) quantitative data such as the growth in net sales and the long-term profitability of this activity, and (ii) qualitative data such as awareness; the royalty rate used was then calculated pro-rata to the activity levels in the countries concerned;
- long-term growth rate used to calculate the terminal value is in line with the one used for the Early Life Nutrition Division in Asia;
- discount rate comprises a risk premium specific to the asset whose recoverable amount is being reviewed.

This review resulted in a €249 million impairment provision in respect of the *Dumex* brand as of December 31, 2014.

In future, changes in the assumptions detailed above could affect the result of this review. The Group would therefore be required to adjust the value of the brand downwards or upwards (whilst ensuring that its value does not exceed its historical value).

Impact on the consolidated financial statements

Given this is a major crisis for Asia, affecting the Group's early life nutrition activity, the related costs are recognized under Other operating income (expense).

Impact on the 2014 consolidated financial statements

The €249 million impairment charge in respect of the *Dumex* brand was recognized under Other operating income (expense) in the 2014 income statement.

Impact on the 2013 consolidated financial statements

The related costs totaled €201 million, most of which had been incurred during the year and corresponded to the following items:

- costs resulting directly from the crisis and its management (notably product recall and destruction procedures, restructuring and re-launch plans implemented in response to the crisis), which totaled €134 million in 2013;
- idle time costs directly related to the crisis (costs of production stoppages in China induced by the crisis), which totaled €67 million in 2013.

NOTE 7. NUMBER OF EMPLOYEES, PERSONNEL COSTS AND EMPLOYEE BENEFITS

Note 7.1. Number of employees at fully consolidated companies

As of December 31

	2013	2014
Total number of employees	**104,642**	**99,927**
By geographic area		
France	8%	9%
Rest of Europe	30%	28%
China	10%	10%
Rest of Asia-Pacific	17%	18%
North and South America	26%	27%
Africa and Middle East	9%	9%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	45%	42%
Waters	36%	38%
Early Life Nutrition	12%	12%
Medical Nutrition	6%	7%
Corporate functions	1%	1%
Total	**100%**	**100%**

Note 7.2. Personnel costs of fully consolidated companies

	Year ended December 31	
(in € millions)	**2013**	**2014**
Salaries and social security charges [a]	(3,040)	(2,971)
Retirement obligations – defined benefit plans [b]	(30)	(26)
Expenses relating to Group performance shares and stock-options	(19)	(19)

(a) Salaries after social security charges. Also comprises the contributions in respect of defined contribution retirement plans.
(b) Service cost.

Note 7.3. Retirement obligations and other long-term benefits

General principles

The Group contributes to employee retirement benefit plans in accordance with the laws and usual practices of countries where its subsidiaries operate. As a result of contributions paid under such plans to private or state sponsored pension funds, the Group has no actuarial liability in that respect.

The Group also has contractual obligations for supplementary retirement plans as well as severance, retirement indemnities and personal protection plans. The related actuarial commitments are taken into account either through the payment of contributions to independently-managed funds responsible for their service and the fund administration, or through provisions.

Accounting principles

Defined contribution retirement plans

Contributions due under defined contribution plans are expensed as incurred. These expenses are allocated to different headings in the consolidated income statement.

Defined benefit retirement plans

The Group's obligations relating to defined benefit retirement plans are calculated using the projected unit credit method and by taking into account several actuarial assumptions, including employee turnover, salary increases and employees' expected active lives.

The carrying amounts of these plans on the consolidated balance sheet correspond to the actuarial value of the obligations, as defined above, less the fair value of the plan assets (retirement funds to which the Group contributes, for example). They are presented under the heading Provisions for retirement and other long-term benefits.

In addition, the expected return on plan assets is measured on the basis of the discount rate used to estimate the actuarial value of retirement commitments.

Actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations net of the assets (including the difference between the expected return and the actual return on plan assets) are fully recognized within Other comprehensive income.

The recognized costs and income of defined benefit plans correspond mainly to:

- the cost of services provided during the year and of prior services (where relevant) recognized within Trading operating income;
- the accretion of the present value of the obligations, net of the expected return on plan assets, recognized within Other financial income (expense).

Other long-term benefits

Other long-term benefits may be granted by certain Group companies to their employees, such as personal protection coverage and long-service awards. The Group's obligations in respect of these benefits are determined by applying a similar method to that used to determine the obligations relating to post-employment defined benefit plans.

The amounts recognized in the balance sheet in respect of these plans correspond to the present value of the obligations, as detailed above. They are presented under the heading Provisions for retirement and other long-term benefits.

The actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions used to calculate obligations are recognized in full within Trading operating income of the fiscal year in which they are incurred.

Defined benefit plans

Provisions for retirement and other long-term benefits

	As of December 31	
(in € millions)	**2013**	**2014**
Defined benefit retirement plans	566	796
Other long-term benefits	18	21
Total	**584**	**818**

Defined benefit retirement plans

Carrying amount of gross obligations

	As of December 31	
(in percentage)	**2013**	**2014**
Retirement plan for senior managers	35%	37%
Other	15%	15%
France	50%	51%
Germany	16%	14%
United States	6%	6%
United Kingdom	6%	5%
Indonesia	5%	7%
Ireland	5%	6%
Other [a]	12%	10%
Total	**100%**	**100%**

(a) Several countries, none of which represents more than 5% of the Group's gross obligations.

Group's principal obligation

The Group's principal defined benefit retirement plan obligations involve the Retirement plan for senior managers in France, which was granted to certain senior managers of the Group and closed to any new beneficiaries as of December 31, 2003.

General principles

Approximately 139 Group executives who hold the status of senior manager and who were covered by French retirement schemes as of December 31, 2003 are, under certain conditions (in particular seniority and continuing employment conditions), eligible for a defined benefit retirement plan. As a reminder, in 2009, more than 210 executives were covered by this plan.

This plan provides for a pension based on years of service and the amount of final salary, under the condition that the beneficiary is still in the Group's employment at the time of retirement. The pension is paid after deducting certain pensions corresponding:

- with respect to a first category of Senior Managers in the Group, to the full amount of retirement benefits they acquired over the course of their professional career;
- with respect to a second category of Senior Managers in the Group, to the full amount of retirement benefits that they acquired due to the implementation of a Company non-contributory supplementary retirement plan, and may reach a maximum of 65% of final salaries.

In the event of leaving the Group before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, the plan benefits are preserved, subject to the beneficiary not taking any salaried position in the future. This provision, which is consistent with applicable French regulations, enables in particular protecting all beneficiaries against the risks related to a termination of employment occurring after the beneficiary has reached the age of 55 but prior to reaching retirement age.

Other obligations

The other retirement plans introduced by the Group relate only to one particular subsidiary in one particular country. Consequently, the Group is required to manage several different plans in a given country. None is material.

Carrying amount of provisions (gross obligations net of plan assets)

	As of December 31					
			2013			**2014**
(in € millions)	**Retirement plan for senior managers**	**Other plans**	**Total**	**Retirement plan for senior managers**	**Other plans**	**Total**
Vested rights with projected salaries	350	647	997	468	803	1, 272
Fair value of plan assets	(171)	(260)	(431)	(172)	(302)	(475)
Vested rights net of fair value of plan assets	**179**	**387**	**566**	**296**	**501**	**796**
Impact of ceiling on assets	–	–	–	–	–	–
Obligations for which provisions have been established on the balance sheet	**179**	**387**	**566**	**296**	**501**	**796**

In addition, the total amount of contributions/benefits to be paid out in 2015 in connection with these plans is estimated at €41 million.

4

Actuarial assumptions

Methodology

The Group defines the actuarial assumptions by country and/or subsidiary.

The discount rates used in 2014 were obtained on the basis of investment grade (AA rating) bond yields of private issuers for durations equivalent to that of the commitment in the corresponding monetary areas.

The level of quality used is assessed on the basis of the rating obtained from the leading financial rating agencies. In the case of illiquid markets, the discount rate is determined using government bonds of equivalent maturity to the term of the assessed plans. In 2014, this was notably the case in respect of Indonesia.

Retirement plan for senior managers

Main actuarial assumptions

	Year ended December 31	
	Retirement plan for senior managers	
(as a percentage, except for ages in number of years)	**2013**	**2014**
Discount rate	3.5%	2.2%
Expected return on plan assets	3.5%	2.2%
Salary growth rate	3.0%	3.0%
Retirement age	61-65	60-65

Sensitivity analysis to the key assumption: the discount rate

	Year ended December 31	
	Retirement plan for senior managers	
	2013	**2014**
(in € millions)	**Increase (decrease)**	**Increase (decrease)**
Increase of 50 bps	(29)	(41)
Decrease of 50 bps	34	45

Changes in carrying amount of provisions

(in € millions)	**Defined benefit obligation**	**Fair value of plan assets**	**Unrecognized past service costs**	**Net accrued obligation**
As of January 1, 2013	**1,027**	**(436)**	**(1)**	**590**
Service cost	30	–	–	30
Interest cost	37	–	–	37
Expected return on plan assets	–	(16)	–	(16)
Other	(6)	2	–	(4)
Expense for the year	61	(14)	–	47
Payments made to retirees	(41)	23	–	(18)
Contributions to plan assets	–	(13)	–	(13)
Changes in demographic assumptions	–	–	–	–
Changes in economic assumptions	(28)	–	–	(28)
Impact of actual results	10	3	–	13
Actuarial gains and losses	(18)	3	–	(15)
Translation adjustments	(23)	6	–	(17)
Other	(9)	–	1	(8)
As of December 31, 2013	**997**	**(431)**	**–**	**566**

(in € millions)	**Defined benefit obligation**	**Fair value of plan assets**	**Unrecognized past service costs**	**Net accrued obligation**
As of January 1, 2014	**997**	**(431)**	**–**	**566**
Service cost	26	–	–	26
Interest cost	38	–	–	38
Expected return on plan assets		(16)	–	(16)
Other	(2)	–	–	(2)
Expense for the year	62	(16)	–	47
Payments made to retirees	(43)	24	–	(19)
Contributions to plan assets		(16)	–	(16)
Changes in demographic assumptions	6	–	–	6
Changes in economic assumptions	204	–	–	204
Impact of actual results	25	(24)	–	–
Actuarial gains and losses	234	(24)	–	210
Translation adjustments	21	(11)	–	10
Other	–	–	–	(1)
As of December 31, 2014	**1,272**	**(475)**	**–**	**796**

4

Defined benefit plan assets
The Group's investment policy for plan assets depends, for each company, on the employees' age structure and the expected return on the various asset classes.

Plan assets of retirement plan for senior managers

As of December 31

	Retirement plan for senior managers	
(in € millions except percentage)	**2013**	**2014**
Fair value of plan assets	**(171)**	**(172)**
Main class of plan assets		
Debt securities [a] [b]	88%	98%
Shares [b]	8%	–
Real estate and other asset classes [b]	4%	2%

(a) These assets are diversified, in particular the exposure to individual sovereign credit risk is limited.
(b) Do not include any financial instruments issued by the Group.

Defined contribution plans

Contributions paid as part of defined contribution plans are recognized under Trading operating income.

Note 7.4. Group performance shares and stock-options granted to certain employees and corporate officers

Group policy

The Group has awarded long-term variable compensation in the form of Group performance shares since 2010 and awarded such compensation in the form of stock-options until 2010. Around 1,300 directors and senior executives worldwide, as well as the corporate officers, have benefitted from these arrangements.

General principles applicable to Group performance shares and termination of the stock-option program

The Group's long-term variable compensation takes the form of Group performance shares (Company shares subject to performance conditions). Group performance shares were introduced in 2010 by the Shareholders' Meeting held on April 22, 2010 to replace the stock-option program that was consequently closed.

Group performance shares (GPS) are shares in the Company that are subject to performance conditions, set by the Shareholders' Meeting for each plan. In the case of all outstanding plans, the performance conditions are based on aspects of the Company's performance. The GPS are also subject to continuing employment conditions. The vesting period is three or four years depending on the plan.

General principles applicable to stock-options

Stock-options are options to purchase shares in the Company that were granted to certain employees and corporate officers up until the Combined Shareholders' Meeting of April 22, 2010. No stock-options have been granted since then and since the end of 2013, all stock-options are exercisable: the last plans expire in 2017.

Group performance shares and stock-options in effect

	Year ended December 31	
(number of shares)	**2013**	**2014**
Group performance shares		
As of January 1	**1,991,001**	**2,488,418**
Shares granted during the year	821,643	778,371
Shares that lapsed or were cancelled during the year	(101,855)	(810,867)
Shares delivered during the year	(222,371)	(504,927)
As of December 31	**2,488,418**	**1,950,995**
Stock-options		
As of January 1	**9,866,231**	**7,177,600**
Options that lapsed or were cancelled during the year	(151,037)	(195,922)
Options exercised during the year	(2,537,594)	(1,292,981)
As of December 31 [(a)]	**7,177,600**	**5,688,697**

(a) As of December 31, 2013 and December 31, 2014, all options can be exercised and most are in the money.

Accounting treatment of Group performance shares and stock-options

Accounting principles

The benefits relating to stock-options and Group performance shares granted to certain employees and corporate officers are written off as an expense on the Other income (expense) item of the consolidated income statement. The corresponding entry to this charge is an equivalent increase in consolidated equity on the Retained earnings item of the consolidated balance sheet. The charge corresponds to the fair value, determined on the grant date, of the stock-options and Group performance shares granted.

The fair value of the stock-options is determined using the Black & Scholes valuation model, based on assumptions determined by management. The corresponding charge is expensed over the vesting period (*i.e.* 2 to 4 years).

The fair value of Group performance shares is calculated on the basis of assumptions made by the Group's management. The corresponding charge is spread over the vesting period (either 3 or 4 years). To the extent that performance conditions are based on internal performance, charges recognized in respect of shares that lapse due to the failure to achieve said performance conditions are written back in the income statement for the period in which it is probable they will lapse.

They are taken into account in calculating the dilution as described in Note 13.4 of the Notes to the consolidated financial statements.

Valuation

	Year ended December 31	
(in € per share except number of shares)	**2013**	**2014**
Number of shares granted during the year	821,643	778,371
Fair value of Group performance shares granted during the year [a]	51.8	50.3
Average DANONE share price during the year	55.0	54.3

(a) Fair value as of the grant date.

Expense related to Group performance shares and stock-options

	Year ended December 31	
(in € millions)	**2013**	**2014**
Group performance shares	(17)	(19)
Stock-options [a]	(2)	–
Total expense	**(19)**	**(19)**

(a) As of December 31, 2013 and December 31, 2014, all options can be exercised and therefore no longer require the recognition of an expense.

Note 7.5. Company Savings Plan

General and accounting principles

Employees of the Group's French entities can, on an annual basis, subscribe a capital increase in the Company through a Company Savings Plan. The purchase price of the shares corresponds to 80% of the average DANONE share price over the 20 days preceding the meeting of the Board of Directors that approves the plan.

The benefit granted to the employees is calculated based on the fair value of the shares on the grant date. The fair value is calculated after taking into account the five-year holding period on these shares and the market parameters applicable to employees, in particular the borrowing rate.

Capital increase reserved for employees in 2014

In 2014, under the terms of the Company Savings Plan, the Group implemented a capital increase involving 831,986 new shares issued at a price of €40.26 per share.

The fair value of the shares issued in 2014 under the terms of the Company Savings Plan was calculated based on a DANONE share price of €50.33, a 1.5% risk-free interest rate and a 4.8% employees' five-year borrowing rate. No expense is recognized, in accordance with the provisions of the notice issued by the French national accounting council (*Conseil National de la Comptabilité, CNC*) on December 21, 2004.

NOTE 8. INCOME TAX

Note 8.1. Income tax

Income before tax and tax expense

	Year ended December 31	
(in € millions except tax rate in percentage)	**2013**	**2014**
Income before tax	**1,865**	**1,839**
Current tax (expense) income	(610)	(693)
Deferred tax (expense) income	6	94
Current and deferred tax (expense) income	**(604)**	**(599)**
Effective tax rate	32.4%	32.6%
Amount (paid) received during the year	(598)	(601)

Tax rate and tax systems

French tax system

Danone forms a tax group with most of its French subsidiaries in which it owns, directly or indirectly, more than 95% of the share capital, enabling taxable profits and losses to be offset subject to certain limits and conditions.

The statutory tax rate for companies with sales exceeding €250 million was raised to 38% in 2013 following a temporary increase in the surtax on corporate income from 5% to 10.7%. This measure will be applied over two years, *i.e.* until 2015. Nevertheless, the current and deferred tax rates of these companies was maintained at 34.43% since the tax loss carryforwards is expected to recovered beyond this two-year period.

Other tax systems

Similar tax grouping arrangements exist in other countries, in particular in the United States, the Netherlands, the United Kingdom, Germany and Spain.

Effective tax rate

In 2014, the Group effective tax rate was 32.6%, relatively stable in comparison with 2013.

As is the case with the Group's business activity (see breakdown of sales by country in Note 5.2 of the Notes to the consolidated financial statements), the Group's current and deferred tax expense is also relatively well distributed across several countries, with no single dominant country.

Difference between effective tax rate and 34.43% statutory tax rate in France

	Year ended December 31	
(in percentage)	**2013**	**2014**
Statutory tax rate in France	34.4%	34.4%
Differences between French and foreign tax rates [a]	(11.9)%	(12.4)%
Tax on dividends and royalties [b]	5.2%	4.1%
Permanent differences	2.7%	3.0%
Tax loss carryforwards [c]	1.5%	1.0%
Tax adjustments and unallocated taxes [d]	1.2%	3.0%
Impact of capital gains and losses on disposal and asset impairment	(0.2)%	0.3%
Other differences	(0.5)%	(0.8)%
Effective income tax rate	**32.4%**	**32.6%**

(a) Various countries, none of which generates a significant difference with the French tax rate.
(b) Includes (i) the contribution of costs and expenses (French *quote part de frais et charges*), (ii) withholding taxes on dividends and royalties, and (iii) the impact of the 3% dividends tax.
(c) See Note 8.3 of the Notes to the consolidated financial statements.
(d) In 2014, corresponds mainly to tax adjustments, unallocated taxes and net changes in provisions for tax risks, partially offset by changes in rates.

Note 8.2. Deferred taxes

Accounting principles

Deferred taxes are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for the cases specified in IAS 12, *Income taxes*. Deferred taxes are calculated using the liability method, applying the last enacted income tax rates expected to be applicable when the temporary differences will be reversed.

In addition, temporary differences are reflected in the consolidated financial statements as deferred tax assets or liabilities systematically in the case of associates and on the basis of the most likely scenario as regards the reversal of the differences, *i.e.* distribution of reserves or disposal of the entity concerned, in the case of fully-consolidated subsidiaries.

Deferred tax assets and liabilities are offset, when the tax entity has a legal right to offset.

Lastly, the Company and its subsidiaries may be subject to tax audits. A provision is recognized in the consolidated financial statements whenever it is probable that a tax reassessment will be made.

Carrying amount

	As of December 31	
(in € millions)	**2013**	**2014**
Intangible assets and property, plant and equipment	(1,341)	(1,326)
Tax loss carryforwards [a]	431	533
Provisions for retirement and other long-term benefits	153	227
Employee profit-sharing provisions	20	20
Restructuring provisions	23	17
Other	158	139
Net deferred taxes	**(556)**	**(389)**
Deferred tax assets	709	836
Deferred tax liabilities	(1,265)	(1,225)
Net deferred taxes	**(556)**	**(389)**

(a) See section hereafter related to Tax loss carryforwards.

Change during the period

(in € millions)	**2013**	**2014**
As of January 1	**(508)**	**(556)**
Changes recognized in Other comprehensive income	(7)	104
Changes recognized in profit or loss	6	95
Changes in consolidation scope [a]	(84)	1
Other	37	(32)
As of December 31	**(556)**	**(389)**

(a) See Note 2.2 of the Notes to the consolidated financial statements.

Note 8.3. Tax loss carryforwards

Accounting principles

Deferred tax assets relating to tax loss carryforwards and temporary differences are recognized in the consolidated balance sheet when it is more likely than not that these taxes will be recovered.

At each closing, the Group reviews the unused tax losses and the amount of deferred tax assets recognized on the balance sheet. In some countries in which losses can be carried forward indefinitely, the Group takes into consideration long-term recovery horizons when justified in light of forecast taxable profits.

Carrying amount

	As of December 31	
(in € millions)	**2013**	**2014**
Tax losses – recognized portion		
Recognized tax loss carryforwards [a] [b]	1,306	1,630
Tax savings [c]	431	533
Tax losses – unrecognized portion		
Tax loss carryforwards and tax credits not yet used [a]	623	403
Potential tax savings	157	107

(a) Basis amount.
(b) In 2014, they mainly come from the French consolidated tax group.
(c) Corresponds to deferred tax assets based on tax loss carryforwards.

Consumption horizon

Most of the tax losses as of December 31, 2014 can be carried forward indefinitely and have a probable consumption horizon of more than five years.

NOTE 9. INTANGIBLE ASSETS

Note 9.1. Accounting principles

Goodwill

When control of a company is acquired, the fair value of the consideration given to the seller is allocated to the acquired identified assets and the liabilities and contingent liabilities assumed, which are measured at fair value. The difference between the consideration given to the seller and the Group's share of the fair value of the acquired identified assets and the liabilities and contingent liabilities assumed represents goodwill. When the option of recognizing non-controlling interests at fair value is applied, a corresponding premium is allocated to goodwill. Goodwill is recognized in the consolidated balance sheet as an asset under the heading Goodwill.

Goodwill arising from the acquisition of a foreign entity is recognized in the functional currency of the entity acquired and translated at the exchange rates prevailing on the closing date.

Goodwill is not amortized but is tested for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to the Cash generating units (CGU) or groups of CGUs most likely to benefit from the synergies of the business combination and to the lowest level at which goodwill is monitored by the Group. The CGUs correspond to subsidiaries or groups of subsidiaries that are included in the same Division and that generate cash flows largely independent from those generated by other CGUs.

Brands with indefinite useful lives

Acquired brands that are distinguishable, having a significant value, are supported by advertising expense, have indefinite useful lives and have been recognized in connection with business combinations since 1989 are recorded under the heading Brands in the consolidated balance sheet. The valuation of these brands is generally determined with the assistance of valuation specialists, taking into account various factors, including brand awareness and their contribution to earnings. These brands, which are legally protected, are not amortized but are tested for impairment annually or more frequently if signs of impairment exist (see hereafter).

Other brands

Other acquired brands that are deemed to have finite useful lives are presented under the heading Brands in the consolidated balance sheet. They are amortized on a straight-line basis over their estimated useful lives, which do not exceed 60 years. The amortization charges in respect of brands with finite useful lives are allocated to various headings in the income statement on the basis of the nature and utilization of the brands concerned.

Development costs

Development costs are only recognized under assets in the consolidated balance sheet if all the recognition criteria set by IAS 38, *Intangible Assets* are met before the products are launched on the market. They are amortized over the term of their legal protection granted to the Group as from the date the corresponding products are launched on the market.

Development costs are generally expensed as incurred (see Note 5.1 of the Notes to the consolidated financial statements).

Technologies, development costs and other intangible assets

The following elements are recognized in the balance sheet under the heading Other intangible assets:

- acquired technologies, which are generally valued with the assistance of specialized consultants and amortized over the average duration of the patents;
- acquired development costs meeting the criteria for the recognition of an intangible asset in accordance with IAS 38, *Intangible Assets* (see above);
- other acquired intangible assets are recognized at their acquisition cost. They are amortized on a straight line basis over their estimated economic lives, which do not exceed 40 years.

The amortization charges in respect of these assets are allocated to various headings in the income statement on the basis of their nature and utilization.

Note 9.2. Carrying amount and change during the period

Carrying amount and change during 2013

(in € millions)	Goodwill	Brands [a]	Other intangible assets	Total
Gross value				
As of January 1, 2013	**11,361**	**4,557**	**827**	**16,745**
Capital expenditure	–	–	47	47
Disposals	–	–	(10)	(10)
Changes in consolidation scope [b]	961	273	1	1,235
Translation adjustments	(845)	(255)	(24)	(1,124)
Impairment	–	(62)	–	(62)
Other	(3)	4	9	10
As of December 31, 2013	**11,474**	**4,517**	**850**	**16,841**
Amortization				
As of January 1, 2013	**–**	**(14)**	**(466)**	**(480)**
Amortization charges for the year (net of disposals)	–	(3)	(69)	(72)
Changes in consolidation scope [b]	–	–	–	–
Translation adjustments	–	1	12	13
Other	–	–	6	6
As of December 31, 2013	**–**	**(16)**	**(517)**	**(533)**
Carrying amount				
As of December 31, 2013	**11,474**	**4,501**	**333**	**16,308**

(a) This heading comprises the brands with indefinite useful lives and the other brands.
(b) See Note 2.2 of the Notes to the consolidated financial statements.

Carrying amount and change during 2014

(in € millions)	Goodwill	Brands [(a)]	Other intangible assets	Total
Gross value				
As of January 1, 2014	**11,474**	**4,517**	**850**	**16,841**
Capital expenditure	–	–	42	42
Disposals	–	–	(30)	(30)
Changes in consolidation scope [(b)]	124	–	3	128
Translation adjustments	(8)	52	(4)	40
Impairment [(c)]	(3)	(249)	–	(252)
Other	(6)	30	(19)	6
As of December 31, 2014	**11,582**	**4,351**	**842**	**16,775**
Amortization				
As of January 1, 2014	**–**	**(16)**	**(517)**	**(533)**
Amortization charges for the year (net of disposals)	–	(3)	(32)	(35)
Changes in consolidation scope [(b)]	–	–	1	1
Translation adjustments	–	4	(1)	3
Other	–	1	22	23
As of December 31, 2014	**–**	**(14)**	**(527)**	**(541)**
Carrying amount				
As of December 31, 2014	**11,582**	**4,337**	**315**	**16,234**

(a) This heading comprises the brands with indefinite useful lives and the other brands.
(b) See Note 2.2 of the Notes to the consolidated financial statements.
(c) See section above relating to Brands with indefinite useful lives.

Note 9.3. Impairment review

Methodology

The carrying amounts of goodwill and brands with indefinite useful lives are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. These events or circumstances are linked to significant, unfavorable and lasting changes that have an impact on the economic environment and the assumptions or targets set at the time of acquisition.

Impairment tests are carried out on all property, plant and equipment and intangible assets of the CGUs and groups of CGUs. When the carrying amount of all the property, plant and equipment and intangible assets of the CGUs and groups of CGUs becomes greater than their recoverable amount, an impairment provision is recognized and first charged against goodwill.

The recoverable amount of the CGUs or groups of CGUs to which the tested assets belong is the higher of the fair value net of disposal costs, which is generally estimated on the basis of earnings multiples, and the value in use, which is assessed with reference to expected future discounted cash flows of the CGU or group of CGUs concerned.

Annual impairment testing of brands with indefinite useful lives is based on an individual recoverable amount established using the royalties method, with the exception of certain brands for which the Group has a third-party valuation. In the case of the major brands, the Group re-estimates the royalty rate of the brands concerned in accordance with a method applied each year and based on the brand's parameters including awareness of the brand, its profitability, market shares, etc.

The cash flows used to determine value in use of the CGUs or groups of CGUs and the recoverable amount of the brands with indefinite useful lives are derived from the annual budgets and strategic plans of the CGUs or groups of CGUs, which are drawn up by Management and cover a period of three years, and are extended, on the basis of the most recent forecasts, to:

- five years for the Fresh Dairy Products and Waters Divisions;
- eight years for the Early Life Nutrition and Medical Nutrition Divisions, to better reflect the expected development of the Divisions' activity on the estimation of the value in use. The Group uses projections over eight years to better reflect the Division's growth over this period, since the actual growth rate of these CGUs and groups of CGUs exceeds the long-term growth rate that the Group applies to each of these CGUs.

Future cash flows beyond that period are extrapolated using a long-term growth rate that is specific to each CGU or group of CGUs:

- the operational assumptions used to calculate the terminal value are in line with the last year of projections described above in terms of sales and operating margin rate;
- the long-term growth rate is determined for each CGU or group of CGUs taking into account its average growth rate in recent years and its geographic area (macro-economic fundamentals, demographics, etc.).

Finally, future cash flows are discounted using the weighted average cost of capital method, according to which the cost of debt and the after-tax cost of equity are weighted based on their respective proportions in the business sector concerned. It is calculated for the Group and increased, for certain CGUs or groups of CGUs, by a premium to take into account the risk factors affecting certain countries.

Review of the value of intangible assets with indefinite useful lives as of December 31, 2014

Carrying amount and assumptions concerning the long-term growth rate and discount rate in respect of the CGUs or groups of CGUs comprising material assets

As of December 31

	Carrying amount of goodwill and brands with indefinite useful lives		Long-term growth rate [h]		Discount rate after tax [h]	
(in € millions)	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**
Fresh Dairy Products						
Centrale Laitière CGU	**893**	**924**	–	3%	–	10%
Danone CIS CGU [a]	497	311	3%	3%	10%	10%
Southern Europe CGU [b]	376	376	0%	0%	10.2%	9.2%
Other CGUs [c]	668	729	0 to 3%	0 to 3%	8 to 14%	8 to 15%
Total Fresh Dairy Products	**2,434**	**2,340**				
• Of which goodwill	1,798	1,683				
• Of which, brands with indefinite useful lives [d]	636	658				
Waters						
Danone Eaux France	428	428	1%	1%	8.2%	7.9%
Other CGUs [e]	380	413	0 to 3%	0 to 3%	8 to 14%	8 to 13%
Total Waters	**808**	**840**				
• Of which goodwill	599	630				
• Of which, brands with indefinite useful lives [d]	209	210				
Early Life Nutrition						
Early Life Nutrition Asia group of CGUs	2,932	3,108	2.5%	2.5%	8.1%	8.2%
Early Life Nutrition Rest of the World group of CGUs	5,323	5,114	2.5%	2.5%	8.2%	8.2%
Other CGUs	147	168	–	2.5%	–	7.9%
Total Early Life Nutrition	8,402	**8,390**				
• Of which goodwill	5,803	5,930				
• Of which, brands with indefinite useful lives [f]	2,599	2,460				
Total Medical Nutrition	**4,160**	**4,246**	**2.5%**	**2.5%**	**7.5%**	**7.6%**
• Of which goodwill	3,274	3,340				
• Of which, brands with indefinite useful lives [g]	886	906				
Total	**15,804**	**15,816**				
• Of which goodwill	11,474	11,582				
• Of which, brands with indefinite useful lives	4,330	4,234				

(a) The Danone CIS CGU comprises mainly Russia and Ukraine.
(b) The Southern Europe CGU comprises Spain, Italy, Portugal and the Canary Islands.
(c) More than 20 CGUs, the main ones of which are the United States, Northern Europe and South Africa CGUs, none of which exceeded €200 million as of December 31, 2014.
(d) Concerns several brands, none of which is material on an individual basis.
(e) Comprises mainly the Waters Asia CGU and other GGUs, none of which exceeded €200 million as of December 31, 2014.
(f) Concerns several brands, the main ones of which are *Milupa* and *Dumex* (see section hereafter on Brands with indefinite useful lives). The carrying amount in the above table includes the impairment of the *Dumex* brand.
(g) Concerns several brands, the main one of which is *Nutricia* (see section hereafter on Brands with indefinite useful lives).
(h) For those CGUs whose recoverable amount is determined on the basis of their value in use except those CGUs corresponding to companies acquired in 2014 and whose recoverable amount was estimated on the basis of the transaction value, the Group being satisfied that nothing was likely to call into question this valuation as of December 31, 2014.

Goodwill of the groups of CGUs in the Early Life Nutrition and Medical Nutrition Divisions

As of December 31, 2014, the recoverable amount exceeded the carrying amount by €0.9 billion in the case of the Medical Nutrition group of CGUs, €2.0 billion in the case of the Early Life Nutrition Rest of the World group of CGUs and €1.7 billion in the case of the Early Life Nutrition Asia group of CGUs.

In addition, an analysis of the sensitivity of the value in use to the key assumptions was carried out for each of the three groups of CGUs. The assumptions used in the valuation model used by the Group are (i) the growth in Net sales, (ii) the Trading operating margin (corresponding to the ratio Trading operating income over Net sales), (iii) the long-term growth rate used to calculate the terminal value, and (iv) the discount rate. The results of the sensitivity analysis are as follows:

	Year ended December 31			
	Impact on recoverable amount *(in € billions)*		Annual decrease that would make recoverable amount and carrying amount the same *(in percentage)*	
	2013	**2014**	**2013**	**2014**
Net sales – decrease of 50 bps [a]				
Early Life Nutrition Asia group of CGUs [b]	(0.2)	(0.2)	(10)%	(6)%
Early Life Nutrition Rest of the World group of CGUs [c]	(0.3)	(0.3)	(3)%	(4)%
Medical Nutrition group of CGUs [d]	(0.2)	(0.2)	(2)%	(3)%
Trading operating margin – decrease of 100 bps [e]				
Early Life Nutrition Asia group of CGUs [b]	(0.3)	(0.3)	(11)%	(6)%
Early Life Nutrition Rest of the World group of CGUs [c]	(0.4)	(0.4)	(3)%	(5)%
Medical Nutrition group of CGUs [d]	(0.3)	(0.3)	(2)%	(3)%
Long-term growth rate – decrease of 50 bps				
Early Life Nutrition Asia group of CGUs [b]	(0.3)	(0.2)		
Early Life Nutrition Rest of the World group of CGUs [c]	(0.3)	(0.4)		
Medical Nutrition group of CGUs [d]	(0.2)	(0.3)		
Discount rate – increase of 50 bps				
Early Life Nutrition Asia group of CGUs [b]	(0.3)	(0.2)		
Early Life Nutrition Rest of the World group of CGUs [c]	(0.3)	(0.3)		
Medical Nutrition group of CGUs [d]	(0.3)	(0.3)		

(a) Decrease applied, each year, to the assumptions concerning growth in Net sales, including the final year, on the basis of (i) the 2014 projections for the tests performed in 2013, and (ii) the 2015 projections for the tests performed in 2014.
(b) Carrying amount of €3.1 billion as of December 31, 2014.
(c) Carrying amount of €5.1 billion as of December 31, 2014.
(d) Carrying amount of €4.2 billion as of December 31, 2014.
(e) Decrease applied, each year, to the assumptions concerning Trading operating margin, including the final year, on the basis of (i) the 2014 projections for the tests performed in 2013, and (ii) the 2015 projections for the tests performed in 2014.

Goodwill of other CGUs

As of December 31, 2014, the CGUs of the Fresh Dairy Products and Waters Divisions represented in total 20% of the carrying amount of the Group's goodwill and comprised more than 30 CGUs located in diverse geographic regions and in different countries.

As of December 31, 2014, following the impairment review of intangible assets with indefinite useful life of these CGUs, the Group did not recognize any impairment provisions.

As of December 31, 2013, following the impairment review of intangible assets with indefinite useful life of these CGUs, the Group did not recognize any impairment provisions.

Brands with indefinite useful lives

The Group's main brands are *Dumex*, *Nutricia* and *Milupa*. As of December 31, 2014, they represented €2.7 billion, or 63% of the carrying amount of the Group's brands with indefinite useful lives and none represented individually more than 35% of the carrying amount of the Group's brands with indefinite useful lives. The other brands are spread over all Divisions and located in diverse geographic regions and different countries and none represented individually more than 10% of the carrying amount of the Group's brands with indefinite useful lives as of December 31, 2014.

Impairment review of the main brands with indefinite useful lives

As of December 31, 2014 and December 31, 2013, the Group carried out a review of the value of the *Dumex*, *Nutricia* and *Milupa* brands in accordance with the methodology and the valuation model described above and on the basis of assumptions based on those of the groups of CGUs concerned.

Review of the Dumex brand

See Note 6.3 of the Notes to the consolidated financial statements.

Review of the other main brands

This review did not result in the recognition of any impairment provisions.

In addition, analysis of the sensitivity of the value in use to the key assumptions was carried out on each of these other main brands. The key assumptions involved in the valuation model used by the Group are (i) the growth in Net sales, (ii) the royalty rate, (iii) the long-term growth rate used to calculate the terminal value, and (iv) the discount rate. The following changes, deemed reasonably possible, in the key assumptions do not alter the findings of the impairment review, *i.e.* the absence of any impairment:

- 100 bps decrease in Net sales (decrease applied, each year, to the assumptions concerning growth in Net sales, including the final year, on the basis of the 2015 projections);
- 50 bps decrease in the royalty rate (decrease applied, each year, to the assumptions concerning royalty rate, including the final year, on the basis of the 2015 projections);
- 50 bps decrease in the long-term growth rate;
- 50 bps increase in the discount rate.

Other brands with indefinite useful lives

As of December 31, 2014, following the impairment review of the other brands with indefinite useful lives, the Group did not recognize any impairment provision.

As of December 31, 2013, following the impairment review of the other brands with indefinite useful lives, the Group recognized an impairment provision totaling €62 million in respect of a brand in the Early Life Nutrition Division based on strategic plan's new assumptions at that time.

NOTE 10. FINANCING AND FINANCIAL SECURITY, NET DEBT AND COST OF NET DEBT

Note 10.1. Accounting principles

Financing

Debt instruments are recognized in the consolidated balance sheet (i) under the amortized cost method, using their effective interest rate, or (ii) at their fair value.

When the fair value risk of a debt is hedged by a derivative, the change in fair value of the hedged component of said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to the heading Other financial income (expense), which thereby offsets the change in fair value of the derivative instrument.

When future cash flows of a debt are hedged by a derivative, the change in the fair value of the effective portion of the derivative hedging said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to consolidated equity, and is recycled to profit or loss when the hedged item (the interest flows relating to the hedged debt) impacts the consolidated net income.

Short-term investments

Short-term investments comprise marketable securities and other short-term investments.

Marketable securities comprise highly liquid instruments with short maturities that are easily convertible into a known amount of cash. They are measured as securities held for trading within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement* and are carried at their fair value.

Other short-term investments are measured at their fair value as securities held for trading within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*.

Changes in fair value of short-term investments are recognized directly under the heading Interest income in the consolidated income statement.

Translation of transactions denominated in foreign currencies

At period-end, trade receivables and trade payables denominated in foreign currencies are translated using exchange rates on that date. Foreign exchange gains and losses arising from the translation of borrowings or other instruments denominated in foreign currencies that are used to hedge long-term investments denominated in the same currencies are recognized in consolidated equity under the heading Cumulative translation adjustments.

Note 10.2. Liquidity risk and management policy

Liquidity risk exposure

The Group does not use debt in either a recurring or a significant way in connection with its operating activities. Operating cash flows are generally sufficient to finance the Group's business operations and organic growth.

The Group may, however, take on additional debt to finance acquisitions or, occasionally to manage its cash cycle, particularly when dividends are paid to the Company's shareholders.

The Group's objective is always to keep this debt at a level enabling it to maintain the flexibility of its financing sources.

The Group's liquidity risk arises mainly from the maturities of its (i) interest-bearing liabilities (bonds, bank debt, etc.), and (ii) non-interest-bearing liabilities (liabilities on put options granted to non-controlling interests), and from payments on derivative instruments.

As part of its debt management strategy, the Group regularly seeks new financing, especially to refinance its existing debt.

In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financing in a company prior to the acquisition by the Group of a controlling interest in it, certain Group companies may, for operational reasons, be required to borrow from local sources.

From a Group perspective, the amounts borrowed are relatively small, whether considered individually or in total, given the level of operating cash flow that is generally sufficient to finance their operations and organic growth.

More generally, it is possible that in the context of a systemic financial crisis, the Group could be unable to access the financing or refinancing it needs on the credit or capital markets, or to access such finance on satisfactory terms, which could have an adverse impact on its financial situation.

Financial security management

Under its refinancing risk management policy, the Group reduces its exposure to financing risk by (i) centralizing its financing sources, (ii) borrowing from diversified financing sources, (iii) arranging a significant portion of its financing as medium-term financing, (iv) maintaining financing sources available at all times, and (v) ensuring that it is not subject to any covenant relative to maintaining financial ratios in connection with financing contracts.

Group's financing structure and financial security

As of December 31

	2013		2014	
(in € millions)	**Principal amount**	**Amount used** [f]	**Principal amount**	**Amount used** [f]
Bank financing [a]				
Syndicated credit facility [b]	2,000	–	2,000	–
Committed credit facilities [c]	3,400	–	3,400	–
Capital markets financing [a]				
EMTN financing [d] [e]	9,000	7,018	9,000	6,615
Bond issued in the United States market [d]	NA	850	NA	850
Commercial paper (*Billets de trésorerie*)	3,000	737	3,000	1,068

(a) The Group's financial structure and financial security are managed at the Company level.
(b) Syndicated credit facility (revolving) maturing in December 2019.
(c) A portfolio of back-up facilities entered into with major credit institutions, with maturities ranging from 2015 to 2018.
(d) Bonds issued by the Company are disclosed on the Group's website.
(e) Euro Medium Term Notes.
(f) Amount denominated in euros except bond issued in the United States market denominated in U.S. dollars.

Most of the financing agreements entered into by the Company (bank lines of credit and bonds) include a change of control provision, which offers creditors a right of early repayment in the event a change in control of the Company causes its rating by the financial rating agencies to fall below investment grade. None of these financing sources is subject to any covenant relating to the maintenance of financial ratios.

None of these financing sources is subject to any covenant relating to the maintenance of financial ratios.

Company's rating

As of December 31

	2013		2014	
	Moody's	Standard and Poor's	Moody's	Standard and Poor's
Short-term rating [a]				
Rating	–	A-2	–	A-2
Outlook	–	Stable	–	Stable
Long-term rating [b] [c]				
Rating	A-3	A-	Baa1 [c]	A-
Outlook	Stable	Stable	Stable	Negative [d]

(a) Rating given to the Company's commercial paper program.
(b) Rating given to the Company's debt issues with a maturity of more than one year.
(c) Rating lowered on December 13, 2014.
(d) Outlook attributed on December 23, 2014.

Use of its financing sources

The Group's policy consists of keeping its financing sources available and managing them at the Company level. The Group may need to use (i) its commercial paper program and syndicated credit facility to manage its cash cycle, notably when paying out the dividend to Danone shareholders, and (ii) alternatively, its commercial paper and EMTN programs or its syndicated credit facility to optimize its financing cost while still ensuring its financial security, such that the maturity and currency of its financing raised may vary without changing the net debt level or the Group's financial security.

Note 10.3. Financing situation and liquidity risk

Main financing transactions in 2014

Year ended December 31

	2014		
	Currency	Nominal *(in millions of currency)*	Maturity
New financing			
Euro bond issue under the EMTN program	EUR	150	2019
Renewal			
Syndicated credit facility [a]	EUR	2,000	2019
Repayment			
Euro bond issue under the EMTN program	EUR	618	2014

(a) Multi-currency revolving credit facility implemented in July 2011 and renewed in December 2014.

Main financing transactions in 2013

Year ended December 31

	2013		
	Currency	Nominal *(in millions of currency)*	Maturity
New financing			
Euro bond issue under the EMTN program	EUR	750	2018
Euro bond issue under the EMTN program	EUR	650	2019
Euro bond issue under the EMTN program	EUR	500	2023
Euro bond issue under the EMTN program	EUR	1,000	2021
Repayment			
Private placement under the EMTN program	CZK	814	2013
Private placement under the EMTN program	CZK	374	2013
Private placement under the EMTN program	JPY	23,900	2013

Carrying amount of financial debt and change during the period

		Movements during the period							
(in € millions)	As of December 31, 2013	Bond issue or net increase of other items	Bond repayment or net decrease of other items	Transfer to current portion	Translation adjustments	New put options	Exercise or expiration of put options[e]	Other[f]	As of December 31, 2014
Bonds [a] [b]	***618***	–	*(618)*	*603*	–	–	–	–	***603***
Commercial paper [b]	***737***	*331*	–	–	–	–	–	–	***1,068***
Other financing and other debts [a] [c]	***740***		*(39)*	*40*	*(68)*	–	–	*(12)*	***661***
Financing [a]	**2,095**	331	(657)	644	(68)	–	–	(12)	**2,332**
Derivatives – liabilities [a] [b]	**–**	–	(4)	-	7			–	**3**
Financing and derivatives – liabilities [a]	**2,095**	331	(661)	644	(61)	–	–	(12)	**2,336**
Liabilities related to put options granted to non – controlling interests [a]	**2,767**	–	–	–	–	–	(340)	(218)	**2,209**
Current financial debt	**4,862**	**331**	**(661)**	**644**	**(61)**	**–**	**(340)**	**(230)**	**4,544**
Bonds [b] [d]	***6,460***	*150*	–	*(603)*	*81*	–	–	–	***6,087***
Other financing and other debts [a] [c]	***116***	*23*	–	*(40)*	*43*	–	–	*8*	***150***
Financing [d]	**6,576**	173	–	(644)	124	–	–	8	**6,238**
Derivatives – liabilities [b] [d]	**12**	–	–	–	–	–	–	–	**11**
Financing and derivatives – liabilities [d]	**6,588**	173	–	(644)	124	–	–	8	**6,249**
Liabilities related to put options granted to non – controlling interests [d]	**477**	–	–	–	–	–	–	(128)	**349**
Non-current financial debt	**7,065**	**173**	**–**	**(644)**	**124**	**–**	**–**	**(120)**	**6,598**
Financial debt	**11,927**	**504**	**(661)**	**–**	**63**	**–**	**(340)**	**(350)**	**11,143**

(a) Less than one year portion.
(b) Financing managed at the Company level.
(c) Subsidiaries' bank financing and other financing, liabilities related to finance leases.
(d) More than one year portion.
(e) See Note 3.3 of the Notes to the consolidated financial statements.
(f) Other movements correspond mainly to (i) the revaluation of the liability related to put options granted to non-controlling interests, including currency translation adjustments, and (ii) changes in scope.

Financial debt repayment schedule

Projected cash outflows linked to the contractual repayment of the principal amount and contractual interest payments on the financial assets and liabilities, including premiums to be paid on derivative financial instruments, based on the assumption of non-renewal

(in € millions)	Carrying amount on consolidated balance sheet as of December 31, 2014	Cash flows 2015	Cash flows 2016	Cash flows 2017	Cash flows 2018	Cash flows 2019 and after
Bonds [a] [b]	6,691	(603)	(696)	(921)	(802)	(3,669)
Commercial paper [a] [f]	1,068	(1,068)	–	–	–	–
Derivatives - liabilities [a] [d] [e] [i]	14	(14)	–	–	–	–
Financial debt managed at Corporate level	7,773	(1,685)	(696)	(921)	(802)	(3,669)
Subsidiaries' bank financing and other financing [c]	738	(668)	(12)	(10)	(10)	(37)
Finance lease commitments [c] [d]	74	(15)	(16)	(9)	(8)	(26)
Liabilities related to put options granted to non-controlling interests [g]	2,558	(2,209)	(238)	–	(111)	–
Total debt (before flows of financial instruments other than accrued interest)	**11,143**	**(4,578)**	**(962)**	**(940)**	**(931)**	**(3,732)**
Interest on above-mentioned debt [d] [h]		(134)	(119)	(107)	(93)	(243)
Flows on derivatives [d] [e] [h] [j]		–	(5)	65	6	–

(a) Financing managed at the Company level.
(b) Flows determined on the basis of the carrying amount of the bonds as of December 31, 2014 and their contractual maturity date.
(c) Contractual nominal and interest flows.
(d) The floating interest rates are calculated on the basis of the rates applicable as of December 31, 2014.
(e) Net contractual flows, including premiums payable, net flows payable or receivable relating to the exercise of options in the money at the year-end.
(f) The Commercial Paper issuances are backed-up by available confirmed credit lines.
(g) Cash flows determined on the basis of the carrying amount of the options as of December 31, 2014 and their contractual exercise date (See Note 3.5 of the Notes to the consolidated financial statements).
(h) Interest flows are net of accrued interest taken into account in the subtotals above.
(i) The amount recognized in the balance sheet represents the market value of these instruments. The flows in respect of these instruments as well as those relating to derivatives - assets are detailed hereafter.
(j) Concerns derivative instruments on net debt, assets and liabilities.

Cash outflows linked to the contractual repayment of swapped bonds

Currency swap agreements are used in order to hedge against exchange rate fluctuations for certain bonds denominated in foreign currency and obtain equivalent financing in euros.

Carrying amount and repayment value after taking into account swaps into euros

	As of December 31	
(in € millions)	**2013**	**2014**
Carrying amount	7,078	6,691
Repayment value after taking into account swaps into euros [a]	7,018	6,633

(a) Corresponds to (i) the carrying amount for the bonds not swapped into euros, and (ii) the value after swaps for the bonds swapped into euros. The difference with the carrying amount therefore corresponds to the fair value of the cross-currency swaps qualified as fair value hedge on the bonds swapped into euros and presented on the balance sheet under the Derivatives heading.

Sources of financing available at any time

The sources of financing available at any time established by the Group are composed mainly of committed available credit facilities carried by the Company. The Group also has other bank credit facilities carried by certain of its subsidiaries.

(in € millions)	**Amount available as of December 31, 2014**	**Amount available as of December 31, 2015**	**Amount available as of December 31, 2016**	**Amount available as of December 31, 2017**	**Amount available as of December 31, 2018**	**Amount available as of December 31, 2019 and after**
Credit facilities [a]	5,465	5,465	4,515	3,247	2,597	2,397
Other credit facilities [b]	326	–	–	–	–	–

(a) Nominal amount of the portion of the syndicated credit facility and back-up credit facilities managed at the Company level and not drawn down as of December 31, 2014.
(b) Nominal amount of the portion not drawn as of December 31, 2014.

Note 10.4. Short-term investments

Carrying amount

	As of December 31	
(in € millions)	**2013**	**2014**
Money market funds	2,306	1,838
Bank deposits, negotiable debt instruments and other short-term investments	556	479
Total	**2,862**	**2,317**

Counterparty risk in respect of short-term investments

The Group invests primarily in money market funds (French SICAV *monétaires*) or short-term money market funds (French SICAV *monétaires court terme*), which are highly liquid, diversified and not rated. Bank deposits, negotiable debt instruments and other short-term instruments are subscribed from first-tier financial institutions.

Note 10.5. Net debt

	As of December 31	
(in € millions)	**2013**	**2014**
Non-current financial debt	7,065	6,598
Current financial debt	4,862	4,544
Short-term investments	(2,862)	(2,317)
Cash and cash equivalents	(969)	(880)
Derivatives – assets – Non-current	(130)	(181)
Derivatives – assets – Current	–	–
Net debt	**7,966**	**7,764**

Change in net debt in 2014

Net debt stood at €7,764 million as of December 31, 2014, including €2,558 million in put options granted to non-controlling shareholders. The debt represented by these options is down €686 million from December 31, 2013 due in particular to Danone's increased equity interest in Centrale Laitière (Morocco) during the year.

Excluding put options for non-controlling shareholders, the Group's net financial debt stood at €5,206 million, up €484 million from December 31, 2013. The rise is linked mainly to acquisitions made by Danone in the course of 2014, including its increased stake in Centrale Laitière (Morocco) and Mengniu (China), and its acquisition of an interest in Brookside (Kenya).

Change in net debt in 2013

In 2013, the Group's net debt increased by €1,674 million to reach €7,966 million.

Excluding put options granted to non-controlling interests, the Group's net debt totaled €4,722 million as of December 31, 2013, up €1,701 million from the previous year. This increase was mainly due to the acquisitions carried out by Danone in 2013. They included the purchase of a portion of the non-controlling interests in Danone Spain, the increased equity interest acquired in Centrale Laitière, the acquisition of a controlling interest in Sirma in Turkey, the acquisition of Happy Family and YoCrunch in the United States and strategic investments of a 4.0% equity interest in Mengniu in China and a 49% equity interest in Fan Milk in West Africa.

Note 10.6. Cost of net debt

Accounting principles

Cost of net debt comprises mainly interest charges (calculated at the effective interest rate) on current and non-current financing and the effects of the derivatives relating to said financing.

Interest income comprises mainly interests received and, if applicable, the effects of the measurement at fair value through profit or loss of the short-term investments and cash and cash equivalents.

The related cash flows are presented within Cash flows provided by (used in) operating activities.

Cost of net debt in 2014

Cost of net debt declined despite higher net financial debt than in 2013. This decline was linked in particular to lower interest rates and the benefits of bond issues that enabled the Group to extend the average maturity of its debt at favorable market conditions.

Cost of net debt in 2013

Cost of net debt increased due to higher net financial debt than in 2012. This increase was attributable mainly to the various acquisitions made by the Group since July 1, 2012 and, more particularly, to the acquisition of a portion of the non-controlling interests in Danone Spain and the increase in the Group's stake in Centrale Laitière, as well as buybacks by the Group of 16.4 million treasury shares since that date.

Amount of interest expense paid and accrued

	Year ended December 31	
(in € millions)	**2013**	**2014**
Net interest expense paid	(178)	(212)
Interest expense accrued as of December 31	47	20

Note 10.7. Financial risks associated with the financing activity

Interest rate risk

Interest rate risk exposure

The Group is exposed to interest rate risk on its financial liabilities as well as its cash and cash equivalents. Through its interest-bearing debt, the Group is exposed to the risk of interest rate fluctuations that affect the amount of its financial expense.

In addition, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, interest rate fluctuations may have an impact on the Group's consolidated results and consolidated equity.

The Group has implemented a policy to monitor and manage this interest rate risk for the purpose of limiting the volatility of its net financial income or expense through the use of hedging instruments. These derivatives are mainly interest rate swaps, caps and sometimes collars. All these instruments are *plain vanilla*. The interest rate derivatives are contracted for the purpose of managing interest rate risk and are either eligible to be used as hedges or not in accordance with IAS 39.

Sensitivity of net income to changes in the cost of net debt resulting from changes in the short-term interest rate

As of December 31, 2014, 81% of the Group's consolidated gross debt after taking into account interest rate hedges in effect and active (see hereafter) on that date is hedged against an increase in short-term interest rates. As a percentage of consolidated net debt (see hereafter), 128% is hedged against an increase in short-term interest rates. As of December 31, 2014 in terms of its consolidated net debt, the Group is therefore exposed to the risk of a decline in short-term rates.

Sensitivity of the cost of net debt to a change in the short-term interest rate

	Year ended December 31	
	2013	**2014**
(in € millions)	**Gain (loss)**	**Gain (loss)**
Increase of 25 bps [a]	6	4
Decrease of 25 bps [a]	(6)	(4)

(a) The impact on the cost of debt, calculated over a full year, of a change in the short-term interest rate applied to the net debt at year-end, after taking into account the interest rate hedges in effect at that date.

The interest rate hedges in effect and active include (i) fixed-rate borrowings, (ii) interest rate swaps (net) as well as (iii) active option hedges. An option hedge is considered to be active when it is in the money if the increase in short-term rates does not exceed 25 bps compared to interest rates as of the closing date.

The net debt used to measure the Group's sensitivity to changes in interest rates corresponds to financial debt net of short-term investments, cash and cash equivalents. It excludes the financial liabilities related to put options granted to non-controlling interests as these are not interest-bearing.

Financial currency risk

Due to its international presence, the Group could be exposed to foreign exchange rate fluctuations in relation to its financing activities: in application of its risk centralization policy, the Group manages multi-currency financings and liquidities.

In application of its financial currency risk hedging policy, the Group's residual exposure (after hedging) is not material.

As part of these policies, the Group uses cross-currency swaps as described in Note 12.4 of the Notes to the consolidated financial statements.

NOTE 11. OTHER FINANCIAL INVESTMENTS, OTHER FINANCIAL INCOME (EXPENSE)

Note 11.1. Accounting principles

Investments in other non-consolidated companies

Investments in other non-consolidated companies are measured as available-for-sale investments within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*. They are recognized at fair value in the consolidated balance sheet, with changes in fair value recognized under consolidated equity in Accumulated other comprehensive income, except for unrealized losses that are considered to be significant or prolonged, which are recognized directly in profit or loss in Other financial income (expense).

Fair value

For listed companies, fair value is assessed according to the stock price as of the end of the period.

For unlisted companies, fair value is assessed based on recent transactions entered into with third parties, put or call options negotiated with third parties or external appraisals.

When such elements do not exist, the fair value of investments in unlisted companies is deemed to be equivalent to the acquisition cost of the investments.

Gains or losses on disposal of non-consolidated investments are recognized under the heading Other financial income (expense) in the consolidated income statement.

Other long-term financial assets

Other long-term financial assets mainly comprise bonds and money-market funds and security deposits required by the tax regulations of certain countries in which the Group operates.

Bonds and money-market funds are classified as available-for-sale financial assets within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*. They are recognized at fair value in the consolidated balance sheet, with changes in fair value recognized under consolidated equity in Accumulated other comprehensive income, except for unrealized losses that are considered to be significant or prolonged, which are recognized directly in profit or loss in Other financial income (expense). Their fair value is calculated on the basis of listed prices on active markets.

Long-term loans

Long-term loans are measured at amortized cost using the effective interest rate method within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*.

Note 11.2. Other financial investments

Main changes during the period

2014 transactions

The Group's equity interest in the Mengniu group (Fresh Dairy Products, China), acquired in 2013, has been accounted for as an associate since January 1, 2014 (see Note 4.4 of the Notes to the consolidated financial statements).

2013 transactions

The main transactions carried out by the Group in 2013 were as follows:

- the acquisition of an equity interest in the Mengniu group (see Note 4.4 of the Notes to the consolidated financial statements);
- in connection with acquiring control of Centrale Laitière, the Group sold its entire 2.61% equity interest in SNI (Fresh Dairy Products, Morocco – See Note 2.4 of the Notes to the consolidated financial statements).

Carrying amount

	As of December 31	
(in € millions)	**2013**	**2014**
Mengniu [a]	250	–
Other	63	92
Investments in other non-consolidated companies	**313**	**92**
Bonds and money-market funds [b]	122	123
danone.communities	20	20
Other [c]	84	68
Other long-term financial assets	226	210
Long-term loans	25	17
Other financial investments	**251**	**228**
Of which unrealized capital gain (loss) [d]	*97*	*42*

(a) Listed company. Equity interest acquired in 2013, accounted for as an associate in 2014, see Note 4.4 of the Notes to the consolidated financial statements.
(b) Bonds and money-market funds held as the counterpart to certain "damage and personal protection" provisions.
(c) Comprises mainly security deposits required by the tax regulations of some countries in which the Group operates.
(d) Gross value, recognized under consolidated equity in Accumulated other comprehensive income.

Note 11.3. Other financial income and other financial expense

Accounting principles

Other financial income and other financial expense correspond to financial income and expense other than income and expenses related to net financial debt. They include, in particular, the following:

- the ineffective portion of the hedges, in particular hedges of currency risk related to operations in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*;
- the impact of the accretion of the present value of commitments net of the expected return on plan assets of retirement commitments and other long-term benefits;
- bank commissions, including commissions for the non-use of committed credit facilities (recognized in Other financial expense);
- gains or losses on disposals of Investments in other non-consolidated companies and Other long-term financial assets.

Change in Other financial income in 2014

The change in other financial income and expense resulted primarily from the exceptionally high basis for comparison in 2013, which included a capital gain relating to Danone's disposal of its interest in SNI as part of the takeover of Centrale Laitière (Morocco).

Change in Other financial income in 2013

In 2013, Other financial income increased by €47 million compared with 2012, due mainly to the impact of the disposal by Danone of its equity interest in SNI (Fresh Dairy Products – Morocco), resulting in a €52 million capital gain.

NOTE 12. ORGANIZATION OF FINANCIAL RISKS AND DERIVATIVES MANAGEMENT

Note 12.1. Organization of financial risks management

As part of its normal business, the Group is exposed to financial risks, especially foreign currency, financing and liquidity, interest rate, counterparty risks, securities-related risks and commodity risks.

The Group's policy consists of (i) minimizing and managing the impact that its exposure to financial market risks could have on its results and, to a lesser extent, on its balance sheet, (ii) monitoring and managing such exposure centrally, (iii) whenever the regulatory and monetary frameworks so allow, executing the financial transactions locally or centrally, and (iv) using derivative instruments only for the purpose of economic hedging.

Through its Treasury and Financing Department, which is part of the Group Finance Department, the Group possesses the expertise and tools (trading room, front and back office software) to act on different financial markets following the standards generally implemented by first-tier companies. In addition, the Internal Control and Internal Audit Departments review the organization and procedures applied. Lastly, a monthly treasury and financing report is sent to the Group Finance Department, enabling it to monitor the decisions taken to implement the previously approved management strategies.

The Group is also exposed to price volatility and to a potential shortage of the commodities that it purchases, mainly to produce its finished products. To manage this exposure, the Group has implemented a commodity purchasing policy (Market Risk Management). The impact of a price change in the two main commodity categories on the Group's annual cost of purchases is presented hereafter in the section Commodities risk.

Note 12.2. Accounting principles

Derivatives are recognized in the consolidated balance sheet at their fair value:

- derivatives used to manage net debt and hedges of net investments in foreign operations are recognized in the financial debt or current and non-current asset lines;
- foreign exchange derivatives related to operations are recognized in the heading Derivatives – assets within Other receivables or in the heading Derivatives – liabilities within Other current liabilities.

When derivatives are designated as fair value hedges of assets or liabilities in the consolidated balance sheet, changes in the fair value of both the derivatives and the hedged items are recognized in profit or loss in the same period.

When derivatives are designated as hedges of net investments in foreign operations, changes in the fair value of the derivatives are recognized in equity under Cumulative translation adjustments.

When derivatives are designated as future cash flow hedges, changes in the value of the effective portion of the derivative are recognized in equity under Accumulated other comprehensive income. This effective portion is recycled to profit or loss, in the same heading, when the hedged item itself is recognized in profit or loss. However, changes in the value of the ineffective portions of derivatives are recognized directly in profit or loss, in the heading Other financial income (expense). Changes in the fair value of derivative financial instruments that do not meet the conditions for classification as hedging instruments are recognized directly in profit or loss for the period, in a heading within operating income or financial income depending on the nature of the hedge.

Note 12.3. Derivatives used to hedge operational currency risk

The Group's policy is to hedge its highly probable commercial transactions so that, as of December 31, its residual exposure in respect of the whole of the following fiscal year is significantly reduced. However, when the hedging conditions of certain currencies have deteriorated (less availability, high cost, etc.), the Group may be required to limit the hedging of its highly probable commercial transactions in its currencies, by not hedging or only partially hedging the exposure. The Group uses forward currency contracts and currency options to reduce its exposure.

The execution of the hedging policy for currency risk related to operations consists of providing the necessary hedges to subsidiaries through a centralized management system, or, in the case of subsidiaries where such hedges are legally prohibited, through a monitoring and control process.

The Group mainly applies cash flow hedge accounting.

Based on pending transactions as of December 31, 2014, the Group's residual exposure after hedging of exchange risks on its highly probable commercial operating transactions is significantly reduced for 2015, the main currencies not hedged beyond the first half of 2015 being the Russian ruble and the Brazilian real.

Portfolio of foreign exchange derivative instruments related to operations

Net notional amount of the derivative instruments on the principal hedged currencies

As of December 31

			2013			2014
(in € millions)	Forward contracts, net [a]	Currency options, net [b]	Total	Forward contracts, net [a]	Currency options, net [b]	Total
(Sales)/Purchases of currencies						
GBP	(432)	(232)	(664)	(505)	(131)	(636)
USD [c]	363	(73)	290	416	(27)	389
CNY [c]	(44)	–	(44)	(145)	–	(145)
BRL [c]	(118)	–	(118)	(143)	–	(143)
MXN [c]	(141)	–	(141)	(138)	–	(138)
RUB [c]	(118)	–	(118)	(36)	–	(36)
Other [c]	(566)	27	(539)	(739)	(9)	(748)
Total	**(1,056)**	**(278)**	**(1,334)**	**(1,290)**	**(167)**	**(1,457)**

(a) Spot portion of notional amount, based on closing rates.
(b) Spot portion of notional amount. Includes in- and out-of-the money options.
(c) Transactions denominated with the EUR or other currencies as counterpart.

Fair value

As of December 31

(in € millions)	2013 Notional	2013 Fair value	2013 Of which recognized in equity [a]	2014 Notional	2014 Fair value	2014 Of which recognized in equity [a]
Forward contracts and currency options	(1,484)	24	22	(1,693)	10	25

(a) Amount recognized in equity in respect of instruments designated as cash flow hedge.

Sensitivity of equity and net income to changes in the fair value of currency derivative instruments related to operations

A change in the fair value of the derivative financial instruments hedging the operating currency risk, induced by a change in foreign exchange rates, could impact the Group's equity and net income.

The impact recognized in profit or loss relates to:

- the time value and swap point variations, when they are excluded from the hedging relationship;
- transactions to which hedge accounting is not applied.

Sensitivity to a change in the euro against the principal currencies with exchange rate exposure

As of December 31

(in € millions)	2013 Equity	2013 Gain (loss)	2014 Equity	2014 Gain (loss)
10% increase in EUR [a]				
GBP	54	(2)	54	(1)
USD [b]	16	(1)	11	(6)
CNY [b]	2	1	11	1
BRL [b]	5	–	3	1
MXN [b]	1	–	–	–
RUB [b]	11	–	–	–
10% decrease in EUR [a]				
GBP	(48)	(4)	(56)	(2)
USD [b]	(13)	(2)	(14)	8
CNY [b]	(3)	(1)	(14)	(1)
BRL [b]	(6)	–	(4)	(1)
MXN [b]	(1)	–	–	–
RUB [b]	(14)	–	–	–

(a) Increase/decrease in EUR applied to transactions that are outstanding and at constant volatility and interest rates.
(b) Transactions denominated with the EUR or other currencies as counterpart. In the case of transactions denominated in currencies other than the EUR, the increase or decrease in the EUR is applied simultaneously to the base currency and the secondary currency.

These instruments and the hedged items typically have maturities of less than one year. Consequently the cash flows related to these instruments will, for the most part, be recognized in the consolidated income statement in 2015.

Note 12.4. Derivatives used to hedge currency risks relating to financing, currency translation and assets

The Group has established a policy for monitoring and hedging the net situation of certain subsidiaries, with regular assessments of risks and opportunities to use hedging instruments.

The Group's policy consists of maintaining the debtor and/or surplus cash positions of Danone and its subsidiaries in their respective functional currencies. Furthermore, in compliance with its policy of managing risks centrally, the Group may manage multi-currency borrowings and surplus cash.

As part of these policies, the Group therefore uses cross-currency swaps.

Notional amount and fair value amount

As of December 31

	2013			2014		
(in € millions)	**Notional**	**Fair value**	**Of which, recognized in equity**	**Notional**	**Fair value** [b]	**Of which, recognized in equity**
Fair value hedge	138	61	–	820	68	(9)
Net investment hedge	277	55	55	240	92	92
Instruments not eligible for hedge accounting [a]	80	4	–	157	(10)	–
Total [b]	**495**	**120**	**55**	**1,217**	**150**	**83**

(a) For currency risk related to financing and to net investment in foreign operations, hedge accounting might not be applied to minor amounts. In such cases, both the derivative and the underlying are revalued and the change in value is recorded in the consolidated income statement.
(b) Comprises also the fair value of the interest rate portion of the cross-currency swaps with fixed-rate components, which, in addition, were qualified as cash-flow hedge and recognized in equity.

Sensitivity of equity and net income to changes in the fair value of foreign exchange derivative instruments related to financing, currency translation and assets

A change in the fair value of these derivative financial instruments induced by a change in foreign exchange rates at the reporting date would not have a significant impact on the Group's equity or net income. Changes in the foreign exchange rates of the financial instruments are offset by changes in the foreign exchange rates on loans and borrowings in hedged currencies or on net foreign investments.

Note 12.5. Derivatives used to hedge interest rate risk

The Group has implemented a policy to monitor and manage interest rate risk for the purpose of limiting the volatility of its net financial income or expense through the use of hedging instruments.

These derivatives are mainly interest rate swaps, caps and sometimes collars. All these instruments are *plain vanilla*. The interest rate derivatives are contracted for the purpose of managing interest rate risk and are either eligible to be used as hedges or not in accordance with IAS 39.

Fair value

As of December 31

	2013		2014	
(in € millions)	**Fair value**	**Of which, recognized in equity**	**Fair value**	**Of which, recognized in equity**
Instruments classified as cash flow hedge	(1)	(1)	6	6
Instruments not eligible for hedge accounting	2	–	1	–
Total [a]	**1**	**(1)**	**7**	**6**

(a) Increase/decrease applied to the entire yield curve, to transactions that are outstanding and at constant volatility.

Sensitivity of equity and net income to changes in the fair value of interest rate derivatives

A change in the fair value of interest rate derivatives induced by a change in the yield curve recognized as of the reporting date would have the following impact on the Group's equity and net income:

- impacts recognized in equity relate to the effective portion of the instruments eligible to be used as hedges of future cash flows;
- impacts recognized in profit or loss relate to the ineffective portion of the instruments eligible to be used as hedges of future cash flows, as well as to the impact of the change in fair value of the instruments not qualifying as hedges.

Sensitivity to a change applied to the entire yield curve

	Year ended December 31			
	2013		2014	
(in € millions)	Equity	Gain (loss)	Equity	Gain (loss)
Increase of 10 bps [a]				
Interest rate options [b]	–	–	–	–
Interest rate swaps [c], other	–	–	–	–
Sensitivity, net	**–**	**–**	**–**	**–**
Decrease of 10 bps [a]				
Interest rate options [b]	–	–	–	–
Interest rate swaps [c], other	–	–	–	–
Sensitivity, net	**–**	**–**	**–**	**–**

(a) Increase/decrease applied to the entire yield curve, to transactions that are outstanding and at constant volatility.
(b) Caps and cap spreads.
(c) Fixed-rate payer and receiver swaps.

Note 12.6. Counterparty risk

Counterparty risk exposure inherent in financial risk management

The Group is exposed to counterparty risk, especially on banking counterparties, as part of its financial risk management activities.

As part of its normal activities, the Group has financial institutions as counterparties, mainly to manage its cash and foreign exchange rate and interest rate risks. The failure of these counterparties to comply with one or more of their commitments could adversely affect the Group's financial situation.

The Group's overall exposure to counterparty risk has been significantly reduced through the centralization of financial risks and implementation of centralization applications as well as its cash management policy of minimizing and managing surpluses.

The Group's banking policy aims to apply deposit limits per counterparty and emphasize the importance of its credit rating quality by concentrating its transactions among first-tier counterparties that (i) have credit ratings at least in the Single A category for more than 90% of the deposits as of December 31, 2014; (ii) possess international branch networks and (iii) provide it with financing. Moreover, in order to invest its short-term surpluses, the Group mainly invests in either money-market funds (*SICAV monétaires*) or short-term money-market funds (*SICAV monétaires court terme*), which are not rated. These funds are very liquid and diversified. The other short-term investments are made in accordance with the Group's above-mentioned banking policy.

Finally, in certain countries, the Group may be obliged to conduct transactions with local banks that have lower credit ratings.

Counterparty risk exposure arising from interest rate derivatives and cross-currency swaps

	As of December 31	
(in percentage of the total fair value as of December 31) [a]	2013	2014
Counterparty rating (Standard & Poor's rating)		
A or higher	76%	80%
BBB+	24%	20%
Below BBB+	–	–

(a) Net amount, when positive, of the positive and negative fair values by counterparty, of the outstanding interest rate derivatives and currency swaps as of December 31.

Counterparty risk exposure arising from currency derivatives hedging operational currency risk

	As of December 31	
(in percentage of the total fair value as of December 31) [a]	2013	2014
Counterparty rating (Standard & Poor's rating)		
A or higher	92%	79%
BBB+	8%	16%
Below BBB+	–	5%

(a) Net amount when positive, of the positive and negative fair values by counterparty, of the outstanding foreign exchange rate derivatives as of December 31.

Fair value associated with derivatives counterparty risk

The valuation associated with derivatives counterparty risk is calculated on the basis of historical default probabilities derived from the calculations of a leading rating agency, to which a recovery rate is applied. As of December 31 2014 and December 31, 2013, the impact associated with the adjustment required by IFRS 13 is not material.

Note 12.7. Securities risk

	As of December 31	
(in € millions)	2013	2014
Risk on Company shares		
Treasury shares and DANONE call options [a]	1,871	1,859
Risk on other shares		
Other non-consolidated investments [b]	313	92

(a) DANONE call options acquired by the Company. See Note 13.3 of the Notes to the consolidated financial statements.
(b) See Note 11.2 of the Notes to the consolidated financial statements.

Note 12.8. Other information required by IFRS 7, *Financial instruments: disclosures*

Recognition at fair value of cash flow hedging derivatives

Income and expense recognized in profit or loss for the period

	Year ended December 31			
	2013		2014	
(in € millions)	Currency hedges	Interest rate hedges	Currency hedges	Interest rate hedges
Ineffective portion over the year of the change in fair value of instruments qualified as future cash flow hedge [a] [b]	5	–	5	–
Effective portion recognized in equity in the preceding year of instruments qualified as future cash flow hedge and recycled to profit or loss in the year under review [c] [d]	74	(2)	59	–

(a) Impact on financial income (expense).
(b) Comprises mainly changes in (i) the time value of currency and interest rate options, and (ii) currency swap point variations for swaps excluded from the hedging relationship.
(c) Impact on operating or financial income (expense).
(d) Comprises mainly (i) the effective portion of forward currency agreements and interest rate hedges, and (ii) the intrinsic value of currency and interest rate options.

Reconciliation of the consolidated balance sheet by class and accounting category

(in € millions)	Assets recorded at fair value	Assets available for sale	Loans and financial assets	Liabilities recorded at fair value	Liabilities recorded at amortized cost	Carrying amount	Fair value	Fair value level [c]
As of December 31, 2014								
Financial assets								
Investments in other non-consolidated companies	–	92	–	–	–	92	92	1-3
Long-term loans and other long-term financial assets	–	201	26	–	–	228	228	1-3
Derivatives – assets [a]	181	–				181	181	2
Trade receivables [b]		–	1,900	–	–	1,900	1,900	–
Other current assets [b]	86	–	400	–	–	486	486	–
Short-term loans		–	30	–	–	30	30	–
Shares in mutual funds	1,838	–	–	–	–	1,838	1,838	1
Other short-term investments	479	–	–	–	–	479	479	2
Cash and cash equivalents	880	–	–	–	–	880	880	1
Carrying amount of the financial assets by categories	**3,464**	**293**	**2,356**	**–**	**–**	**6,113**	**6,113**	
Financial liabilities								
Financing	–	–	–	880	7,689	8,569	8,835	2
Derivatives – liabilities [a]	–	–	–	14	–	14	14	2
Liabilities related to put options granted to non-controlling interests	–	–	–	2,558	–	2,558	2,558	3
Trade payables [b]	–	–	–	–	3,334	3,334	3,334	–
Other current liabilities [b]	–	–	–	169	2,572	2,741	2,741	–
Carrying amount of financial liabilities by categories	**–**	**–**	**–**	**3,621**	**13,595**	**17,217**	**17,482**	
As of December 31, 2013								
Financial assets								
Investments in other non-consolidated companies	–	313	–	–	–	313	313	1-3
Long-term loans and other long-term financial assets	–	226	25	–	–	251	251	1-3
Derivatives – assets [a]	130	–	–	–	–	130	130	2
Trade receivables [b]	–	–	1,809	–	–	1,809	1,809	–
Other current assets [b]	40	–	876	–	–	916	916	–
Short-term loans	–	–	23	–	–	23	23	–
Shares in mutual funds	2,306	–	–	–	–	2,306	2,306	1
Other short-term investments	556	–	–	–	–	556	556	2
Cash and cash equivalents	969	–	–	–	–	969	969	1
Carrying amount of the financial assets by categories	**4,001**	**539**	**2,733**	**–**	**–**	**7,273**	**7,273**	
Financial liabilities								
Financing	–	–	–	198	6,378	6,576	6,788	2
Derivatives – liabilities [a]	–	–	–	12	–	12	12	2
Liabilities related to put options granted to non-controlling interests	–	–	–	3,244	–	3,244	3,244	3
Current financial liabilities	–	–	–	–	2,095	2,095	2,098	2
Trade payables [b]	–	–	–	–	3,248	3,248	3,248	–
Other current liabilities [b]	–	–	–	27	2,470	2,497	2,497	–
Carrying amount of financial liabilities by categories	**–**	**–**	**–**	**3,481**	**14,191**	**17,672**	**17,887**	

(a) Derivative instruments used to manage net debt.
(b) The carrying amount corresponds to fair value given the short-term nature of these items.
(c) Valuation hierarchy level used to assess fair value.

Valuation hierarchy in accordance with IFRS 7, *Financial instruments – Disclosures*

Level 1

Fair value is based on (unadjusted) prices listed on active markets for identical assets and liabilities.

Level 2

Fair value is based on data other than listed prices as per level 1, which are observable for the asset or liability concerned, directly or indirectly.

Level 3

Fair value is based on data relating to the asset or liability which are not based on observable data on active markets.

For asset and liability derivative instruments recognized at fair value, the Group uses measurement techniques that include data observable on the market, notably for interest rate swaps, forward purchases and sales or currency options. The model integrates diverse data such as spot and forward exchange rates and the yield curve.

For put options granted to non-controlling interests, the value is based on contractual terms.

NOTE 13. DANONE SHARES, DIVIDEND, EARNINGS PER SHARE

Note 13.1. Accounting principles

DANONE shares

DANONE shares held by the Company and its fully-consolidated subsidiaries are recognized as a reduction in consolidated equity, under the heading Treasury shares and DANONE call options, and are measured at effective cost.

DANONE call options

DANONE call options are options held by the Company to purchase DANONE shares to hedge certain of its stock-option plans granted to certain employees and corporate officers. They do not constitute financial assets but are instead equity instruments in accordance with IAS 32, *Financial instruments: presentation*. They are recognized upon acquisition as a deduction from consolidated equity, under the heading Treasury shares and DANONE call options. They are measured at effective cost, *i.e.* the premium paid plus transaction expense, and are not subsequently remeasured.

Note 13.2. Transactions and changes involving DANONE shares

2014 changes involving treasury shares in terms of transactions and use according to the Company's purpose

		Changes during the period							
(number of shares)	**As of December 31, 2013**	**Buybacks**	**Exercise of DANONE call options**	**Sales / Transfers**	**Reallocations**	**Cancellations**	***Delivery following exercise of stock options***	**Delivery of Group performance shares**	**As of December 31, 2014**
Acquisition transactions	**31,117,762**	–	–	(120,000)	(228,402)	–	–	–	**30,769,360**
Liquidity agreements	**–**	676,134	–	(796,134)	120,000	–	–	–	**–**
Coverage of Group performance shares and stock options	**7,710,647**	–	1,022,794	–	228,402	–	(1,292, 981)	(504,927)	**7,163,935**
Cancellation of shares	**–**	–	–	–	–	–	–	–	**–**
Shares held by the Company	**38,828,409**	**676,134**	**1,022,794**	**(916,134)**	**120,000**	**–**	**(1,292, 981)**	**(504,927)**	**37,933,295**
Shares held by Danone Spain	**5,780,005**	–	–	–	–	–	–	–	**5,780,005**
Total shares held by the Group	**44,608,414**	**676,134**	**1,022,794**	**(916,134)**	**120,000**	**–**	**(1,292,981)**	**(504,927)**	**43,713,300**

2014 changes involving DANONE call options, in terms of transactions

		Changes during the period			
(number of shares)	**As of December 31, 2013**	**Acquisitions**	**Expired options**	**Exercises**	**As of December 31, 2014**
DANONE call options held by the Company					
Number of call options	2,021,415	–	–	(1,022,794)	998,621
Percentage of the Company's share capital as of December 31	0.3%				0.2%

4

Note 13.3 Outstanding DANONE shares

	2013			2014		
(in number of shares)	**Share capital**	**Treasury**	**Outstanding**	**Share capital**	**Treasury**	**Outstanding**
As of January 1	643,162,000	(49,831,234)	593,330,766	631,028,000	(44,608,414)	586,419,586
Dividends in shares	–	–	–	11,932,014	–	11,932,014
Other capital increases	918,000	–	918,000	831,986	–	831,986
Capital reductions	(13,052,000)	–	(13,052,000)	–	–	–
Change in DANONE treasury shares and call options	–	5,222,820	5,222,820	–	895,114	895,114
As of December 31	**631,028,000**	**(44,608,414)**	**586,419,586**	**643,792,000**	**(43,713,300)**	**600,078,700**

Note 13.4. Earnings per share – Group share

Accounting principles

Earnings per share correspond to the ratio of Net income – Group share divided by the Number of shares. The Number of shares corresponds to the average number of outstanding shares during the year, after deducting the treasury shares held by the Company and its fully-consolidated subsidiaries.

Earnings per share after dilution (or diluted earnings per share) correspond to the ratio of Net income – Group share divided by the Diluted number of shares. The Diluted number of shares corresponds to the Number of shares increased by the net impact, when it is positive, of the following two elements:

- the increase in the weighted average number of shares that would result:
  - from the exercise of stock-options, taking into account only those options in the money on the basis of the average price during the reference period,
  - from the acquisition of Group performance shares, taking into account only those shares whose performance conditions are met as of the closing date;
- the reduction in the number of shares that could theoretically be acquired.

in accordance with the treasury stock method specified by IAS 33, *Earnings per share*.

Diluted earnings per share do not take into account DANONE call options held by the Company.

Earnings per share

	Year ended December 31	
(in € millions except for the number of shares and net income in € per share)	**2013**	**2014**
Before dilution		
Net income – Group share	1,422	1,119
Average number of outstanding shares [a]	587,411,533	594,472,798
Net income – Group share, per share	**2.42**	**1.88**
After dilution		
Average number of outstanding shares [a]	587,411,533	594,472,798
Payment of dividend in shares [a]	–	776,192
Shares subject to performance conditions and stock-options [a] [b]	1,058,044	287,338
Outstanding shares after dilution [a]	588,469,577	595,536,328
Net income – Group share, per diluted share	**2.42**	**1.88**

(a) Weighted average.
(b) Shares subject to performance conditions and stock-options granted to certain employees and corporate officers are described in Note 7.4 of the Notes to the consolidated financial statements. Non-dilutive stock-options and shares subject to performance conditions as of December 31, 2014 could become dilutive depending on changes in the DANONE stock price and the possible achievement of the performance conditions.

Note 13.5. Dividend

Distributable reserves of the parent company Danone

(in € millions)	As of December 31 2013	2014
Distributable reserves [a]	1,018	1,047

(a) Distributable reserves of the parent company Danone on a tax free basis.

The legally distributable reserves of subsidiaries and associated companies may differ from their reported retained earnings as a consequence of (i) consolidation adjustments applied to their separate financial statements, and (ii) the laws applicable in the countries where the Group operates.

In the case of the Group, under French law, dividends can only be paid out of the net income for the year and the distributable reserves of the parent company Danone.

Payment of 2013 dividend with the option of a payment in shares

The Shareholders' Meeting on April 29, 2014 in Paris approved the dividend proposed with respect to the 2013 fiscal year, *i.e.* €1.45 per share, and decided that each shareholder could decide to receive the dividend payment in cash or DANONE shares.

The option period was open from Wednesday May 7, 2014 to Wednesday May 21, 2014, inclusive. The issue price of new shares distributed as payment for the dividend was €45.62. It corresponds to 90% of the average opening price listed on Euronext during the 20 market trading days prior to the date of the Shareholders' Meeting, less the amount of the dividend and rounded to the next highest euro cent. The settlement and delivery of the shares and their admission to trading on Euronext occurred on June 3, 2014. These shares carry dividend rights as of January 1, 2014 and are fungible with existing shares.

A total of 65.23% of the rights were exercised in favor of the 2013 dividend payment in shares.

(in € millions except for the number of shares)	Year ended December 31, 2014 Number of outstanding shares	Consolidated equity	Consolidated cash flow used in financing transactions
Portion paid in newly issued shares [a]	11,932,014	–	–
Portion paid in cash	–	(307)	(307)
Total	**11,932,014**	**(307)**	**(307)**

(a) Or 1.89% of Danone's share capital based on the capital as of April 30, 2014.

NOTE 14. OTHER NON-CURRENT PROVISIONS AND LIABILITIES AND LEGAL AND ARBITRATION PROCEEDINGS

Note 14.1. Accounting principles

Other non-current provisions and liabilities consist mainly of:

- provisions;
- investment subsidies.

Other non-current provisions and liabilities also include the short-term portion due in less than one year since it is deemed immaterial.

Provisions are recognized when the Group has a present obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Group. The timing or amount of the net outflow may be uncertain, but the amount must be estimated in a reliable manner. A provision is reversed when it no longer appears probable that the corresponding payment or an outflow of resources will occur (provision not utilized).

Note 14.2. Carrying amount and change during the period

		Changes during the period					
(€ millions)	**As of December 31, 2013**	**Increase**	**Decrease (utilized)**	**Decrease (not utilized)**	**Translation adjustments**	**Other**	**As of December 31, 2014**
Restructuring provisions	95	56	(69)	(15)	–	4	71
Other provisions for risks and charges	567	179	(43)	(61)	1	9	652
Investment subsidies	16	(1)	–	–	–	–	14
Total [a]	**678**	**234**	**(112)**	**(76)**	**–**	**13**	**737**

(a) The portion due in less than one year totaled €45 million as of December 31, 2014 (€81 million as of December 31, 2013).

Changes to Other non-current provisions and liabilities for 2014 were as follows:

- increases result primarily from lawsuits against the Company and its subsidiaries in the normal course of business;
- decreases occur when corresponding payments are made or when the risk is considered extinguished. Unused decreases relate mainly to reassessments and situations where some risks, notably tax risks, cease to exist;
- other changes correspond primarily to reclassifications and changes in scope.

As of December 31, 2014, Other provisions for risks and charges consist mainly of provisions for legal, financial and tax risks as well as provisions for multi-year variable compensation granted to some employees, with these provisions established in the context of the Group's normal course of business.

Also as of this date, the Group believes that it is not subject to risks that could, individually, have a material impact on its financial situation or profitability.

Note 14.3. Legal and arbitration proceedings

Following the August 2, 2013 warning by the New Zealand government and Fonterra as to the possible botulism contamination of several batches of ingredients supplied by Fonterra to four Danone plants in the Asia/Pacific region, Danone is pursuing indemnification (see Note 6.3 of the Notes to the consolidated financial statements).

Lastly, the Company and its subsidiaries are parties to legal proceedings arising in the normal course of business, in particular by competition authorities in certain countries. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

To the best of the Group's knowledge, no other governmental, court or arbitration proceedings are currently ongoing that are likely to have, or have had in the past 12 months, a material impact on the Group's financial position or profitability.

NOTE 15. RELATED PARTY TRANSACTIONS

Note 15.1. Accounting principles

The main related parties are the associated companies and the members of the Executive Committee and members of the Board of Directors.

Note 15.2. Transactions with associates

Transactions with these companies are generally carried out at arm's length. They mainly involve management fees and royalties paid to the Group.

Amounts related to 2014 are immaterial.

Note 15.3. Compensation and benefits granted to members of the Executive Committee and Board of Directors

	Year ended December 31	
(in € millions)	**2013**	**2014**
Compensation paid to corporate officers and members of the Executive Committee [a]	17.2	13.4
Attendance fees paid to Directors [b]	0.5	0.6
Compensation paid out	**17.7**	**14.0**
Termination benefits	–	2.1
Carrying amount of grants from the exercise of Group performance shares [c]	8.3	9.1

(a) Annual and multi-year fixed and variable compensation (gross amount excluding employer contributions), of which the variable portion totals €7 million in 2014 (€11 million in 2013).
(b) The three corporate officers are not eligible to receive attendance fees.
(c) For 2012, the carrying amount represented the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that the performance conditions had been satisfied (see above and Note 1 of the Notes to the consolidated financial statements).

It should also be noted that certain Directors received an annuity under the Group's supplementary retirement plan, to which they are entitled as a result of their prior service on behalf of the Group. In 2014, the aggregate amount of this benefit totaled €0.9 million (€1.5 million in 2013), paid entirely through the aforementioned supplementary retirement plan.

Also, the portion of the Group's total obligation with respect to defined benefit retirement plans applicable to corporate officers and members of the Company's Executive Committee was €67 million as of December 31, 2014 (€67 million as of December 31, 2013). No loan or guarantee was granted or established by the Company or its subsidiaries on behalf of Executive Committee members.

Note 15.4. Related party agreements

See section 6.5 *Statutory auditors' special report on related party agreements and commitments*, notably with respect to the amounts paid by the Company to Bernard HOURS in connection with the cessation in 2014 of his functions as Deputy General Manager and of his employment contract.

NOTE 16. SUBSEQUENT EVENTS

To the Company's knowledge, no material events occurred after the approval date of the 2014 consolidated financial statements (approved by the Board of Directors on February 19, 2015)

NOTE 17. LIST OF SUBSIDIARIES AS OF DECEMBER 31, 2014

Note 17.1. Fully consolidated holding companies and financial companies held directly by the Company

Main fully consolidated companies	Country	Group's control *(in percentage)*	Interest *(in percentage)*
DANONE	France	Parent company	
Holding and financial companies			
DANONE FINANCE INTERNATIONAL	Belgium	100.0	100.0
COMPAGNIE GERVAIS DANONE	France	100.0	100.0
DANONE CORPORATE FINANCE SERVICES	France	100.0	100.0
DAN INVESTMENTS	France	100.0	100.0
DANONE BABY AND MEDICAL HOLDING	France	100.0	100.0
HOLDING INTERNATIONALE DE BOISSONS	France	100.0	100.0
DANONE FINANCE NETHERLANDS BV	Netherlands	100.0	100.0
DANONE SINGAPORE HOLDINGS PTE LTD	Singapore	100.0	100.0
DANONE ASIA PTE LTD	Singapore	100.0	100.0

Note 17.2. Main fully consolidated companies of the Fresh Dairy Products Division

Main fully consolidated companies [a]	Country	Group's control *(in percentage)*	Interest *(in percentage)*
DANONE DJURDJURA	Algeria	100.0	100.0
DANONE ARGENTINA SA	Argentina	99.8	99.7
NV DANONE SA	Belgium	100.0	100.0
DANONE LTDA.	Brazil	100.0	100.0
DANONE INC.	Canada	100.0	100.0
DANONE PRODUITS FRAIS FRANCE	France	100.0	100.0
DANONE GMBH	Germany	100.0	100.0
DANONE SPA	Italy	100.0	100.0
DANONE JAPAN	Japan	100.0	100.0
DANONE DE MEXICO	Mexico	100.0	100.0
CENTRALE LAITIERE	Morocco	90.9	90.9
DANONE SP Z.O.O.	Poland	100.0	100.0
DANONE PORTUGAL SA	Portugal	74.7	74.6
DANONE INDUSTRIA OOO	Russia	50.9	50.9
OJSC UNIMILK COMPANY [b]	Russia	50.9	50.9
DANONE SOUTHERN AFRICA PTY LTD.	South Africa	100.0	100.0
DANONE SA	Spain	76.6	76.6
DANONE LTD.	United Kingdom	100.0	100.0
STONYFIELD FARM INC.	United States	100.0	100.0
THE DANNON COMPANY INC [b]	United States	100.0	100.0

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2014.
(b) For this consolidated company, the business is spread over several legal entities in its country.

Note 17.3. Main fully consolidated companies of the Waters Division

Main fully consolidated companies [a]	Country	Group's control *(in percentage)*	Interest *(in percentage)*
AGUAS DANONE DE ARGENTINA SA [b]	Argentina	100.0	100.0
DANONE WATERS BENELUX	Belgium	100.0	100.0
DANONE LTDA.	Brazil	100.0	100.0
ROBUST (GUANGDONG) FOOD & BEVERAGE CO. LTD. [b]	China	92.0	92.0
SHENZHEN DANONE YILI DRINKS CO. LTD. [b]	China	100.0	100.0
AQUA D'OR MINERAL WATER	Denmark	90.0	90.0
EVIAN RESORT [c]	France	100.0	100.0
SOCIETE ANONYME DES EAUX MINERALES D'EVIAN	France	100.0	100.0
DANONE WATERS DEUTSCHLAND GMBH	Germany	100.0	100.0
PT TIRTA INVESTAMA [b]	Indonesia	74.0	74.0
BONAFONT SA DE CV	Mexico	100.0	100.0
GRUPO CUZCO INTERNATIONAL S DE RL DE CV [b]	Mexico	50.0	50.0
ZYWIEC ZDROJ SA	Poland	100.0	100.0
AGUAS FONT VELLA Y LANJARON SA	Spain	85.2	85.7
EVIAN-VOLVIC SUISSE SA	Switzerland	99.7	100.0
DANONE HAYAT IÇECEK VE GIDA AS	Turkey	100.0	100.0
SIRMAGRUP IÇECEK AS	Turkey	50.1	50.1
DANONE WATERS (UK & IRELAND) LTD.	United Kingdom	100.0	100.0
DANONE WATERS OF AMERICA INC.	United States	100.0	100.0
COMPANIA SALUS SA	Uruguay	94.1	94.1

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2014.
(b) For this consolidated company, the business is spread over several legal entities in its country.
(c) Evian Resort operates the Evian casino. In that capacity, it is subject to the control of the French Ministry of the Interior and all regulations applicable to games of chance in casinos.

Note 17.4. Main fully consolidated companies of the Early Life Nutrition Division

Main fully consolidated companies [a]	Country	Group's control *(in percentage)*	Interest *(in percentage)*
NUTRICIA-BAGO SA [b]	Argentina	51.0	51.0
NUTRICIA AUSTRALIA PTY LTD. [b]	Australia	100.0	100.0
SUPPORT PRODUTOS NUTRICIONAIS LTDA. [b]	Brazil	100.0	100.0
DUMEX BABY FOOD CO. LTD.	China	100.0	100.0
NUTRICIA EARLY LIFE NUTRITION (SHANGHAI) CO. LTD.	China	100.0	100.0
BLEDINA	France	100.0	100.0
DANONE NUTRICIA AFRICA & OVERSEAS	France	100.0	100.0
MILUPA GMBH	Germany	100.0	100.0
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia	100.0	100.0
PT SARIHUSADA GENERASI MAHARDHIKA	Indonesia	100.0	100.0
MELLIN SPA	Italy	100.0	100.0
DANONE DUMEX (MALAYSIA) SDN. BHD.	Malaysia	100.0	100.0
NUTRICIA NEDERLAND B.V. [b]	Netherlands	100.0	100.0
NUTRICIA POLSKA SP Z.O.O. [b]	Poland	100.0	50.0
OJSC ISTRA - NUTRICIA BABYFOODS [c]	Russia	100.0	100.0
DUMEX LTD. [b]	Thailand	98.9	98.9
NUMIL GIDA ÜRÜNLERI AS [b]	Turkey	100.0	100.0
NUTRICIA MIDDLE EAST DMCC [b] [c]	United Arab Emirates	100.0	100.0
NUTRICIA LTD. [b]	United Kingdom	100.0	100.0
HAPPY FAMILY HOLDING COMPANY [c]	United States	91.9	91.9

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2014.
(b) This company also has a medical nutrition activity presented in the financial statements of the Medical Nutrition Division.
(c) For this consolidated company, the business is spread over several legal entities in its country.

Note 17.5. Main fully consolidated companies of the Medical Nutrition Division

Main fully consolidated companies [a]	Country	Group's control (in percentage)	Interest (in percentage)
NUTRICIA AUSTRALIA PTY LTD. [b]	Australia	100.0	100.0
NV NUTRICIA BELGIE [b]	Belgium	100.0	100.0
SUPPORT PRODUTOS NUTRICIONAIS LTDA. [b]	Brazil	100.0	100.0
NUTRICIA PHARMACEUTICAL (WUXI) CO. LTD.	China	100.0	100.0
NUTRICIA TRADING (SHANGHAI) CO. LTD.	China	100.0	100.0
NUTRICIA AS	Denmark	100.0	100.0
NUTRICIA NUTRITION CLINIQUE S.A.S.	France	100.0	100.0
NUTRICIA GMBH	Germany	100.0	100.0
NUTRICIA IRELAND LTD. [b]	Ireland	100.0	100.0
NUTRICIA ITALIA SPA	Italy	100.0	100.0
NUTRICIA NEDERLAND B.V. [b]	Netherlands	100.0	100.0
SORGENTE B.V. [c]	Netherlands	100.0	100.0
NUTRICIA NORGE AS	Norway	100.0	100.0
NUTRICIA POLSKA SP Z.O.O. [b]	Poland	100.0	50.0
NUTRICIA SRL	Spain	100.0	100.0
NUTRICIA NORDICA AB	Sweden	100.0	100.0
NUMIL GIDA ÜRÜNLERI AS [b]	Turkey	100.0	100.0
NUTRICIA MIDDLE EAST DMCC [b] [c]	United Arab Emirates	100.0	100.0
NUTRICIA LTD. [b]	United Kingdom	100.0	100.0
NUTRICIA NORTH AMERICA INC.	United States	100.0	100.0

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2014.
(b) This company also has an early life nutrition activity presented in the financial statements of the Early Life Nutrition Division.
(c) For this consolidated company, the business is spread over several legal entities in its country.

Note 17.6. Main investments in associates

Main investments in associates [a]	Country	Group's control (in percentage)	Interest (in percentage)
Fresh Dairy Products			
INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD [c]	China	9.9	9.9
INNER MONGOLIA MENGNIU DANONE DAIRY CO LTD [c]	China	20.0	20.0
FAN MILK INTERNATIONAL AS [b] [c]	Denmark	49.0	49.0
STRAUSS HEALTH LTD	Israel	20.0	20.0
YAKULT HONSHA CO LTD	Japan	20.0	21.3
BROOKSIDE AFRICA LIMITED [c]	Kenya	40.0	40.0
ALSAFI DANONE COMPANY LTD [c]	Saudi Arabia	50.1	50.1
DANONE PULMUONE COMPANY LTD	South Korea	50.0	50.0
SOCIETE TUNISIENNE DES INDUSTRIES ALIMENTAIRES (STIAL)	Tunisia	50.0	50.0
Other			
BAGLEY LATINO AMERICA SA [c]	Spain	49.0	49.0

(a) Corresponds to the 10 largest companies in terms of the share of net assets. They accounted for more than 90% of Investments in associates in 2014.
(b) The company is comprised of several companies operating in West Africa.
(c) For this consolidated company, the business is spread over several legal entities in its country.

CROSS-REFERENCE TABLE WITH THE NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2013

Notes to the consolidated financial statements for the year ended December 31, 2013	**Notes to the consolidated financial statements for the year ended December 31, 2014**
General information: accounting principles, changes in the scope of consolidation, operating segments and other general information	
Note 1. Accounting principles	1.1, 1.2, 2.1, 3.1, 4.1,4.7, 5.1, 5.4, 5.5, 6.1, 7.3, 7.4, 7.5, 8.2, 8.3, 9.1, 9.3, 10.1, 10.6, 11.1, 11.3, 12.2, 13.1, 13.4, 14.1,15.1
Note 2. Highlights of the year	1.2, 2.2, 3.3, 4.3
Note 3. Changes in the scope of consolidation and in the Group's equity interests in its subsidiaries	2.2, 3.3, 4.3
Note 4. Acquisition resulting in control being obtained of Centrale Laitière / accounting treatment for the transaction	2.4
Note 5. Accounting for other acquisitions resulting in control being obtained in 2012 and 2013	2.5, 2.6
Note 6. Operating segments	5.2
Consolidated income statement items	
Note 7. Other income (expense)	5.3
Note 8. Other operating income (expense)	6.1 to 6.3
Note 9. Cost of net financial debt and other financial income and expense	10.6, 11.3
Note 10. Share of profit of associates	4.8
Note 11. Earnings per share	13.4
Balance sheet items – assets	
Note 12. Intangible assets	9.1 to 9.3
Note 13. Property, plant and equipment	5.5
Note 14. Investments in associates	4.1 to 4.7
Note 15. Investments in other non-consolidated companies	11.2
Note 16. Long-term loans and other long-term financial assets	11.2
Note 17. Inventories	5.4
Note 18. Trade receivables	5.4
Note 19. Other receivables	5.4
Note 20. Short-term investments	10.4
Balance sheet items – equity and liabilities	
Note 21. Information on changes in consolidated equity	13
Note 22. Current and non-current financial liabilities and net debt	3.5, 10.2, 10.3, 10.5
Note 23. Current and non-current financial liabilities related to put options granted to non-controlling interests in Danone Spain	3.4
Note 24. Other current liabilities	5.4
Other information	
Note 25. Income tax	8.1 to 8.3
Note 26. Other provisions and non-current liabilities and legal and arbitration proceedings	14.1 to 14.3
Note 27. Information on consolidated cash flows	–
Note 28. Retirement obligations and other long-term benefits	7.3
Note 29. Personnel	7.1
Note 30. Group performance shares and stock-options granted to certain employees and corporate officers, Company Savings Plan	7.4, 7.5
Note 31. Financial market risks and derivative instruments	5.7, 10.2, 10.3, 10.7, 12.1 to 12.8
Note 32. Savings and adaptation plan for the Group's organizations in Europe	6.2
Note 33. Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia	6.3
Note 34. Related party transactions	15.1 to 15.4
Note 35. Off-balance sheet commitments	5.6
Note 36. Main Group companies as of December 31, 2013	2.3, 3.2, 17.1 to 17.6
Note 37. Subsequent events	16

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users. The Statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying consolidated financial statements of Danone;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I - Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2014, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II - Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French commercial code relating to the justification of our assessments, we bring to your attention the following matters:

- your company presented under the "Other operating income (expense)" heading in the Consolidated income statement the impact of your company's plan for cost savings and adaptation of the Group's entities in Europe as well as that of the false alert issued by Fonterra in respect of certain ingredients supplied to your group in Asia in 2013, as described in Notes 6.2 and 6.3 of the Notes to the consolidated financial statements. Management is of the opinion that these were material items that, due to their exceptional nature, cannot be regarded as inherent to the Group's ordinary activities.

  Our work involved examining the elements making up these amounts and assessing the appropriateness, in the light of Recommendation R 2013-03 of the French National Accounting Board (*Conseil National de la Comptabilité CNC*), of their presentation in the Consolidated income statement and of the disclosures in Note 6 of the Notes to the consolidated financial statements.

- your company is committed to acquiring the shares held by shareholders of certain consolidated subsidiaries, should the latter wish to exercise their put options. In the absence of any specific provision under IFRS on this subject, we have verified that the accounting treatment applied and described in the section entitled *Liabilities related to put options granted to non-controlling interests* in Note 3.1 of the Notes to the consolidated financial statements was compliant with the principles of IFRS as adopted by the European Union and currently in effect.

  We also reviewed the methods adopted by your company for the valuation of the debt recognized in connection with these put options based on the information available to date. We have verified that Note 3 of the Notes to the consolidated financial statements contains appropriate information on these put options and on the assumptions used by your company.

- your company performed at the reporting date an impairment test on goodwill and brands with indefinite useful life, and also assessed whether there was any indication of impairment of other long-term assets, in accordance with the procedures described in the sections entitled *Accounting principles* in Notes 9.1. and 5.5 of the Notes to the consolidated financial statements and the section entitled *Methodology* in Note 9.3 of the Notes to the consolidated financial statements. We have reviewed the procedures for implementing this impairment test and for identifying indications of impaired value, and verified that Notes 9.3 and 5.5 as well as the section entitled *Impact on the carrying amount of the Dumex* brand in Note 6.3 of the Notes to the consolidated financial statements give appropriate information, in particular in relation to the assumptions adopted and the sensitivity analysis in respect of Goodwill and brands with indefinite useful life.

As indicated in Note 1.1 of the Notes to the consolidated financial statements, this impairment test was based on estimates prepared in accordance with information and circumstances existing on the date the financial statements were drawn up. Such estimates may differ from the actual amounts.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III – Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no observations to make as to its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

4.2 FINANCIAL STATEMENTS OF DANONE SA, PARENT COMPANY OF THE DANONE GROUP

Financial statements of Danone SA

Income statement

		Year ended December 31	
(in € millions)	Notes	**2013**	**2014**
Net sales		520	474
Other income		2	42
Total operating income	3	**522**	**516**
Personnel costs	4	(216)	(231)
Other operating expense	5	(390)	(401)
Total operating expense		**(606)**	**(632)**
Net operating expense		**(84)**	**(116)**
Income from equity interests	6	964	730
Interest on loans and receivables and similar income		23	32
Interest on borrowings and similar expense		(242)	(197)
Other financial income (expense)		1	22
Net financial income	6	**746**	**587**
Net income before non-recurring items and tax		**662**	**471**
Net non-recurring income (expense)	7	8	(6)
Income tax	8	77	76
Net income		**747**	**541**

Balance sheet

Assets

As of December 31

(in € millions)	Notes	2013 Net amount	2014 Gross amount	2014 Depreciation, amortization and provisions	2014 Net amount
Intangible assets		21	79	(52)	27
Property, plant and equipment		5	23	(18)	5
Equity interests		16,975	17,755	(50)	17,705
Other long-term financial assets		2,421	2,335	(1)	2,334
Financial assets	9	19,396	20,090	(51)	20,039
Non-current assets		**19,422**	**20,192**	**(121)**	**20,071**
Short-term loans and receivables	10	1,124	234	(1)	233
Marketable securities	11	356	324	–	324
Cash and cash equivalents		1	–	–	–
Current assets		**1,481**	**558**	**(1)**	**557**
Deferrals and prepaid expense		136	124	–	124
Total assets		**21,039**	**20,874**	**(122)**	**20,752**

Equity and Liabilities

As of December 31

(in € millions)	Notes	2013	2014
Share capital		158	161
Additional paid-in capital		2,727	3,301
Legal reserve		4	4
Other reserves		3,781	3,781
Retained earnings		3,238	3,125
Net income for the year		747	541
Regulated provisions		1	1
Equity	12	**10,656**	**10,914**
Provisions for risks and charges	13	83	61
Bonds	14	7,106	6,664
Other financial debt	14	2,744	2,102
Other liabilities	15	297	925
Deferrals and accrued expense		153	86
Total equity and liabilities		**21,039**	**20,752**

Notes to the financial statements of the parent company Danone

The financial statements of the parent company Danone ("the Company") for the year ended December 31, 2014 were approved by Danone's Board of Directors on February 19, 2015 and will be submitted for approval to the Shareholders' Meeting on April 29, 2015. Danone and its consolidated subsidiaries constitute "the Group".

Unless indicated otherwise, amounts are expressed in millions of euros and rounded to the nearest million. Generally speaking, the values presented in the financial statements of the parent company Danone and in the Notes to the financial statements of the parent company Danone are rounded to the nearest unit. Consequently, the sum of the rounded amounts may differ, albeit to an insignificant extent, from the reported total. In addition, ratios and variances are calculated on the basis of the underlying amounts and not on the basis of the rounded amounts.

TABLE OF CONTENTS

GENERAL INFORMATION : ACCOUNTING PRINCIPLES AND HIGHLIGHTS OF THE YEAR

Note 1. Accounting principles 156
Note 2. Highlights of the year 158

INCOME STATEMENT ITEMS

Note 3. Operating income 158
Note 4. Personnel costs and compensation of the members of the management bodies and the Board of Directors 158
Note 5. Other operating expense 159
Note 6. Net financial income (expense) 159
Note 7. Net non-recurring income (expense) 159
Note 8. Income tax 160

BALANCE SHEET ITEMS- ASSETS

Note 9. Financial assets 161
Note 10. Short-term loans and receivables 162
Note 11. Marketable securities 162

BALANCE SHEET ITEMS- EQUITIY AND LIABILITIES

Note 12. Equity 163
Note 13. Provisions for risks and charges 163
Note 14. Bonds and other financial debt 164
Note 15. Other liabilities 166
Note 16. Net debt 167

OTHER INFORMATION

Note 17. Post-employment benefit commitments and commitments to management bodies and the Board of Directors 168
Note 18. Off-balance sheet commitments 168
Note 19. Personnel 169
Note 20. Related party transactions 169
Note 21. Subsidiaries and associates as of December 31, 2014 170
Note 22. Summary of shares held in portfolio 171
Note 23. Results and other significant information relating to the last five years 172
Note 24. Subsequent events 172

NOTE 1. ACCOUNTING PRINCIPLES

The Company's financial statements are prepared in accordance with French statutory and regulatory provisions and generally accepted accounting principles.

The main accounting methods used are detailed hereafter.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are valued at acquisition cost (including acquisition-related costs) and are amortized or depreciated on a straight-line basis according to the duration of their estimated use, as follows:

Buildings	15 to 20 years
Fixtures and fittings	8 to 10 years
Other property, plant and equipment	4 to 10 years
Software	1 to 7 years

Long-term financial assets

Financial assets comprise Equity interests and Other long-term financial assets.

Equity interests are shares in companies, the long-term possession of which is deemed to be useful for the Company's activity, notably because it enables the Company to exercise an influence on or control over the issuing company. Investments that do not meet this definition are classified as Other long-term financial assets.

Equity interests are recognized at acquisition cost, including acquisition-related costs, which are amortized over 5 years as of the date of acquisition. For tax purposes, these assets are subject to accelerated tax amortization rates. An impairment provision is recognized when the recoverable amount of Equity interests is below their carrying amount.

Recoverable amount is determined using various criteria including:

- market value;
- value in use based on forecast discounted cash-flows; and
- revalued equity.

The assumptions, estimates or appraisals used to determine the net realizable value are made on the basis of available information and conditions at the end of the financial period presented, which may differ from the reality, particularly in an economically and financially volatile context. Impairment provisions are recognized as Other financial income (expense), with the exception of reversals of impairments in connection with disposals of equity interests, which are recognized as Non-recurring income (expense). Gains or losses on the disposals of equity interests are recognized as Non-recurring income (expense).

Other long-term financial assets consist mainly of a portion of the DANONE treasury shares held in connection with the authorizations given by the Shareholders' Meeting (see hereafter) and long-term loans and receivables granted by the Company.

DANONE treasury shares

DANONE shares repurchased by the Company are recognized under the heading:

- Other long-term financial assets, when they are repurchased in connection with corporate acquisitions, to be cancelled or to be held under the terms of a liquidity contract;
- Marketable securities, when they are repurchased to hedge stock-option plans granted to certain Group employees and corporate officers or Group performance share plans under which shares are allocated to certain Group employees and corporate officers subject to performance conditions.

They are recognized at acquisition cost, excluding acquisition-related costs. On disposal, the cost of the DANONE shares sold is calculated by allocation category in accordance with the weighted average cost method, this cost being calculated individually for each plan for the shares held to hedge stock-option plans or Group performance share plans.

DANONE shares recognized as Other long-term financial assets

In the case of DANONE shares recognized as Long-term financial assets that are not to be cancelled, an impairment provision is recognized when their recoverable amount (assessed at the average price for the last month of the fiscal year) falls below their carrying amount.

DANONE shares recognized as Marketable securities

Hedging of out-of-the-money stock-option and Group performance share plans

In the case of treasury shares allocated to hedge plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will not be met in the case of the Group performance share plans), a provision for impairment is recognized when the market value of the shares (assessed at the average price for the last month of the fiscal year) is less than their carrying amount.

Hedging of in-the-money stock-option and Group performance share plans

In the case of treasury shares allocated to hedge plans that can be exercised (the market value of DANONE shares exceeds the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will be met in the case of the Group performance share plans), a provision for impairment is not recognized. However, a provision for risks and charges is, where necessary, recognized in respect of these plans and corresponds:

- in the case of stock-option plans, to the difference between the carrying amount of the shares allocated to these plans and the exercise price set under the terms of the plan if lower;
- in the case of Group performance share plans, to the carrying amount of the shares allocated to said plans.

The provision is booked *pro rata* to the rights vesting period. It is recognized in Personnel costs in the income statement.

DANONE call options held by the Company

The DANONE call options (calls) held by the Company are allocated in full to hedge stock-option plans granted to certain employees and corporate officers. The premiums paid in respect of these options are recognized in Marketable securities.

Hedging of out-of-the-money stock-option plans

In the case of call options allocated to plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price set under the terms of the plan), a provision for impairment is recognized when the market value of the call options, determined by banks, is less than their carrying amount.

Hedging of in-the-money stock-option plans

In the case of call options allocated to plans that can be exercised (the market value of DANONE shares exceeds the option exercise price set under the terms of the plan), a provision for impairment is not recognized. However, a provision for risks and charges is, where necessary, recognized in respect of these plans and corresponds to the difference between the exercise price set under the terms of the stock-option plan and the call premium paid plus the forward DANONE share price.

The provision is booked *pro rata* to the rights vesting period. It is recognized in Personnel costs in the income statement.

Loans and receivables

Loans and receivables are stated at their nominal value. An impairment provision is recognized when the recoverable amount is less than the carrying amount.

Recognition of transactions in foreign currencies

Expense and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction.

Liabilities, receivables and cash denominated in foreign currencies are recorded in the balance sheet at their exchange value in euros at the year-end rate. The differences resulting from translation at this latter rate are recorded in the balance sheet in the line items Deferrals and prepaid expense and Deferrals and accrued expense in the case of liabilities and receivables. A provision for risks is recognized for non-hedged unrealized exchange losses.

Marketable securities

Marketable securities comprise a portion of the treasury shares and DANONE call options held by the Company and other investments made by the Company.

The gross value of Marketable securities corresponds to the acquisition cost excluding acquisition-related costs. When the market value of each category of securities of the same nature is lower than the acquisition cost, a provision for impairment is recognized equal to the difference. For further information about treasury shares and DANONE call options reclassified as Marketable securities, see the above section DANONE shares recognized as Marketable securities.

Bonds

Bonds consist in borrowings raised by Danone, on debt and capital markets, notably under its EMTN (Euro Medium Term Note) program, through public issues and private placements, denominated in euros or foreign currencies. Bonds denominated in foreign currencies may be maintained in those currencies or swapped into euros:

- foreign currency bonds that are not swapped into euros are recognized at their nominal value, translated at the closing exchange rate;
- foreign currency bonds that are swapped into euros are recognized at their nominal value, which continues to be translated at the historical exchange rate.

Derivatives

Danone hedges part of its bonds denominated in foreign currencies by cross-currency swaps. For each bond hedged, Danone applies hedge accounting, which involves recognizing at the historical rate (hedged rate resulting from the implementation of the cross-currency swap) the interest relating to the bond and the cross-currency swap. Since Danone is not ultimately exposed to foreign exchange risk on repayment of the bonds, said bonds are not revalued at the closing rate. Conversely, unhedged bonds are revalued at the closing rate at each balance sheet date.

In addition, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions in respect of certain borrowings and commercial paper (*Billets de trésorerie*) issued by the Company.

Provisions for risks and charges

Provisions are recognized for identified risks and charges of uncertain timing or amount, when the Company has an obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Company.

For further information about provisions against stock-option plans and Group performance share plans, see the above section DANONE shares recognized as Marketable securities.

Retirement commitments

Supplementary retirement commitments and gratuity payments borne by the Company are presented within Off-balance sheet commitments (see Note 17 and Note 18 of the Notes to the financial statements of the parent company Danone).

NOTE 2. HIGHLIGHTS OF THE YEAR

On January 17, 2014 Danone concluded a liquidity contract and allocated 120,000 DANONE shares and €0 for its implementation. As of December 31, 2014, the liquidity account contained the following resources: 0 DANONE share and €6,168,649 (see Note 9 of the Notes to the financial statements of the parent company Danone).

On February 12, 2014, Danone raised its stake in China's leading dairy company Mengniu, by increasing its stake in its subsidiary Danone Asia Pte Ltd. The cost of this additional investment was €710 million (see Note 9 of the Notes to the financial statements of the parent company Danone).

On May 28, 2014, Danone announced the result of the option offered to shareholders to receive the 2013 dividend payment in shares: 65.23% of the voting rights were exercised in favor of payment of the dividend in shares. The total cash dividend paid to those shareholders who did not elect to receive payment in shares amounted to €299 million.

NOTE 3. OPERATING INCOME

Operating income comprises mainly the billing of direct and indirect subsidiaries for services rendered by the Company to those subsidiaries. It totaled €474 million for the year ended December 31, 2014 (€520 million for the year ended December 31, 2013).

Other operating income totaled €42 million and comprised mainly the reversal of a provision for risks and charges relating to the hedges of the stock-option plans and Group performance share plans held by the Company (€44 million in 2013 included in personnel costs). See Note 1 of the Notes to the financial statements of the parent company Danone.

NOTE 4. PERSONNEL COSTS AND COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BODIES AND THE BOARD OF DIRECTORS

Personnel costs

Personnel costs comprise the gross compensation of the Company's employees and senior executives and the related social charges as well as the charges relating to the stock-option plans and Group performance share plans under which shares are allocated to certain Group employees and corporate officers subject to performance conditions.

Personnel costs totaled €231 million in 2014 (€216 million in 2013). Social charges totaled €71 million (€66 million in 2013).

Company's share of the compensation paid to the members of the Board of Directors and the Executive Committee

	Year ended December 31	
(in € millions)	**2013**	**2014**
Compensation paid to corporate officers and members of the Executive Committee [a]	11	7
Attendance fees paid to non-executive members of the Board of Directors [b]	1	1
Total	**12**	**8**

(a) Recognized in Personnel costs.
(b) Recognized in Other operating expense.

The Company's other commitments to the management bodies and Board of Directors.

See Note 17 of the Notes to the financial statements of the parent company Danone.

NOTE 5. OTHER OPERATING EXPENSE

Other operating expense comprised mainly fees paid to external service providers and charges for rent and services provided and totaled €401 million in 2014 (€390 million in 2013).

NOTE 6. NET FINANCIAL INCOME (EXPENSE)

Net financial income totaled €587 million in 2014 (€746 million in 2013).

Income from equity interests

Income from equity interests consisted mainly of dividends received from the Company's equity interests. In 2014, these dividends amounted to €730 million (€964 million in 2013). The €234 million decrease was due mainly to the decrease in the dividends paid by Compagnie Gervais Danone and Holdings Internationale de Boissons.

Interest on loans and receivables and similar income

Interest on loans and receivables and similar income comprised mainly interest received on the loans and receivables granted by the Company to Zywiec Zdroj and Danone Poland and totaled €32 million in 2014 (€23 million in 2013).

Interest on borrowings and similar expense

Interest on borrowings and similar expense comprised mainly interest in respect of the following borrowings:

	As of December 31	
(in € millions)	**2013**	**2014**
Medium-term loan from and current account with Danone Finance International [a] [b]	80	43
Bonds [a]	161	152
Commercial paper [a]	1	2
Total	**242**	**197**

(a) Interest paid and accrued in respect of the fiscal year.
(b) The change during the year was due mainly to the repayment of the medium-term loan (see Note 14 of the Notes to the financial statements of the parent company Danone).

Other financial income (expense)

As regards Other financial income (expense), the Company generated net income of €22 million in 2014, comprising mainly the reversal of a provision for equity investments.

In 2013, the corresponding figure was net income of €1 million.

NOTE 7. NET NON-RECURRING INCOME (EXPENSE)

In 2014, net non-recurring expense of €6 million consisted mainly of non-recurring costs related to the implementation of the Group's plan for savings and adaptation of its organizations in Europe.

In 2013, net non-recurring income of €8 million consisted mainly of the €33 million capital gain on the transfer to a Group company of 6,715,266 DANONE shares and non-recurring costs totaling €23 million related to the implementation of the Group's plan for savings and adaptation of its organizations in Europe.

NOTE 8. INCOME TAX

Tax group

Danone forms a tax group with the French subsidiaries in which it holds, directly or indirectly, a stake of more than 95%.

Companies who were members of the tax group in 2014

	As of December 31, 2014
BLEDINA	HELDINVEST 9
COMPAGNIE GERVAIS DANONE	HOLDING INTERNATIONALE DE BOISSONS
DANONE CORPORATE FINANCE SERVICES	LES 2 VACHES RESTO
DANONE PRODUITS FRAIS FRANCE	MENERVAG
DANONE DAIRY ASIA	NUTRICIA NUTRITION CLINIQUE SAS
DANONE NUTRICIA AFRICA ET OVERSEAS	PRODUITS LAITIERS FRAIS EST EUROPE
DANONE BABY AND MEDICAL HOLDING	PRODUITS LAITIERS FRAIS SUD EUROPE
DANONE [a]	PRODUITS LAITIERS FRAIS ESPAGNE
DANONE RESEARCH	SOCIETE ANONYME DES EAUX MINERALES D'EVIAN
DAN INVESTMENTS	SOCIETE DES EAUX DE VOLVIC
FERMINVEST	STEP SAINT JUST
HELDINVEST 8	STONYFIELD FRANCE

(a) The Company.

The subsidiaries that are members of the tax group recognize and pay their tax to the Company as if they were taxed separately, in compliance with the rules set by the French tax authorities.

The savings (or additional charges) – based on the difference between the sum of tax charges recorded by the different subsidiaries of the tax group and the tax charge resulting from the computation of the consolidated tax results of the tax group – are recognized in the income statement under Income tax. The amount booked in this line for 2014 relates exclusively to this difference.

At the year end, the tax group had made a taxable loss. As of December 31, 2014, tax loss carry-forwards accumulated within the tax group in France amounted to €1,149 million, compared to €884 million as of December 31, 2013.

Other information

In accordance with the provisions of Article 39.4 of the French tax code (*Code Général des Impôts – CGI*), in 2014 Danone recognized €382,377 in respect of passenger vehicle depreciation and rental under taxable income.

The application of Article 39.5 of the CGI did not result in any amounts recognized under taxable income in 2014.

As of December 31, 2014, items likely to result in a reduction of future tax liabilities consisted mainly of accrued charges. They totaled €83 million and would reduce future tax charges by €31 million.

NOTE 9. FINANCIAL ASSETS

Carrying amount and changes during the period

(in € millions)	As of December 31, 2013	Movements during the period: Increase [a]	Decrease	Reclassification, Translation	As of December 31, 2014
Gross amount					
Equity interests	17,045	710	–	–	17,755
Long-term loans and receivables	821	–	(79)	–	742
DANONE treasury shares [b]	1,595	–	–	(17)	1,578
Other	6	2	–	6	14
Other long-term financial assets	2,422	2	(79)	(11)	2,334
Total	**19,467**	**712**	**(79)**	**(11)**	**20,089**
Provisions [c]	(71)	–	21		(50)
Total (net)	**19,396**	**712**	**(58)**	**(11)**	**20,039**

(a) See Note 2 of the Notes to the financial statements of the parent company Danone.
(b) Portion of DANONE treasury shares recognized as Long-term financial assets (see Note 1 of the Notes to the financial statements of the parent company Danone).
(c) Consists mainly of provisions for impairment of Equity interests.

4

Equity interests

Detailed information about Equity interests is provided in Note 21 of the Notes to the financial statements of the parent company Danone related to securities held in portfolio as of December 31, 2014.

Long-term loans and receivables

The change in Long-term loans and receivables was due to the repayment of euro denominated loans by Danone Poland and Zywiec Zdroj totaling €64 million.

Foreign currency loans

Foreign currency loans are translated at the closing rate, resulting in the recognition of translation differences at the year end.

As of December 31, 2014

(in € millions except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value	Translation difference	Carrying amount
Yen	43,000	381	(85)	296

DANONE treasury shares

The change in treasury shares held by the Company and recognized as Long-term financial assets (see Note 1 of the Notes to the financial statements of the parent company Danone) in respect of 2014 was due to:

- the main transaction carried out by the Company on its shares: 120,000 shares were allocated to the liquidity contract by the Company in 2014 (see Note2 of the Notes to the financial statements of the parent company Danone);
- the reclassification of 228,402 DANONE treasury shares from the Treasury shares heading to the Marketable securities heading at a carrying amount of €11 million.

NOTE 10. SHORT-TERM LOANS AND RECEIVABLES

As of December 31, 2014, this heading comprised mainly €233 million of receivables due to the Company within less than one year, including receivables due from its subsidiaries and equity interests totaling €128 million and tax receivables totaling €83 million. Loans and receivables due to the Company within less than one year amounted to €1,124 million as of December 31, 2013.

NOTE 11. MARKETABLE SECURITIES

Carrying amount and changes during the period

		Movements during the period				
(in € millions)	**As of December 31, 2013**	**Increase**	**Decrease (exercised/ delivered)**	**Reallocation**	**Reclassification**	**As of December 31, 2014**
DANONE shares						
DANONE shares hedging stock-option plans [a]	205	–	(8)	–	–	197
DANONE shares hedging Group performance share plans [a]	95	–	(20)	–	11	86
Total	**300**	**–**	**(28)**	**–**	**11**	**283**
DANONE call options	36	–	(15)	–	–	21
danone.communities [b]	20	–	–	–	–	20
Total	**356**	**–**	**(43)**	**–**	**11**	**324**

(a) Portion of DANONE treasury shares recognized as Marketable securities (see Note 1 of the Notes to the financial statements of the parent company Danone).
(b) danone.communities is a mutual fund (French SICAV) aimed at financing certain social projects through an investment that generates a return nearly comparable to the money-market rate.

NOTE 12. EQUITY

Carrying amount and changes during the period

	As of December 31, 2013		Movements during the period				As of December 31, 2014
(in € millions)	Before allocation	After allocation [b]	Net income	Capital reduction	Capital increase [c]	Other movements [d]	Before allocation
Share capital	158	158	–	–	3	–	161
In number of shares [a]	*631,028,000*	*631,028,000*	–	–	*831,986*	*11,932,014*	*643,792,000*
Additional paid-in capital	2,727	2,727	–	–	33	541	3,301
Legal reserve	4	4	–	–	–	–	4
Other reserves	3,781	3,781	–	–	–	–	3,781
Retained earnings	3,238	3,125	–	–	–	–	3,125
Net income for the year	747	–	541	–	–	–	541
Regulated provisions	1	1	–	–	–	–	1
Total	**10,656**	**9,796**	**541**	**–**	**36**	**541**	**10,914**

(a) Ordinary shares with a par value of €0.25.
(b) Following shareholder approval at the Shareholders' Meeting of April 29, 2014, earnings available for allocation in respect of the year ended December 31, 2013 were allocated in the amount of €299 million to the payment of a dividend and the balance to retained earnings.
(c) Issue carried out on June 5, 2014 under the terms of the Company savings plan (*Plan d'Épargne Entreprise*).
(d) Movements relating to the portion of the dividend paid in shares.

4

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

Carrying amount and changes during the period

		Movements during the period			
(in € millions)	As of December 31, 2013	Increase	Decrease	Decrease (not utilized)	As of December 31, 2014
Provisions in respect of stock-option and Group performance share plans [a]	74	20	(39)	–	55
Other provisions	9	3	(6)	–	6
Total	**83**	**23**	**(45)**	**–**	**61**

(a) Provisions in respect of stock-option plans hedged by DANONE call options and Group performance share plans. The provision was established at the time of the first purchases of DANONE call options in 2011, in the amount of €96 million.

NOTE 14. BONDS AND OTHER FINANCIAL DEBT

Bonds

Carrying amount

	As of December 31	
(in € millions)	**2013**	**2014**
Nominal value	7,018	6,615
Accrued interest	88	49
Total	**7,106**	**6,664**

Bonds issued by the Company are disclosed on the Group's website.

Most of the financing agreements entered into by the Company (bank lines of credit and bonds) include a change of control provision, which offers creditors a right of early repayment in the event a change in control of the Company causes its rating by the financial rating agencies to fall below investment grade. None of these financing sources is subject to any covenant relating to the maintenance of financial ratios.

2014 transactions

	Year ended December 31		
	2014		
	Currency	**Nominal** *(in millions of currency)*	**Maturity**
New financing			
Euro bond issue under the EMTN program	EUR	150	2019
Renewal			
Syndicated facilities agreement [a]	EUR	2,000	2019
Repayment			
Euro bond issue under the EMTN program	EUR	618	2014

(a) Multi-currency revolving syndicated facilities agreement implemented in July 2011 and renewed in December 2014.

Bonds: fixed rate/floating rate breakdown and changes during the period

(in € millions)	As of December 31, 2013	Movements during the period: New borrowings	Repayment	Change in accrued interest	Revaluation	As of December 31, 2014
Fixed rate portion						
Bonds	6,880	–	(618)	–	65	6,327
Accrued interest	87	–	–	(38)		49
Floating rate portion						
Bonds	138	150	–	–	–	288
Accrued interest	1	–	–	(1)	–	–
Total	**7,106**	**150**	**(618)**	**(39)**	**65**	**6,664**

Bonds breakdown by currency

As of December 31, 2014

(in € millions except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value	Translation difference	Carrying amount
Bonds denominated or swapped into euros				
Euro	5,548	5,548	5,548	5,548
Swiss franc	225	138	138	138
U.S. Dollar [a]	850	682	682	682
Bonds denominated in other currencies				
Yen	43,000	381	296	296
Total		**6,749**	**6,664**	**6,664**

(a) Implementation of cross-currency swaps facilitated the conversion of the USD 850 million bonds (recognized originally in the amount of €685 million) into euros in the amount of €682 million, thus corresponding to its new historical value.

Portfolio of cross-currency swaps hedging certain foreign currency denominated bonds

As of December 31, 2014

(in € millions except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value in euros
Euro – Swiss franc	225	138
Euro – U.S. Dollar	850	682
Total		**820**

In addition, as specified in Note 1 of the Notes to the financial statements of the parent company Danone, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions in respect of certain bonds issued by the Company.

Other financial debt

Other financial debt: fixed rate/floating rate breakdown during the period

		Movements during the period				
(in € millions)	As of December 31, 2013	New borrowings	Repayment	Change in accrued interest	Revaluation	As of December 31, 2014
Fixed rate portion						
Loan from Danone Finance International [a]	2,000	1,000	(2,000)	–	–	1,000
Floating rate portion						
Commercial paper [b]	737	329	–	–	–	1,066
Other	7	29	–	–	–	36
Total	**2,744**	**1,358**	**(2,000)**	**–**	**–**	**2,102**

(a) Fixed-rate medium-term loan maturing in June 2019.
(b) Movements in commercial paper (billets de trésorerie) are shown as net movements.

Maturity of Bonds and Other financial debt

As of December 31

(in € millions)	2013	2014
Due date < 1 year	3,450	1,755
Due date between 1 and 5 years	3,613	4,160
Due date > 5 years	2,786	2,851
Total	**9,849**	**8,766**

NOTE 15. OTHER LIABILITIES

Composition of Other liabilities

As of December 31

(in € millions)	2013	2014
Amounts owed by the Company to certain subsidiaries and affiliates [a]	51	672
Trade payables	39	46
Accrued charges	207	207
Total	**297**	**925**

(a) Including a €614 million current account balance due to Danone Finance International as of December 31, 2014. As of December 31, 2013, the balance on this current account was an excess cash balance presented under the Short-term loans and receivables heading.

Composition of Accrued charges

(in € millions)	As of December 31 2013	2014
Services provided	99	92
Personnel costs	70	70
Social charges	26	32
Tax liabilities	12	12
Financial liabilities	–	1
Total	**207**	**207**

Maturity of Other liabilities

The majority of Other liabilities have a maturity of less than one year. The maturity dates of Trade payables are shown in the following table:

As of December 31, 2014

(in € millions)	Due date < or equal to 30 days	Due date between 31 and 60 days	Due date > 60 days	Total
Trade payables	33	13	–	46

NOTE 16. NET DEBT

Composition of Net debt

(in € millions)	As of December 31 2013	2014
Bonds	7,106	6,664
Other financial debt	2,744	2,102
Amounts owed by the Company to certain subsidiaries and affiliates [a]	51	672
Total Debt	**9,901**	**9,438**
Amounts owed to the Company from certain subsidiaries and affiliates [b]	906	–
Marketable securities	356	324
Cash	1	–
Total Cash and cash equivalents	**1,263**	**324**
Total Net debt	**8,638**	**9,114**

(a) Portion of the amounts owed by the Company to subsidiaries and associates presented under the Other liabilities heading.
(b) Portion of the amounts owed to the Company by subsidiaries and associates presented under the Short-term loans and receivables heading.

Change during the period

The €476 million increase in Net debt was due mainly to the increase in the Company's interest in its subsidiary Danone Asia Pte Ltd in connection with its increased stake in Mengniu. The cost of this additional investment was €710 million (see Note 2 of the Notes to the financial statements of the parent company Danone), partially offset by cash-flows related to the net income generated during the year.

NOTE 17. POST-EMPLOYMENT BENEFIT COMMITMENTS AND COMMITMENTS TO MANAGEMENT BODIES AND THE BOARD OF DIRECTORS

Post-employment benefit commitments

Gross commitments relating to a defined benefit retirement plan, estimated using the actuarial method, amounted to €539 million as of December 31, 2014 and €340 million after taking into account plan assets (net commitment of €207 million as of December 31, 2013). The €133 million increase is attributable primarily to the decrease in discount rates. More specifically, as regards the retirement plan reserved for Group executives who hold the status of senior manager, the Company's net commitment amounted to €296 million, which corresponds to a gross commitment of €468 million and plan assets totaling €172 million.

These net commitments are presented off-balance sheet (see Note 18 of the Notes to the financial statements of the parent company Danone).

Commitments to management bodies and the Board of Directors

Post-employment benefit commitments

As of December 31, 2014, the total commitment of the Company in respect of retirement benefits for corporate officers and Executive Committee members amounted to €67 million.

Indemnification of Executive Committee members

Indemnification payments to members of the Executive Committee in certain cases where they cease to continue their terms of office or exercise their functions were set at twice the annual gross compensation (fixed, variable, and in-kind) they received over the 12 months preceding the date on which they cease to continue their functions, and, in the case of the Company's three corporate officers, the Board of Directors decided on February 19, 2015 that the payment of these indemnities would be subject to the achievement of certain performance objectives.

NOTE 18. OFF-BALANCE SHEET COMMITMENTS

Main commitments given directly and indirectly by the Company

	As of December 31	
(in € millions)	**2013**	**2014**
Put options held by third-party shareholders over some of the Company's direct and indirect equity interests [a]	3,244	2,558
Post-employment benefits [b]	207	340
Rents	66	84
Services provided	18	9
Derivatives [c]	138	820
Security interests [d]	2,000	2,000
Guarantees [e]	750	750
Total	**6,423**	**6,561**

(a) Commitments given directly or indirectly by the Company (see details hereafter in the section entitled Put options over the Company's direct and indirect equity interests).
(b) Net commitments in respect of defined benefit retirement plans (see Note 17 of the Notes to the financial statements of the parent company Danone).
(c) Cross-currency swaps to hedge bonds denominated in foreign currencies (see Note 14 of the Notes to the financial statements of the parent company Danone).
(d) The Company acted as joint and several guarantor for Danone Finance International.
(e) The Company may grant a guarantee or a security interest for the various financial risk management operations to be carried out by its subsidiary Danone Corporate Finance Services.

Put options over the Company's direct and indirect equity interests

The Company or certain of its direct or indirect subsidiaries granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. Their exercise price is generally based on the profitability and financial position of the company concerned at the exercise date of the put option.

As of December 31, 2014, the financial commitments given by the Company and all of its consolidated subsidiaries were estimated at €2,558 million, of which €2,209 million may be paid in accordance with contractual terms in the 12 months following the year end.

Commitments received

Commitments received by the Company concern €5.9 billion in available committed credit facilities.

Other commitments

The Company and certain of its subsidiaries are parties to a variety of legal and arbitration proceedings arising in the ordinary course of business. Some of these proceedings involve claims for damages, and liabilities are provided for when a loss is probable and can be reliably estimated.

NOTE 19. PERSONNEL

Average number of Company's employees during the year

				Year ended December 31
(in number, except percentage)		**2013**		**2014**
Executives and managers	583	79%	575	79%
Supervisors and technicians	115	16%	103	14%
Clerical staff	42	5%	47	7%
Total	**740**	**100%**	**725**	**100%**

NOTE 20. RELATED PARTY TRANSACTIONS

Transactions with related parties

		Year ended December 31
(in € millions)	**2013**	**2014**
Operating income	467	463
Income from equity interests	964	730
Interest on loans and receivables and similar financial income	23	27
Total income	**1,454**	**1,220**
Operating expense	(41)	(29)
Interest on borrowings and similar financial expense	(80)	(43)
Total expense	**(121)**	**(72)**

Balances with related parties

(in € millions)	As of December 31 2013	2014
Long-term loans and receivables	–	–
Short-term loans and receivables [a]	1,012	113
Total assets	**1,012**	**113**
Other financial debt	2,000	1,035
Other liabilities	78	69
Total liabilities	**2,078**	**1,104**

(a) As of December 31, 2013, the main component was the current account balance due from Danone Finance International.

NOTE 21. SUBSIDIARIES AND ASSOCIATES AS OF DECEMBER 31, 2014

(in € millions except percentage)	Capital [a]	Other shareholders' equity [a] [c]	Share capital held by the Company	Number of shares	Carrying amount of shares held by the Company Gross	Carrying amount of shares held by the Company Net	Maximum authorized amount of guarantees and endorsements given by the Company	Net sales for last fiscal year [b]	Net income (loss) for last fiscal year [b]	Dividends received by the Company during the fiscal year
Subsidiaries (at least 50% of the share capital held by the Company)										
French holdings										
DANONE CORPORATE FINANCE SERVICES	142	95	100%	8,875,000	179	179	500	–	2	–
COMPAGNIE GERVAIS DANONE	843	1,742	100%	33,440,074	473	473	–	–	(146)	348
DANONE BABY AND MEDICAL HOLDING	12,369	44	100%	12,369,171,277	12,366	12,366	–	–	58	59
DAN INVESTMENTS	6	–	100%	300,000	6	4	–	–	(1)	–
HOLDING INTERNATIONALE DE BOISSONS	174	931	100%	86,768,722	966	966	–	–	55	52
Foreign holdings										
DANONE SINGAPORE HOLDINGS PTE LTD	142	–	61%	144,830,596	108	108	–	–	26	16
DANONE ASIA PTE LTD	1,258	180	88%	1,951,114,726	1,151	1,151	–	–	138	183
DANONE FINANCE NETHERLANDS	8	36	100%	800,000	94	45	–	–	–	–
Associates (at least 10% to 50% of the share capital held by the Company)										
NV DANONE SA	983	721	23%	21,988	400	400	–	291	72	–
DANONE FINANCE INTERNATIONAL	965	4,959	33%	4,034,154	2,012	2,012	2,000	–	189	72
Total					**17,755**	**17,704**				

(a) The amounts relating to foreign companies are translated at the year-end rate.
(b) The amounts relating to foreign companies are translated at the year-end rate.
(c) Excluding results for the year.

NOTE 22. SUMMARY OF SHARES HELD IN PORTFOLIO

Carrying amount

	As of December 31	
(in € millions)	**2013**	**2014**
Shares of subsidiaries and associates [a]		
Equity interests (gross)	17,045	17,755
Provisions for impairment of equity interests	(70)	(50)
Total	**16,975**	**17,705**
DANONE treasury shares		
Treasury shares classified as Long-term financial assets [b]	1,595	1,578
Treasury shares classified as Marketable securities [b]	300	283
Total	**18,870**	**19,566**

(a) See details for the 2014 fiscal year in Note 9 of the Notes to the financial statements of the parent company Danone.
(b) See classification in Note 1 of the Notes to the financial statements of the parent company Danone.

NOTE 23. RESULTS AND OTHER SIGNIFICANT INFORMATION RELATING TO THE LAST FIVE YEARS

	2010	2011	2012	2013	2014
Capital at balance sheet date					
Share capital *(in €)*	161,980,460	160,561,643	160,790,500	157,757,000	160,948,000
Number of shares issued	647,921,840	642,246,573	643,162,000	631,028,000	643,792,000
Results for the year					
(in € millions)					
Net sales	347	417	478	520	474
Net income before taxes, amortization, depreciation and provisions	791	530	395	686	482
Net income tax [a]	126	109	112	77	76
Net income after taxes, amortization, depreciation and provisions	910	631	442	762	541
Dividend paid [b]	786	837	857	860	966
Earnings per share					
(in € per share)					
Net income after taxes, but before amortization, depreciation and provisions	1.42	1.00	0.79	1.19	0.85
Net income after taxes, amortization, depreciation and provisions	1.40	0.98	0.69	1.16	0.84
Dividend paid	1.30	1.39	1.45	1.45	1.50
Personnel					
Average number of employees for the year	690	725	746	740	725
Payroll expense *(in € millions)*	123	236	170	149	159
Compensation and benefits paid [c] (social security, social benefit schemes, etc.) *(in € millions)*	60	66	71	66	71

(a) Income (expense).
(b) Amount relating to the 2014 fiscal year estimated as of December 31, 2014 on the basis of the number of shares held by the Company as of that date. The 2013 dividend corresponds to the amount actually paid during the 2014 fiscal year. Of the total amount of €860 million, €315 million was paid in cash and €544 million was paid in new shares.
(c) Comprises personnel costs excluding social charges (see Note 12 of the Notes to the financial statements of the parent company Danone) and the provisions relating to stock-options and Group performance shares (see Note 13 of the Notes to the financial statements of the parent company Danone).

NOTE 24. SUBSEQUENT EVENTS

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 19, 2015, the date on which the Board of Directors approved the financial statements of the parent company Danone for the year ended December 31, 2014.

STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY DANONE

This is a free translation into English of the Statutory auditors' report on the financial statements issued in French and is provided solely for the convenience of English-speaking users. The Statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

Pursuant to the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2014, on:

- the audit of the accompanying financial statements of Danone;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2014, and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the provisions of Article L. 823-9 of the French commercial code relating to the justification of our assessments, we bring to your attention the following matters:

- the section entitled *Financial assets* in Note 1 of the Notes to the financial statements of the parent company Danone describes the methods for accounting for equity interests as well as the methods used to calculate impairment losses. We performed sample tests to confirm that these methods were applied correctly and we reviewed the methods used to determine the amount of the impairment losses. We have assessed the data and assumptions on which these estimates are based: as indicated in Note 1 of the Notes to the financial statements of the parent company Danone, these estimates were prepared in accordance with information and circumstances existing on the date the financial statements were drawn up and such estimates may differ from the actual amounts.
- as stated in Note 18 of the Notes to the financial statements of the parent company Danone, your company or some of its direct or indirect subsidiaries have undertaken to acquire the shares held by third-party shareholders in certain companies in which your company has a direct or indirect stake should such shareholders wish to exercise their put option. We reviewed the methods used by your company to calculate these financial commitments based on the information currently available. We have assessed the data and assumptions on which these estimates are based and the resulting valuations.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no observations to make as to the fair presentation of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements or its consistency with the parent company financial statements.

Regarding the information provided in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code relating to remuneration and benefits granted to the corporate officers (*mandataires sociaux*) and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

4.3 FEES PAID BY THE GROUP TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK

The table below presents the fees net of tax paid to the Statutory auditors for their services rendered in 2013 and 2014:

	PricewaterhouseCoopers				Ernst & Young et Autres			
(in € millions except percentage)	Fees 2013		Fees 2014		Fees 2013		Fees 2014	
Audit								
Statutory audits, certifications and review of the individual and consolidated financial statements	**4.4**	**72%**	**4.4**	**53%**	**4.1**	**66%**	**4.1**	**48%**
including Danone SA	*0.8*	*13%*	*0.7*	*9%*	*0.8*	*13%*	*0.8*	*9%*
including fully consolidated subsidiaries	*3.6*	*59%*	*3.7*	*45%*	*3.3*	*53%*	*3.3*	*39%*
Other services directly related to the audit	**1.3**	***21%***	**3,3** [a]	***40%***	**1.8**	***29%***	**4,0** [a]	***47%***
including Danone SA	*0.7*	*11%*	*3.0*	*36%*	*1.3*	*21%*	*3.8*	*45%*
including fully consolidated subsidiaries	*0.6*	*10%*	*0.3*	*4%*	*0.5*	*8%*	*0.2*	*3%*
Total Audit	**5.7**	***93%***	**7.7**	***94%***	**5.9**	***95%***	**8.1**	***96%***
Other services provided by the auditors' networks to the fully consolidated subsidiaries								
Legal, tax, social	**0.3**	*5%*	0,3 [b]	*4%*	0.3	*5%*	0,4 [b]	*4%*
Other	**0.1**	*2%*	0,2 [c]	*2%*	–	*0%*	–	*0%*
Total Other services	**0.4**	**7%**	**0.5**	**6%**	**0.3**	**5%**	**0.4**	**4%**
Total [d]	**6.1**	**100%**	**8.2**	**100%**	**6.2**	**100%**	**8.5**	**100%**

(a) Services provided in 2014 included due diligence directly related to the Statutory auditors' engagements performed during the transactions of acquisition or disposal of entities for €2.9 million (PricewaterhouseCoopers, €1 million in 2013) and €3.7 million (Ernst & Young, €0.9 million in 2013).
(b) This amount related solely to tax services provided by the networks to some foreign Group subsidiaries. These services related mainly to the issuance of tax certifications as required by local authorities (Turkey - PricewaterhouseCoopers, Mexico – Ernst & Young) as well as the review or technical analysis of tax positions adopted by some foreign subsidiaries.
(c) This amount, for 2014 and 2013 included mainly services of assistance and training on non-financial fields provided by the network to some Group subsidiaries (Russia).
(d) Fees invoiced in foreign currencies have been translated into euros on the basis of the 2014 average rates used by Danone.

4.4 INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT OPINIONS AND DECLARATIONS OF INTEREST

Nil.

Social, societal and environmental responsibility

5

5.1 DANONE SOCIAL, SOCIETAL AND ENVIRONMENTAL APPROACH 178

General policy 178

Danone's CSR policy in detail 178

Primary programs, policies and actions implemented by Danone with regard to social, societal and environmental responsibility 179

5.2 INFORMATION CONCERNING THE GROUP'S SOCIAL, SOCIETAL AND ENVIRONMENTAL PERFORMANCE IN COMPLIANCE WITH THE GRENELLE II LAW 181

Social information 182

Environmental information 189

Societal information 199

Methodology note 202

Report by one of the Statutory Auditors, appointed as an independent third party, on the consolidated environmental, labour and social information presented in the management report 206

5.3 FUNDS SPONSORED BY DANONE 208

danone.communities 208

Danone Ecosystem Fund (Fonds Danone pour l'Écosystème) 210

Livelihoods 211

This section describes the Group's policy and accomplishments in the area of social, societal and environmental responsibility. It is organized as follows:

- *description of Danone's approach to social, societal and environmental responsibility;*
- *information concerning the Group's social, societal and environmental performance in compliance with the provisions of Article 225 of law No. 2010-788 of July 12, 2010 ("Grenelle II") and its implementing decree; and*
- *other information related to the Group's social, societal and environmental responsibility: Funds sponsored by Danone.*

More extensive information concerning Danone's strategy and performance with regard to Sustainable Development can be found in the Group's Sustainable Development Report published annually. The Group's practices and quantitative results are described there, based in particular on the Global Reporting Initiative (GRI) indicators.

Danone has also been a pilot participant in the IIRC (International Integrated Reporting Council) integrated reporting program since 2011.

In general, the amounts presented are rounded to the nearest unit. As a result, the sum of the rounded amounts may vary slightly from the reported total. Moreover, ratios and differences are calculated on the basis of the underlying amounts, not the rounded figures.

5.1 DANONE SOCIAL, SOCIETAL AND ENVIRONMENTAL APPROACH

General policy

As a direct result of Danone's dual economic and social project, Corporate Social Responsibility (CSR) is deeply anchored in the Group's business activity (see section 2.5 *Other elements related to the Group's activity and organization*).

In 1972, Antoine RIBOUD noted that "corporate responsibility does not stop at the factory gate or the office door." This vision led to the dual economic and social project that forms the basis for Danone's development and organizational model.

In 2006, Danone redefined the Group's mission: "bringing health through food to as many people as possible." This mission requires that Danone take concrete steps with regard to today's major societal challenges:

- challenges linked to products and consumers, by marketing safe and healthy products and promoting a healthy lifestyle and nutrition education;
- environmental challenges, because for Danone, healthy food begins with a healthy environment; and
- social challenges, notably jobs, enhancing employability and professional skills, employee commitment, social dialogue and consideration for the communities and regions where the company operates and of their social cohesion.

To continue to meet these challenges and grow in accordance with its mission, Danone decided to focus on three key strategic areas:

- diet: the goal is to promote changes in dietary practices by raising awareness among target populations and helping people to make healthier choices in their daily lives;
- food and water cycles: the goal is to ensure Danone's ability to sustain its operations by promoting sustainable development and securing access to strategic raw materials in terms of both quantity and quality, and to strengthen its competitive advantage for each of its principal resources: water, plastics and milk; and
- a unique management model: by 2020, Danone will have incentivized and enabled its nearly 100,000 employees and their ecosystems to work in concert and seize the growth opportunities of a new and constantly changing world.

Danone's CSR policy in detail

Danone's CSR approach is characterized by the depth of its integration into the Group businesses and the systematic intention to create value for shareholders and for all stakeholders as well.

To achieve this, Danone has integrated its CSR approach into its primary processes and business activities across the various stages in the value chain, and notably for the following processes:

- production, in particular through the direct participation of manufacturing in achieving targets for safety and reduced water and energy consumption;
- procurement, based on a policy of responsible procurement;
- human resources, notably through diversity, social dialogue and individual employee development; and
- marketing, research and development and sales, by developing synergies between CSR and these functions.

Danone has, in particular, created an organization and specific governance, including:

Social Responsibility Committee

Formed from the Board of Directors, it notably examines the Group's extra-financial data and ratings, as well as social policy and investments related to societal aspects implemented by the Group (see section 6.1 *Governance bodies* related to the *Social Responsibility Committee*).

Health governance

It integrates the principles, mechanisms and evaluation methods that allow Danone to meet its commitments as defined in 2009 in the Danone Food Nutrition Health Charter (see section *Food Nutrition Health Charter* hereafter).

CSR goals defined at the Group level

These CSR goals are set by General Management at the consolidated Group level, and may be defined over the medium term, such as the Group's carbon footprint reduction goal, staff safety, etc. Certain goals determine a portion of the variable compensation of its employees (see section *Variable compensation system*, hereafter).

Variable compensation system

Since 2008, the Group has integrated societal performance into its variable compensation system, with the introduction of criteria to evaluate the performance of the Company's 1,300 senior managers and executive managers. This system is based on a three-part approach to performance: (i) one part on economic, (ii) one part on social and/or environmental, and (iii) one part on individual performance (see section 6.3 *Compensation and benefits for corporate officers and governance bodies*).

Funds sponsored by Danone

These are funds created at Danone's initiative: danone.communities created in 2007, the Danone Ecosystem Fund (Fonds Danone pour l'Écosystème) created in 2009 and the Livelihoods fund created in 2011 (see section 5.3 *Funds sponsored by Danone*).

Deployment of the CSR approach in all the Group's subsidiaries through the design and implementation of policies and conventions

The main conventions and policies deployed by Danone are detailed and described in section 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law* hereafter.

Primary programs, policies and actions implemented by Danone with regard to social, societal and environmental responsibility

Danone Way

The Danone Way approach, launched in 2001 and updated in 2007, is a key component of Danone's sustainable development approach, with the goal of ensuring compliance with basic sustainable development criteria by all subsidiaries. In 2014, the subsidiaries covered by the program represented 93% of the Group consolidated net sales.

It defines best practices for social, societal and environmental responsibility in the various stages of the Group business, from raw materials sourcing to recycling the packaging of finished products. To assess the relative progress of sustainable development at the subsidiaries, the Danone Way approach assesses their compliance with these best practices. This approach is verified by a third-party, independent organization.

Each year, every subsidiary self-assesses its sustainable development performance based on 16 key sustainability practices, organized into the following five thematic areas:

- human rights (equal opportunity and diversity, workplace safety and health);
- human relations (social dialogue, working hours, individual development and training);
- environment (environmental footprint management, environmental risk control, raw materials management and reduction of packaging);
- consumers (quality management and nutrition and health standards); and
- governance (business conduct policy, social responsibility applied to suppliers and relations with local communities).

WISE "Work In Safe Environment"

WISE is a global program rolled out by Danone in 2004 which aims to develop a robust health and safety culture in all its subsidiaries and reduce workplace accidents.

This program defines rules and best practices for safety and health. It is deployed in all Divisions around the world, at the Group's plants and logistics warehouses and in distribution. It also applies to subcontractors working at Danone sites. The program is led by the Human Resources Department, with designated managers at each level: Division, subsidiary and site.

To ensure that the health and safety culture is disseminated throughout the Group, the WISE program relies on WISE audits to evaluate subsidiaries' performance in the following 13 categories: "organization, policy, responsibility and accountability, goals and objectives, standards, motivation, communication, training, observation (audit), contractors, supportive safety personnel and incident investigations".

IUF conventions

Danone has signed conventions with the IUF (International Union of Food workers), beginning in 1988. As of December 31, 2014, nine global conventions and one European convention between Danone and the IUF were in effect.

These conventions define rules and best practices, notably with regard to diversity, social dialogue, steps to be implemented for business changes impacting employment or working conditions, combating all forms of discrimination and encouraging diversity, trade union rights, and procedures for consulting employee representatives in the case of business changes with consequences for employment.

The latest global convention between Danone and the IUF was signed on September 29, 2011 and concerns health, safety, working conditions and stress, following the framework agreement signed in 2010 with trade union organizations in France.

This convention defines the following principles:

- consideration for the human consequences of change, in advance of major changes to the organization;
- preservation of the balance between personal and professional life;
- identification of pathways for simplifying work to improve efficiency as well as employee well-being;
- employee participation in safety-related preventive actions making it possible to ensure their safety as well as their right to remove themselves from a hazardous situation; and
- implementation of medical monitoring in all subsidiaries and at all sites.

These conventions between Danone and the IUF are deployed in every Group subsidiary, and their application is jointly evaluated every year by a representative from Danone and a representative from the IUF.

RESPECT

The RESPECT policy aims to protect sustainable development principles across the entire Group supply chain and in particular with Danone's primary suppliers.

This policy was launched in 2005 and rolled out since 2006 in all Divisions to ensure compliance with the seven fundamental labor principles formalized by Danone since 2001 based on standards defined by the International Labor Organization: (i) child labor, (ii) forced labor, (iii) non-discrimination, (iv) freedom of association and the right to collective bargaining, (v) workplace health and safety, (vi) working hours, and (vii) compensation. Those principles are described in the section hereafter.

The RESPECT methodology is based on a system of controls that includes: (i) suppliers' signature of the sustainable development principles, (ii) a map of supplier risks drawn up by purchasing managers, (iii) external labor audits for the most "at risk" suppliers, (iv) corrective action plans in case of non-compliance identified during the audit, and (v) monitoring of this action plan by Danone's purchasing managers.

RESPECT is based on a specific tool Sedex (Supplier Ethical Data Exchange), a dedicated online information sharing and pooling platform used by several companies in the food and beverage sector that allows their suppliers to (i) enter the data pertaining to their production sites, sustainable development and societal responsibility policies, and (ii) share this information with several clients at once.

In 2009, the scope of the RESPECT policy was expanded to include environment and ethics sections.

Based on these three pillars – employment, environment and ethics – RESPECT constitutes a global policy for managing sustainable development standards with suppliers.

Food Nutrition Health Charter

Danone's Food Nutrition Health Charter describes the concrete action guidelines based on Danone's mission of "bringing health through food to as many people as possible." This charter, implemented in 2005 and updated in 2009, formalizes Danone's five commitments. These commitments address the concerns of authorities on food-related public health issues.

The five commitments include:

- proposing nutritional solutions that are continuously tailored to nutritional needs and recommendations, tastes and incomes;
- developing products with relevant, scientifically proven health benefits;
- informing consumers clearly and advertising responsibly;
- promoting healthy diet and lifestyle; and
- address major health-and-nutrition-related societal challenges.

5.2 INFORMATION CONCERNING THE GROUP'S SOCIAL, SOCIETAL AND ENVIRONMENTAL PERFORMANCE IN COMPLIANCE WITH THE GRENELLE II LAW

This section presents information concerning Danone's social, societal and environmental performance in compliance with the provisions of Article 225 of law No. 2010-788 of July 12, 2010 ("Grenelle II") and its implementing decree.

Scopes and definitions related to social, societal and environmental performance data are described in the *Methodology note*, at the end of this section.

TABLE OF CONTENTS

Social information **182**

Employment 182
Work organization 184
Social relations 185
Health and safety 185
Training and employee development 187
Equal treatment 188
Promotion of and compliance with ILO's fundamental conventions 189

Environmental information **189**

General environmental policy 189
Pollution and waste management 191
Sustainable use of resources 193
Climate change 197
Protecting biodiversity 198

Societal information **199**

Regional, economic and social impact of the Group's business 199
Relationships with the people and organizations with an interest in the Group's business 200
Subcontracting and suppliers 200
Fair trade practices 201
Initiatives in favor of Human Rights 202

Methodology note **202**

Consolidation scope and coverage 202
Data collection 203
Methodological details 203

Report by one of the Statutory auditors, appointed as an independent third party, on the consolidated environmental, labour and social information presented in the management report **206**

Social information

Employment

Group workforce

As of December 31, 2014, the Group workforce of all globally consolidated Danone companies was 99,927 employees (104,642 in 2013). This data covers the Group's Total Workforce Scope as defined in the *Methodology note*.

Breakdown by region and by Division

The table hereafter shows the total number of employees and their breakdown by geographic region and by Division as of December 31, 2013 and 2014 on the Social Indicators Scope (excluding the subsidiaries that did not report social indicators other than the total workforce – see *Methodology note*).

	Year ended December 31	
	2013	**2014**
Total workforce [a]	**85,853**	**93,925**
By geographic region		
France	10%	9%
Rest of Europe	22%	30%
China	12%	11%
Rest of Asia-Pacific	20%	18%
North and South America	32%	28%
Africa and Middle East	4%	4%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	35%	40%
Waters	43%	40%
Early Life Nutrition	14%	13%
Medical Nutrition	7%	6%
Central function	1%	1%
Total	**100%**	**100%**

(a) Social Indicators Scope (see *Methodology note*).

Workforce by age and by gender

By gender

The table hereafter shows the breakdown of the workforce by gender as of December 31, 2013 and 2014.

	Year ended December 31					
	Women		**Men**		**Total**	
	2013	**2014**	**2013**	**2014**	**2013**	**2014**
Total workforce [a]	**25,456**	**29,311**	**60,397**	**64,614**	**85,853**	**93,925**
Percentage of the total [a]	30%	31%	70%	69%	100%	100%

(a) Social Indicators Scope (see *Methodology note*).

By age

As of December 31, 2014, more than 89% of Danone employees (Social Indicators Scope, see *Methodology note*) were underage 50.

	Year ended December 31
Workforce percentage [a]	**2014**
< 20 years old	0.4%
from 20 to 29 years old	27.1%
from 30 to 39 years old	38.5%
from 40 to 49 years old	23.1%
from 50 to 59 years old	9.8%
> 60 years old	1.1%
Total	100%

(a) Social Indicators Scope (see *Methodology note*).

As of December 31, 2014, fewer than 20% of all employees in Western Europe and North America were under age 30, while employees under age 30 in the other geographic regions accounted for 27% to 33% of the workforce.

			Year ended December 31
			2014
Workforce percentage [a]	**Under 30**	**30 to 49**	**50 and older**
By geographic region			
Africa and Middle East	31%	64%	5%
Asia Pacific	33%	63%	4%
Eastern Europe	27%	59%	14%
Western Europe	15%	59%	26%
Latin America	31%	64%	5%
North America	16%	60%	24%

(a) Social Indicators Scope (see *Methodology note*).

New hires and dismissals

In an international economic environment marked by tensions, Danone needs to make the necessary adjustments to changes in the market, business plans and the competition as well as adapt its organization in order to return to sustainable growth and ensure its long-term viability. The consequences of these adjustments on employment are the subject of ongoing social dialogue that is part of an employment system designed to minimize the adverse impacts. Alternative solutions to layoffs are systematically sought. When such layoffs become inevitable, a significant employee support system is deployed to minimize the consequences for the individuals concerned. Thus it was possible to ensure continued employment for workers after the disposal of several sites thanks to guarantees implemented by Danone in 2014.

In 2014, there were 8,773 dismissals, compared with 5,234 the previous year (Social Indicators Scope, see *Methodology note*), along with a total of 14,439 new hires.

Compensation and promotion

Compensation

Danone fosters competitive and equitable compensation based on its own system for evaluating and classifying jobs to support human resources development worldwide and create an individualized compensation management approach that takes into account the requirements and local situations of the various subsidiaries.

This policy is updated annually within each subsidiary, based on market studies of external compensation levels by country and on decision-making tools and processes guaranteeing equitable compensation. Median salaries by classification level and rules for wage increases are defined relative to local job market conditions and subsidiaries' needs, and under consideration of the Group subsidiaries' ability to generate growth and profits, as well as employment performance.

Compensation policy is generally based on an overall compensation approach related to economic, social and managerial performance goals (see section 6.3 *Compensation and benefits for corporate officers and governance bodies*).

Incentive and profit-sharing plans for employees of certain Group companies

The Company's employees benefit from a three-year incentive plan, which was renewed in 2012 and is mainly based on the Group's results.

The Group's other French subsidiaries and certain of its foreign subsidiaries have also implemented employee profit-sharing and/or incentive plans based on their own results.

In 2014, expenses recognized by the Group in connection with employee incentive and profit-sharing plans totaled €99 million (€96 million in 2013).

Employee shareholding and Company Savings Plan for certain Group companies

The employees of the Group's French subsidiaries may subscribe an annual capital increase as part of a Company Savings Plan (*Plan d'Épargne Entreprise*). The shares' subscription price corresponds to 80% of the average listed Danone share price during the 20 market trading days prior to the Board of Directors' meeting at which the capital increase is approved (see section 7.3 *Authorization to issue securities that give access to the share capital*).

Other employee benefits

In accordance with the Law of July 28, 2011, a profit-sharing bonus of €150 was paid to all employees of Danone and its French subsidiaries in 2014, in addition to the amounts paid under the Group's other incentive and profit-sharing mechanisms.

Retirement obligations and other long-term benefits

The Group contributes to employee retirement benefit plans in accordance with the laws and usual practices of countries where its subsidiaries operate. As a result of contributions paid under such plans to private or state sponsored pension funds, the Group has no actuarial liability in that respect.

The Group also has contractual obligations for supplementary retirement plans as well as severance, retirement indemnities and personal protection. The related actuarial commitments are taken into account either through the payment of contributions to independently-managed funds responsible for their service and the fund administration, or through provisions.

The amount provisioned for these obligations in the Group's consolidated financial statements as of December 31, 2014 and the expenses for the year are presented in Note 7.3 of the Notes to the consolidated financial statements.

Work organization

Organization of working hours

The organization of working hours within the Group varies according to the local environment of each subsidiary, with different work schedules, such as employees opting for a transition to part-time work (number of work hours hereafter that legally defined for full-time employment or the number of hours generally worked in the subsidiary) or the establishment of work-at-home practices at the Group's various subsidiaries, which helps to improve the employees' quality of life.

The table hereafter shows the breakdown of full-time and part-time employees by geographic region and by Division as of December 31, 2013 and 2014:

Year ended December 31

	Full-time employees		Part-time employees	
Workforce percentage [a]	**2013**	**2014**	**2013**	**2014**
By geographic region				
Africa and Middle East	98.2%	99.7%	1.8%	0.3%
Asia Pacific	97.3%	98.6%	2.7%	1.4%
Eastern Europe	96.7%	97.7%	3.3%	2.3%
Western Europe	86.9%	86.2%	13.1%	13.8%
Latin America	99.9%	99.6%	0.1%	0.4%
North America	97.9%	98.3%	2.1%	1.7%
By Division				
Fresh Dairy Products	97.5%	97.9%	2.5%	2.1%
Waters	96.2%	97.2%	3.8%	2.8%
Early Life Nutrition	95.2%	94.6%	4.8%	5.4%
Medical Nutrition	90.2%	90.3%	9.8%	9.7%
Central functions	91.7%	91.6%	8.3%	8.4%

(a) Social Indicators Scope (see *Methodology note*).

Danone promotes the application by its subsidiaries of best practices for work organization, especially through the Danone Way approach and the "Working hours and Organization" key practice (see section 5.1 *Danone social, societal and environmental approach*), which includes:

- evaluating policies implemented by the subsidiaries, notably with regard to introducing (i) procedures and information systems for measuring work time, (ii) employee surveys to assess workload, and (iii) targeted action plans if excess work time is noted with regard to the standards set or wishes expressed by employees; and
- monitoring indicators such as (i) average weekly time worked per employee (including overtime), and (ii) number of days off per week for each employee.

Absenteeism

The absenteeism rate (see *Methodology note*) was 2,2% in 2014. Given the limited availability of information in certain countries, the Group made estimates for this indicator as of December 31, 2014.

Social relations

Organization of social dialogue

Social dialogue at Danone is organized around:

- a worldwide social dialogue body, the Consultation and Information Committee (CIC) as well as its Steering Committee (*Comité de Pilotage – COPIL*);
- the negotiation and monitoring of international conventions with the IUF (International Union of Food workers), see section 5.1 *Danone social, societal and environmental approach*; and
- active social dialogue in the Group's subsidiaries with union and employee representatives.

Danone also promotes the application by its subsidiaries of best practices for social dialogue, in particular through the Danone Way approach's "Social Dialogue and Employee Involvement" key practice (see section 5.1 *Danone social, societal and environmental approach*), which includes:

- evaluating policies implemented by subsidiaries, in particular with regard to (i) the application of the IUF convention on social dialogue, (ii) the creation of a favorable framework for social dialogue, (iii) the organization of elections for independent employee representatives, and (iv) the organization of discussions with employee representatives and negotiation of agreements; and
- monitoring indicators such as (i) the number of economic and employment information sessions for all employees, (ii) the proportion of employees represented by employee representatives, and (iii) the number of annual meetings between site management and employee representatives.

Review of collective conventions

Nine global conventions between Danone and the IUF were in effect as of December 31, 2014 (see section 5.1 *Danone social, societal and environmental approach*). In particular, they concern diversity, social dialogue, and the phases to be implemented when changes in business activity affect employment or working conditions. The most recent global convention was signed on September 29, 2011 and addresses health, safety, working conditions and stress. In addition, two agreements on methodology specific to the plan for savings and adaptation of the Group's organizations in Europe notably the manufacturing facilities of the Fresh Dairy Products Division in Europe were signed in 2014. As part of this framework, three collective conventions were also signed in Germany, Italy and Hungary.

The nine global conventions are deployed in every Group subsidiary, and their application is jointly assessed each year at several subsidiaries by a representative from Danone and a representative from the IUF. Between 2009 and 2014, more than 50 fully consolidated subsidiaries were visited in this way.

Other conventions may be signed on local at the initiative, such as the agreement to promote employment of workers with disabilities, signed in February 2014 for Danone SA (the Group parent company), or the gender equality agreement signed by Blédina (Early Life Nutrition – France).

Health and safety

Workplace safety

Since 2004, Danone has been committed to a worldwide program, known as WISE (see section 5.1 *Danone social, societal and environmental approach*), with the goal of developing a safety culture at all Group sites and hence significantly reducing the number of workplace accidents. This program is rolled out in each Division worldwide, in plants and logistics warehouses and in distribution. It also applies to subcontractors working at Danone sites.

The management of health and safety and the WISE program are coordinated by the Human Resources Department with the support of designated managers at every level of the Group's organization.

Workplace accidents

The annual frequency rate of workplace accidents with medical absence (FR1 rate, see *Methodology note*) fell from 2.3 to 1.9 between 2013 and 2014. The Group's 2014 severity rate (SR rate, see *Methodology note)* for workplace accidents with medical absence totaled 0.1 for the Safety Scope (see *Methodology note*).

For the past two years, Danone has expanded its workplace accident management to include accidents with and without medical leave through systematic monitoring of the FR2 rate (accident frequency rate without medical leave). Danone now manages safety improvements at each of its sites and subsidiaries by measuring the decline in both types of accidents.

In 2014, the continued decline in the FR1 rate (-15%) was mainly due to the results of the Fresh Dairy Products Division, which was able to reverse the trend in Europe despite the challenging economic and social environment, and in Russia, where the roll-out of WISE in the sites of the former Unimilk group's companies has led to a drop in the FR1 rate of these companies for the first time since their acquisition. The Division also continued to record significant improvement in Latin America. This decrease was also due to very steady improvement in the FR1 rate by the Waters Division.

In 2014, the Group's workplace accident frequency rate without medical leave (FR2 rate, see *Methodology note*) was 4.4 for the Safety Scope (see *Methodology note*).

The following table presents the number of fatal accidents, the number of accidents with at least one day medical leave and Frequency Rate 1 by Division in 2013 and 2014.

Year ended December 31

(in number of accidents except frequency rate in percentage)	Fatalities [a]	Lost-time accident (with at least one day of absence) [a]	Frequency Rate 1 (FR1) [a]	Fatalities [a]	Lost-time accident (with at least one day of absence) [a]	Frequency Rate 1 (FR1) [a]
			2013			**2014**
By Division						
Fresh Dairy Products	1	228	3.4	–	194	2.4
Waters	–	103	1.2	3	86	1.0
Early Life Nutrition	–	61	2.5	–	65	2.3
Medical Nutrition	–	11	1.1	–	26	2.4
Central functions	–	30	7.2	–	28	6.5
Total	**1**	**433**	**2.3**	**3**	**399**	**1.9**

(a) Safety Scope (see *Methodology note*).

Working conditions

Use of the WISE program to promote improved working conditions

For the past two years, as an extension of the WISE program (see section 5.1 *Danone social, societal and environmental approach*) and due to the increased occurrence of musculoskeletal disorders among the workplace injuries at various types of Danone sites, working conditions are increasingly addressed through safety action plans.

The initiatives began in 2012 have been continued in the areas of:

- training: motion and posture training, ergonomics training for technical and engineering teams and training in risks associated with the use of chemicals;
- workstation adaptations; and
- new project design: dedicated investments and participatory proposals;

and expanded to the following areas:

- measures for employee turnover and working hours (local distribution); and
- engineering guidelines at the Fresh Dairy Products Division, currently being disseminated to the other Divisions.

Deployment of human feasibility studies

The convention signed in September 2011 with the IUF on health, safety, working conditions and stress (see section 5.1 *Danone social, societal and environmental approach*) stipulates that planning for the human consequences of major organizational changes is an important factor in maximizing the success of these changes and preventing potential negative impacts on employee working conditions.

The "human feasibility studies" implemented pursuant to the convention and intended to analyze, manage and monitor the human components of organizational projects continued to be implemented in 2014 in the framework of the Group's transformation projects.

Work-related illness

The rate of work-related illness and associated absenteeism are monitored only at the local level, mainly in order to take each country's legislation into account.

Health at work

Danone conducts initiatives aimed at promoting and developing health and well-being at work.

Ensure the health and well-being of Group employees by promoting good nutrition and a healthy lifestyle

Danone has been promoting health through food for its employees for several years with the Health@Work training programs of its subsidiaries.

Most subsidiaries have rolled out programs in the workplace to encourage employees to take responsibility for their health through a balanced diet and regular physical activity.

Provide quality social welfare and medical coverage for all employees, notably through the Dan'Cares program

In 2010 Danone launched the Dan'Cares program, with the goal of providing all Danone employees with basic healthcare coverage: hospitalization and surgery, maternity care, medical exams and pharmacy services.

Dan'Cares' specificity lies in its scope of application. It is meant to be rolled out in all Group subsidiaries, including in countries where such coverage does not traditionally exist (for example, maternity care). All employees are covered, including those with long-term, fixed-term and in some cases temporary contracts.

In some countries, employee healthcare coverage is also valid for their families.

In 2012, the Group conducted an audit of healthcare coverage in effect at all fully consolidated subsidiaries in order to expand Dan'Cares coverage to all countries where the Group operates.

As of the date of this Registration Document, 70,000 employees in 25 countries received healthcare coverage in line with the standards defined by Dan'Cares, including 40,000 employees whose coverage resulted from the implementation of action plans initiated since 2011; the actions carried out in 2014 focused mainly on the implementation of Dan'Cares in Russia.

Prevent work-related stress and improve quality of life at work

In the spirit of the agreement signed with the IUF in September 2011 (see section 5.1 *Danone social, societal and environmental approach)*, Danone addresses issues of workplace health and safety, working conditions, and stress prevention in the workplace through preventive measures applied to all subsidiaries.

In France, this convention has been implemented through the signature in 2011 of two company-wide agreements concerning respectively (i) prevention of stress and mental health risks and improvement of working conditions at Danone Produits Frais France, and (ii) improvement of quality of life through risk prevention and collective performance at Société Anonyme des Eaux Minérales d'Evian.

Since 2012, the completion of a self-assessment by subsidiaries with regard to the content of the convention with the IUF, and the drafting of a prioritized action plan were integrated into the Danone Way "Health, Safety, Working Conditions and Stress" key practice (see section 5.1 *Danone social, societal and environmental approach*).

Several initiatives have been rolled out, notably:

- certain subsidiaries have established workplace health committees to enable formal coordination of initiatives for quality of life in the workplace, in concert with trade unions;
- in 2014, some subsidiaries were able to measure the impact of stress by recording workplace accidents involving mental health;
- the implementation of committees to detect situations of workplace isolation, making it possible to anticipate risk situations and implement multidisciplinary prevention measures, continues at a growing number of sites;
- management training programs are steadily enhanced with stress detection and prevention modules for team managers. Specialized coaches are made available to certain teams in order to remedy situations that have deteriorated; and
- lastly, in 2014 certain subsidiaries began formally extending the Wise approach to enable systematic stress prevention and improve quality of life in the workplace, and adapted their Health/Safety organizations to address these challenges.

Training and employee development

Develop the employability of all employees

Ensuring the employability of all its employees is one of Danone's priorities. The Group therefore ensures that all employees receive regular training, sets up effective work structures that combine well-being and efficiency, and develops its employees' autonomy.

In 2014, 83,366 employees participated in at least one training course (compared with 83,060 in 2013 on the Social Indicators Scope, see *Methodology note*), and a total of 2,329,650 training hours were provided (compared with 2,632,750 hours in 2013 on the Social Indicators Scope, see *Methodology note*).

Making Group training programs available to as many employees as possible

Danone seeks to reach a maximum number of employees through the Danone Academy training programs.

First, Danone favors functional training courses developed and run internally by Danone managers from various functions and countries. Danone invests in a structured network of in-house trainers, supported by suitable training and development tools and appropriate recognition given to promoting the organization of self-instruction.

Additional training courses are provided in a corporate university format, the "Danone Academy Campus." These universities combine training, networking and exploration of general interest topics (such as "social innovation and social business"). In 2014, Danone Academy Campus events were organized worldwide.

Danone has also developed the Danone Learning Solutions training kits, which are distributed to the human resources managers at the subsidiaries to facilitate employee access to training on general topics such as finance for non-financial staff, marketing for non-marketing staff, project management and welcoming new employees.

Finally, numerous online programs were launched using an e-learning format (e-learning modules: short, topical learning modules using videos, text documents, etc.) to make them more accessible (for example, Category Manager training, WISE for workplace safety topics, the Danone Discovery Induction integration game).

Following these programs, the Group developed a "Campus 2.0" technology platform in order to:

- provide employees with digital training materials; and
- facilitate the sharing of knowledge and best practices among employees.

This platform has been operational since October 2013 and steadily implemented at all of the Group's consolidated subsidiaries, with a deployment scheduled in many Group subsidiaries in 2015.

The goal of these initiatives is to multiply the learning opportunities for Danone employees, a goal that is summed up in the adage "One learning a Day."

Danone Leadership College (DLC)

In addition to the functional training courses, Danone launched the Danone Leadership College (DLC) training module in 2008, with the goal of enhancing autonomy and accountability of all Group employees and making Danone a "Great Place to Grow" (where every employee can learn and develop). This program is based on a "Danone leadership model" known as "CODE" (Committed, Open, Doer, Empowered), which is based on the principle that every employee can develop leadership skills.

The primary advantage of the DLC is the dynamism it brings to (i) operations, by uniting and extensively involving the teams in each subsidiary's strategy, and (ii) individual and collective management and leadership capabilities, formally defined around Group values.

Since 2011, the program has been expanded to involve a greater number of Danone non-management employees in manufacturing operations and local sales teams. In this regard, the CODE in Action programs for operators at production sites and CODE for sales teams are deployed and distributed globally.

Promoting best practices in training

Danone promotes the application of best practices for training in its subsidiaries, in particular through the Danone Way approach (see section 5.1 *Danone social, societal and environmental approach*), based on the "Training" and "Individual Development" key practices, which include:

- evaluating the policies implemented by subsidiaries, notably with regard to (i) a training plan suited to the subsidiary's training needs, with a budget and information system dedicated to training, (ii) training policy, (iii) joint monitoring of employee development, and (iv) training initiatives; and
- monitoring indicators such as: the percentage of employees who (i) received at least 24 hours of training during the year or (ii) had a formal individual meeting with their supervisors, or (iii) the number of Danone in-house trainers.

Equal treatment

Diversity

Danone relied on the global convention signed with the IUF in 2007 (Diversity convention described hereafter) to develop its equal treatment policy.

This policy is implemented through social dialogue, human resources practices and procedures.

The Group has identified and implemented seven action areas to guarantee equal treatment: recruiting, training, Human Resources development (career and skills management), compensation, working conditions, communication and social dialogue.

The Group adopts a global and integrated approach to equal treatment, although some action areas may be implemented locally to address specific challenges.

The Group ensures the promotion of "Equal Opportunities and Diversity" through the Danone Way approach (see section 5.1 *Danone social, societal and environmental approach*), which focuses on:

- statistical analysis of all Human Resources processes and the objectivity of all Human Resources practices and processes;
- the development of a managerial culture and knowledge of diversity through training; and
- communication and mobilization around diversity-related matters.

Social dialogue

Local agreements have been signed by some subsidiaries with the trade unions to combat discrimination and encourage diversity, with the global convention signed with the IUF in 2007 (Diversity convention) serving as a reference point and basis for dialogue between employees and management (see section 5.1 *Danone social, societal and environmental approach*).

Agreements fostering equality between men and women in particular have been signed in recent years, or are about to be signed, in many subsidiaries, particularly in France. These agreements primarily concern equality in hiring and internal promotion, training, wage equality, measures to support personal/professional life balance such as telecommuting or parenting.

Several agreements aimed at promoting the integration of all generations working at the company exist in the subsidiaries, for example in the French subsidiaries: agreements on management of employment for seniors, intergenerational agreements to promote the transfer of knowledge and skills.

Training

Danone raises employee awareness of diversity, in particular when they first join the Group, (i) by human resources for new hires during the recruiting process, and (ii) for operational staff through the training programs offered by the French subsidiaries: for example, the Dan'Discovery training program aimed at new hires includes a diversity module.

Gender equality

Danone carefully monitors female employment trends in the overall workforce and by management level.

The proportion of women in the population of managers, senior managers and executive managers in the Group continued to grow in 2014.

The Group achieved these results in particular thanks to the Women Plan program introduced in 2009 and rolled out in every subsidiary, (*via* the Danone Way approach, see section 5.1 *Danone social, societal and environmental approach*), which is based on the following two approaches hereafter, one organizational and the other individual.

Organizational

On the organizational level, the Group has implemented the following measures:

- proactive measures aimed at increasing the number of female employees at all management levels, based on three key factors: (i) internal promotions, (ii) external hiring, and (iii) retention of women within the Group;
- measures supporting flexible working hours for men and women; and
- wage equality.

Individual

On the individual level, the Group has implemented the following measures:

- support for women through the ad-hoc training programs ("Leadership au Féminin", Women in Leadership), networking (Eve seminar, DSN Women Network@Danone community, Eve the blog) and mentoring (Eve2Eve); and
- inclusion of men in the diversity approach (participation in Eve seminars, opening of women's networks to men).

In late 2010, Danone created the EVE seminar along with several partner companies around the theme of "Dare to be yourself in order to act." The EVE seminar, which includes both women and men, is now a benchmark in the area of awareness-raising and personal development on the topic of female leadership.

Following its success in Europe, the Group deployed EVE Asia in 2014.

Generational diversity

In 2014, the Group pursued two major intergenerational initiatives:

Octave seminar

In 2012, Danone launched the Octave seminar – also an intercompany initiative – as an extension of the EVE seminar based on the notion that older and younger workers both have something to contribute to the Group, and that overall performance benefits when generations interact. The Octave seminar is held annually. In 2014 it drew 180 attendees from different countries and 20 speakers on the topic of "intergenerational affairs in the digital era."

Gen D program

This program launched by Danone in 2012 aims to share the Danone culture with the Group's youngest workers (employees under age 30) and to increase their contact with Group executive management. It is held twice a year.

Disabilities

The percentage of persons with disabilities working for the Group in France was 4.2% in 2014 (consolidated data for each year compiled in February of the following year).

This figure covers a variety of situations in terms of degree of advancement and integration policy for workers with disabilities, notably depending on the stringency of applicable local laws. Some subsidiaries have signed specific three-year agreements with trade unions, thereby demonstrating their long-term commitment in this area.

Promotion of and compliance with ILO's fundamental conventions

Danone's commitment to comply with and promote the fundamental conventions of the International Labor Organization (ILO) has been formalized, deployed and promoted to employees and suppliers through a variety of means and in several phases.

Danone joined the United Nations Global Compact, which integrates the ILO's fundamental conventions, in 2003 and confirmed its commitment again in 2009.

Additionally, in 2005, the seven Fundamental Social Principles (abolition of child labor, abolition of forced labor, principles of non-discrimination, freedom of association, workplace health and safety, working hours and compensation) defined in the ILO's conventions, were addressed in a convention between Danone and the IUF (see section 5.1 *Danone social, societal and environmental approach*).

Proper application of these principles by the Group's subsidiaries is verified by audits carried out jointly by Danone and the IUF (see above section *Review of collective conventions*).

These principles are also implemented through the Danone Way approach, which comprises Human Rights and Human Relations sections and which imposes the abolition of forced labor and child labor as a prerequisite for participation (see section 5.1 *Danone social, societal and environmental approach*).

These seven Fundamental Social Principles also form the foundation for the RESPECT policy launched in 2005, one goal of which is to extend these principles to the Group's suppliers (see section 5.1 *Danone social, societal and environmental approach*). The RESPECT policy is applied by evaluating and, if necessary, auditing supplier practices in all these areas.

Lastly, these commitments are rolled out to all Group employees through the Group's code of ethics known as the Business Conduct Policy, which is based on principles drawn from the following international instruments:

- the Universal Declaration of Human Rights;
- the fundamental conventions of the International Labor Organization;
- the guiding principles defined by the Organization for Economic Cooperation and Development for multinational companies; and
- the Global Compact on Human rights, labor rights, environmental protection and anti-corruption.

Environmental information

General environmental policy

For Danone, a "healthy diet begins with a healthy environment".

The Group's actions are embedded in the nutrition supply chain, which extends from the production of agricultural raw materials and use of water to product end-of-life, including along the way industrial processing, packaging, transportation and distribution.

Danone adopted an Environmental Charter in 1996 and established goals and a 10-year roadmap in 2000. In 2008, the Group strengthened its commitment by setting a goal of reducing its greenhouse gas emissions intensity by 30% for the scope of operations under its direct responsibility. This goal was exceeded in 2012, and at end-2014 the reduction totaled 41.6%.

Danone identified four key areas on which it would like to structure the new Nature plan for 2020: (1) the climate, (2) water, (3) packaging and (4) agriculture:

- (1) fight climate change by reducing Danone's footprint while promoting carbon sequestration;
- (2) protect water resources, notably where they are scarce, and use them in harmony with local ecosystems and communities;
- (3) transform waste into a resource and use materials made from sustainable resources; and
- (4) promote and encourage agriculture that produces a healthy and balanced diet while at the same time remaining competitive, creating economic and social value added and respecting natural ecosystems.

Each of these areas includes ambitious initiatives. In some cases, the Group is already engaged, while in others the Group faces new frontiers and new targets. The solutions will require innovation.

Danone's commitments under its Nature 2020 plan are formalized in a dashboard available on the www.danone.com website in the "Our strategy" and "A sustainable food chain" section.

Group organization to address environmental issues

Organization

The implementation of the Nature strategy is based on (i) a Nature sponsor on the Group Executive Committee, (ii) a Nature department reporting directly to a member of the Group Executive Committee and including a Nature financial officer, and (iii) environment senior managers in each of the Divisions.

Danone has also developed a network of more than 100 environmental correspondents in its subsidiaries. A "Carbon Master" is in charge of the "Carbon Plan" for each subsidiary, measuring greenhouse gas emissions at least twice a year, defining and implementing action plans to reduce these emissions and communicating with the Divisions and the Group.

Lastly, since 2010 Danone has held strategic deliberations focusing on Nature together with a panel of outside experts, opinion leaders and NGOs (Board of Nature stakeholders) in order to continuously optimize its priorities and long-term plans.

Information systems

The Group has collaborated with information systems developer SAP to develop an innovative solution to measure its products' carbon footprint. This solution uses product lifecycle analysis and operational monitoring of the various lifecycle phases to measure each product's carbon footprint. This module was successfully validated for two pilot entities in 2010 and deployed in 2011 in the subsidiaries equipped with the SAP/Themis integrated information system (see section 2.5 *Other elements related to the Group's activity and organization*). As of end-2014, 23 subsidiaries measured their carbon footprint using this tool.

Internal evaluation

Subsidiaries' progress is evaluated and audited annually as part of the Danone Way approach, in which four of the 16 key practices involve the "Environment" topic (see section 5.1 *Danone social, societal and environmental approach*).

External evaluation

Danone is evaluated by various extra-financial rating agencies:

- in its most recent evaluation of companies in the food and beverage sector in 2014, the extra-financial rating agency Vigeo ranked Danone as the food sector environmental performance leader;
- in 2014, Danone was recognized by the DJSI (Dow Jones Sustainability Index), which makes an annual selection of the companies with the best performance for criteria such as social responsibility policy, innovation management and economic performance) as a benchmark company in the food and beverage sector, notably for its packaging, raw materials supply and water-related risk management;
- in 2014 Danone received an A rating (the highest) and a transparency score of 97 points in the Climate Leadership Performance Index (CPLI), thereby placing it among the top 10 highest-scoring companies in France; and
- Danone also participates in CDP Water Disclosure and Forest Footprint Disclosure, which do not yet publish ratings.

Certification

Danone bases its environmental management policy on the international ISO 14001 standard. This ISO 14001 certification is therefore a prerequisite set by the Group to obtain the top performance rating in its GREEN environmental risk audits (see section hereafter *Resources devoted to preventing environmental risks and pollution*).

The table hereafter presents the percentage of sites having received ISO 14001 certification:

	Year ended December 31	
(in number of sites except percentage of sites in percentage)	**2013**	**2014**
Total number of sites in the Production Site Environment Scope [a]	161	179
Total number of ISO 14001-certified sites in this Scope [a]	96	89
Percentage of ISO 14001-certified sites in this Scope [a]	60%	50%

(a) Production Site Environment Scope (see *Methodology note*).

This change is mainly due to the change in scope following the inclusion in 2014 of 27 new manufacturing sites and the exit of nine sites (see *Methodology note*). It should be noted that the 25 new sites of the Fresh Dairy Products Division, which correspond to the sites of the former Unimilk group's companies, are not certified as of December 31, 2014.

Employee training and information initiatives in environmental protection

The Group has developed training and information modules (i) adapted to the needs of the various businesses and functions, and (ii) consistent with Danone's environmental commitments, notably including:

- sustainability Land, a program that helps the management committees of subsidiaries to define their strategies and goals with the inclusion of local sustainable development issues (social, societal and environmental issues);
- a "Nature" training module developed and made available through "Danone Campus" (see above section related to *Training*). This module is intended primarily for the "Carbon Masters" but is also available for other Group functions. The "Carbon Masters" also participate in videoconferences held by Division on a monthly or quarterly basis in order to coordinate and manage their initiatives involving the Nature goals for the year as defined by the Group;
- a website and dedicated to environmental claims for the marketing and communications teams is made available by Danone to all subsidiaries communicating on Nature topics in order to provide them with all the information they need to frame responsible communication around their environmental initiatives and share best practices. This website was developed in cooperation with the British "anti-greenwashing" agency Futerra; and
- sharing best practices with the industrial and supply chain teams, notably through (i) the creation of Nature Campus, with the primary aim of helping experts from each plant implement best practices in various areas (reducing raw material losses, reducing energy and water consumption, managing waste) in the Fresh Dairy Products Division, (ii) the Energy network (with one expert from every plant) which aims to reduce energy and water consumption in the Early Life Nutrition Division, and (iii) the development of documents listing best environmental practices illustrated by case studies in the Fresh Dairy Products and Waters Divisions.

Other information channels

Danone uses new media and has launched "Down to Earth," a blog specifically dedicated to sustainable development that is accessible both internally for Danone employees and externally. The goal is to share Danone's vision and innovative experiences in the field of sustainable development and corporate social responsibility.

Resources devoted to preventing environmental risks and pollution

Information on risk management, notably with respect to risks related to weather conditions and seasonality and to industrial and environmental risks, are detailed in section 2.7 *Risk factors.*

Global Risk Evaluation for the Environment (GREEN) program

The Group defined environmental production standards for its products ("Green Plants Program") in 1995, and began using internal audits to check compliance with these standards in 1997.

In 2006, the Group began worldwide deployment of its GREEN project, a tool for monitoring the main environmental risks relating to the production sites (accidents, reputation, non-compliance with environmental regulations).

As of December 31, 2014, 61% of the Group's production sites (Production Sites Environment Scope, see *Methodology note*) had been subjected to an external GREEN audit, or 109 sites in all.

Environmental investments and expenditures

In 2014, Group investments targeting environmental protection amounted to €32 million, around 3% of the Group's total capital industrial expenditures.

The primary categories of these investments in 2014 included:

- environmental compliance: waste processing, wastewater processing, treatment facilities, noise measurement, air quality, etc. On a like-for-like basis, these investments fell by 25% relative to 2013; and
- investments targeting carbon emissions reductions (energy savings, renewable energy use, logistics and eco-design of packaging). These investments fell by 18% from 2013.

Operating expenditures related to the environment amounted to €108 million in 2014. They included €53 million to manage waste as well as water and air quality and €47 million for environmental taxes other than taxes on packaging in 2014.

Provisions and guarantees for environmental risks

No significant provision for environmental risks and charges was recognized in the Group's consolidated balance sheet as of December 31, 2014 (as in 2013).

Pollution and waste management

Measures to prevent, reduce or compensate for waste discharged directly into the air, water and soil

Danone's activities discharge waste into the air (greenhouse and refrigerant gases, see the section hereafter), the water (wastewater) and the soil (sludge from treatment facilities and the livestock industry in certain subsidiaries). This waste is monitored under the GREEN program (see section *Global Risk Evaluation for the Environment (GREEN) program* above).

The table hereafter presents the quantities of Chemical Oxygen Demand (COD) discharged after treatment by the Group's production sites as of December 31, 2013 and 2014:

	Year ended December 31	
	2013	**2014**
Final discharge of Chemical Oxygen Demand (COD) [(a)] (*in thousands of tons*)	5.0	6.4
Net COD ratio [(a)] *(kg/ton of product)*	0.17	0.20

(a) Production Site Environment Scope (see *Methodology note*).

The Group's net Chemical Oxygen Demand (COD) ratio (after treatment) per ton of product increased by 19% in 2014 relative to the previous year. This increase in consumption is mainly due to the impact of the 25 former Unimilk group's companies, whose average rate is 1.28 kg/ton of product.

However, the rate fell by approximately 12.3% at constant scope in 2014 (see *Methodology note*). This decline was partially due to the action plans implemented in 2014 at the subsidiaries responsible for discharging the most pollution within the Group. These plans focused mainly on reducing "product loss" in wastewater and/or improving the waste treatment yield of the sites.

Measures to prevent, recycle and eliminate waste

Waste management at Danone production sites

The Group consolidates the quantities of waste generated by the production sites in accordance with four categories (see *Methodology note*): hazardous waste, non-hazardous inorganic waste, non-hazardous organic waste and wastewater treatment plant sludge (*i.e.* does not include product returns and whey, the latter being a by-product typically reused by a third party) – and monitors the percentage of this waste when recovered. Such recovery may occur through recycling, reuse, composting or waste-to-energy conversion. The production sites seek to maximize their waste recovery rate by implementing the following measures: (i) organizing on-site waste sorting and staff training; (ii) finding subcontractors capable of recovering the various types of waste generated, and (iii) sharing best practices among sites.

The table hereafter presents the quantities of waste generated at the Group's production sites in 2013 and 2014 (including wastewater treatment plant sludge generated by the production sites that have only full wastewater treatment on site, in order to maintain comparable data) and for 2014 the wastewater treatment plant sludge of sites that have full or partial wastewater treatment on site (see *Methodology note*):

	Year ended December 31		
	2013	**2014**	**2014**
	(with sludge of sites that have full treatment)	**(with sludge of sites that have full treatment)**	**(with sludge of sites that have full or partial treatment)**
Waste generated [(a)]			
Total quantity (*in thousands of tons*)	295	298	307
Ratio of total quantity of waste per ton of product (*in kg/ton*)	9.8	9.3	9.6
Recovered waste [(a)]			
Total quantity (*in thousands of tons*)	229	251	256
Proportion of recovered waste (*in %*)	77.6%	84.2%	83.3%

(a) Production Site Environment Scope (see *Methodology note*).

The ratio of waste generated per ton of product (including sludge from sites with full treatment) fell by 5.5% in 2014, mainly as a result of a reduction in the quantity of organic waste following the implementation of action plans by the Group to reduce product loss. In 2014, the recovery rate increased 6% from 78% to 84% for the following reasons: (i) better classification of waste into the four categories (see *Methodology note*), (ii) integration of wastewater treatment plant sludge resulting from partial treatment on-site, and (iii) reduction in the quantity of non-recoverable organic waste.

Packaging end of life: turning waste into resources

Danone seeks to expand collection and recycling of its packaging, in order to:

- continue to support efforts to increase collection and recovery rates for recycling in the countries where waste collection is already organized by national environmental agencies;
- where this activity is not organized, contribute to the collection of materials used in the packaging of Danone products and explore new collection systems. Four projects initiated by the Danone Ecosystem Fund (Fonds Danone pour l'Écosystème) are currently under way (see section 5.3 *Funds sponsored by Danone*); and
- develop the use of recycled packaging.

Monitoring noise pollution and other forms of pollution specific to a given business

Noise pollution at Danone's production sites is measured in the framework of the GREEN program (see section above).

Sustainable use of resources

Water consumption and water supply based on local constraints

Total water withdrawn from the surrounding area and protection of springs

Of the 69,295 thousand cubic meters of water withdrawn, Danone uses:

- 25,826 thousand cubic meters of water in the composition of its finished products, primarily at its bottling sites (compared with 24,573 thousand cubic meters in 2013); and
- 43,469 thousand cubic meters of water for production processes (compared with 36,055 thousand cubic meters in 2013).

The Group's water consumption increased by 14.3% in 2014, of which 2.1% consisted of water used in product composition and 12.2% resulted from water used in the production process. This increase in consumption is primarily due to the change in scope, as 27 new production sites were added and nine exited in 2014 (see *Methodology note*), which accounted for a 12.9% increase. This change in scope thus accounts for 12.9% of the increase.

On a like-for-like basis (see *Methodology note*), the Group's total water consumption increased by 1.4% in 2014. This trend was due to a 3.5% volume effect across all Divisions, mainly in the Waters Division, and slight decreases of 1.2% and 0.9% resulting from a favorable mix effect and efforts to enhance productivity.

The table hereafter presents water consumption at the Group's production sites in 2013 and 2014:

	Year ended December 31	
(in thousands of cubic meter)	**2013**	**2014**
Well water withdrawn from the surrounding area [a]	43,934	44,634
Municipal water withdrawn from the surrounding area [a]	12,759	18,978
River water withdrawn from the surrounding area [a]	3,935	5,684
Total water withdrawn from the surrounding area [a]	**60,628**	**69,295**

(a) Production Site Environment Scope (see *Methodology note*).

Meanwhile, in 2004 Danone has established an internal "Groundwater Protection Policy" charter. This policy aims to ensure the sustainability of resources and to protect and enhance sites' natural heritage. The Group's subsidiaries are committed to applying this policy through the following actions:

- know the resource's hydrogeology and the site's natural and human environment;
- develop sustainable relationships with the local players and contributing to local development;
- take actions to protect each water resource based on local conditions;
- never withdraw more than what the spring can naturally produce;
- dedicate the necessary resources under the responsibility of a designated manager; and
- periodically verify and assess that policy goals are being met.

5

These application principles are systematically evaluated for each spring and give rise to specific action plans. Site evaluation is carried out using SPRING (Sustainable Protection and Resources managING), an in-house water resource management tool for the physical, regulatory and community management of aquifers (geological formations containing underground water) and their watershed. In 2012, the Ramsar convention (United Nations international convention for wetlands protection), the IUCN (International Union for Conservation of Nature) and Danone launched a certification process to give this tool benchmark status.

Reduction of water consumption in the production process

Water linked to the production process – for example cleaning water – does not enter into the composition of the products.

Water consumption intensity related to the Group's production process increased by 13% in 2014. This increase in consumption is primarily due to the change in scope, as 27 new production sites were added and nine exited in 2014 (see *Methodology note*).

The change in scope approximately accounts for 17% of this increase.

On a like-for-like basis, the intensity of water consumption related to the production process decreased by 4% in 2014. Some 3% of this decrease resulted from a positive mix effect and another 1% was due to efforts to enhance productivity across all Divisions (see *Methodology note*).

The table hereafter presents water consumption related to production processes at the Group's sites in 2013 and 2014:

	Year ended December 31	
	2013	**2014**
Water consumption from production process [a] *(in thousands of cubic meters)*	36,055	43,469
Intensity of water consumption related to production process [a] *(in cubic meters/ton of product)*	1.20	1.36

(a) Production Site Environment Scope (see *Methodology note*).

Best practices in the Fresh Dairy Products Division, in particular the use of water in cleaning cycles, are consolidated in the NEPTUNE application and deployed at plants.

Within the Waters Division, the "WaterWatcher" tool allows monitoring of water use at the bottling sites and helps identify areas for improvement. This tool has been rolled out to every Division site.

The sites measure all quantities of water consumed for each use (production, cleaning, etc.) in order to identify loss-generating areas and come up with appropriate action plans to reduce these losses. The sites have annual targets to reduce their water losses. Their performance and rankings are published quarterly at each Division. Since 2008, more than 15 billion liters of water have been saved in this manner (equivalent to 15 million tons).

The graph hereafter shows the changes in water consumption intensity related to the Group's production process since 2000, for the reporting scope of each of the years concerned.

Intensity of water consumption related to the production process

(in cubic meters / ton of product)

Calculation of the water footprint taking into account local water stress

Danone has continued its water footprint research in 2014, notably with its partner Quantis but also by contributing to the development of international (ISO) and European (Product Environmental Footprint) standards.

This approach has served to establish a water footprint evaluation methodology that takes into account:

- the inventory of consumption at each stage of a product's development (ingredients, containers, production and packaging), and for transportation, consumer use and end of life;
- local water stress factors (water stress defined as a deficit of water of acceptable quality to meet human and environmental needs); and
- compensatory measures directly related to product formulation (protection policy or CSR program), which are evaluated in the form of water volume credits.

Going forward, this evaluation methodology will help identify sensitive zones as well as methods for reducing impacts across the entire lifecycle of the Group's products, as a first stage within the Waters Division.

In addition, in 2012 the Fresh Dairy Products Division worked with Quantis and the Livestock Institute to test a water footprint evaluation methodology for upstream agriculture in four Group subsidiaries in various regions around the world. In 2013, Danone and Quantis developed a measurement tool (pilot) for the Water Footprint, which complements the Group's carbon footprint measurement and will be deployed in the Waters Division subsidiaries beginning in 2015.

Consumption of raw materials and measures taken to improve their efficient use

Information on risk management, notably with respect to risks related to seasonal fluctuations and raw materials availability, are presented in section 2.7 *Risk factors*.

The following table presents production at the Group's production sites in 2013 and 2014:

	Year ended December 31	
(in thousands of tons)	**2013**	**2014**
Production [a]	30,000	32,023

(a) Production Site Environment Scope (see *Methodology note*).

The Group produced the equivalent of 32 million tons of products in 2014, up 6.7% from the previous year. This increase was due to a change in scope (see *Methodology note*), which accounted for a 3.2% increase, and a 3.5% increase in production volume across all Divisions. This 3.5% increase in production on a like-for-like basis in 2014 (see *Methodology note*) was primarily generated by the Waters and Early Life Nutrition Divisions.

The primary raw materials consumed in the Group's products are:

- water;
- liquid milk and powdered milk;
- packaging materials (plastic, cardboard, etc.);
- sugar; and
- fruit.

The amount of raw materials consumed per ton of finished product is one of the primary criteria for production performance, as raw materials represent a large share of the Group products' cost structure. Several measures are therefore taken to use them more efficiently:

- liquid milk, sugar, fruit: raw material losses in the Fresh Dairy Products Division are monitored daily at the production sites, with results consolidated monthly at the level of the subsidiaries and the Division for comparison with the monthly loss reduction goals determined in the budget process. The principal measures applied to reduce these losses include (i) optimizing raw materials inventories, and (ii) optimizing production scheduling or production line scaling to reduce raw materials losses at the start and end of production runs; and
- packaging materials: Danone's packaging development complies with eco-design principles defined by the Group in the 2002 guidelines. The Group intends to strengthen these guidelines and roll them out to all Divisions.

Energy consumption, measures taken to improve energy efficiency and the use of renewable energies

Energy consumption

The Group's energy consumption intensity increased by 8.5% in 2014. This increased consumption resulted primarily from the change in scope, as 27 new production sites were added and nine exited in 2014 (see *Methodology note*); the change in scope accounted for an 11.4% increase.

On a like-for-like basis (see *Methodology note*), the intensity of total energy consumption (energy consumption per ton of product) was reduced by 2.9% in 2014. This improvement resulted mainly from the application of energy management best practices in all the Group's Divisions, which led to a 1.3% reduction in energy consumption intensity (productivity) on a like-for-like basis as well as a favorable 1.6% product mix effect.

The table hereafter presents energy consumption by the Group's production sites in 2013 and 2014:

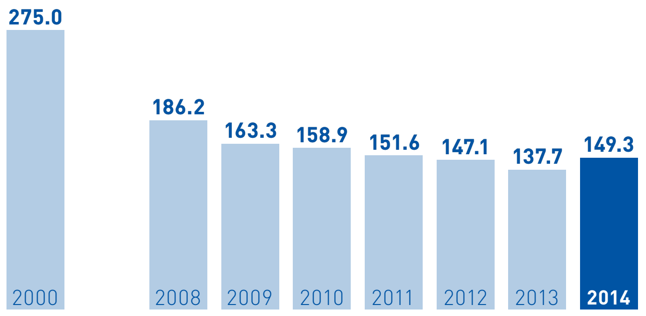
	Year ended December 31	
(in MWh except intensity in KWh/tons of product)	**2013**	**2014**
Thermal energy [a]	2,311,832	2,819,112
Electricity [a]	1,817,815	1,962,911
Total	**4,129,647**	**4,782,023**
Intensity of energy consumption	**137.7**	**149.3**

(a) Production Site Environment Scope (see *Methodology note*).

The graph hereafter shows changes in the total energy consumption intensity at the production sites since 2000, for the reporting scope of each of the years concerned.

Intensity of total energy consumption in the production sites

(in KWh/ton of product)



Measures taken to improve energy efficiency

The Group achieved better energy management through two main approaches:

- optimizing energy production at the plants. For example, several sites in the Fresh Dairy Products Division have installed cogeneration facilities to produce electricity and heat from a single energy source and improve the plants' energy performance. Up to 90% of energy can be recovered through cogeneration, compared with 40% to 55% for traditional systems; and
- optimizing energy use.

Sharing best practices and fostering emulation between Group plants strengthened this improvement process in 2014:

- in the Waters Division, the "WattWatcher" tool deployed throughout all sites helps to define performance objectives adapted to each plant;
- in the Fresh Dairy Products Division, energy training courses known as "Energy Campus" continue to bring in energy experts to support the implementation of best practices at all production sites; and
- in the Early Life Nutrition Division, monthly Energy network actions are implemented (see above section *Employee training and information initiatives in environmental protection*).

Use of renewable energies

Thermal energy from renewable sources

Danone is testing renewable energy production and usage projects at the local level, for instance:

- in Uruguay, 80% of thermal energy for the Waters Division's Minas plant is generated through locally produced biomass energy;
- in Brazil, at the Poços de Caldas plant in the Fresh Dairy Products Division, a biomass boiler was installed in August 2011 to replace the heavy fuel oil used for heating. Thanks to the use of biomass, the thermal energy used by the plant is now generated entirely from renewable sources (97%);
- since 2012, the Early Life Nutrition Division site in Wexford, Ireland has used a wood furnace that replaced heavy fossil fuels and helped to lower the site's fossil fuel energy bill and greenhouse gas emissions. The energy produced represents 54% of the thermal energy used at the site; and
- in Russia, at the Chekhov plant in the Fresh Dairy Products Division, a methanization reactor was brought online in June 2013 to recover the treatment plant sludge and produce biogas. The energy produced represents 8% of the thermal energy used at the site. For all of the Group's Divisions, thermal energy produced from renewable sources and used at the plants represents 4% of total thermal energy consumed by the Group.

Purchase of electricity specifically generated from 100% renewable sources

Each subsidiary is responsible for choosing its energy mix. In 2014, six production sites purchased electricity from 100% renewable sources (wind power, hydropower, etc.). This represents 3% of the Group's total electricity purchases.

Thus in Germany, 100% of the electricity at the three Fresh Dairy Products plants (Ochsenfurt, Rosenheim and Hagenow) comes from renewable sources.

Soil use

The Group commissioned a study from Bio Intelligence Service to estimate the overall soil use related directly and indirectly to its activities. This study indicated that indirect activities (upstream agriculture) use more than 98% of the estimated surface area (3 million hectares).

Soil use issues are also taken into account in the sustainable agriculture approach.

Climate change

Greenhouse gas emissions

Danone applies two methodologies for measuring greenhouse gas emissions:

- a "product" approach based on a product and packaging life cycle analysis, which takes into account emissions at every stage: raw materials (including milk and upstream agriculture), packaging, production, logistics, warehousing, sale and products and packaging end of life. This method makes it possible to identify the most significant means of reducing emissions; and
- an "organization" approach that calculates greenhouse gases emissions generated by production activities and therefore a more restricted scope than for the "product" approach, in compliance with the provisions of Article 75 of the "Grenelle II" law, which categorizes direct emissions, called "scope 1", and indirect emissions, called "scope 2" (see section *Greenhouse gas emissions by organization* hereafter).

Greenhouse gases emissions through product lifecycle analysis

Measuring the carbon footprint

Danone has developed and deployed a carbon footprint measurement tool based on lifecycle analysis (Greenhouse Gas Emissions Scope, see *Methodology note*) at most of its subsidiaries. This tool was successfully integrated into the Group's existing information systems thanks to a solution jointly developed with software developer SAP.

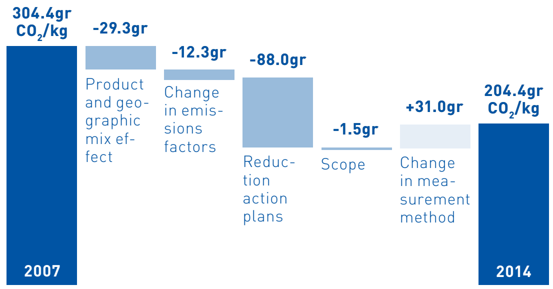
The goal is to allow the Group's subsidiaries that have this module to monitor their carbon emissions within their direct scope of action, as well as the emissions of their suppliers and customers.

Reducing the carbon footprint: goals and results

For the direct responsibility scope

In 2008, Danone had set the ambitious goal of reducing its carbon footprint by 30% by 2012 – a goal that it has exceeded – wherever the Group exercises direct responsibility (production sites, packaging and end of life, transport and warehousing – excluding upstream agriculture). Through end-2014, Danone had achieved a 41.6% reduction compared with 2008 (on a like-for-like basis). A specific strategy and priorities are established for each segment in the value chain. In 2014, the Group reaffirmed its commitment by setting a goal of a 50% reduction of its carbon footprint (for the same base year and scope) by 2020.

(in gr CO_2/kg)



The most meaningful actions to reduce emissions are energy conservation measures in the plants, reductions in packaging and the optimization of logistics supply routes.

For the total product lifecycle

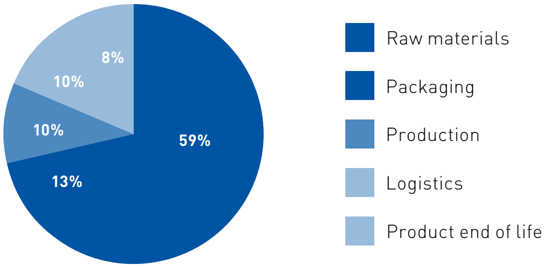
The Group's total emissions in 2014 (including upstream agriculture) are estimated at 19 million tons equivalent CO_2 (on approximately 93% of the Group's sales volume).

Expressed in grams equivalent CO_2 per kilogram of product, the Group's total emissions amount to:

- direct responsibility scope: 204 grams equivalent CO_2 per kilogram of product (production, packaging, logistics, product and packaging end of life); and
- total scope: 586 grams equivalent CO_2 per kilogram of product (Greenhouse Gas Emissions Scope, see *Methodology note*), which can be broken down by lifecycle as follows:

Lifecycle breakdown

(in percentage)



5

Carbon offsets

Danone teamed up with nine other large corporations in the Livelihoods fund and its mission is to invest in major natural ecosystem restoration projects. These projects help to combat climate change by sequestering significant quantities of carbon (see section 5.3 *Funds sponsored by Danone*).

Consistent with its commitment and after reducing its carbon footprint by 40% over the 2008-2012 period, the *Evian* brand offset its remaining emissions in 2012 by supporting several quality projects. Beginning in 2013 and after consulting its stakeholders, Evian decided to offset its emissions using the carbon credits provided by the Livelihoods fund as they will be delivered. Through the growing role of these projects, the Group aims to steadily offset Evian's emissions, which should thus be fully offset by 2020.

Greenhouse gas emissions by organization

Greenhouse gases emissions by organization (scope 1 and 2, see hereafter) for 2014 are calculated using the methodology described in the GHG Protocol Corporate Standard (revised 2010 version, see *Methodology note*).

The approach chosen by Danone is to integrate all emissions sources from the Group's production plants into the measurement of its carbon footprint.

Direct emissions (scope 1) are those generated by the fuel consumption at the sites (natural gas, fuel oil, etc.), and refrigerant leaks.

Indirect emissions (scope 2) are those created through the production of electricity, steam, heat or cold purchased and consumed by the Group.

		Year ended December 31
(in tons CO_2 equivalent)	**2013**	**2014**
Emissions scope 1	460,256	561,353
Emissions scope 2	778,566	860,404
Total emissions	**1,238,822**	**1,421,757**
Ratio of total emissions in CO_2 equivalent kg per ton of products	**41.3**	**44.4**

The ratio of total emissions in CO2 equivalent kg per ton of product increased by 7.5% in 2014. This increased consumption resulted primarily from the change in scope, as 27 new production sites were added and nine exited in 2014 (see *Methodology note*). However, at constant scope in 2014 (see *Methodology note*), this ratio fell by approximately 0.2%.

Adapting to the consequences of climate change

Danone is working on estimating climate change consequences to complete the comprehensive policy of risk identification and management described in section 2.7 *Risk factors*.

Therefore, the Group has identified medium-term risks, including:

- raw materials supply (milk, fruit, etc.) in certain regions of the world, due to possible droughts or inclement weather;
- cold production in Fresh Dairy Products Division sites in case of a significant rise in temperatures; and
- damages to certain production sites located near coastlines, which could be impacted in the case of unusual climate events.

Protecting biodiversity

Measures taken to preserve or develop biodiversity

Sustainable agriculture

The impact of Danone's business on biodiversity is primarily related to upstream agriculture (soil and water). In 2012, the Brazilian subsidiary of Danone's Fresh Dairy Products Division launched a pilot product lifecycle analysis in conjunction with NGO partners IPE (Instituto de Pesquisas Ecologicas) and IUCN (International Union for Conservation of Nature) to develop a methodology for evaluating issues relating to biodiversity in Danone's value chain.

In 2014, the Danone Brazil company (Fresh Dairy Products) won the "Exame" Guide for Sustainability 2014 award in the Biodiversity Management category. This award is the culmination of a study on biodiversity with the *Danoninho* brand and the related operational projects: water management at the Poços de Caldas site and the pilot site for strawberry production in the southern part of the state of Minas Gerais.

With respect to agriculture and milk supply, the Fresh Dairy Products Division launched the FaRMS initiative, which evaluates the livestock farmers' performance based on economic, social and environmental criteria, including some regarding biodiversity, with all of its farmer partners in 1997 (see section hereafter *Relations with milk producers*). In this context, Danone, in collaboration with the University of Berne, developed DanRISE, a tool for measuring and managing its sustainable agriculture approach. This tool was tested in six pilot countries: Brazil, United States, Germany, Ukraine, Poland and Indonesia.

Preserving and developing biodiversity near Danone sites

The Group's sites are located in very diverse ecosystems and climates. Some of those sites benefit from an exceptional environment and specific protection; such is particularly the case of the Waters Division sites, whose rainwater catchment areas are very carefully managed:

- in 2009 the Evian spring was added to the list of wetlands covered by the Ramsar Convention, which aims to ensure sustainable management of these regions that are key to maintaining biodiversity;
- to preserve its natural mineral water spring, the Villavicencio brand in Argentina protects its nature reserve totaling 72,000 hectares, rich in biodiversity. Based on this experience, the brand is continuing its innovative partnership with the NGO Banco de Bosques and has implemented the operation "*Déjà tu Huella*" ("Leave your footprint"), which invites consumers to participate in the creation of a new natural reserve. For every bottle of *Villavicencio* purchased, the company pledges to protect 1 square meter of the park. The brand is also carrying out initiatives to raise public awareness as to the dangers of deforestation and the importance of biodiversity in the local ecosystem. The results of this operation are impressive: nearly 2,200 hectares protected, active public participation in the project and increased consumer preference for the *Villavicencio* brand; and

- starting in 2012, Danone Waters China has enhanced its protection initiatives at the Longmen site through a partnership with the Danone Ecosystem Fund (Fonds Danone pour l'Écosystème). The project, which aims to enlist the support of numerous farmers, is designed to preserve the quantity and quality of water resources and biodiversity while improving living conditions for local communities. The Danone Ecosystem Fund is described in section 5.3 *Funds sponsored by Danone*.

Group's Forest Footprint Policy

Conscious of the importance of preserving our planet's forests (in particular tropical forests in Indonesia and the Congo and Amazon river basins), Danone is committed to a strategy of eliminating the deforestation impacts of its supply chain and to a reforestation program, between now and 2020 (including the natural ecosystem restoring program of the Livelihoods fund).

For this purpose, Danone has created a Forest Footprint policy that aims to:

- evaluate deforestation risks related to the raw materials used directly or indirectly for the Group's businesses;
- propose specific policies; and
- implement prioritized actions based on risks and associated impacts. Six major materials have been prioritized: paper and cardboard packaging, palm oil, soy for animal feed, wood energy, sugar cane, and bio-sourced raw materials for packaging.

This policy has been rolled out for two raw materials categories:

Specific palm oil policy

With a volume of approximately 30,000 tons, Danone uses palm oil in modest proportions relative to other businesses in the food and beverage industry.

In 2014, Danone satisfied 100% of its palm oil needs from CSPO *(Certified Sustainable Palm Oil)* sources.

In the long term, Danone considers replacing palm oil with alternative resources on a case-by-case basis.

Specific soybean policy

Danone does not directly purchase the vast majority of the soybeans that enter its supply chain (99% of the total volume is used for animal feed); Danone nevertheless estimates that this volume represents approximately 900 kilotons, or less than 0.3% of global production.

Danone has made a commitment along with the involved leading market participants – from farmers to producers of animal feed to the leading soybean trading companies – to help develop a more responsible soybean industry.

The Group is reflected this goal in five strategic aims:

1. seek total transparency throughout the supply chain, from the animal to the land;
2. wherever possible, promote local cultivation rich in proteins instead of soybean imports, thereby helping to make farmers more independent in the production of animal feed;
3. promote supply from countries not at risk of deforestation (India, United States, etc.);
4. when soybeans do come from a country with a high risk of deforestation in South America, ensure traceability from risk-free areas; and
5. help to drive change on a global scale through the Consumer Goods Forum, the Sustainable Agriculture Initiative and all other initiatives that enable Danone to achieve its objectives.

The Group will focus this strategy on seven key countries that account for 90% of the total estimated volume of animal feed affecting its supply chain, *i.e.* Russia, Argentina, Brazil, France, the United States, Spain and South Africa.

Specific policy for paper/cardboard packaging

Jointly developed with several leading NGOs (in particular Rainforest Alliance), the paper/cardboard packaging policy has three objectives:

- actively reduce the paper packaging weight of each product;
- give priority to the use of recycled fibers; and
- when possible, give priority to FSC-certified virgin fibers.

Danone makes its policies publicly available on its website.

Societal information

Danone's societal approach is characterized by a systematic effort to create value for shareholders and all stakeholders. Danone therefore ensures that its activity leads to the development of benefits to society.

Within this framework, three funds were created: the Danone Ecosystem Fund (Fonds Danone pour l'Écosystème), the danone.communities mutual fund (SICAV) and the Livelihoods fund. These funds are described in section 5.3 *Funds sponsored by Danone*.

Regional, economic and social impact of the Group's business

Danone has decided to consider both economic factors (wage levels, purchasing and subcontracting, local taxes, etc.) and societal issues (employment, provision of know-how, training, support for local initiatives, support for education in areas of expertise, partnerships around environmental matters) into account for its business activities. The Group's ability to develop positive relationships with its local environment plays an important role in its overall performance.

Danone's commitment to local communities is part of its "dual economic and social project", which involves:

- knowing the local players and developing sustainable relationships with them;
- participating in the economic and social development of its labor markets;
- developing products that are affordable to the greatest number of people; and
- participating in maintaining local economies and employment by reindustrializing Group sites that have undergone restructuring.

Relationships with the people and organizations with an interest in the Group's business

Partnership and corporate sponsorship initiatives

More than just partnerships, Danone is committed to a co-creation process involving new forms of collaboration between multiple partners: Danone and/or its subsidiaries together with an institution, representatives from civil society and/or a local development organization.

Due to Danone's largely decentralized organization, the subsidiaries support and develop partnerships and corporate sponsorships locally. Examples include:

- *Sed Cero*: the Danone Foundation in Argentina supports a tri-national (Argentina, Bolivia and Paraguay) program known as "*Sed Cero*" – "zero thirst" – which aims to provide drinking water to 100,000 families by 2016. This program is built around various local initiatives in the Gran Chaco, a region of South America where the lack of clean and drinking water is critical;
- Eat like a champ: a nutrition education program for children in the United Kingdom that targets primary schools and seeks to improve children's eating habits and promote a more active lifestyle. Launched as a pilot program in a few schools in 2010, it has been rolled out and enhanced each year. This program is based on key partnerships with the British Nutrition Foundation, which helped to design interactive lessons in connection with the primary school curriculum; and
- Restos du Cœur: since 2008, Danone, Carrefour and Restos du Cœur have implemented a partnership built around a welfare-to-work initiative.

Initiatives with schools

In addition to the Group's participation in various school forums, in 2008 Danone supported the creation of the Social Business/Enterprise and Poverty chair at HEC Paris. The chair's mission is to contribute to developing a more inclusive economy that creates both economic and societal value.

It is co-chaired by Professor Muhammad YUNUS, the Bangladeshi economist, entrepreneur and Nobel Peace Prize winner, and Mr. Martin HIRSCH, the Chairman of the Civic Service Agency and member of the Danone Ecosystem Fund steering committee.

Danone's partnerships and initiatives with educational institutions are also implemented at the local level and carried by the subsidiaries themselves. For example, the "Danone Young Social Entrepreneur" (DYSE) program in Indonesia was developed by local Human Resources teams in order to attract young talents.

Subcontracting and suppliers

Taking into account suppliers' and subcontractors' social and environmental responsibility

Due to Danone's relationships with thousands of suppliers around the world, a significant portion of its environmental and social impact occurs within these companies. Consistent with the Group's "dual economic and social project", the RESPECT approach launched in 2005 and managed using the Danone Way approach (see section 5.1 *Danone social, societal and environmental approach*) serves to extend this vision to the Group's entire supply chain, excluding milk producers (see section hereafter *Relations with milk producers*), based on several processes:

- contractualizing suppliers' Corporate Social Responsibility (CSR) performance with the signature of Sustainable Development Principles (including social, environmental and ethical elements) and their integration into the general purchasing terms;
- information-sharing based on self-disclosures by suppliers on their CSR performance using the Sedex platform (cross-company evaluation platform for the consumer goods industry, see section 5.1 *Danone social, societal and environmental approach*); and
- external CSR audits of suppliers viewed as at-risk based on this information exchange, with a view to implementing an appropriate action plan.

The suppliers involved are in every category of Group procurement except milk (see section hereafter *Relations with milk producers*): raw materials (ingredients, sugar and fruit), packaging (plastic and cardboard), production machinery, transport and other services (promotional products, etc.).

Subcontractors, *i.e.* suppliers that manufacture finished products on behalf of Danone, also take part in the above-mentioned RESPECT approach, although Danone uses very little subcontracting, since the vast majority of its finished products being produced in the Group's own plants.

The areas addressed through this process deal with the principles of Human Rights, health and safety, compensation, work time, respect for the environment and ethics, notably with regard to the application of the International Labor Organization's fundamental conventions.

In applying these proactive initiatives to secure CSR issues with its suppliers, Danone supports the long-term sustainability of its partners and of its own development. RESPECT also contributes to changing the nature of commercial relationships, in terms of comprehensiveness and transparency of information to be documented and shared.

Relations with milk producers

Danone maintains relations with its milk producer partners that contribute to sustainable agriculture from an economic, environmental and social perspective.

From an economic perspective, milk accounts for about half of the Group's raw materials expenditures, and Danone must therefore strike a balance between a competitive purchasing price and the farmers' need for greater financial security. From an environmental perspective, milk accounts for a large share of the Group's carbon footprint, so attention must be paid to the choice of food, as well as soil and water use in farms. The FaRMs (Farmers Relationship Management) approach is a key tool for this relationship. It involves evaluating livestock farmers' performance with regard to economic, environmental, social and quality criteria, using an audit grid developed by Danone, and based on assistance from Danone technicians who visit the farms to help milk producers subscribe to a policy of continuous improvement.

This approach is already in place for the milk producers with which Danone has a direct commercial relationship, and is now being deployed to those governed by an indirect relationship (such as collection centers). The approach aims to cover 75% of the milk volumes purchased by the Group.

Fair trade practices

Initiatives taken to prevent fraud and corruption

See section 6.4 *Internal control and risk management*.

Measures taken in support of consumer health

Consumer health is at the heart of Danone's history and its mission of "bringing health through food to as many people as possible".

Danone's health and nutrition strategy is aligned with the major policy orientations of health authorities in the various countries; it is defined in the Group's Food Nutrition and Health Charter.

A unique offer of products adapted to people's needs throughout their lifetime

Most of Danone's products can be consumed on a daily basis: they are either included in the recommended categories of the food pyramids used in many countries (fresh dairy products and mineral waters) or belong to food categories governed by regulations (early life nutrition and medical nutrition), (see section 2.4 *Description and strategy of the Divisions*).

In some cases, product composition is dictated by strict regulations and in others it is governed by internal Group nutrition standards based on public health authority recommendations (WHO and Eurodiet). The Nutriprogress program created by Danone monitors the nutritional quality of product portfolios and, if necessary, reformulation projects may be launched.

In August 2014, for example, the U.K. Fresh Dairy Products subsidiary launched a new version of *Actimel* with 15% less sugar added; in January 2014, the Polish subsidiary launched a new version of Danonkid (drinkable yogurt for children) with 20% less sugar added; in both cases, the product reformulation successfully preserved consumer taste preferences.

Responsible communications

In 2002 Danone introduced an internal procedure to ensure the consistency, credibility and scientific validity of the health and nutrition claims contained in its communications.

In terms of advertising, Danone is committed to applying the ICC Code (International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication). In the particular case of communications aimed at children, Danone is committed to restricting advertising exclusively to products adapted to their nutritional needs. To that end, Danone has joined numerous local and regional pledges (associations of companies). In most of the countries involved, compliance with this commitment is certified by an external agency. In 2014, for example, Danone registered 98% overall compliance with its television advertising commitments in the seven countries audited (Germany, Portugal, Spain, Italy, France, Hungary and Poland).

Concerning early life nutrition, Danone is committed to the Code established by the WHO (International Code of Marketing of Breast-milk Substitutes). This policy is rolled out in internal documents that translate the Code into principles and apply it in day-to-day operations. An independent auditor regularly evaluates the Group's compliance with this commitment.

Detailed product nutrition information

Danone products include nutrition labels in compliance with regulations. The Group's fresh dairy products and beverages (except natural mineral waters) have more detailed labeling showing the contribution of each portion to daily needs. Such labeling is an initiative of the European inter-branch professional organization, implemented at Danone through an internal document known as the Nutritional Information Charter. This nutrition information is also available from the subsidiaries' consumer relations departments and/or the websites of the subsidiaries in Europe and certain other countries outside of Europe.

Promoting a balanced diet and healthy lifestyle

A large number of Danone subsidiaries organize consumer information and education programs. Most of these initiatives are developed in partnership with local institutions to ensure their relevance to the local healthcare environment. The Malin program in France is one example: Blédina (Early Life Nutrition – France) is a partner along with the French Red Cross, the Nutrition Committee of the French Society of Pediatrics (Société Française de Pédiatrie – SFP) and the French Association of Ambulatory Pediatrics (Association Française de Pédiatrie Ambulatoire – AFPA).

Measuring the Group's nutrition and health performance

In 2011, Danone created a series of performance indicators (Scorecard) to tangibly measure improvements and progress made with regard to health and nutrition issues, in particular product composition and responsible communication, with the results publicly disclosed annually. These indicators are consolidated for a scope of 15 countries combining all four of the Group's Divisions (a total of 45 subsidiaries in 2014, representing around 76% of consolidated sales). Along with these performance indicators, the subsidiaries' application of best practices in the marketing of products that contribute to consumer health is monitored under the Danone Way approach (see section 5.1 *Danone social, societal and environmental approach*).

Measures taken in support of consumer safety

Danone is committed to creating, producing and delivering its products on a daily basis without compromising food safety and while strictly adhering to Danone's strict compliance policy and identifying any risks that may arise.

These food safety commitments are formalized in the Group's Business Conduct Principles as well as in its Food Safety Policy.

Two types of documents underpin Danone's policy and governance with respect to food safety:

- Danone's fundamental principles on food quality and safety, the Danone Operating Models (DOMs), are based on a set of quality criteria that define what must be done to ensure product safety and compliance with Danone specifications at each stage of the distribution chain, from product design to consumption, in all countries and at all times. Each subsidiary must use these criteria as the basis for the Quality Management System and measure the level of compliance at each control point, performing an annual self-assessment in the DANgo management system; and
- the Danone Food Safety standards, including (i) Food Safety Directives, (ii) Food Safety Reference Documents, (iii) integrated management and risk assessment, (iv) control models and lists specific to Danone.

Governance

Given the ever-changing food safety environment and Danone's need to operate as a going concern, the Group in 2014 strengthened its governance system in this area as well as the resources devoted to it. The Global Food Safety Officer) s responsible for food safety within the Group and reports to the Corporate Secretary, the Vice President for Product Compliance and the Vice President for Research and Development/Quality.

The Group Product Compliance Committee is responsible for compliance with applicable laws and regulations as well as rules specific to Danone and its commitments.

Danone is an active member of the Global Food Safety Initiative (GFSI).

Internal management system

Consistent with its requirements, Danone chose the FSSC 22000 standard as its benchmark. This standard is recognized by the authorities, consumers and distributors.

Danone's goal is to have 100% of its sites covered by the FSSC 22000 standard in the medium or long term.

To ensure the implementation and alignment of the internal systems, an audit guide specific to Danone was developed. It includes special Danone requirements that exceed the requirements of international standards. The Group has selected four certification organizations and trained and certified more than 40 auditors to ensure that Danone's expectations are taken into account in the assessments.

Crisis management system reports to Group management

The Group has a system to notify customers, block potential new sales and recall products, with complete traceability. Therefore, Danone may announce product recalls in the event of food safety risks detected in products already on the market.

Each subsidiary must ensure compliance with the Group's crisis management procedures, which are also audited on a regular basis.

Initiatives in favor of Human Rights

Danone takes Human Rights into account in its operations and activities through its policies, programs and initiatives, notably Danone Way, RESPECT, WISE, Dan'Cares and the IUF conventions, mentioned above.

Methodology note

Consolidation scope and coverage

The consolidation scope is composed of all subsidiaries fully consolidated for the establishment of the Group's consolidated financial statements, in other words the subsidiaries in which the Group holds, directly or indirectly, a controlling interest (see Note 2.3 of the Notes to the consolidated financial statements).

Nevertheless, some subsidiaries do not report all social, safety and environmental indicators. These entities have been consolidated into the Group's consolidated financial statements for the year ended December 31, 2014, and action plans have been drawn up and/or are planned to ensure the availability and accuracy of the social, environmental and safety data reported. Most of these have been acquired most recently, in particular those joining the Group as a result of the acquisition of Centrale Laitière (Fresh Dairy Products – Morocco) in 2013.

Finally, those subsidiaries that do not report certain social, safety or environmental indicators may vary depending on the indicators; the coverage scope may differ following the categories hereafter, as described in the following sections:

- Total Group Workforce scope;
- Social Indicators Scope;
- Safety Scope;
- Production Sites Environment Scope; and
- Greenhouse Gas Emissions Scope.

Total Group Workforce Scope and Social Indicators Scope

In 2014, 169 Group entities representing around 94% of the total workforce reported social indicators (Social Indicators Scope). In the case of the total workforce indicators, the coverage rate is 100% (Total Group Workforce Scope).

Safety Scope

In 2014, 159 Group entities representing around 95% of the total workforce reported safety indicators (Safety Scope).

In addition, in the case of subsidiaries exiting the consolidation scope as of December 31, 2014, their social and safety data is reported until the date they exit the consolidation scope and is not taken into account in the workforce as of December 31, 2014. In 2014, main entities exiting the Safety scope are the Fresh Dairy Products companies in China and Indonesia following their disposal. The main companies that are no longer fully consolidated as of December 31, 2014, are listed in the Note 2.2 of the Notes to the consolidated financial statements.

Production Sites Environment Scope

In 2014, 179 production sites (among the Group's 184 production sites) representing around 98% of the Group's consolidated net sales reported environmental indicators (Production Sites Environment Scope).

The environmental impact of administrative headquarters and logistics centers is not included in the consolidation scope (except for certain indicators, when the logistics centers are adjacent to a production site).

Greenhouse Gas Emissions Scope (product approach)

In 2014, this scope covered 93% of the Group's sales volume.

Like-for-like variations (constant scope)

The Group measures changes to some environmental indicators on a like-for-like basis, *i.e.* at constant consolidation scope. The 2014 data are restated using a consolidation scope identical to the 2013 scope.

Data collection

To ensure the homogeneity of indicators across the reporting scope, shared data reporting guidelines for social, safety and environmental data are transmitted and updated each year following data consolidation and comments by contributors. These guidelines specify the methodologies to use for reporting indicators: definitions, methodology principles, calculation formulas and standard factors.

These reporting guidelines regarding environmental, social, safety and GHG data are available upon request from the Social Responsibility Department.

The social, safety and environmental indicators are transmitted from the subsidiaries and/or production sites and are consolidated at Group level by the corresponding departments. The environmental data are checked at the subsidiary level and then at the Division level when reported. In the case of social and safety data, a control is performed at the end of the third quarter and at the time of the consolidation of the December 31 data.

Social and safety indicators

The Human Resources Department is responsible for social and safety indicators. Social data from the subsidiaries are generally derived from payroll systems installed in the entities and reported via the Group's financial consolidation software (SAP/BusinessObjects Financial Consolidation).

Safety indicators are reported monthly by each subsidiary in WISE, the Group consolidation system for safety indicators.

Environmental indicators

The Nature Department is responsible for environmental indicators. Environmental data are reported by the Environment manager at each production site. Greenhouse gas emissions (product approach) related data are reported via the Danprint application and/or SAP Carbon.

Methodological details

The methodologies used for certain social and environmental indicators may involve limitations due in particular to:

- the absence of shared national and/or international definitions; and
- the need to estimate, the representative nature of measurements performed or the limited availability of external data needed for calculations.

For these reasons, the definitions and methodologies used for the indicators hereafter are specified.

Workforce

A negligible portion of the managerial workforce is not collected in the data reporting framework (a few cases of internationally mobile employees on assignment to other Group entities). Furthermore, some disparities may exist in the workforce accounting methods for expatriate employees (such is notably the case for expatriate employees who have three-party contracts between the employee, the home subsidiary and the host subsidiary).

Employees on long-term leaves (more than nine months) are not counted in the total workforce at the end of the reporting period.

In China, employees remunerated by Danone but whose contracts are with a third-party company (equivalent to a temporary work agency), are not included in the workforce.

Short-term contracts and movements within the Group are not included in the entries/exits.

Number of training hours and number of trained employees

Training data from French subsidiaries include training categorized as ongoing professional training as well as other types of training.

The number of trained employees takes into account all the employees who received at least one training session during the year, including employees who have left the Group as of December 31, 2014.

The training sessions for which evidence has not been received at the reporting closing date are included in the following fiscal year.

Given the limited availability of data in certain countries, the Group made estimates for this indicator as of December 31, 2014.

Employees with disabilities

This indicator covers employees declared as disabled workers. The definition of a person with disabilities is determined by local regulations in the different countries. In addition, due to local regulatory specificities, certain countries include both externally documented disability recognition and disability recognized internally by the on-site occupational physician.

Absenteeism

The absenteeism rate is, in percentage, the total number of absence hours divided by the theoretical total number of working hours. The grounds for absence taken into account for this indicator include sick leaves (with or without hospitalization), absences due to work-related illness and injury and unauthorized leave. Long-term sickness (more than nine months) and maternity/paternity leaves are not included.

The assumptions used for the theoretical hours worked calculation is left to the discretion of the subsidiaries, taking into account local specificities, which can lead to minor discrepancies.

Some subsidiaries monitor absenteeism only for hourly paid employees, as other employees are included in a specific program providing them some available days-off that can be used for several reasons (vacation, sickness, special leave, etc.). Such is the case in particular for The Dannon Company Inc. (Fresh Dairy Products – United States), Danone Inc. (Fresh Dairy Products – Canada), Danone Argentina SA (Fresh Dairy Products – Argentina) and Grupo Cuzco International S de RL de CV (Waters – Mexico) whose absenteeism rate for employees not paid on an hourly basis is estimated. Absenteeism is not recorded in the Group's subsidiaries in the Netherlands. The Group will implement an action plan in order to measure absenteeism in these subsidiaries.

Given the limited availability of data in certain countries, the Group made estimates for this indicator as of December 31, 2014.

Frequency rates of work accidents

Frequency Rate 1 (FR1) is the number of workplace accidents with lost time of one day or more that occur over a 12-month period for every 1 million hours worked.

The frequency rate of workplace accidents without lost time (FR2) represents the number of workplace accidents without lost time for every 1 million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with lost time for every 1,000 hours worked. Regarding the number of lost days taken into account in the calculation of the severity rate and given the limited availability of data in certain countries, the Group made estimates for this indicator as of December 31, 2014.

The hours worked are actual hours worked; if this figure is not available, theoretical hours worked are taken into account based on local practices and regulations regarding work time.

The assumptions used for the theoretical hours worked calculation is left to the discretion of the subsidiaries, taking into account local specificities, which can lead to minor discrepancies.

Workplace accident indicators also cover accidents affecting temporary employees working at Danone's sites as well as interns who have an internship agreement with Danone. Temporary employees refers to individuals who do not have a contract with Danone but are under the Group's direct management, working on a temporary basis and for whom working time is available (in number of hours); this can create discrepancies in the scope of the workforce accounted for by the sites.

Waste

In 2014, waste is classified into four categories (hazardous waste, non-hazardous organic waste, non-hazardous inorganic waste and sludge from water treatment facilities).

In 2013, the quantity of sludge from water treatment facilities taken into account was limited to sites for which wastewater was discharged directly into the environment after on-site treatment (full treatment). Sludge from wastewater treatment facilities generated by partial on-site treatment and subsequent off-site treatment was not included.

In 2014, the "Volume of sludge from wastewater treatment facilities" indicator took into account all sites with on-site wastewater treatment (complete and partial) and generating sludge. This indicator is calculated based on the quantity of wet sludge and a dry matter ratio. When the dry matter ratio was not available (around 7% of cases), the default value was set at 100%.

The total quantity of sludge from wastewater treatment facilities was approximately 26,000 tons at 59 sites in 2014. In 2013, this indicator was reported by only 19 sites.

Consolidated data related to waste do not include (i) product returns (non-compliant raw materials rejected/unsold due to commercial issues), and (ii) whey, a by-product normally reused by a third party.

Data related to recovered waste include materials recovery (recycling, compost, reuse, etc.) and energy recovery.

Water consumption

Consumption of well water or surface water may be estimated when sites have no meter. The definition and methods of accounting for various uses of water (including run-off, water pumped from and returned into streams) are specified in the technical environmental guide established by the Group and transmitted to its subsidiaries. Water consumption includes water used in industrial process and water used in finished product formulation.

The calculation method used by the Group consists in taking into account the water used in open cooling circuits (water pumped and returned without any modification except temperature).

If a logistics center is located adjacent to a production site, its water consumption is included when the sites are not able to distinguish it.

Energy consumption

By definition and with the exception of the GHG Protocol Corporate Standard indicator, the environmental indicators cover only the impact of production sites. When Research and Development centers or other non-industrial sites are located adjacent to the production sites, estimates may be made by the production sites to take into account only their own energy consumption (estimate and deduction of energy consumed by the non-industrial site adjacent to the plant).

In some cases, the energy consumption of buildings located adjacent to the production sites is included when no separate measurement is possible.

Greenhouse gas emissions by organization

Greenhouse gas emissions by organization (scope 1 and scope 2) for 2014 are calculated using the methodology described in the GHG Protocol Corporate Standard (revised 2010 version).

For the organizational approach to measuring its carbon footprint, Danone has chosen to include all sources of emissions at the Group's industrial sites. The share of emissions from offices and warehouses remains limited relative to the total (7% of total emissions in 2012). Vehicles produce a greater share of emissions (21% of total emissions in 2012). However, Danone focuses its actions on the industrial activities (more than 70% of total emissions in 2012).

For the so-called "product" approach based on a lifecycle analysis, however, Danone also records emissions related to logistics and transportation.

Direct emissions (scope 1) are those arising from on-site consumption of fuels (natural gas, propane/butane/LPG, heating oil, heavy fuel oil and coal) and from refrigerant leaks (in accordance with the GHG Protocol Corporate Standard, only HFC and PFC consumption is included). No Group site uses PFCs.

Indirect emissions (scope 2) are those linked to the generation of electricity, steam, heat or cold and purchased by the Group.

Emissions (scopes 1 and 2) are calculated by applying the global warming potential (GWP) and emissions factors to the activity data.

The emissions factors and GWPs used in calculating emissions arising from energy consumption correspond to data in the 2006 IPCC Guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories). The IPCC (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specializing in climate change. The emission factors regarding electricity correspond to the data from the International Energy Agency (CO2 highlights 2013), and the factors used regarding heat, steam and cold correspond to data from the French Agency for the Environment and Energy Management (Agence de l'environnement et de la maîtrise de l'énergie – ADEME) carbon database.

Emissions factors used to characterize the impact of refrigerant fugitive emissions are based on the report "Climate Change 2007, 4th Assessment Report, The Physical Science Basis", from IPCC, published in 2007.

Wastewater

Chemical Oxygen Demand (COD) data presented correspond to wastewater after internal and/or external treatment. If no information about external treatment is available, a purified output of 90% is applied.

Report by one of the Statutory auditors, appointed as an independent third party, on the consolidated environmental, labour and social information presented in the management report

This is a free translation into English of the Statutory auditors' report issued in French and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory auditor of Danone, appointed as an independent third party and certified by COFRAC under number 3-1060 , we hereby present to you our report on the consolidated environmental, labour and social information for the year ended on December 31st, 2014 presented in the management report (hereinafter the "CSR Information"), in accordance with Article L.225-102-1 of the French Commercial Code (Code de commerce).

Responsibility of the company

The Board of Directors is responsible for preparing the company's management report including CSR Information in accordance with the provisions of Article R.225-105-1 of the French Commercial Code and with the protocols used by the company (hereinafter the "Guidelines"), summarised in the methodological information at the end of the chapter 5.2 of the management report and available on request from the company's head office.

Independence and quality control

Our independence is defined by regulatory texts, the French code of ethics governing the audit profession and the provisions of Article L.822-11 of the French Commercial Code. We have also implemented a quality control system comprising documented policies and procedures for ensuring compliance with the codes of ethics, professional auditing standards and applicable legal and regulatory texts.

Responsibility of the Statutory auditor

On the basis of our work, it is our responsibility to:

- certify that the required CSR Information is presented in the management report or, in the event that any CSR Information is not presented, that an explanation is provided in accordance with the third paragraph of Article R.225-105 of the French Commercial Code (Statement of completeness of CSR Information);
- express limited assurance that the CSR Information, taken as a whole, is, in all material respects, fairly presented in accordance with the Guidelines (Reasoned opinion on the fairness of the CSR Information).

Our work was carried out by a team of eight people between October 2014 and March 2015 and took around twenty weeks. We were assisted in our work by our specialists in corporate social responsibility.

We performed our work in accordance with the French professional auditing standards related to labour and environmental information falling within the scope of procedures directly related to the statutory audit engagement (NEP 9090), with the decree of 13 May 2013 determining the conditions in which the independent third party performs its engagement and with ISAE 3000 concerning our reasoned opinion on the fairness of the CSR Information.

1. Statement of completeness of CSR Information

We conducted interviews with the individuals in charge of the relevant departments, we reviewed the Company's sustainable development strategy with respect to the labour and environmental impact of its activities and its social commitments and, where applicable, any initiatives or programmes it has implemented as a result.

We compared the CSR Information presented in the management report with the list provided for by Article R.225-105-1 of the French Commercial Code.

For any consolidated Information that was not disclosed, we verified that the explanations provided complied with the provisions of Article R.225-105, paragraph 3 of the French Commercial Code.

We verified that the CSR Information covers the scope of consolidation, *i.e.*, the Company, its subsidiaries as defined by Article L.233-1 and the entities it controls as defined by Article L.233-3 of the French Commercial Code within the limitations set out in the methodological information at the end of the chapter 5.2 of the management report, especially the exclusion of the entity Centrale Laitière (Morocco) for most CSR information.

Based on this work and given the limitations mentioned above, we attest to the completeness of the required CSR Information in the management report.

2. Reasoned opinion on the fairness of the CSR Information

Nature and scope of our work

We conducted around forty interviews with the people responsible for preparing the CSR Information in the departments charged with collecting the information and, where appropriate, the people responsible for the internal control and risk management procedures, in order to:

- assess the suitability of the Guidelines in the light of their relevance, completeness, reliability, impartiality and comprehensibility, and taking into account best practices where appropriate;
- verify that a data-collection, compilation, processing and control procedure has been implemented to ensure the completeness and consistency of the CSR Information and reviewed the internal control and risk management procedures used to prepare the CSR Information.

We determined the nature and scope of our tests and controls according to the nature and importance of the CSR Information with respect to the characteristics of the Company, the labour and environmental challenges of its activities, its sustainable development policy and best practices.

With regard to the CSR Information that we considered to be the most important (**Social information**: headcount; dismissals; absenteeism; workplace accidents, their frequency and severity; training; ILO core convention; **Environmental information**: amount of provisions and guarantees for environmental risks; water emissions and chemical oxygen demand (COD); waste and their recovery treatments; water consumption and local constraints; raw material consumption and its efficient use; energy consumption and efficiency; greenhouse gas emissions; biodiversity; **Labour information**: suppliers and subcontracting; prevention of corruption; consumer health and safety):

- at parent entity, we consulted documentary sources and conducted interviews to substantiate the qualitative information (organisation, policy, action), performed analytical procedures on the quantitative information and verified, using sampling techniques, the calculations and the consolidation of the data. We also verified that the information was consistent and in concordance with the other information in the management report;
- at the level of a representative sample of entities selected by us (**Water Division**: Aguas Danone de Argentina SA (Argentina), Bonafont SA de CV (Mexico), PT Tirta Investama (Indonesia), Société des Eaux de Volvic (France); **Fresh Dairy Division**: Danone Argentina SA (Argentina), Danone Djurdjura (Algeria), Danone GMBH (Germany), Danone Inc. (Canada), Danone Industria OOO (Russia), Danone SA (Spain); **Early Life Nutrition Division**: PT Sarihusada Generasi Mahardhika (Indonesia); **Medical Nutrition Division**: Nutricia Nederland B.V. (Netherlands)) on the basis of their activity, their contribution to the consolidated indicators, their location and risk analysis, we conducted interviews to ensure that procedures are followed correctly, and we performed tests of details, using sampling techniques, in order to verify the calculations made and reconcile the data with the supporting documents. The selected sample represents on average 18% of headcount and between 17% and 31% of quantitative environmental data.

For the other consolidated CSR information, we assessed consistency based on our understanding of the company.

We also assessed the relevance of explanations given for any information that was not disclosed, either in whole or in part in the light of good professional standards.

We believe that the sampling methods and sample sizes used, based on our professional judgment, allow us to express limited assurance; a higher level of assurance would have required us to carry out more extensive work. Because of the use of sampling techniques and other limitations intrinsic to the operation of any information and internal control system, we cannot completely rule out the possibility that a material irregularity has not been detected.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR Information, taken as a whole, is not presented fairly, in all material respects, in accordance with the Guidelines.

Observation

Without qualifying our conclusion, we draw your attention to the following matters: certain local contacts in the different subsidiaries are not sufficiently trained to understand the definitions and calculation methods used by the company while the internal controls procedure described in the Guidelines is not deployed in a homogenous manner throughout the subsidiary, division and corporate levels on social data. This may result in deficiencies in the reporting process at entity level for certain indicators, including "Absenteeism rate", "Training hours", and "number of days lost" used for the calculation of the "Severity rate". The deficiencies identified on the reviewed data were corrected in the CSR Information presented in the management report.

Neuilly-sur-Seine, March 9, 2015

One of the Statutory auditors

PricewaterhouseCoopers Audit

Philippe VOGT	Sylvain LAMBERT
Partner	Partner in charge of the Sustainable Development department

5

5.3 FUNDS SPONSORED BY DANONE

danone.communities

The danone.communities mutual fund (*Société d'Investissement à Capital Variable - SICAV*) and the danone.communities professional specialized investment fund (*Fonds Professionnel Spécialisé – FPS,* formerly the *Fonds Commun de Placements à Risques - FCPR*) were created in 2007 on Danone's initiative.

The aim of the danone.communities FPS is to invest in businesses with significant social impact located mainly in the emerging countries, in accordance with Danone's mission.

The SICAV's investment strategy consists of investing a minimum of 90% of its assets in a selection of shares or units of mutual funds or investment funds invested in money market investments, government bonds and bonds of companies in the euro zone favoring a "Socially Responsible Investment" (SRI) approach, and a maximum of 10% of its assets in the danone.communities FPS.

As of December 31, 2014, the danone.communities SICAV had assets under management totaling around €77 million.

Investment by the Group and its employees in danone.communities

At the Shareholders' Meeting of April 26, 2007, 99.77% of the shareholders approved the implementation of the danone.communities project.

With the creation of the danone.communities SICAV in May 2007, the Company subscribed for €20 million of its capital.

In addition, Danone makes a financial contribution each year to the danone.communities project. The maximum annual financial contribution is set by Danone's Board of Directors, upon the recommendation of the Social Responsibility Committee, and is reviewed each year to take into account the development of danone.communities.

At its meeting on February 19, 2014, the Company's Board of Directors, acting on the recommendation of the Social Responsibility Committee, set the Company's annual financial contribution for the 2014 fiscal year at €3.17 million, unchanged from the previous year.

In 2014, Danone's financial contribution to the danone.communities projects totaled €3.6 million (unchanged from the previous year).

Furthermore, the employees of the Company and its French subsidiaries also participate in the danone.communities project by investing in the SICAV through the danone.communities employee savings mutual fund (*Fonds Commun de Placement d'Entreprise – FCPE*) as part of the Group savings plan. As of December 31, 2014, approximately 30% of the Group's employees in France had subscribed to the danone.communities FCPE for a total amount of €12.4 million (a 8.8% increase from 2013).

Projects supported by the danone.communities FPS

Since its creation, the danone.communities FPS has carried out eight investments.

In accordance with the danone.communities Governance Charter, the Company's Social Responsibility Committee is consulted prior to each investment by the danone.communities FPS and issues an opinion as to its compliance with this charter.

In 2012, the Group decided to invest directly in the capital of three projects alongside the danone.communities FPS in order to ensure the viability and sustainability of each of the projects: Grameen Danone Foods Limited in Bangladesh, Laiterie du Berger in Senegal and NutriGo in China.

Under the terms of the danone.communities Governance Charter, the Company may invest, directly or indirectly, in companies in which the danone.communities FPS invests, but only if the co-investments: (i) comply with Danone's corporate purpose, (ii) are of a nature to strengthen the mission, governance and sustainability of the companies concerned, and (iii) are made in agreement with the shareholders of these companies. Each co-investment is subject to prior review by the Social Responsibility Committee, which gives an opinion as to its compliance with these requirements.

Hereafter is a description of the eight projects in which the danone.communities FPS (and, for three of them, the Group) has invested.

Grameen Danone Foods Ltd., Bangladesh

The danone.communities FPS made its first investment in Grameen Danone Foods Ltd., a company created in 2006 in Bangladesh at the initiative of Grameen Bank and the Group.

Grameen Danone Foods Ltd. is a social business that built a factory for manufacturing micronutrient-fortified (vitamin A, zinc, iron and iodine) yogurts. Sold at a very affordable price to the poorest families by "Grameen Ladies" and in small retail stores, these yogurts make it possible to combat children's nutritional deficiencies. In addition to its beneficial health impact, the project also aims to create local jobs to increase living standards in the community, protect the environment and save resources.

In 2012, the Group agreed to participate in the capital increase implemented by Grameen Danone Foods Ltd. to finance the launch of new products and the future expansion of the company, insofar as it was not possible to find new investors willing to participate in this capital increase given the local political climate.

As of December 31, 2014, the Group's aggregate investment in Grameen Danone Foods Ltd. was approximately €2.2 million, which represents 29.4% of its share capital.

As of December 31, 2014, the FPS invested a total of approximately €1.6 million in Grameen Danone Foods Ltd., or around 21.6% of its share capital. The other shareholders of the company include various entities of the Grameen group and Grameen Crédit Agricole Fund.

1001 Fontaines, Cambodia

1001 Fontaines gives isolated villages in Cambodia access to a clean drinking water system so that their inhabitants can avoid drinking surface water, which is the cause of a high infant mortality rate and diarrhea-related illnesses. 1001 Fontaines uses a solar-powered ultraviolet treatment process powered by solar energy that makes it possible to kill bacteria present in surface water and render it drinkable at a minimal cost.

The danone.communities FPS supports this project through a total investment of €0.15 million in the company UV+Solaire.

As of December 31, 2014, this project was operating in approximately 120 villages in Cambodia, 10 newly added villages in Madagascar and three newly added villages in eastern India, giving access to drinking water to approximately 250,000 people.

La Laiterie du Berger, Senegal

La Laiterie du Berger is a Senegalese social business created in 2005 to help improve the situation of Peuls herders by providing them with a source of fixed income.

In Senegal, imported milk in powder form accounts for the bulk of consumption, even though a significant portion of the population lives traditionally through raising animals and is therefore capable of producing milk. La Laiterie du Berger manufactures products (mainly yogurts and "*crème fraîche*") made from fresh milk collected locally from Peuls herders. These products are then sold at competitive prices on the Senegalese market. The company also supplies the farmers with feed for their farm animals and offers training to improve farms' productivity.

The danone.communities FPS has invested approximately €1.2 million in La Laiterie du Berger, giving it an approximately 23.4% stake.

At the request of all La Laiterie du Berger shareholders and in order to ensure that the company's sustainability, the Group agreed to acquire a 23.2% equity interest through a €1.4 million investment as part of a capital increase carried out in November 2012.

At that time, the Group also became a part to the shareholders' agreement, entered into by all shareholders, which provides that the purpose of La Laiterie du Berger is to achieve economic sustainability and have a positive social impact on its environment. The agreement defines principles, specific and quantifiable commitments, notably with respect to: (i) increasing and securing the annual income of the farmers, (ii) training, (iii) developing a local dairy production chain, (iv) lowering production costs enabling the marketing of products offering the best mix of price, quality and nutritional contributions in an environment marked by malnutrition and economic fragility, and (v) the proportion of sales corresponding to fortified products targeting the most fragile populations.

Isomir, France

Financed by the danone.communities FPS in 2010, Isomir ("*Industrialisation Solidaire en Milieu Rural*") supports small farmers in France developing their businesses through direct farm marketing, by providing production facilities (poultry slaughtering, meat, fruit and vegetable and dairy processing) for local sale (direct sales, collective catering, etc.).

Isomir provides small farmers with turnkey production facilities, advice and services to start up and launch their business (regulatory training, technical support, marketing advice, etc.) as well as with a financial partnership (through direct investment in the financing of the business.

The FPS participated in the establishment of Isomir with an equity investment of €0.1 million.

Naandi Community Water Services, India

Financed by the danone.communities FPS in 2010, Naandi Community Water Services was created through an initiative of the Indian foundation Naandi in 2006 to provide very low cost drinking water to village communities in India.

The water treatment and distribution systems were installed in more than 400 villages by Naandi Community Water Services. The installation, maintenance and technical operation of the installations are ensured by the company's staff, but are managed directly in the villages by people who have been specially recruited and trained.

As of December 31, 2014, the danone.communities FPS has invested around €2 million in Naandi Community Water Services.

El Alberto, Mexico

The El Alberto project, which is the result of a partnership between the Porvenir Foundation, HOD Mexico, the Mexican government and danone.communities, was launched in 2011. Its objective is to give the indigenous communities in the El Alberto region of Mexico access to clean and inexpensive water.

As of December 31, 2014, the danone.communities FPS has invested a total of around €0.25 million in this project.

Nutrigo, China

The Nutrigo project, implemented through a partnership, notably with the non-governmental organization Shanghai NPI Social Innovation Development Center, is a major player in social innovation and social entrepreneurship in the People's Republic of China.

This project, which was launched in 2011, seeks to:

- market YingYangBao, a powdered food supplement that provides children with key nutrients (notably proteins, vitamins, iron and calcium), in the economically disadvantaged rural areas of China whose people suffer from chronic malnutrition; and
- provide stronger nutrition education to local populations.

As of December 31, 2014, the danone.communities FPS, through SAS DC China Investment, has invested a total of around €0.6 million and has a 41.7% equity interest in the company.

At the end of 2011, danone.communities was not able to enter into the partnership agreement contemplated at the beginning of the project with the previously identified potential local partners. In 2012, the Group therefore agreed to invest in the project and become a shareholder in Nutrigo in order to enable the launch of the project, pending a long-term solution. The Group has invested a total of approximately €0.8 million in the project, which represents around 43.4% of Nutrigo's share capital.

Jita, Bangladesh

The FPS's eighth investment, made in January 2012, concerns JITA, a women-operated rural distribution network for basic products in Bangladesh.

This is an extension of a program launched by the non-governmental organization CARE Bangladesh in 2004 and seeks to increase the number of "sales ladies" working with JITA (they were 2,580 in 2011 and reaching 7,250 by the end of 2014), by carving out a social business from CARE Bangladesh. Its main objectives are to create job opportunities for several thousand women living in fragile economic conditions, enable the establishment of distribution points in rural areas and make basic products and services available to numerous Bangladeshis. JITA therefore seeks to promote a sustainable, rural sales model and to develop a rural company network thanks to greater access to the market and services.

The danone.communities FPS invested a total of €0.6 million in the project in 2012.

Danone Ecosystem Fund (Fonds Danone pour l'Écosystème)

At the April 23, 2009 Shareholders' Meeting, shareholders approved the proposed creation of the Danone Ecosystem Fund, with 98.36% of shareholders casting ballots in favor.

Description of the Danone Ecosystem Fund

The fund is governed by the provisions of the French Law of August 4, 2008 and is run by a board of directors. Furthermore, a steering committee, composed of representatives of the Danone Group and non-Group members, establishes the fund's major strategic guidelines, especially with regard to priorities and resource allocation principles, as presented by the fund's board of directors.

The purpose of the fund is to strengthen and develop activities of public interest within the Danone ecosystem. Together with non-profit organizations, the fund supports economic initiatives of certain Danone constituents (farmers, suppliers, local authorities, economic agents located close to plants, small distributors, etc.) in order to strengthen the Group's ecosystem, promote job creation and develop micro-entrepreneurship.

Contributions from the Group to the Danone Ecosystem Fund

Under the terms of the resolution approved by the April 23, 2009 Shareholders' Meeting, the Company made a free and irrevocable capital endowment of €100 million into the fund in 2009.

In addition to this capital endowment, every year, for a five-year period beginning in 2009, the Company and its subsidiaries may also make supplementary annual contributions totaling up to 1% of the Danone underlying net income per year.

Acting upon the recommendation of Danone's Social Responsibility Committee, Danone's Board of Directors therefore approved:

- for the 2009 fiscal year, an overall annual supplementary contribution of €1.4 million (representing approximately 0.1% of the Group's 2009 underlying net income);
- for the 2010 fiscal year, an overall annual supplementary contribution of €1.4 million (approximately 0.07% of the Group's 2010 underlying net income);
- for the 2011 fiscal year, an overall annual supplementary contribution of €0.9 million (approximately 0.05% of the Group's 2011 underlying net income);
- for the 2012 and 2013 fiscal years, no supplementary contribution was made.

Management of the fund's administrative, accounting, financial and legal activities

The fund does not have any employees and the management of the fund's activities (administrative, accounting, financing and legal services) is ensured by dedicated employees of Danone in accordance with the terms of a services agreement between Danone and the fund.

Until 2011, Danone provided these services free of charge in the context of the overall annual contribution (which was paid partly in cash and partly in kind to the extent that salaries and travel expenses of Group employees were allocated to the fund).

In 2014, the salaries and travel expenses of Group employees allocated to the fund were rebilled entirely by Danone to the fund, which represented a total invoiced amount of €1.8 million.

In 2015, the salaries and travel expenses of Group employees allocated to the fund's activities will be fully rebilled by Danone to the fund.

This rebilling is performed in accordance with a rebilling procedure implemented by the fund after all supporting documents have been submitted by the Group to the fund.

Projects supported by Danone Ecosystem Fund

Since its creation, the fund's Board of Directors has approved 56 projects (excluding feasibility studies), including eight new projects and eight extensions of existing projects in 2014.

The fund's Board of Directors terminated two projects as a result of their non-viability. Consequently, 54 projects remained in the portfolio as of December 31, 2014.

These projects are selected in accordance with the fund Governance Charter and after a review on the basis of the following five criteria:

- economic viability of activity being funded;
- creation of social value;
- possibility of developing or replicating the initiative;
- innovative character; and
- differentiation opportunities.

The projects are initiated by Group subsidiaries around the world, both in developed and emerging market countries.

Of the 54 projects in the portfolio, 14 were located in Western Europe, 12 in America, 10 in Central and Eastern Europe, 10 in Asia and 8 in Africa and the Middle East.

Projects are implemented primarily through non-profit organizations selected by the fund (e.g. associations, international organizations, etc.). They are subject to contracts between the fund and the selected partner, which define detailed rules for their implementation (description, timetable, payment schedule, partner's responsibility, performance indicators, project governance, etc.). Moreover, since 2013, certain projects have been carried out directly by the fund.

The fund supports initiatives that fall under five main themes:

- supplies: supporting the milk and fruit supply chain in local regions where Danone operates by developing small producers in particular (reinforcement or acquisition of new expertise, technical solutions, access to credit, etc.) (22 portfolio projects representing €25 million committed by the fund as of December 31, 2014);
- micro-distribution: provide job insertion for people who are struggling in the job market by creating new distribution channels for mass market consumer products, and/or local products with high nutritional value (nine portfolio projects representing €8 million committed by the fund as of December 31, 2014);
- recycling: collecting PET and helping to organize the work of associations providing support to communities of distressed individuals (*chiffonniers*) and improving their quality of life and that of their family (four portfolio projects representing €5 million committed by the fund as of December 31, 2014);
- services to individuals: in connection with nutrition, develop the professional skills of participants in the personal services sector (13 portfolio projects representing €7 million committed by the fund as of December 31, 2014); and

- local development: contribute to social development at the local and regional levels where the Group's plants are located through local economic initiatives (six portfolio projects representing €6 million committed by the fund as of December 31, 2014).

These projects are also subject to audits, impact studies and monitoring by a coordination team (these overhead costs totaled €2 million in 2014).

As of December 31, 2014, a total of €60 million had been committed by the fund to projects implemented by non-profit organizations (which in effect corresponds to amounts actually paid out by the fund to the partners as well as the amounts that the fund has agreed to pay out under contracts entered into with the partners) and public-interest initiatives carried out directly by the fund, audits, impact studies and monitoring by a coordination team.

Livelihoods

Creation of Livelihoods fund

Livelihoods fund is an investment fund dedicated to ecosystem and carbon assets restoration and created on Danone's initiative. It is a Luxembourg-registered mutual fund (*Société d'Investissement à Capital Variable-specialized investment fund*) founded on December 15, 2011.

Livelihoods fund seeks to invest in three types of projects that fulfill both environmental and social criteria in Africa, Asia and Latin America: (i) the restoration and preservation of natural ecosystems, (ii) agroforestry and soils restoration through sustainable agricultural practices, and (iii) rural energy access to limit deforestation. Livelihoods fund also seeks to have a significant impact on local communities (food security, development of new revenues, etc.) and on the environment.

The initial term of the fund is 24 years, the life span of a project being around 20 years.

The creation of Livelihoods fund is part of the Group's goal of reducing its carbon and environmental footprint through the development of offset actions that enable carbon credits to be earned through projects with a high environmental and social impact.

Investments by the Group and co-investors in Livelihoods fund

As the fund's sponsor, Danone put together an initial investor group in 2011 comprising the Crédit Agricole (Crédit Agricole CIB and Delfinances), CDC Climat and Schneider Electric Industries groups. They were joined by La Poste, Hermès International and Voyageurs du Monde in 2012, by SAP and Firmenich in 2013 and by Michelin in 2014. The fund now has a total of ten investors.

By inviting co-investors to participate in the fund, which increases the amounts invested in the fund, Danone is able to limit the project-related risks (through diversification over a greater number of projects), achieve economies of scale, and benefit from complementary expertise and know-how.

As of December 31, 2014, the investors have pledged to invest a total of €37.93 million, of which €18 million has already been disbursed to the fund. Of these amounts, the Group has committed to pay in €13.8 million and has disbursed €6.6 million as of December 31, 2014.

The carbon credits generated by the projects developed by Livelihoods fund are certified in accordance with best practices and allocated to investors *pro rata* to their investment. Investors may use these credits to offset their carbon emissions or sell the credits on the market.

Livelihoods fund's investments

As of December 31, 2014, Livelihoods fund manages seven projects, since the Novacel project was discontinued following a decision by the Livelihoods fund's Board of Directors on May 28, 2013. The first four projects initiated by Danone and subsequently transferred to the fund in December 2011. Three additional projects were launched by the fund in 2012 and 2013: the Hifadhi project in Kenya, the Fundaeco project in Guatemala and the Tiipaalga project in Burkina Faso.

These projects are described hereafter:

- mangrove plantations in Senegal. Thanks to the work of Océanium, a local NGO, 350 villages in the Casamance and Sine Saloum regions restored 7,920 hectares of mangroves and thereby contributed to the return of food supplies in their ecosystem (fish, shell fish) and developed activities making it possible to improve living conditions for these villagers;
- mangrove plantations in India. Working with the Indian NGO Nature Environment & Wildlife Society (NEWS), villagers in the Ganges delta will have replanted 5,500 hectares of mangroves by the end of the first quarter of 2014. In this region, the replanting of mangroves protects levies against hurricanes and flooding and provides food resources in the form of fish;
- mangrove plantations in Indonesia. Led by Yagasu Aceh, a local NGO, the coastal villagers are working to restore 5,000 hectares on the island of Sumatra, with a very active approach to help local communities develop their mangrove-based activities (aquaculture, batik dyes);
- agroforestry in India. With the support of Naandi Foundation, the Adivasi tribal communities of the Araku valley planted 3 million fruit trees, coffee plants and timber trees using agroforestry models;
- rural energy and community reforestation in Kenya. With support from ClimatePal and together with Ecoact, the "Hifadhi" project seeks to manufacture and distribute 60,000 efficient artisanal ovens that will reduce the consumption of wood, the sole fuel source in African rural areas. Some 300,000 people in the Embu region should benefit from this initiative, which sharply reduces the workload borne by women, pressure on forests and negative health impacts on the population;
- agroforestry in Guatemala. With the support of the local NGO Fundaeco and the Guatemalan government, this project is intended to preserve the biodiversity of the Cerro San Gil mountain by enabling the small farmers living in the mountain's foothills to live decently thanks to agroforestry. A total of 4,000 hectares of trees and plants of different varieties will be planted; and

5

- rural energy and community reforestation in Burkina Faso. With the support of the Tiipaalga NGO, the "Livelihoods-Tiipaalga" project aims to manufacture and provide improved stoves to 30,000 households. These efficient stoves are designed to reduce the consumption of wood, the sole source of fuel in the African countryside. Some 150,000 people in Bam and Loroum provinces should benefit from this initiative, which significantly eases the burden on women, helps to preserve forest resources and improves the health of the local populations.

Delivery of carbon credits

In 2014, the Livelihoods fund carried out its first delivery of carbon credits to investors thanks to two projects – Oceanium in Senegal and Araku in India – after they had been verified by independent auditors. In 2014, these two projects delivered a total of 141,941 credits to the fund, which were in turn redistributed to investors in the same year. As part of this initial distribution, Danone received 51,641 carbon credits.

Corporate Governance

6

6.1 GOVERNANCE BODIES 216

Board of Directors 217

Audit Committee 232

Nomination and Compensation Committee 234

Social Responsibility Committee 237

Strategy Committee 239

Executive Committee 239

Application of the AFEP-MEDEF Corporate Governance Code for listed companies 240

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS AND NOMINEES TO THE BOARD OF DIRECTORS 242

Appointment 243

Renewal of terms of office 244

Current Directors 249

6.3 COMPENSATION AND BENEFITS FOR CORPORATE OFFICERSAND GOVERNANCE BODIES 262

Principles of the compensation policy for Group executives 263

Description of the Group compensation collective programs 269

Compensation and benefits paid to corporate officers and governance bodies 280

Individual compensation of corporate officers in accordance with the AFEP-MEDEF Code 297

Transactions made in 2014 involving Company shares by members of the Board of Directors and Executive Committee 297

6.4 INTERNAL CONTROL AND RISK MANAGEMENT 298

General organization of internal control 298

Danone's overall internal control and risk management procedures 300

Internal control procedure for the preparation and processing of Danone's financial and accounting information 302

Statutory auditors' report 305

6.5 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS 306

6.1 GOVERNANCE BODIES

TABLE OF CONTENTS

Board of Directors **217**

Composition of the Board of Directors 217
Rules applicable to the organization and the governance of the Board of Directors 221
Operation of the Board of Directors during the fiscal year 224
Work performed by the Board of Directors 228
Self-assessment of the Board of Directors 230
Lead Independent Director 230

Audit Committee **232**

Composition of the Audit Committee 232
Audit Committee's rules of procedure 232
Work of the Audit Committee 233

Nomination and Compensation Committee **234**

Composition of the Nomination and Compensation Committee 234
Nomination and Compensation Committee's rules of procedure 234
Work of the Nomination and Compensation Committee 235

Social Responsibility Committee **237**

Composition of the Social Responsibility Committee 237
Social Responsibility Committee's rules of procedure 237
Work of the Social Responsibility Committee 238

Strategy Committee **239**

Composition of the Strategy Committee 239
Strategy Committee's rules of procedure 239
Work of the Strategy Committee 239

Executive Committee **239**

Role of the Executive Committee 239
Composition of the Executive Committee 239

Application of the AFEP-MEDEF Corporate Governance Code for listed companies **240**

Board of Directors

Composition of the Board of Directors

The members of the Board of Directors are appointed by the Shareholders' Meeting, except the two Directors representing the employees appointed pursuant to Act no. 2013-504 of June 14, 2013 concerning job security, who are designated by the Company Works Council and by the Group European Works Council, in accordance with the Company's by-laws.

Members of the Board of Directors as of February 28, 2015

As of February 28, 2015, the following persons are the 15 members of the Board of Directors:

Name	Age	Primary position [a]	Starting date of Director's term	Expiration date of Director's term [b]
Franck RIBOUD	59	Chairman of Danone's Board of Directors	1992	2016
Emmanuel FABER	51	Chief Executive Officer of Danone and Vice-Chairman of the Board of Directors	2002	2016
Bruno BONNELL [c]	56	Chairman of I-Volution	2002	2017
Richard GOBLET D'ALVIELLA [c] [d]	66	Honorary Chairman of Sofina SA	2003	2015
Jacques-Antoine GRANJON [c]	52	Chairman and Chief Executive Officer of vente-privee.com	2012	2018 [e]
Marie-Anne JOURDAIN	56	Director representing employees	2014	2017
Jean LAURENT [c]	70	Chairman of the Board of Directors of Foncière des Régions	2005	2018 [e]
Gaëlle OLIVIER [c]	43	CEO of the property insurance businesses of AXA Asia	2014	2017
Benoît POTIER [c]	57	Chairman and Chief Executive Officer of L'Air Liquide SA	2003	2018 [e]
Isabelle SEILLIER	55	Head of Financial Institutions EMEA of J.P Morgan	2011	2017
Mouna SEPEHRI [c]	51	Member of the Executive Committee, Executive Vice-President of Renault SAS	2012	2018 [e]
Jean-Michel SEVERINO [c]	57	Head of I&P SARL	2011	2017
Virginia A. STALLINGS [c]	64	Professor of Pediatrics at the Children's Hospital of Philadelphia	2012	2018 [e]
Bettina THEISSIG	52	Director representing employees	2014	2017
Lionel ZINSOU-DERLIN [c]	60	Chairman of PAI partners SAS	2014	2017

(a) Each Director's term of office and duties are detailed hereafter (see section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*).
(b) Date of the Shareholders' Meeting.
(c) Director considered to be independent by the Board of Directors meeting held on February 19, 2015, upon recommendation of the Nomination and Compensation Committee (see section hereafter related to *Review of Directors' independence*).
(d) The Board of Directors acknowledged Mr. Richard GOBLET D'ALVIELLA's desire not to seek renewal of his term of office.
(e) Provided his/her term of office is renewed by the Shareholders' Meeting of April 29, 2015.

Pursuant to Act no. 2013-504 of June 14, 2013, Mrs. Marie-Anne JOURDAIN and Mrs. Bettina THEISSIG were appointed, respectively, by the Works Council on September 3, 2014 and by the European Works Council on September 6, 2014, as Directors representing employees. Since their appointment, a single member of the Works Council has participated in Board of Directors' meetings in an advisory capacity, compared with four members previously.

The Board of Directors comprises a Lead Independent Director Mr. Jean LAURENT who was appointed by the Board of Directors of February 18, 2013 upon recommendation by the Nomination and Compensation Committee (see description hereafter in the section on the *Lead Independent Director*).

Lastly, the Board of Directors includes an honorary Vice-Chairman of the Board of Directors, Mr. Michel DAVID WEILL, who was appointed to this function following the Shareholders' Meeting of April 28, 2011 and serves in an advisory capacity.

Separation of the offices of Chairman of the Board of Directors and Chief Executive Officer

Separation of the offices of Chairman of the Board of Directors and Chief Executive Officer

The Board of Directors of September 2, 2014, upon recommendation by the Nomination and Compensation Committee, decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer, with effect on October 1, 2014, and to appoint Mr. Emmanuel FABER as Chief Executive Officer, with Mr. Franck RIBOUD remaining Chairman of the Board of Directors. This separation of offices creates the best conditions to prepare for Mr. Franck RIBOUD's succession at the head of the Company, while ensuring that Danone's strategy continues to evolve in accordance with the Company's culture and values, by maintaining Mr. Franck RIBOUD as Chairman.

Powers of the Chairman of the Board of Directors

The duties of the Chairman of the Board of Directors have been strengthened in order to enhance consultation between the Chairman and the Chief Executive Officer on all the major issues impacting the corporate life, and to give the Chairman the ability to represent Danone in its high-level relations. These duties aim at preparing, in the best possible way, his succession at the head of Danone and at ensuring a smooth and progressive transition. The duties performed by the Chairman of the Board of Directors are further described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *2014 Annual fixed compensation*.

In accordance with the law, the Chairman of the Board organizes and directs the work of the Board, and reports on it to the Shareholders' Meeting. He/she oversees the smooth operation of the Company's governance bodies and ensures in particular that the Directors are able to fulfill their duties. He/she may in particular request any document or information that may serve to brief the Board in preparing its meetings.

Moreover, in accordance with the rules of procedure, in addition to his powers under the law, the Chairman of the Board of Directors:

- presides over and chairs the Strategy Committee;
- monitors compliance with Danone's values and culture;
- may, upon request by the Chief Executive Officer, represent the Company in its high-level relations at a national and international level, and in particular with public authorities and with the Company's partners and strategic stakeholders; and
- may, without prejudice to the prerogatives of the Board of Directors and its Committees, be regularly consulted by the Chief Executive Officer concerning all events of significance with regard to the Company's strategy within the framework of the priorities defined by the Board of Directors, major external growth projects, large-scale financial operations, societal initiatives or the appointment of directors for the key activities and functions in the company. Upon invitation by the Chief Executive Officer, the Chairman may participate in internal meetings with the Company's managers and teams in order to share his input on strategic issues.

In all his/her specific duties, the Chairman acts in close coordination with the Chief Executive Officer, who ensures the executive and operational management of the Group.

Powers of the Chief Executive Officer

The Chief Executive Officer has full power to act in all circumstances in the name of the Company, within the scope of its corporate purpose and subject to the powers that the law expressly attributes to shareholders' meetings and to the Board of Directors. The rules of procedure provide for limits to his/her powers for certain decisions which, due to their purpose or the sums involved, are subject to prior approval by the Board.

Thus, the Board of Directors is required to approve (i) strategic investment projects and (ii) all transactions, such as acquisitions or disposals, which may significantly impact the Group's results, its balance sheet structure or its risk profile.

In particular, the Chief Executive Officer must obtain the Board of Directors' prior authorization for the following transactions:

Type of transactions	Authorization thresholds
Acquisitions or disposals of securities and/or assets, partnerships or joint-ventures (in cash or by asset contributions, carried out in one or several operations)	Threshold of €250 million applicable: • for acquisitions, partnerships or joint ventures: per investment for the Group share; • for disposals: proceeds received for the Group share.
Any off-balance sheet commitment made by the Group	Threshold of €100 million for the Group share
Other investments	Any significant excess over the amount set within the framework of the annual budget
Internal reorganizations	Any reorganization representing an overall cost for the Group share exceeding €50 million

Change in the composition of the Board of Directors proposed to the Shareholders' Meeting of April 29, 2015

It is proposed to the Shareholders' Meeting of April 29, 2015 to renew the terms of office of Messrs. Jacques-Antoine GRANJON, Jean LAURENT and Benoît POTIER, Mrs. Mouna SEPEHRI and Mrs. Virginia A. STALLINGS, as well as the appointment of Mrs. Serpil TIMURAY as Director (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*). The Board of Directors of February 19, 2015 acknowledged the wish of Mr. Richard GOBLET D'ALVIELLA, a Director for the past 12 years, not to seek renewal of his term of office.

In accordance with the French Financial Markets Authority recommendation no. 2012-12, the table hereafter summarizes the changes in the composition of the Board of Directors that occurred in 2014 or that are planned for 2015:

Date	Departures	Appointments	Renewals
Shareholders' Meeting of April 29, 2014	Jacques VINCENT	Gaëlle OLIVIER Lionel ZINSOU-DERLIN	Bruno BONNELL Bernard HOURS Isabelle SEILLIER Jean-Michel SEVERINO
Board of Directors of October 17, 2014 [a]	Bernard HOURS	Marie-Anne JOURDAIN [b] Bettina THEISSIG [b]	–
Shareholders' Meeting of April 29, 2015	Richard GOBLET D'ALVIELLA	Serpil TIMURAY	Jacques-Antoine GRANJON Jean LAURENT Benoît POTIER Mouna SEPEHRI Virginia A. STALLINGS

(a) Board having confirmed these appointments/departures.
(b) Director representing employees.

Provided that the aforementioned term of office renewals and the appointments proposed are approved by the Shareholders' Meeting of April 29, 2015, the composition of the Board will present the following characteristics:

	Composition subsequent to the 2011 Shareholders' Meeting	Composition subsequent to the 2013 Shareholders' Meeting	Composition subsequent to the 2014 Shareholders' Meeting	Composition subsequent to the 2015 Shareholders' Meeting
Rate of independence	57%	57%	71%	77%
Percentage of women	14%	21%	29%	38%
Average age of Directors	58.6 years	57.3 years	56.1 years	55.4 years
Average duration of Directors' terms of office	8.3 years	7.6 years	7.4 years	6.9 years
Percentage of Directors with non-French nationality	29%	29%	29%	31%

In accordance with the recommendations of the AFEP-MEDEF Code, the Directors representing employees are not included in the calculation of the rate of independence for the Board of Directors. In addition, in accordance with applicable laws, these same Directors are not taken into consideration when calculating the percentage of women on the Board. As a result, in order to ensure the consistency of the data presented, the Directors representing employees are also not included in the calculation of the average age, the average duration of terms of office, as well as the percentage of Directors with non-French nationality.

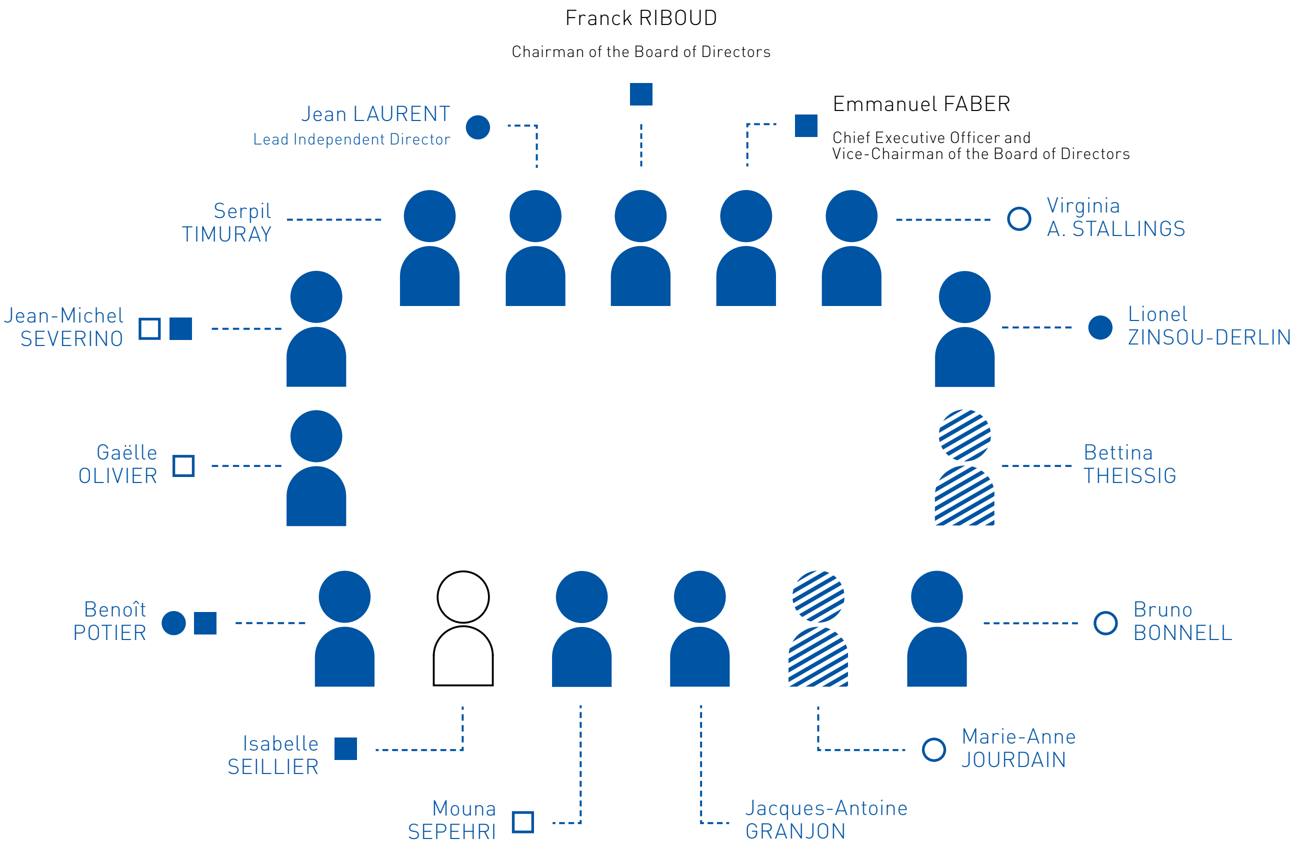
Accordingly, following the Shareholders' Meeting of April 29, 2015, subject to a favorable vote by the Meeting:

- the rate of independence would still be higher than that recommended by the AFEP-MEDEF Code (which is 50% for widely-held companies without controlling shareholders, such as Danone), and all the members of the Audit Committee and Nomination and Compensation Committee would be independent, which is also higher than that recommended by the AFEP-MEDEF Code (under which these committees should comprise at least two-thirds and a majority of independent Directors, respectively);
- the percentage of women would be in line with the objective set up by regulations (which require the percentage of women to be at least 40% by the Shareholders' Meeting to be held in 2017); and

- the average age of Directors and the average duration of their terms of office would be falling. Faced with this decrease in the average seniority of its members, in order to preserve its expertise and experience, the Board of Directors believes it is important to retain among its members several non-executive Directors who are fully aware of the Group's history, in particular, Mr. Bruno BONNELL, who has been a Director since 2002, and Mr. Benoît POTIER, who has been a Director since 2003 and whose term of office is proposed for renewal to the Shareholders' Meeting.

It should be noted that, for several years, the Board has committed to its shareholders to continue to make proposals to the Shareholders' Meeting to improve its corporate governance, particularly in terms of its independence, the percentage of women on the Board and the diversity of its expertise and composition.

Composition of the Board of Directors at the end of the 2015 Shareholders' Meeting [a]



(a) Subject to the approval by the Shareholders' Meeting of the term of office renewals and proposed appointment.

Rules applicable to the organization and the governance of the Board of Directors

Directors' terms of office

Duration and renewal of terms of office

Pursuant to the by-laws and in accordance with the AFEP-MEDEF Code (in which Directors' terms of office may not exceed four years), a Director is appointed for a three-year term of office that may be renewed. The term of office of a Director who is an individual expires automatically at the end of the Shareholders' Meeting convened to vote on the past fiscal year's financial statements or held in the year during which such Director has turned or will turn 70. Furthermore, upon a decision of the Shareholders' Meeting, this age limit does not apply to one or more Directors who may remain in office or who may be reappointed one or more times, so long as the number of Directors concerned by this decision does not exceed one-fourth of the number of Directors in office.

In order to support the smooth renewal of the Board, the Directors' terms of office are staggered. The regular renewal of such terms of office by shareholders is thus facilitated (i) due to the fact that the by-laws limit the terms of office to three years and (ii) by spreading the expiration dates of the various terms of office and thereby enabling the Shareholders' Meeting to vote on the terms of office of several Directors each year.

Based on the current composition of the Board, the terms of office of six Directors will expire at the end of the Shareholders' Meeting convened to vote on the financial statements for the fiscal year 2014, two will expire at the end of the Shareholders' Meeting convened to vote on the financial statements for the fiscal year 2015, and the seven others, including the terms of the two Directors representing employees, will expire at the end of the Shareholders' Meeting convened to vote on the financial statements for the fiscal year 2016.

Holding of DANONE shares by the Directors

Although French law does not require minimum shareholding by the directors of French limited companies (*sociétés anonymes*), Danone's by-laws nevertheless, in accordance with the AFEP-MEDEF Code, require each Director (with the exception of Directors representing employees) to hold a minimum of 4,000 shares. By way of example and based on the closing price of the Company's share on December 31, 2014 (*i.e.* €54.45 per share), 4,000 DANONE shares represent an amount of €217,800.

Board of Directors' rules of procedure

Adoption by the Board of Directors on April 25, 2002

The Board of Directors' rules of procedure, which set out the Directors' rights and obligations and the method of operation of the Board of Directors, were adopted by the Board of Directors on April 25, 2002. In accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors' rules of procedure are described in detail in this Registration Document and are also published on Danone's website.

Main changes

The Board of Directors' rules of procedure are reviewed on a regular basis, and have been notably amended following the regulatory developments and self-assessments (the most recent being achieved in 2010, 2012 and 2014 (see section *Self-assessment of the Board of Directors* hereafter) and within the framework of the Board's annual review of its operations.

The rules of procedure have therefore been amended as follows:

- amendments in 2010 on the addition of new Directors;
- in 2011, the procedure for declaring and managing conflicts of interest was strengthened;
- in December 2013, in order to comply with the recommendations of the AFEP-MEDEF Code, revised in June 2013, the Board's rules of procedure were amended with regard to: the authorization to be obtained in case of acceptance of a new term of office by a corporate officer, meetings between Directors and corporate officers without the presence of the officers, the annual meeting of external Directors called by the Lead Independent Director, the training of the Directors representing employees and the prohibition of transactions in securities of the companies for which the Directors hold privileged information due to their functions at Danone; and
- on September 2, 2014, within the framework of the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer, the Board of Directors amended its rules of procedure in order to define their respective roles and strengthen the Chairman's duties (see the section on *Powers of the Chairman of the Board of Directors* above).

Current Rules of Procedure

The main provisions of the Board of Directors' rules of procedure are summarized hereafter.

Responsibilities of the Board of Directors

The Board of Directors sets the Company's business policies and ensures that they are implemented. It votes on all decisions concerning the Company's major strategic, economic, social, financial and technological policies. Moreover, it grants prior approval for transactions defined by the rules of procedure which limit the powers of the Chief Executive Officer (see section above *Powers of the Chief Executive Officer*). It is responsible towards the shareholders and establishes operating rules for itself and its various Committees.

Chairman of the Board of Directors

In addition to the powers vested in him/her by law, the Chairman of the Board of Directors presides over and chairs the Strategy Committee and ensures compliance with Danone's values and culture. He/she may, upon request by the Chief Executive Officer, represent the Company in its high-level relations at a national and international level, and in particular with public authorities and with the Company's partners and strategic stakeholders. He/she may, without prejudice to the prerogatives of the Board of Directors and its Committees, be regularly consulted by the Chief Executive Officer concerning all events of significance with regard to the Company's strategy within the framework of the priorities defined by the Board of Directors, major external growth projects, large-scale financial operations, societal initiatives or the appointment of directors for the key activities and functions in the Company. Upon invitation by the Chief Executive Officer, the Chairman may participate in internal meetings with the Company's managers and teams in order to share his/her input on strategic issues.

In all his/her specific duties, the Chairman acts in close coordination with the Chief Executive Officer, who alone ensures the executive and operational management of the Group.

Vice-Chairman of the Board of Directors

The capacity as Vice-Chairman entitles to chair the Shareholders' Meetings, on the one hand, and the Board of Directors' meetings, on the other hand.

Operation of the Board of Directors

The Board of Directors is a collegiate body in which all Directors have the same powers and duties, and in which decisions are made collectively. It meets at least five times annually.

At each Board meeting, the Chairman reports on the main transactions concluded by the Group since the previous meeting and on significant projects in progress that may be concluded before the following meeting. Each year, the Board reviews the key points of the Group Management Report, as well as the resolutions to be submitted to the Shareholders' Meeting. Furthermore, at least once every six months, General Management informs the Board of Directors of the Company's financial position, cash position and commitments.

Between Board meetings, the Directors receive all necessary information concerning events or transactions of significance to the Group. More generally, the Directors may at any time request from the Chairman all information and documents they deem necessary to perform their duties.

Board of Directors' meetings

In accordance with statutory and regulatory provisions and the Board of Directors' rules of procedure, Directors who attend Board meetings by videoconference or other means of telecommunication are deemed to be present for the purposes of calculating the quorum and majority. However, this method of attendance is not permissible when the Board decides on whether to approve Danone's statutory and consolidated financial statements or when it prepares the management report, including the Group's Management Report.

The corporate officers attend Board of Directors' meetings. In principle, the Company's external Directors meet only when the internal Directors are present to ensure that all Board members have access to the same amount of information and to reinforce the collegiate nature of the Board.

In addition, the independent Directors meet at least once a year on the initiative of the Lead Independent Director, who may invite the Company's other external Directors to attend the meeting (see section *Work of the Lead Independent Director* hereafter).

When the Board sets the compensation of corporate officers, they are present at the time of the Board's deliberations but, in accordance with the law, they do not take part in either the discussions or the vote.

Committees of the Board of Directors

The Board of Directors may create one or more specialized Committees and determine their composition, powers and rules of operation. The Committees perform their duties under the Board of Directors' responsibility.

The Committees are comprised solely of Directors: their members are appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. They are appointed in their individual capacity and may not, in turn, appoint a proxy to represent them. The Committee Chairmen are appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. However, these Committees may not interfere in the Company's management or reduce or limit the powers of the Chairman of the Board, the Chief Executive Officer or the Board of Directors. On matters within its scope of powers, each Committee submits proposals, recommendations and opinions, and reports to the Board of Directors on its activities. The final decision is taken by the Board of Directors, in accordance with the provisions of the French commercial code.

Each of these Committees may carry out studies or obtain the advice of independent experts.

Compensation of Directors

Directors receive attendance fees; however, the members of the Executive Committee, the Company's corporate officers, the honorary Directors, the Chairman of the Board and the Directors representing employees do not receive any attendance fees. The Shareholders' Meeting approves the total maximum amount of attendance fees to be divided among the Directors.

In accordance with the AFEP-MEDEF Code, the allocation of attendance fees takes the effective participation of Directors at Board and Committee meetings into account and includes a majority variable element (see section *Directors' attendance fees* hereafter).

Moreover, a reimbursement oversight policy for expenses incurred by Board members when carrying out their duties was adopted by the Board at its meeting of February 18, 2013.

Directors' Code of ethics

A Code of Ethics for Directors is included in the Board of Directors' rules of procedure.

Defense of the corporate interest

Each Director is appointed by all the shareholders and, in carrying out his/her duties, should act in the best interests of Danone, independently from all other interests.

Awareness of Directors' rights and obligations

At the time he/she takes office, each Director must be aware of the general and specific obligations incumbent on his/her position.

Independence of Board members

Each year, after reviewing the opinion of the Nomination and Compensation Committee, the Board of Directors individually considers the situation of each Director in light of the AFEP-MEDEF Code independence rules. It considers a director to be independent when he/she "has no relationship of any type with the company, its group or its management that could compromise his/her ability to freely exercise his/her judgment", and sets forth the following independence criteria:

- he/she is not, and during the previous five years has not been, an employee or corporate officer of the company, or an employee or director of its parent company or of a company within its consolidation scope;
- he/she is not a corporate officer of a company in which the company directly or indirectly holds a directorship or in which an employee appointed for such purpose or a corporate officer of the company (currently or who has held such position within the previous five years) holds a directorship;
- he/she is not a customer, supplier, investment bank or commercial bank:
    - that is significant to the company or its group;
    - or for which the company or its group represents a significant part of its business;
- he/she does not have close family ties with a corporate officer;
- he/she has not been one of the company's statutory auditors during the previous five years; and
- he/she has not been a director of the company for more than 12 years (see, on the application of this criterion, section *Application of the AFEP-MEDEF Corporate Governance Code for listed companies* hereafter).

Duty to report conflicts of interest

Each Director must at all times ensure that his/her personal situation does not create any conflict of interests with the Group. Any Director who has a conflict of interest must (i) report it to the Board so that the latter may make a decision thereon, and (ii) refrain from taking part in any deliberations and vote on the relevant matter.

Each Director must provide a sworn statement describing whether or not he/she has any conflicts of interest, including potential conflicts of interest: (i) at the time he/she takes office, (ii) annually, in response to the Company's request when preparing the Registration Document, (iii) at any time, if requested by the Chairman of the Board of Directors, and (iv) within 10 business days of the occurrence of any event that causes the Director's previously filed statement to become inaccurate, in whole or in part.

Directors' confidentiality obligation

Directors are bound by a general confidentiality obligation regarding the decisions of the Board and of the Committees, as well as with respect to confidential information of which they become aware in the performance of their duties as a Director.

The Directors' general confidentiality obligation was extended to all information and documents of which they may become aware in the course of their duties as a Director.

Attendance requirement

With respect to their attendance obligations, Directors must limit the number of offices and Board committee chairs they hold in other companies to ensure sufficient availability. Should a corporate officer wish to accept a new appointment within a French or foreign listed company, he/she must first inform the Chairman of the Board of Directors and the Chairman of the Nomination and Compensation Committee and, in accordance with the provisions of the AFEP-MEDEF Code, obtain the prior approval of the Board of Directors.

Transactions involving the Company's securities by members of the Board of Directors

The relevant securities include the Company's shares and all financial instruments linked to the shares.

In general, members of the Board of Directors are bound by a duty to exercise due care and diligence, as well as an obligation to take particular care with respect to any personal transactions involving the Company's securities.

In particular, Directors may not engage in speculative or short-term transactions involving the Company's securities.

Furthermore, they may not engage in transactions involving the Company's securities in the following cases:

- if they have information that, when published, is likely to affect the price of the securities; and
- during periods explicitly indicated by the Company, in particular, during the month preceding announcements of the Company's annual and semi-annual results, or during the 15-day period prior to publication of the Company's quarterly sales figures.

In addition, members of the Board of Directors must not use any instruments to hedge DANONE shares or any financial instruments linked to DANONE shares (in particular, stock-options or rights to allotments of DANONE shares subject to performance conditions). This rule also applies to all transactions engaged in by persons who are related to the Directors (within the meaning of the applicable regulations).

Any Director who is unsure about a transaction involving the Company's securities (or other financial instruments) that he/she intends to enter into or the precise nature of the information he/she is required to disclose, must inform the Chairman of the Board of Directors or the Lead Independent Director accordingly.

Finally, pursuant to the recommendations of the AFEP-MEDEF Code, the Board of Directors' rules of procedure also prohibit Directors from engaging in transactions in securities (and all related financial instruments) of the companies for which he/she, as a result of his/her duties in Danone, has insider information.

Board of Directors' assessment

Pursuant to the recommendations of the AFEP-MEDEF Code, the Board's composition, organization and operation are assessed every two years. This assessment may be a self-assessment, an assessment by the Nomination and Compensation Committee or an assessment by any third party organization.

In addition, in accordance with the recommendations of the AFEP-MEDEF Code, once a year the Board devotes one item on the agenda of one of its meetings to discussion of its operation.

Training of Directors

Each Director is entitled to the training necessary for him/her to carry out his/her term of office, either upon appointment or throughout his/her term. These trainings, whether internal or external, enable the Director to understand in particular the Group's business, risks and organization, or to improve certain specific skills. It is organized and paid for by the Company.

The Directors representing employees receive training suitable to carrying out their terms of office as soon as they take up their positions.

Furthermore, when taking up their positions, all new Directors receive all the documentation and information required to ensure thorough knowledge and understanding of the Group and its accounting, financial and operating characteristics (its history, organization, legal structure, financial results, press summaries, analysts' reports, press releases issued by the Company, etc.) and the performance of their duties as members of the Board (rules of procedure of the Board of Directors and its Committees and the AFEP-MEDEF Code, etc.). The Secretary of the Board also provides them with the rules pertaining to holding, communicating and using insider information, and to transactions on DANONE shares.

Lastly, following the self-assessment carried out by the Board of Directors in 2012 (see section hereafter *Self-assessment of the Board of Directors*), (i) every new Director is offered an improved integration process comprising individual meetings with several Directors and individual interviews with members of the General Management and the Executive Committee, and (ii) all Directors are given the opportunity to attend presentations by senior managers in charge of the Group's main functions as well as regular on-site visits.

Information of Directors

Concerning ongoing information of Directors, the rules of procedure provide that:

- prior to each Board meeting, each Director should receive a file on the agenda items requiring specific analysis and advance reflection, so that he/she can consider his/her position on the matters to be discussed at the meeting in an informed and enlightened manner; the Lead Independent Director also ensures that the Directors are provided with a high level of information in advance of Board meetings;
- at each Board meeting, the Chairman advises Directors of the main facts and significant events affecting the Group and occurred since the date of the previous Board meeting;
- between Board meetings, the Directors receive all necessary information concerning events or transactions of significance to the Group. More generally, the Directors may at any time request from the Chairman all information and documents they deem necessary to perform their duties. In particular, they receive additional press releases to those reviewed during Board meetings; and
- General Management specifically informs the Board of Directors of the Company's financial position, cash position and commitments at least once every six months.

Operation of the Board of Directors during the fiscal year

Review of Directors' independence

The Board of Directors of February 19, 2015, upon recommendation by the Nomination and Compensation Committee, examined as every year the independence of each of the Directors based on the independence criteria defined by the rules of procedure in accordance with the AFEP-MEDEF Code (see section *Board of Directors' rules of procedure* above).

As of February 19, 2015, Danone's Board of Directors is composed of 15 Directors, of which ten are considered to be independent, giving an independence rate of 77%. As a reminder, in accordance with the recommendations of the AFEP-MEDEF Code, the two Directors representing employees are not included in the calculation of this rate of independence.

Concerning the criterion of the AFEP-MEDEF Code under which Directors would lose their independence once the length of their term of office exceeds 12 years, the Board observes that Danone has a dual economic and social project, which gives it a unique culture, which the Group has reaffirmed in its strategy, governing bodies, performance measurement and management performance for a number of years. The Board has stressed on many occasions the primary importance that it attaches to the Company's cultural factors in order to assess the pertinence and feasibility of the projects submitted to its approval. It considers that Danone's culture with respect to its dual project is a unique competitive advantage, for the Group and in the interests of its shareholders. As such, the Board has observed that in the collective decision-making approach taken at its meetings, of the in-depth understanding of cultural traits specific to the Company and its mission in the long term is a real benefit which clarifies the Board's work. The Board thus believes that the holding of a term of office over a long period constitutes a measure of an ability to contribute to the Board's work in a free and autonomous manner while ensuring that the Group's identity and culture are preserved, rather than being an obstacle to independence, and that additionally, the length of service on the Board should not be used solely to determine the non-independence of a Director.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, when examining the business relationship between a Director and the Group to determine whether there are significant business relationship that may affect the independence of a Director, the criteria used by the Board are both quantitative and qualitative, including in particular the amount of revenue generated and an analysis of the nature of the existing relationships.

Aside from the two Directors representing employees, the three Directors who are not considered to be independent are:

- Messrs. Franck RIBOUD and Emmanuel FABER in their capacity as corporate officers;
- Mrs. Isabelle SEILLIER, senior executive within the J.P. Morgan banking group. During the annual review of the designation of independence of the directors, the Nomination and Compensation Committee and the Board specifically examined the business relationship between the Group and the J.P. Morgan banking group, which is among the banks which the Group regularly uses. The Board of Directors thus analyzed these relationships in light of several criteria. Although it does not appear significant in terms of amounts for fiscal year 2014, the Board considered that this business relationship was liable to be significant and create a situation of conflict of interest, due to: (i) the very nature of the business relationship, as the J.P. Morgan group is a bank which the Group regularly uses, in particular for financing and consulting in mergers and acquisitions, and (ii) the office of senior executive held by Mrs. Isabelle SEILLIER within the J.P. Morgan group for the EMEA region. The Board therefore decided to consider Mrs. Isabelle SEILLIER to be a non-independent Director.

  In that context, it is reminded that, upon recommendation by the Nomination and Compensation Committee, the Board has taken various steps to ensure that potential conflicts of interest related to Mrs. Isabelle SEILLIER's functions are controlled, in particular: (i) systematic abstention by Mrs. Isabelle SEILLIER from participating in discussions and voting on any deliberations which could place her in a situation in which there is a conflict of interest, (ii) express reference in the report of the Board of Directors to the Shareholders' Meeting of her designation as a non-independent Director and of the existence of potential conflicts of interest involving her, (iii) full transparency on compensation terms for the J.P. Morgan group by the Danone Group as part of agreements subject to shareholders' approval, and (iv) a resolution concerning all new related-party agreements entered into with the J.P. Morgan group, which will automatically be put to a separate shareholders' vote during the subsequent Shareholders' Meeting.

The ten independent Directors are Messrs. Bruno BONNELL, Richard GOBLET D'ALVIELLA, Jacques-Antoine GRANJON, Jean LAURENT, Benoît POTIER, Jean-Michel SEVERINO and Lionel ZINSOU-DERLIN, Mrs. Gaëlle OLIVIER, Mrs. Mouna SEPEHRI and Mrs. Virginia A. STALLINGS, who meet the AFEP-MEDEF Code's independence criteria at February 28, 2015:

- concerning Mr. Bruno BONNELL, Director for more than 12 years, the Board of Directors examined his situation with regard to the rules of the AFEP-MEDEF Code. In addition to the above developments concerning the assessment of the 12-year seniority criterion, the Board has observed that Mr. Bruno BONNELL has continually proven his particularly noteworthy independence of thought and freedom of speech, which have led him to take up marked and constructive positions and to provide specific and differentiated viewpoints during Board discussions. The Board noted that his positions have enriched its decisions and that the independence of such decisions is an important value for Danone, within a Board of Directors which has a majority of independent Directors as defined using the strictest application of current standards. Moreover, the Board noted the absence of a significant business relationship between Mr. Bruno BONNELL and the Danone group in application of the criteria presented above. As a result, the Board confirmed his qualification as an independent Director;

- concerning Mr. Benoît POTIER, Chairman and Chief Executive Officer of Air Liquide, whose term of office is proposed for renewal to the Shareholders' Meeting of April 29, 2015, and who would be a Director for more than 12 years if this renewal is approved by the Shareholders' Meeting, the Board has noted, in addition to the above developments concerning the assessment of the 12-year seniority criterion, the strong contribution to Board discussions by Mr. Benoît POTIER, Chairman and Chief Executive Officer of one of the largest CAC 40 companies, as well as his freedom of thought and speech. Mr. Benoît POTIER also demonstrates a remarkable independence of spirit. Moreover, the Board noted the absence of a significant business relationship between Mr. Benoît POTIER and the Danone group in application of the criteria presented above. As a result, the Board confirmed Mr. Benoît POTIER's qualification as an independent Director;
- concerning Mr. Richard GOBLET D'ALVIELLA, Honorary Chairman of Sofina since May 2014, the Board examined his situation with regard to the rules of independence of the AFEP-MEDEF Code, in particular with regard to the absence of a significant business relationship between Mr. Richard GOBLET D'ALVIELLA and the Danone group in application of the criteria presented above, and confirmed Mr. Richard GOBLET D'ALVIELLA's qualification as an independent Director. The Board also noted his desire to not request the renewal of his term of office;
- concerning Mr. Jacques-Antoine GRANJON, the Board examined his situation with regard to the rules of independence of the AFEP-MEDEF Code, in particular with regard to the absence of a significant business relationship between Mr. Jacques-Antoine GRANJON and the Danone group in application of the criteria presented above, and confirmed his qualification as an independent Director;
- concerning Mr. Jean LAURENT, Lead Independent Director and Chairman of the Nomination and Compensation Committee, given his functions within Eurazeo (he is not an officer but Vice-Chairman of the Supervisory Board), the Board of Directors examined his situation with regard to the rules of independence of the AFEP-MEDEF Code. The Board also considered that given the minimal nature of Eurazeo's equity stake in the Company's share capital, he does meet all the AFEP-MEDEF Code's independence criteria. In 2013, Eurazeo transferred practically all the DANONE shares it held to bearers of Eurazeo bonds convertible into existing DANONE shares; as of December 31, 2015, Eurazeo thus holds a residual shareholding representing approximately 0.01% of Danone's share capital. Lastly, the Board noted the absence of a significant business relationship between Mr. Jean LAURENT and the Danone group in application of the criteria presented above, and confirmed the qualification of Mr. Jean LAURENT as an independent Director;
- concerning Mrs. Gaëlle OLIVIER, the Board of Directors examined her situation and in particular reviewed the financial transactions between the Danone group and the Axa group, of which Mrs. Gaëlle OLIVIER is a senior executive. These financial transactions essentially correspond to payment by the Group of insurance premiums for insurance policies covering property damage/operating losses and civil liability as well as personal insurance policies. In any case, for the 2014 fiscal year, the sums paid by the Group to the Axa group were significantly below 0.1% of the earnings generated by both the Group and the Axa group. As a result, the Board considered that, to the extent that these contracts or agreements are concluded under market conditions in the normal course of the Group's business and do not represent significant sums, none of these contracts or agreements taken separately or all together is: (i) liable to give rise to conflicts of interest between, on the one hand, Mrs. Gaëlle OLIVIER's duties towards Danone and its shareholders in her capacity as Director and, on the other hand, her private interests and/or other duties or (ii) of a nature to impair her independence as a Danone Director. The Board therefore confirmed that Mrs. Gaëlle OLIVIER satisfies all of the AFEP-MEDEF Code independence criteria and that her situation is not likely to be a source of any conflicts of interest;
- concerning Mr. Jean-Michel SEVERINO, the Board of Directors examined his situation with regard to the rules of independence of the AFEP-MEDEF Code, in particular with regard to the absence of a significant business relationship between Mr. Jean-Michel SEVERINO and the Danone group in application of the criteria presented above, and confirmed his qualification as an independent Director;
- concerning Mrs. Virginia A. STALLINGS, the Board of Directors examined her situation with regard to the rules of independence of the AFEP-MEDEF Code, in particular with regard to the absence of a significant business relationship between Mrs. Virginia A. STALLINGS and the Danone group in application of the criteria presented above, and confirmed her qualification as an independent Director;
- concerning Mrs. Mouna SEPEHRI, the Board of Directors examined her situation given her functions at Renault. Thus, the Board analyzed whether the presence of Mr. Franck RIBOUD on the Board of Directors of Renault, a group in which Mrs. Mouna SEPEHRI performs management functions, could compromise Mrs. Mouna SEPEHRI's independence. Pursuant to the rules of the AFEP-MEDEF Code, the independence of a Director would be compromised only if the said Director was himself/herself a corporate officer of Renault, which is not the case here (since Mrs. Mouna SEPEHRI is not a director of Renault). The Board also reviewed the financial transactions between Danone and the Renault group of which Mrs. Mouna SEPEHRI is a senior executive. Renault is the supplier to the company car leasing agencies used by the Group. The amounts paid by the Group to the Renault group for fiscal year 2014 were far below 0.1% of the revenues generated by either the Group or the Renault group. As a result, the Board considered that, to the extent that these contracts are concluded under market conditions in the normal course of the Group's business and do not represent significant sums, none of these contracts taken separately or all together is: (i) liable to give rise to conflicts of interest between, on the one hand, Mrs. Mouna SEPEHRI's duties towards Danone and its shareholders in her capacity as Director, and on the other hand, her private interests and/or other duties, or (ii) of a nature to impair her independence as a Danone Director. The Board therefore confirmed that Mrs. Mouna SEPEHRI satisfies all of the AFEP-MEDEF Code independence criteria and that her situation is not likely to be a source of any conflicts of interest;
- lastly, concerning Mr. Lionel ZINSOU-DERLIN, the Board of Directors examined his situation with regard to the rules of independence of the AFEP-MEDEF Code and considered that the fact that Mr. Lionel ZINSOU-DERLIN was an employee and senior executive of the Group for 11 years, until 1997, does not call into question his qualification as an independent Director. Indeed, the AFEP-MEDEF Code provides that only those directors

who were an employee or corporate officer of the Company, of its parent company or of a company that it consolidates over the five previous years be qualified as non-independent. The Board therefore confirmed that Mr. Lionel ZINSOU-DERLIN satisfies all of the AFEP-MEDEF Code independence criteria, including with regard to the absence of a significant business relationship between Mr. Lionel ZINSOU-DERLIN and the Danone group in application of the criteria presented above.

In addition, in reviewing the proposed appointments as Directors, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined the situation of Mrs. Serpil TIMURAY in light of the independence rules of the AFEP-MEDEF Code. The Board concluded that Mrs. Serpil TIMURAY should be considered as an independent Director, because she meets all the independence criteria of the AFEP-MEDEF Code applied by the Board. The presentation of Mrs. Serpil TIMURAY and the analysis of this candidate's independence are given in the report of the Board of Directors to the Shareholders' Meeting (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

In accordance with French Financial Markets Authority recommendation no. 2012-02, the table below presents the situation of each Director with regard to the independence criteria defined by the AFEP-MEDEF Code (situation as of February 19, 2015).

Name	Employee or officer during the past five years [a]	Cross-directorships [a]	Significant business relationship [a]	Family relationship [a]	Statutory auditor [a]	Term of office exceeding 12 years [a] [b]
Franck RIBOUD	X	O	O	O	O	X
Emmanuel FABER	X	O	O	O	O	X
Bruno BONNELL	O	O	O	O	O	O [b]
Richard GOBLET D'ALVIELLA	O	O	O	O	O	O
Jacques-Antoine GRANJON	O	O	O	O	O	O
Marie-Anne JOURDAIN	X	O	O	O	O	O
Jean LAURENT	O	O	O	O	O	O
Gaëlle OLIVIER	O	O	O	O	O	O
Benoît POTIER	O	O	O	O	O	O [b]
Isabelle SEILLIER	O	O	X	O	O	O
Mouna SEPEHRI	O	O	O	O	O	O
Jean-Michel SEVERINO	O	O	O	O	O	O
Virginia A. STALLINGS	O	O	O	O	O	O
Bettina THEISSIG	X	O	O	O	O	O
Lionel ZINSOU-DERLIN	O	O	O	O	O	O

(a) "O" represents an independence criterion that is met, "X" represents an independence criterion that is not met.
(b) Concerning the application of the criterion of a term of office exceeding 12 years, see section *Review of Directors' independence* above.

Conflicts of interest

To the Company's knowledge, on one hand there are no family ties between the Company's corporate officers, and on the other hand during the last five years, no corporate officer has been convicted of fraud, declared bankruptcy, been placed in receivership or liquidation, been officially and publicly accused and/or penalized by any statutory or regulatory authority, or been deprived by a court of the right to hold a position in a company's administrative, management or supervisory bodies or to participate in a company's management or business operations.

To the Company's knowledge, there are no potential conflicts of interest between any Director's duties to the Company and their private interests and/or other duties, with the exception of Mrs. Isabelle SEILLIER (see section *Review of Directors' independence* above).

At the date of the present Registration Document, no corporate officer is connected to the Company or one of its subsidiaries *via* a services contract granting any benefits whatsoever.

Training of Directors

In accordance with the Board's rules of procedure, specific training provided by an outside organization was offered to the Directors representing employees. This training was taken by one of these Directors, and should be completed by the second in 2015.

Mrs. Gaëlle OLIVIER and Mr. Lionel ZINSOU-DERLIN, Directors appointed in 2014, completed an integration program in 2014 that included several individual interviews with certain members of General Management and the Executive Committee, as well as presentations by certain directors of the Group's main functions. They were also mentored by more senior Directors of the Company.

In addition, a site visit was organized during the year within the framework of continuing training for the Directors.

Directors' attendance fees

Directors receive attendance fees; however, the members of the Executive Committee, the Company's corporate officers, the honorary Directors, the Chairman of the Board (in case of separation of offices) and the Directors representing employees do not receive any attendance fees. The Shareholders' Meeting approves the total maximum amount of attendance fees to be divided among the Directors.

In accordance with the AFEP-MEDEF Code, the allocation of attendance fees takes into account the effective participation of Directors at Board and Committee meetings by including a majority variable element.

Amount of Directors' attendance fees for 2014

The gross amount of attendance fees due in respect of 2014 was €599,000 (€512,000 in 2013).

Amount authorized by the Shareholders' Meeting of April 25, 2013 and rules for allocating attendance fees in 2014

The Shareholders' Meeting of April 25, 2013 had increased the maximum total yearly amount of attendance fees to be divided by the Board of Directors among its members from €600,000 to €800,000.

As stated by the Board in its report to the Shareholders' Meeting of April 25, 2013, the total amount of attendance fees was used only for the following purposes: (i) to cover the compensation payable to the Lead Independent Director appointed by the Board of Directors at its meeting of February 18, 2013 for the fixed amount of €50,000 per year, and (ii) to take into account the specific situation of Directors residing outside France through the allocation of an additional amount to cover their travel expenses to attend Board meetings (€2,000 for Directors residing in Europe and €4,000 for Directors residing outside Europe).

Since January 1, 2014, the total amount of attendance fees is allocated between the Directors as follows:

(i) Fixed portion

- Director: fixed amount of €10,000 per year; and
- Lead Independent Director: fixed amount of €50,000 per year.

(ii) Variable portion

Board of Directors' meetings

- €2,000 per meeting; and
- for travel by Directors residing outside of France:
  - an additional amount of €2,000 per trip to a meeting of the Board of Directors for Directors residing elsewhere in Europe; and
  - an additional amount of €4,000 per trip to a meeting of the Board of Directors for Directors residing outside Europe.

It is specified that the rules set out above also apply to meetings of independent Directors convened by the Lead Independent Director.

Meetings of Board Committees

- Members: €4,000 per meeting; and
- Chairmen: €8,000 per meeting.

Moreover, for the additional travel expenses to attend Board's Committees meetings, the same rules apply as those specified for Directors.

Proposal to the Shareholders' Meeting of April 29, 2015 to increase the total amount of attendance fees and rules for allocating attendance fees in 2015

It is proposed that the Shareholders' Meeting of April 29, 2015 increase the maximum amount of attendance fees paid to all Directors from €800,000 to €1,000,000 per fiscal year (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting* hereafter).

Subject to the adoption of this resolution, the increase in the total attendance fees for fiscal year 2015 will make it possible:

- to take on the costs related to (i) the operation of the Strategy Committee created by the Board of Directors of September 2, 2014 and (ii) the new arrangement of the other committees; and
- to increase the variable portion paid for Board meetings (from €2,000 to €3,000, the other rules remaining unchanged) so as to better reflect the actual participation of Directors in the Board's meetings, in accordance with best governance practices and the recommendations of the AFEP-MEDEF Code.

Expense policy

A reimbursement oversight policy for expenses incurred by Board members when carrying out their duties was adopted by the Board at its meeting of February 18, 2013.

Work performed by the Board of Directors

The Board of Directors met six times in 2014 (seven times in 2013). The average length of each meeting was two hours forty minutes as in 2013.

Directors' attendance, expressed by their attendance rate at meetings, was 95% in 2014 (89% in 2013).

Following discussions with the shareholders, the decision was taken to disclose, when a Director's term of office is being renewed by the Shareholders' Meeting, said Director's individual average attendance rate at Board meetings, for the full duration of his/her expiring term of office. Since 2014, the average individual attendance rate at meetings of the Committees on which are seated Directors whose renewal of office is proposed, has also been presented.

Recurring matters

The following recurring matters were reviewed and discussed by the Board of Directors in 2014:

(i) Strategic aspects of day-to-day management
Detailed review of the Group's business activities, presentation of annual budgets, approving statutory and consolidated annual financial statements, approving the semi-annual financial statements, financial communications, main acquisitions and sales of assets or equity interests, reviewing the Group's financial position and its indebtedness (changes, amount, composition and repayment dates, off-balance sheet commitments, equity levels, liquidity, hedging of financial risks, credit ratings), reviewing the Statutory auditors' approach to their work, reviewing financial commitments (security interests and guarantees), monitoring the Group's financial communication policy including reviewing all press releases bearing on the annual and interim financial statements, annual authorization to General Management with respect to the Group's bond issuance program (EMTN), receiving regular information on the Group's risk management and internal control systems and reviewing the Group's risks by overseeing the work of the Audit Committee, implementing the share buyback program, annual capital increases reserved for employees, allotting Group performance units and Group performance shares (including setting, each year, the performance objectives for the following year and verifying that such objectives were met the previous year), following up the Company's share price and shareholding, setting the proposed dividend, approving the Group's yearly contributions to danone.communities and the Danone Ecosystem Fund, as well as discussing Danone's policy on gender work and pay equality.

(ii) Operation of corporate bodies
Follow-up of corporate governance issues, receiving regular reports on the meetings of the three Board Committees (Audit Committee, Nomination and Compensation Committee and Social Responsibility Committee), which are submitted to the Board after each meeting, determining all components of the compensation of each of the Company's three corporate officers, approving the various Board reports and proposed resolutions submitted for shareholders' approval, and preparing the Shareholders' Meeting.

(iii) Group strategy
Reviewing the Group's transformation priorities (*i.e.*, exposure to emerging markets, prioritizing certain key countries, etc.) and their various impacts on the Group (in terms of organization and operation of human resources, adjustment of the Group's products to local demand, etc.); in particular reviewing the work completed within the framework of the "Danone 2020" project, attending annual strategic presentations made to the Board by each member of the Executive Committee at a dedicated one-day event held off-site. All these matters and presentations are always followed by in-depth discussions with the Directors.

In addition, each year Directors are invited to attend several working days organized in Evian, where an annual seminar is held for all of the Group's senior executives, during which the strategies of the Group and its various Divisions are reviewed and discussed.

Specific matters

The following specific matters were reviewed by the Board of Directors in 2014 and in February 2015:

(i) Transactions and the Group's accounting and financial position

- review of the year-end closing process in connection with the 2014 statutory and consolidated financial statements;
- monitoring of the Group's indebtedness (change, amount, composition and redemption schedules);
- review of the annual authorization in connection with the Group's commercial paper issue program;
- review of the Group's financing transactions;
- implementation of a capital increase reserved for employees;
- authorization given to the Company to sign a subscription agreement within the framework of a bond issue carried out by the Company under the EMTN program with several banks, including J.P. Morgan Securities PLC (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*);
- review of the authorization for Danone's guarantee, in the total amount of €750 million per year for commitments of Danone Corporate Finance Services (in connection with financial risk management transactions carried out by it on behalf of Group companies);
- payment of the 2014 dividend in DANONE shares;
- authorization of a new amendment to the syndicated facilities agreement with twelve banks (including J.P. Morgan (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting* hereafter); and
- in connection with the Shareholders' Meeting of April 29, 2015, review of the resolutions to be submitted to the Shareholders' Meeting regarding the renewal of financial authorizations and the Company's share repurchase program, as well as the distribution of dividends.

(ii) Corporate governance
In connection with the Shareholders' Meeting of, April 29, 2014

- review of the composition of the Board, in the context of the policy on the renewal of members' terms of office and the appointment of new members, particularly with regard to the percentage of women and independent members on the Board, and of the diversity of the Board's composition, leading to the proposal to renew the terms of office of Messrs. Bruno BONNELL, Bernard HOURS, Jean-Michel SEVERINO and Mrs. Isabelle SEILLIER and to appoint Mrs. Gaëlle OLIVIER and Monsieur Lionel ZINSOU-DERLIN as Directors;
- review of the amendment necessary to the by-laws in order to designate Directors representing employees as Board members, in accordance with the French Act of June 14, 2013 concerning job security;
- review of Mr. Bernard HOURS' position, particularly in connection with the execution of a Dutch Statutory Director mandate contract

with one of Danone's Dutch subsidiaries, Danone Trading B.V., in order to organize the operational management of the Group's four Divisions, by Mr. Bernard HOURS, from Schiphol as from January 1, 2014 (see section 6.5 *Statutory auditors' special report on related party agreements and commitments* and section 8.3 *Comments on the resolutions of the Shareholders' Meeting* hereafter); and

- authorization of new related-party agreements and examination of the agreements authorized during prior fiscal years, the performance of which continued during the 2013 fiscal year.

In connection with the composition of the Board of Directors

- at its meeting of September 2, 2014, the Board decided:
  - to separate the offices of Chairman of the Board of Directors and Chief Executive Officer. The Board defined the powers of the Chairman of the Board of Directors and confirmed the appointment of Mr. Franck RIBOUD to this position. It eliminated the offices of Deputy General Managers. Therefore the term of office of Mr. Bernard HOURS as Deputy General Manager was terminated, and Mr. Emmanuel FABER was appointed as Chief Executive Officer, and
  - to create the Strategy Committee; and
- acknowledgment of the resignation of Mr. Bernard HOURS from his office of Director and of the appointment of Mrs. Marie-Anne JOURDAIN and Mrs. Bettina THEISSIG as Directors representing employees, in application of the Act of June 14, 2013 concerning job security, under the conditions stipulated in the Company's by-laws.

In connection with the Shareholders' Meeting of April 29, 2015

- review of the composition of the Board, in the context of the policy on the renewal of members' terms of office and the appointment of new members, particularly with regard to its percentage of women and independent members, and of the diversity of the Board's composition, leading to the proposal to renew the terms of office of Messrs. Jacques-Antoine GRANJON, Jean LAURENT and Benoît POTIER, Mrs. Mouna SEPEHRI and Mrs. Virginia A. STALLINGS, and to appoint Mrs. Serpil TIMURAY as Director; and
- authorization of new related-party agreements and examination of the agreements concluded and authorized during previous fiscal years which remained in effect during the 2014 fiscal year; and
- proposal to increase the total amount of attendance fees and to modify their rules of allocation.

Other governance items

- meeting of the non-executive Directors held at the initiative of the Lead Independent Director, concerning in particular the operation of and evolution of the Company's governance, in accordance with the recommendations of the AFEP-MEDEF Code;
- review of the activity of the Lead Independent Director (annual work and end of term review); and
- review of the Board's assessment and report on its operation.

(iii) The Group's activity and strategy for fiscal year 2014

- regular review of progress on the savings and adaptation plan for the Group's organizations in Europe, including its social aspects, the monitoring of the costs incurred and savings achieved, as well as its impact on the Group's organization;
- regular review, following the false alarm issued by Fonterra in Asia in the second-half of 2013 (concerning possible bacterial contamination of batches of ingredients supplied to the Group by this New Zealand supplier and used for the production of baby milk in Asia), of the Group's various internal control and compliance systems and procedures, and, based on recommendations by the Audit Committee and the Social Responsibility Committee, allocation of additional means and resources to these functions;
- review of the "Danone 2020" project intended to guide the Group towards a new phase of its development; and
- setting up of a Strategy Committee.

(iv) Equity divestments and acquisitions

- review of the increased equity stake in the Mengniu company (Fresh Dairy Products, China);
- review of the acquisition of an equity stake in the Yashili group (Early Life Nutrition, China);
- review of the acquisition of an equity stake in the Brookside group (Fresh Dairy Products, East Africa);
- review of the plan to close plants of the Fresh Dairy Products Division in Italy, Germany and Hungary;
- follow-up on the plan to acquire assets (spray dryer and packaging plant) for the Early Life Nutrition Division in New Zealand;
- follow-up on the increased equity stake in the Centrale Laitière company (Fresh Dairy Products, Morocco); and
- review of a possible plan to sell certain Group assets.

(v) Corporate Social Responsibility (CSR)

- annual review of the Group's situation and policy concerning gender work and pay equality;
- review of the Group's non-financial risks, particularly reputation risk;
- review of the strategic policies presented to the Works Council;
- monitoring of the activities of the Danone Ecosystem Fund, danone.communities and Livelihoods;
- examination of the Sustainable Development Report; and
- examination of the 2020 Nature Plan.

(vi) Compensation for corporate officers

- within the framework of the changes applied at the level of the Group's General Management, examination and review of the compensation elements of Messrs. Franck RIBOUD and Emmanuel FABER, effective October 1, 2014;
- determination of the amount of Mr. Bernard HOURS's termination indemnity by virtue of the termination of his term of office as Deputy General Manager; and
- determination of the various elements of variable compensation due to each of the corporate officers in respect of 2014 and of targets for the various elements of variable compensation for the Chief Executive Officer for 2015.

Self-assessment of the Board of Directors

In accordance with its rules of procedure, every two years, the Board of Directors conducts a self-assessment (recently in 2012 and 2014), which covers the composition, organization and operation of the Board itself and of each of its Committees. Following each of these self-assessments, the Board amended its operating methods and rules of procedure. In addition, once a year the Board devotes one item on the agenda of one of its meetings to discussion of its operation.

Self-assessments in 2010 and 2012

The self-assessment of the Board in 2010 notably led to improvements in: (i) the operation of the Board, by the introduction of annual meetings on specific topics, (ii) the integration of new Directors, by offering them the opportunity to benefit from the support of a dedicated Director during their first 12 months in office and an integration process including site visits and meetings with operational managers, and (iii) the composition of the Board, particularly as regards its independence and the diversity of its composition.

Another self-assessment of the Board and the various Committees was conducted in second-half 2012. Following this self-assessment, the position of Lead Independent Director was introduced, an enhanced integration program was created for new Directors, training offered to Directors was improved, and a regular review of the results of the assessment of the Board of Directors was established.

Self-assessment in 2014

The last self-assessment of the Board and its various Committees took place together with the Lead Independent Director during second-half 2014 in the form of individual interviews conducted by the Secretary of the Board of Directors with each non-executive member of the Board, based on a detailed questionnaire. The results of this self-assessment were examined first by the Nomination and Compensation Committee, then by the Board at its meeting of December 11, 2014.

The conclusions of this self-assessment reveal a very positive assessment overall of the operations of the Board, in particular with regard to the proper preparation of the items examined by the Board. This self-assessment highlighted the Directors' strong contribution to the work of the Board and the Committees, illustrated in particular by their freedom of speech and critical understanding.

The recommendations formulated following this assessment include: (i) sending preparatory documentation for Board meetings more in advance, (ii) systematic presentation of the major risks and issues, (iii) more regular review of the organization and operation of the support functions (Finance, Human Resources, Legal, etc.), (iv) strengthened interactions between the Board and the Committees and (v) participation of more Directors to the work of the Committees.

The Board of Directors took note of these recommendations and of the improvement measures studied by General Management to address them.

The recommendation of the AFEP-MEDEF Code concerning measuring the actual contribution of each Director to the Board's work which should be carried out within the framework of the Board's assessment, is not applied, notably due to the practical difficulties involved in implementing this type of recommendation and its possible consequences for team spirit and collegiality. Nonetheless, each year, each Director completes a very detailed questionnaire on the operation of the Board, allowing each member to give his/her opinion on potential issues. In this way, the Directors who so wish can freely express their view of the effective individual contributions within the framework of their interview with the Board Secretary. Moreover, the Board of Directors reviews the completed questionnaires, providing it with the opportunity to fully assess the contributions and involvement of all Directors in the work of the Board and its Committees. Lastly, the Board's rules of procedure expressly provide that this assessment should make it possible to ensure "the availability and commitment of Directors". The contribution of each Director is assessed by the Nomination and Compensation Committee and by the Board, in particular at the time of renewal of the terms of office of Directors and Committee members. Taking into account the satisfactory results of these assessments, the Board of Directors did not express, at this date, the need to carry out a formal assessment of each Director's contribution.

Review of the Board's operation

The review of the operation of the Board was included within the framework of the self-assessment completed in 2014.

A review of the operation of the Board is organized annually as stipulated in the Board's rules of procedure.

Lead Independent Director

Presentation of the Lead Independent Director

In 2013, discussions with the Company's shareholders brought to the attention of the Board of Directors that certain shareholders perceived corporate governance risks in combining the offices of Chairman of the Board of Directors and Chief Executive Officer.

It appeared opportune to the Board to make obligatory the appointment of a Lead Independent Director when the functions of Chairman of the Board of Directors and Chief Executive Officer are combined in order to provide additional assurance as to the smooth operation of the Board and the balance of powers within General Management and the Board. Consequently, at the Board meeting on February 18, 2013, the Board's rules of procedure were amended to create the position of a Lead Independent Director.

Within the framework of the governance changes that took effect on October 1, 2014 and the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer, and with a view to ensuring the successful setting up of the new governance structure, the Board decided to maintain the functions of the Lead Independent Director and amended its rules of procedure to this effect.

The Lead Independent Director is appointed by the Board of Directors from among the independent Directors, based on a proposal from the Nomination and Compensation Committee. He/she remains in office throughout the duration of his/her term of office. Each time the Lead Independent Director's term of office expires, the Board will complete a review of the operation of this corporate body and as well as a re-examination of its powers in order to adapt them if necessary.

Duties and powers of the Lead Independent Director

Duties of the Lead Independent Director

The Lead Independent Director's primary function is to ensure the smooth operation of the Board of Directors and its Committees. In that context, he/she is in charge of the following matters:

Board of Directors assessment

The Lead Independent Director participates in the Board of Directors assessment process.

Management of conflicts of interest

The Lead Independent Director prevents conflicts of interest from occurring, notably by taking preventive measures to raise awareness. He/she brings any conflicts of interest involving corporate officers and other Board members that he/she has identified to the attention of the Board of Directors.

As part of his/her duty to report conflicts of interest see section above *Directors' Code of ethics*), any Director having a conflict of interest, even potential, notifies the Lead Independent Director.

Compliance with the rules of procedure

The Lead Independent Director ensures that the rules of procedure of the Board of Directors are complied with. As part of the consultation procedure with respect to market ethics (*i.e.* the consultation procedure concerning transactions by the Directors involving DANONE shares, see section above *Transactions involving the Company's securities by members of the Board of Directors*), the Lead Independent Director may be consulted by the Directors in the same capacity as the Chairman.

Relations with shareholders

The Lead Independent Director assists the Chairman and the Chief Executive Officer, upon their request, to answer questions from shareholders, and makes himself/herself available to meet with them and receive comments and suggestions from them, at the request of and with the approval of the Chairman and the Chief Executive Officer.

Activity report

The Lead Independent Director reports on the execution of his/her duties once a year to the Board of Directors.

During Shareholders' Meetings, he/she may be requested by the Chairman to report on his/her actions.

Prerogatives of the Lead Independent Director

As part of his/her duties, the Lead Independent Director exercises the following prerogatives:

Convening of the Board of Directors/Agenda/ Informing Directors

The Lead Independent Director may request the Chairman to convene the Board of Directors for a given agenda.

He/she may propose to the Chairman additional agenda items.

He/she ensures that the Directors are capable of performing their duties under the best possible conditions, and notably that they are properly informed prior to the Board of Directors meetings.

Independent Directors

The rules of procedure of the Danone Board of Directors specify, since December 2013, that the independent Directors should hold at least one meeting per year, on the initiative of the Lead Independent Director, who may invite the Company's other external Directors to attend this meeting.

The first meeting of the independent Directors was held on July 24, 2014 (see section *Work performed by the Board of Directors* above).

The Lead Independent Director ensures the link between the independent Directors, the other Board members and General Management.

Committees of the Board of Directors

The Lead Independent Director may be appointed by the Board of Directors to serve as Chairman or member of one or more Board of Directors Committees. Even if not appointed, the Lead Independent Director may attend the meetings and has access to the work of the other Committees. In particular, the Lead Independent Director is involved in the work of the Nomination and Compensation Committee concerning the annual performance assessment and recommendations regarding the compensation of corporate officers.

Meetings with managers

The Company keeps the Lead Independent Director regularly informed of its activities, including through the organization of regular meetings with operational or functional managers, upon his/her request and after informing the Chairman and the Chief Executive Officer.

Means

The Lead Independent Director has access to all documents and information that he/she deems necessary to fulfill his/her duties.

Appointment and renewal of office of Mr. Jean LAURENT as Lead Independent Director

Mr. Jean LAURENT was appointed as Lead Independent Director by the Board of Directors of February 18, 2013, in view of his independence, experience and knowledge of the Group (see section *Review of Directors' independence*). The Board of Directors also took into account the extensive business experience of Mr. Jean LAURENT as the former Chief Executive Officer of a major banking group as well as his thorough knowledge of the Board and the Group. Indeed, he has served the Group as Director since 2005, Chairman of the Social Responsibility Committee since 2007, and Chairman of the Nomination and Compensation Committee since 2011.

In addition, the Board of Directors, at its meeting of February 19, 2015, given Jean LAURENT's record as Lead Independent Director, decided to extend his appointment as Lead Independent Director under the condition precedent that his term of office as Director is renewed by the Shareholders' Meeting of April 29, 2015.

For information, Mr. Jean LAURENT's attendance at Board and Committee meetings was respectively 96% and 100% for the past three fiscal years.

Lastly, we recall that Mr. Jean LAURENT held two other terms of office in listed companies as of December 31, 2014.

Work of the Lead Independent Director

Since his appointment, the Lead Independent Director has in particular accomplished the following:

- convening and chairing of a meeting of non-executive Directors of the Company in July 2014, concerning in particular the operation of and changes to the Company's governance;
- participation in some interviews with the Directors within the framework of the self-assessment;
- review of conflict-of-interest questionnaires submitted by Directors at the end of the year to confirm that no conflicts of interest exist;
- organization of communication with certain Danone shareholders and with the French High Committee for the Corporate Governance (HCGE); and
- presentation of the review of his action since his appointment.

Review of the Lead Independent Director at the end of his term of office

At the end of the first term of office of the Lead Independent Director, and in accordance with its rules of procedure, the Board of Directors of February 19, 2015 studied the operation of this function and reexamined its powers.

In particular, the Board considered the work completed by the Lead Independent Director since his appointment in 2013 (see section *Work of the Lead Independent Director* above), in the context of the Company's evolving governance and continuous improvement of the Board's composition.

Audit Committee

Composition of the Audit Committee

As of December 31, 2014, all members of the Audit Committee were independent Directors (as a reminder, the AFEP-MEDEF Code requires only two-thirds of Committee members to be independent directors):

- Mr. Jean-Michel SEVERINO, Chairman of the Audit Committee, was appointed as member and Chairman of this Committee in April 2012. On that date, Mr. Jean-Michel SEVERINO was designated "Committee's financial expert" within the meaning of Article L. 823-19 of the French commercial code in light of his skills and expertise. Mr. Jean-Michel SEVERINO is indeed an Inspector General of Finance and previous positions have included Development Director at the French Ministry of Cooperation, the World Bank's Vice-President in charge of Far East Asia and Chief Executive Officer of the French Development Agency (AFD). In these previous positions, he developed solid expertise in accounting and finance as well as in internal control and risk management issues;
- Mr. Richard GOBLET D'ALVIELLA was appointed member of the Audit Committee in April 2003 (he has also been a member of the Nomination and Compensation Committee since July 2013). Mr. Richard GOBLET D'ALVIELLA is Honorary Chairman of the Sofina financial company. He is also a member of the audit committees of Eurazeo and GLEvents. He has very significant experience and is highly skilled in both financial and accounting matters; and
- Mrs. Mouna SEPEHRI was appointed to the Audit Committee in April 2012. Mrs. Mouna SEPEHRI has been closely involved in the development of the Renault group for the last 18 years and in its major acquisitions and strategic partnerships, including the Renault-Nissan Alliance. As Executive Vice-President of the Chief Executive's Office, she oversees the corporate functions delegated to that office, including legal affairs. Her extensive experience in the area of mergers and acquisitions demonstrates her proven financial skills; furthermore, as head of the legal division of a major international listed group, Mrs. Mouna SEPEHRI brings important additional experience in risk management and internal control.

The composition of the Audit Committee was modified following the Board of Directors meeting of February 19, 2015, which noted the non-renewal of the term of office of Mr. Richard GOBLET D'ALVIELLA as Director.

Mrs. Gaëlle OLIVIER was appointed member of the Committee to replace Mr. Richard GOBLET D'ALVIELLA. Mrs. Gaëlle OLIVIER developed solid financial expertise while working on the trading floor at Crédit Lyonnais and as investment transactions manager for AXA. She also has recognized expertise in risks and internal audit, as CEO of AXA's property insurance businesses in Asia. Her presence on the Audit Committee will serve to strengthen the skills and expertise this Committee already has.

The Committee thus remains entirely composed of independent Directors.

Audit Committee's rules of procedure

Adoption by the Board of Directors on December 15, 2006

On December 15, 2006, the Board of Directors adopted rules of procedure for the Audit Committee, which specify its role, responsibilities and operating rules.

Main provisions of the Audit Committee's rules of procedure

The main provisions of the Audit Committee's rules of procedure, adopted by the Board of Directors, are summarized hereafter.

The Audit Committee is in particular responsible for monitoring the following:

- the preparation of financial information;
- the effectiveness of the internal control, risk management and internal audit systems;
- the statutory audit of the annual and consolidated financial statements; and
- the independence of the Statutory auditors.

The Audit Committee is tasked with:

- regarding the financial statements and financial information: (i) reviewing the Company's statutory and consolidated financial statements before they are submitted to the Board of Directors, (ii) ensuring the consistency of the accounting policies the Company applies, (iii) reviewing the accounting treatment of the main complex and/or non-recurring transactions, (iv) reviewing the consolidation scope of group companies and being informed of consolidation problems that may arise, (v) reviewing the policy for monitoring off-balance sheet commitments, (vi) being informed of the Statutory auditors' opinions and comments, (vii) being informed at half-yearly presentations by the General Management of the Company's financial position, cash position and commitments, (viii) reporting the main accounting options concerning the closing of the annual and semi-annual consolidated financial statements to the Board of Directors, (ix) reviewing, together with the General Management, press releases on the Group's results and having access to the Group's main financial communication documents, (x) accessing non-financial information published by the Group, which have been presented to the Social Responsibility Committee, and (xi) reviewing the Group's main disputes and any corresponding accounting provisions twice a year;
- regarding the Group's Statutory auditors: (i) management of the selection process for the Company's Statutory auditors by supervising call for tenders launched by General Management, with in particular (ii) making proposals for the appointment, renewal and compensation of the Statutory auditors, (iii) reviewing the results of their work and audits as well as their recommendations and the follow-up of the latter, (iv) regularly meeting with the Statutory auditors, including without directors being present,

and (v) ensuring the independence of the Statutory auditors. In accordance with the recommendations of the French Financial Markets Authority working group on audit committees, of December 14, 2010, the Board of Directors supplemented the rules of procedure to provide for a joint review by the Audit Committee and the Statutory auditors of the protective measures the Statutory auditors adopt to mitigate potential risks to their independence, and ensure that they comply with statutory and regulatory provisions concerning the conflicts set out in the Statutory auditors' code of ethics;

- regarding risk management: (i) ensuring that structures and systems are in place to identify and evaluate the risks that the Group faces, as well as monitoring the effectiveness of such systems. This entails verifying that major risks faced by the Group are adequately taken into account and are subject to action plans; (ii) being informed by the Board of Directors, the Statutory auditors and the General Management of any events which expose the Company to significant risk, and (iii) being informed of the Group's main social, societal and environmental risks which have been presented to the Social Responsibility Committee;
- regarding internal control: (i) ensuring that an internal control system is in place and monitoring its effectiveness, (ii) being informed of any significant failures or weaknesses in internal control and any major fraud, (iii) reviewing the report of the Chairman of the Board of Directors on the composition, preparation and organization of the Board's work, as well as the internal control and risk management procedures established by the Company, (iv) ensuring that procedures are in place to process complaints received by the Group concerning accounting and financial transactions, breaches of internal control or anti-corruption and anti-fraud regulations, (v) being informed about significant complaints received by this system and supervising the processing of the most important files referred to it, and (vi) being available for the Social Responsibility Committee to consult on any questions relating to the business conduct policy or ethics; and
- regarding internal audit: (i) approving the internal audit plan and overseeing its implementation, (ii) reviewing the structure of internal audit, being informed about the content of the Group's Internal Audit Charter and being informed and consulted in relation to the appointment or replacement of the Internal Audit Director, (iii) providing opinions on the adequacy of internal audit resources and its independence and, in the event that external consultants are used to fulfill all or part of the internal audit missions, issuing recommendations regarding their appointment and renewal, (iv) being informed about the internal audit program and receiving a regular summary of these reports, and (v) meeting the heads of internal audit.

In performing its duties, the Audit Committee may regularly interview the corporate officers, the General Management of the Company and of its subsidiaries, as well as the Internal Audit Director, the Statutory auditors and senior managers of the Group (in particular, managers in charge of preparing the consolidated and statutory financial statements, risk management, internal control, legal, tax, treasury and financing and ethics compliance). At the Committee's request, these interviews may take place without the presence of representatives of the Company's General Management. In addition, the Audit Committee may request opinions from independent external advisors, in particular on legal and accounting matters, and request any internal or external audits.

Main amendments and changes to the Audit Committee's rules of procedure

The Audit Committee's rules of procedure are reviewed regularly, notably to ensure that they comply with the latest legal provisions and updated recommendations of the AFEP-MEDEF Code. The rules of procedure were amended in this way at the Board of Directors' meeting on December 10, 2013, in order to implement the new recommendations of the AFEP-MEDEF Code, and in particular, to provide (i) for the recommendation that the Statutory auditors should meet regularly with the Audit Committee, including without corporate officers being present, particularly during Audit Committee meetings on the review of the process for the preparation of financial information and review of the financial statements, so that the Statutory auditors can report on the execution of their responsibilities and the conclusions from their work, (ii) that the Audit Committee should be given information regarding the internal audit program and receive periodic summaries of these programs, and (iii) that the Audit Committee should meet with the internal audit managers.

Work of the Audit Committee

In 2014, the Audit Committee met six times (as in 2013). Its members' attendance rate at meetings was 94% (the same as in 2013). The Audit Committee invites the Statutory auditors to attend each of its meetings. Additionally, an Audit Committee meeting is organized once a year with the Statutory auditors without corporate officers being present, in accordance with the AFEP-MEDEF Code recommendations and the Committee's rules of procedure.

In 2014 and early 2015, the Committee's work focused primarily on the following matters:

- the Group's financial position;
- review of the Group's annual and semi-annual consolidated financial statements. In all cases, this review involves (i) a presentation of the Group's financial position by the Chief Financial Officer, (ii) a presentation by the Statutory auditors of their audit approach, (iii) on the one hand, a joint presentation by the Chief Financial Officer, the executive responsible for preparing the financial statements (the Head of Financial Control) and, on the other, the Statutory auditors of the main accounting options chosen, (iv) a review of the Group's main disputes, (v) a review of the off-balance sheet commitments and (vi) hearing the conclusions of the Statutory auditors including their audit adjustments;
- review of the financial indicators not defined by IFRS and used externally for publication of the annual and semi-annual consolidated financial statements;
- review of the main changes in the Group's consolidation scope and examination of the primary terms of operations leading to changes of scope, and their accounting;
- review of put options granted to certain minority shareholders in the Group's subsidiaries, notably the minority shareholders of Danone Spain and the Danone-Unimilk entity;
- review of the draft press releases on the annual and semi-annual consolidated results. At such time, the Committee ensures that the financial information presented to the markets is consistent with the consolidated financial statements, and that the process of preparing the press releases included a review thereof by the Statutory auditors;
- presentation of the proposed dividend distribution to be submitted to a vote of the shareholders;

6

- review of the draft resolutions concerning the renewal of financial authorizations and the share buyback program submitted for approval at the Shareholders' Meeting of April 29, 2015;
- the review of the Group's crisis management system, including a semi-annual review of its main risks (including financial risks), particularly by thematic presentations and discussions with the operational managers in charge of monitoring and managing these risks, and updated presentations of risk mapping;
- monitoring the effectiveness of the internal control systems;
- approval of the Group's internal audit plan, and review of the principal results of audits conducted during the year and the summary thereof;
- review of the section of the Chairman's report on internal control and risk management;
- updating of the pre-approval policy for assignments by the Statutory auditors (other than statutory audit assignments), thereby ensuring their independence (including a regular review of their fees);
- monitoring of the accounting and organizational aspects of the Group's plan for savings and adaptation in Europe;
- monitoring of the Group's financial transactions;
- monitoring of the Group's organization with regard to food compliance and safety;
- operation of the Committee, and establishing its program and priorities for the 2014 and 2015 fiscal years;
- review of the Group's main tax risks and examination of tax policy changes; and
- follow-up on the IFRS standards' developments.

In addition, within the framework of a joint meeting of the Audit Committee and the Social Responsibility Committee held on April 29, 2014 and coordinated and co-chaired by the Lead Independent Director, a review was made of the Group's compliance policy. In this regard, the Committees notably proposed the allocation of additional support and resources to the Group's compliance and internal control functions. In particular, a Product Compliance Board was created during the fiscal year. This corporate body establishes and reviews the policies and governance relating to compliance of Danone products, covering all regulations applicable to products as well as Danone's specific rules. The Committee is also in charge of monitoring the implementation of these product policies. This Product compliance board covers the four following areas: quality and food safety, health and nutrition, communication on brands and products and intellectual property. It comprises nine members, is sponsored by the Chief Executive Officer of Danone and is chaired by the Group's General Secretary. It meets at least once every quarter for half-day meetings.

In addition, the Audit Committee reviewed the annual consolidated financial statements at meetings held sufficiently in advance in accordance with the AFEP-MEDEF Code, namely at least three days before the Board meeting approving the financial statements.

A report on each Audit Committee meeting is made at the next Board of Directors meeting. All Directors are sent a copy of the minutes of each Audit Committee meeting, once approved by the Committee members. The purpose of these reports is to keep the Board fully informed, thereby facilitating its decisions.

Nomination and Compensation Committee

Composition of the Nomination and Compensation Committee

As of December 31, 2014, the Nomination and Compensation Committee comprised only independent Directors (note that the AFEP-MEDEF Code recommends that this Committee should have a majority of independent Directors):

- Mr. Jean LAURENT, former Chief Executive Officer of Crédit Agricole, appointed as Danone Lead Independent Director in February 2013, Chairman of the Nomination and Compensation Committee and of the Social Responsibility Committee, independent Director, a member of the Nomination and Compensation Committee since April 2005;
- Mr. Richard GOBLET D'ALVIELLA, Honorary Chairman of Sofina, independent Director since 2003 and member of the Audit Committee since this date, member of the Nomination and Compensation Committee since July 2013; and
- Mr. Benoît POTIER, Chairman and Chief Executive Officer of L'Air Liquide, independent Director since 2003 and a member of the Committee since April 2012 (after having chaired Danone's Audit Committee from April 22, 2005 to April 22, 2010).

The composition of the Nomination and Compensation Committee was modified following the Board of Directors of February 19, 2015, which noted the non-renewal of the term of office of Mr. Richard GOBLET D'ALVIELLA as Director.

Mr. Lionel ZINSOU-DERLIN, independent Director, was appointed member of the Committee to replace Mr. Richard GOBLET D'ALVIELLA who did not seek the renewal of his term of office as Director. Mr. Lionel ZINSOU-DERLIN has extensive expertise in compensation systems for corporate officers and in governance.

The Committee is thus entirely composed of independent Directors.

Nomination and Compensation Committee's rules of procedure

Adoption by the Board of Directors

On December 15, 2006, the Board of Directors adopted rules of procedure for the Nomination and Compensation Committee, which specify its role, responsibilities and operating rules.

Main provisions of the Nomination and Compensation Committee's rules of procedure

The main provisions of the Nomination and Compensation Committee's rules of procedure are summarized hereafter.

The Nomination and Compensation Committee has the following responsibilities:

- in connection with the appointment of Directors and corporate officers or the renewal of their terms of office: (i) making recommendations to the Board of Directors regarding the appointment or renewal of members of the Board of Directors, its Chairman and Vice-Chairmen, the Chief Executive Officer or Deputy General

Managers, Committee members and Committee Chairmen, and (ii) making proposals to the Board of Directors regarding the succession of corporate officers, in particular in the event of unexpected vacancies. In addition, the Nomination and Compensation Committee is informed of all appointments of members of the Group's Executive Committee (other than corporate officers);

- in connection with corporate governance: preparing the Board of Directors' review of corporate governance issues and, in particular, checking whether and to what extent the Directors and Committee members comply with the independence criteria laid out in the AFEP-MEDEF Code;
- in connection with the assessment of the Board of Directors, the Audit Committee and the Social Responsibility Committee: organizing these assessments upon their request;
- in connection with compensation of the Company's corporate officers: (i) proposing criteria for determining all components of their compensation, as well as the amount and ensuring the correct application of these criteria, in particular for the variable portion, (ii) making proposals on granting performance-based stock-options or Group performance shares to corporate officers;
- in connection with the attendance fees paid to Directors: recommending to the Board the amount of attendance fees to be proposed at the Shareholders' Meeting as well as the allocation of these attendance fees among the Directors; and
- in connection with the Group compensation policy: providing an opinion or making recommendations on the principles and methods for the Group's policy on allocating Company shares free of charge, stock purchase or subscription options and Group performance units and on any compensation mechanism linked to the Company's shares and, more generally, making any recommendation in relation to the Group's compensation policy. In addition, the Nomination and Compensation Committee is informed of the compensation policy for the Group's Executive Committee members (other than corporate officers).

Main changes to the Nomination and Compensation Committee's rules of procedure

The Nomination and Compensation Committee's rules of procedure are regularly updated. The primary changes involved the possibility that the Nomination and Compensation Committee evaluate the operation of the Social Responsibility Committee and that the confidentiality clause be unified with that applicable to the Board of Directors.

Work of the Nomination and Compensation Committee

In 2014, the Nomination and Compensation Committee met six times (four times in 2013). Its members' attendance rate at meetings was 100% (83% in 2013).

A report on each Nomination and Compensation Committee meeting is made at the next Board of Directors' meeting. The purpose of these reports is to keep the Board fully informed, thereby facilitating its decisions.

In 2014 and in early 2015, the work of the Nomination and Compensation Committee focused on the following points in particular:

Concerning General Management

In connection with the Shareholders' Meeting of April 29, 2014

- review of (i) the organization of General Management and, more specifically, (ii) the renewal of the term of office of Mr. Bernard HOURS as Deputy General Manager (subject to the renewal of his term of office by the Shareholders' Meeting on April 29, 2014);
- review of Mr. Bernard HOURS's position, notably in connection with the signature of a Dutch Statutory Director agreement with one of Danone's Dutch subsidiaries, Danone Trading B.V.;
- review of the position of corporate officers, and in particular, a review of the following items:
  - the Company's commitments with respect to indemnities for termination in certain cases of termination of office for Mr. Bernard HOURS, and the proposed amendments to be made to the previous arrangements;
  - all of the offices held by Mr. Bernard HOURS with regard to the legal provisions and the recommendations of the AFEP-MEDEF Code regarding the simultaneous holding of corporate offices;
  - concerning renewal of Mr. Bernard HOURS' term of office, the review of his obligation to retain DANONE shares acquired through the grant of shares subject to performance conditions. On this occasion, in view of the demanding nature of the holding obligation already implemented, the Board renewed its decision not to apply the AFEP-MEDEF Code's recommendation relating to the additional obligation to buy DANONE shares on the market when the shares granted vest;
  - the Group's variable compensation policy (including a review of the balance of the benefits granted to the various categories of beneficiaries of shares subject to performance conditions) and the weighting between the long-term programs (Group performance shares – GPS) and medium-term programs (Group performance units – GPU);
  - all components of compensation of each of the three corporate officers and, in particular, the variable compensation due in respect of the 2013 fiscal year. The Committee thus reviewed the following variable compensation programs:

    (i) the short-term program (variable annual compensation) granted subject to performance conditions;

    (ii) the medium-term program (Group performance units), including a review of whether performance objectives were met in each of the preceding fiscal years, and setting performance objectives at the beginning of each new fiscal year; and

    (iii) the long-term program (Group performance shares), including a review of the obligation of the corporate officers to hold shares; and
- the resolutions to be presented to the Shareholders' Meeting of April 29, 2014 regarding the individual compensation for the three corporate officers ("say on pay").

Concerning the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer

- examination of the organization of General Management and recommendation to separate the offices of Chairman of the Board and Chief Executive Officer and to appoint Mr. Franck RIBOUD as Chairman of the Board and Mr. Emmanuel FABER as Chief Executive Officer of the Company;
- review (i) of the components of compensation for Mr. Franck RIBOUD as Chairman of the Board and (ii) of the waiver by Mr. Franck RIBOUD of his termination indemnity due in case of termination of his functions as corporate officer;
- review of the components of compensation of Mr. Emmanuel FABER as Chief Executive Officer and review of the terms and conditions of Mr. Emmanuel FABER's termination indemnity and recommendation to maintain identical terms and conditions;
- examination of the elimination of the offices of Deputy General Manager and of the termination of the office of Mr. Bernard HOURS as Deputy General Manager;
- examination of the termination indemnity for Mr. Bernard HOURS; and
- examination of the creation and composition of the Strategy Committee.

In connection with the Shareholders' Meeting of April 29, 2015

- review of the Group's variable compensation policy (including a review of the balance of the benefits granted to the various categories of beneficiaries of shares subject to performance conditions (Group performance shares)) and the weighting between the long-term and medium-term programs (Group performance units);
- review of all components of the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and, in particular, the variable compensation due in respect of the 2014 fiscal year. The Committee thus reviewed the following variable compensation programs:

  (i) the short-term program (variable annual compensation) granted subject to performance conditions;

  (ii) the medium-term program (Group performance units), including a review of whether performance objectives were met in each of the preceding fiscal years, and setting performance objectives at the beginning of each new fiscal year; and

  (iii) the long-term program (Group performance shares), including a review of the obligation of the corporate officers and the other Executive Committee members to retain their shares;
- review of the proposal to increase the total amount of attendance fees and to amend the rules of allocation of attendance fees starting on January 1, 2015; and
- review of the resolutions to be presented to the Shareholders' Meeting of April 29, 2015 concerning the individual compensation for Mr. Franck RIBOUD, Mr. Emmanuel FABER and Mr. Bernard HOURS ("say on pay").

Concerning the composition of the Board of Directors

In connection with the Shareholders' Meeting of April 29, 2014

- review of the composition of the Board and proposal of resolutions concerning changes to it;
- review of the number of offices held by each Director; and
- annual individual review of Directors' independence and of the existence of conflicts of interest, including potential conflicts of interest.

In connection with the Shareholders' Meeting of April 29, 2015

- implementing the selection process concerning the Board of Directors' composition, including: (i) reviewing the general guidelines as to changes in the composition of the Board, (ii) confirming a recruitment and a medium-term renewal policy for its members (taking into consideration notably the objectives in relation to the number of women, independence, and diversity in terms of nationality and international expertise of Board members, whilst retaining continuity of expertise), (iii) determining selection criteria for candidacies, and (iv) examining each proposed appointment both in regard to the determined selection criteria and to the different assumptions on changes in the Board and each of its Committees;
- in this context, the Committee:
  - acknowledged Mr. Richard GOBLET D'ALVIELLA's desire not to seek renewal of his term of office as Director;
  - recommended the renewal of the terms of office of Messrs. Jacques-Antoine GRANJON, Jean LAURENT and Benoît POTIER, Mrs. Mouna SEPEHRI and Mrs. Virginia A. STALLINGS;
  - recommended the appointment of Mrs. Serpil TIMURAY as Director. The Committee deemed that she met all of the independence criteria set forth in the AFEP-MEDEF Code;
  - acknowledged, subject to the Shareholders' Meeting of April 29, 2015 adopting all resolutions concerning changes in the composition of the Board, changes in the Board, in particular in terms of independence, number of women, diversity and reduction in the average age; and
  - recommended that the Board continue to improve corporate governance with respect to the percentage of women and the diversity of its composition.

Concerning the different Committees

- examined the evolution of the composition of the Nomination and Compensation Committee with the proposal to appoint Mr. Lionel ZINSOU-DERLIN as member of this Committee to replace Mr. Richard GOBLET D'ALVIELLA;
- examined the evolution of the composition of the Audit Committee with the proposal to appoint Mrs. Gaëlle OLIVIER as member of this Committee to replace Mr. Richard GOBLET D'ALVIELLA;
- examined the evolution of the composition of the Social Responsibility Committee with the proposal to appoint Mrs. Marie-Anne JOURDAIN, Director representing employees and Mrs. Virginia A. STALLINGS as members of this Committee to replace Mr. Emmanuel FABER, Mr. Jean-Michel SEVERINO and Mr. Jean LAURENT;
- examined the creation of a Strategy Committee and its rules of procedure; and
- considered the composition of the Strategy Committee, with the proposal to appoint, in addition to the Chairman of the Board and the Chief Executive Officer, Mr. Benoît POTIER, Mrs. Isabelle SEILLIER and Mr. Jean-Michel SEVERINO as members of this Committee.

Concerning the variable compensation elements of the Group's directors and managers for the 2015 fiscal year

- review and determination of the various criteria and weighting elements for the annual variable compensation: in particular, definition for each criterion of the target, the cap, the maximum and minimum attributable;
- review, at the start of each new fiscal year, of the determination of performance conditions applicable to the Group performance units based on targets communicated to the market;
- review of a new draft resolution concerning the granting of Group performance shares to be put to the Shareholders' Meetings of 2014 and 2015; and
- annual review to determine whether performance conditions have been achieved for Group performance units and Group performance shares.

Concerning corporate governance

- annual individual review of the independence of each Director and of the existence of any conflicts of interest, including potential conflicts of interest. Details of the review of the independence criteria applicable to these candidates and of their individual expertise and skills are found above in the section *Review of Directors' independence*;
- monitoring of the process of appointing Directors representing employees to the Danone Board of Directors pursuant to the Act of June 14, 2013 concerning job security;
- examination of the review of the Lead Independent Director;
- annual review of the process and practices in effect within the Group in terms of the succession plan for the Group's General Management and key positions in the Group's companies; and
- review of the results of the Directors' self-assessment and discussion of the proposals to address the comments regarding this self-assessment.

Social Responsibility Committee

On December 15, 2006, the Board of Directors created a third specific governance body, the Social Responsibility Committee.

Composition of the Social Responsibility Committee

On December 31, 2014, the Social Responsibility Committee comprised the following four Directors, three of whom have been deemed by the Board of Directors to be independent within the meaning of the AFEP-MEDEF Code:

- Mr. Jean LAURENT, the Committee Chairman, an independent Director and a Committee member and Chairman since February 2007;
- Mr. Bruno BONNELL, an independent Director and a Committee member since February 2007;
- Mr. Emmanuel FABER, a Director and Chief Executive Officer, a Committee member since February 2007; and
- Mr. Jean-Michel SEVERINO, an independent Director and a Committee member since April 2011.

The composition of the Social Responsibility Committee was modified following the Board of Directors of February 19, 2015. Mrs. Marie-Anne JOURDAIN (Director representing employees) Mrs. Virginia A. STALLINGS (independent Director) were appointed members of the Committee to replace Mr. Emmanuel FABER, Mr. Jean-Michel SEVERINO and Mr. Jean LAURENT.

The Committee will thus comprise a majority of independent Directors.

Social Responsibility Committee's rules of procedure

Adoption by the Board of Directors on February 14, 2007

On February 14, 2007, the Board of Directors adopted the Social Responsibility Committee's rules of procedure, which detail its responsibilities and expertise and method of operation.

Main provisions of the Social Responsibility Committee's rules of procedure

The main provisions of the Social Responsibility Committee's rules of procedure are summarized hereafter.

The Social Responsibility Committee is responsible for overseeing the Group's societal project. Its scope covers all areas of social responsibility related to the project and the Group's activities and, in particular, social, environmental and ethical issues.

The Social Responsibility Committee pays special attention to the Group's action principles, policies and practices in these areas:

- social, relating to the Group's employees and those of its partners, subcontractors, suppliers and customers;
- environmental, relating to (i) activities directly controlled by the Group (industrial production, packaging, etc.) or indirectly controlled by it (purchasing, transport, energy, etc.), and (ii) the use of non-renewable natural resources;
- ethical, relating to Group employees, consumers and, more generally, all Group stakeholders; and
- nutrition, relating in particular to public health issues, the social impact of its products and communication with its consumers.

The Social Responsibility Committee is responsible for:

- reviewing the Group's main environmental risks and opportunities in relation to its objectives and activities;
- ensuring that members are informed about the internal control procedures implemented within the Group relating to its main environmental risks;
- being consulted by the Audit Committee with respect to audit missions related to its areas of intervention;
- reviewing the Group's social policies, their objectives and the results obtained;
- reviewing the reporting, evaluation and control systems to enable the Group to produce reliable non-financial information;
- reviewing all non-financial information published by the Group, in particular concerning social and environmental matters;
- annually reviewing the summary of the ratings given to the Company and its subsidiaries by non-financial rating agencies;

- ensuring the application of the ethical rules adopted by the Group;
- being regularly informed about complaints received as part of the employee whistle blowing procedure which concern ethical, social or environmental issues and reviewing those which come under the scope of its remit, in conjunction with the work carried out by the Audit Committee; and
- regularly reviewing the results of the Group's self-assessments under the Danone Way program.

In addition, in the area of socially responsible investments, the Committee is responsible for:

- evaluating the impact of these investments for the Group;
- reviewing application of the rules established by the Group concerning social investments and programs in areas related to the Group's activities; and
- ensuring that the Company's interests are protected, with particular focus on preventing any conflicts of interest between these investments and the rest of the Group's activities.

The Committee is also responsible for preparing and providing information to assist the work of the Board on investments and social action programs which Danone leads or participates in.

Main amendments/changes in the Social Responsibility Committee's rules of procedure

On December 17, 2009, the Board of Directors amended the rules of procedure, which stipulate that henceforth the Social Responsibility Committee will carry out a regular assessment of its performance.

In 2009, the Committee carried out a first assessment of its activities, which led to a reflection on the Committee's position, in particular in relation to the Audit Committee. The Committee therefore decided to carry out a new assessment of its activity by all Directors, whose results were examined in 2010. This assessment confirmed the Committee's contribution to the Group's strategy, because the Committee enables a better understanding of changes that affect the Group's business, as well as consumer expectations in the face of new issues (in particular, environmental, health and social policy issues).

Following this assessment, it was decided (i) to improve coordination in reviewing Group risks with the Audit Committee, and (ii) to provide feedback on its work to the Board in a more concrete manner. Furthermore, the Committee's duties were expanded to ensure (i) the implementation of the Group's four social initiatives and verifying the actual impact of the transformation process on corporate management, and (ii) the accuracy and reliability of the Group's non-financial communications.

Work of the Social Responsibility Committee

In 2014, the Social Responsibility Committee met four times (as in 2013). Its members' attendance rate at meetings was 100% (the same as in 2013).

In 2014 and early 2015, the Committee's work focused on:

- the review of the Group's ongoing social projects and, more specifically, a review of the activity and budgets of the funds sponsored by Danone, notably:
  - the Group's investment in a new fund: the Livelihoods fund for family farming;
  - review of the Danone Ecosystem Fund, bearing notably on its operating resources and the projects supported by the Fund, as well as the amount paid by the Company in respect of its financial contribution to the Danone Ecosystem Fund; and
  - the amount paid by the Company in respect of its annual financial contribution to danone.communities (see sections 5.3 *Funds sponsored by Danone* and 6.5 *Statutory auditors' special report on related party agreements and commitments*);
- review of the focus areas of the Danone 2020 plan, in particular of the strategic priorities, the implementation calendar and progress achieved;
- examination of the non-financial information published by the Group;
- monitoring of the process of designation of Directors representing employees (in accordance with Act no. 2013-504 of June 14, 2013); and
- review of the presentation of the Company's strategic policies presented to the Works Council.

In addition, within the framework of a joint meeting of the Audit Committee and the Social Responsibility Committee held on April 29, 2014 and coordinated and co-chaired by the Lead Independent Director, a review was made of the Group's compliance policy. In this regard, the Committees notably proposed the allocation of additional support and resources to the compliance and internal control functions, in particular the creation of a Product Compliance Board.

A report on each Social Responsibility Committee meeting is made at the next Board of Directors' meeting. These reports enable the Board to stay fully informed, thereby facilitating its decisions.

Strategy Committee

On September 2, 2014, the Board of Directors decided to create a fourth specific governance body, the Strategy Committee.

Composition of the Strategy Committee

At February 28, 2015, the Strategy Committee comprised the five following Directors:

- Mr. Franck RIBOUD, Chairman of the Committee, Chairman of the Board of Directors;
- Mr. Emmanuel FABER, Chief Executive Officer;
- Mr. Benoît POTIER;
- Mrs. Isabelle SEILLIER; and
- Mr. Jean-Michel SEVERINO.

Strategy Committee's rules of procedure

Adoption by the Board of Directors on October 17, 2014

On October 17, 2014, the Board of Directors adopted rules of procedure for the Strategy Committee, which specify its role, responsibilities and operating rules.

Main provisions of the Strategy Committee's rules of procedure

The main provisions of the Strategy Committee's rules of procedure, adopted by the Board of Directors at its meeting on October 17, 2014, are summarized hereafter.

The mission of the Strategy Committee is to analyze the Danone group's major strategic policies.

The Strategy Committee prepares and informs the work of the Board on key matters of strategic interest such as:

- development priorities;
- external growth opportunities;
- divestment transactions;
- significant agreements and partnerships;
- possible transactions concerning the Company's share capital;
- potential diversification opportunities;
- and more generally, any transaction of significance for the future of the Group.

Work of the Strategy Committee

The members of the Strategy Committee were appointed during the Board of Directors meeting of February 19, 2015. As with Danone's other committees, at least two meetings are planned annually.

Executive Committee

Role of the Executive Committee

Under the authority of the Chief Executive Officer, Mr. Emmanuel FABER, the Executive Committee is responsible for the Group's operational management. It implements the strategy defined by the Board of Directors, approves annual budgets, ensures the consistency of actions undertaken by each of the subsidiaries and Divisions and, depending on the results achieved, decides on action plans to be implemented. The Executive Committee meets at least once a month.

Composition of the Executive Committee

As of February 28, 2015, the following are the ten members of the Executive Committee:

Name	Age	Principal position within the Group	Starting date as Executive Committee member
Emmanuel FABER	51	Chief Executive Officer and Vice-Chairman of the Board of Directors	2000
Felix MARTIN GARCIA	54	General Manager, Early Life Nutrition	2008
Pierre-André TERISSE	48	General Manager Africa	2008
Flemming MORGAN	59	General Manager, Medical Nutrition	2009
Jean-Philippe PARE	56	General Manager, Research and Development	2011
Francisco CAMACHO	49	General Manager, Waters	2011
Marc BENOIT	51	General Manager, Human Resources	2014
Bertrand AUSTRUY	41	General Secretary	2015
Cécile CABANIS	44	Chief Financial Officer	2015
Gustavo VALLE	51	General Manager, Fresh Dairy Products	2015

Application of the AFEP-MEDEF Corporate Governance Code for listed companies

The Company complies with the corporate governance system applicable in France, in accordance with the provisions described in this section.

Pursuant to the Act of July 3, 2008, on December 18, 2008, the Board of Directors reviewed the provisions of the AFEP-MEDEF Code and decided that the Group would refer to this Code of Governance (this decision was published in a press release issued on December 19, 2008). This code is available on the MEDEF website (www.medef.fr).

Danone applies the recommendations of the AFEP-MEDEF Code, with the exception of the following points which the Company does not apply in a strict manner:

Recommendations	Danone's practice and justification
Assessment of the Board (section 10.2 of the AFEP-MEDEF Code) One of the objectives of the assessment of the board of directors must be *"to measure the actual contribution of each director to the board's work through his or her competence and involvement in discussions".*	The recommendation of the AFEP-MEDEF Code concerning measuring the actual contribution of each Director to the Board's work is not applied, notably due to the practical difficulties involved in implementing this type of recommendation and its possible consequences for team spirit and collegiality. Nonetheless, each year, the Directors complete a very extensive questionnaire on the operation of the Board, allowing them to freely give their opinion on potential issues. In this way, the Directors who so wish can freely express their view of the effective individual contributions during their interview with the Board Secretary. The Board of Directors' review of the completed questionnaires thus provides it with the opportunity to fully assess the contributions and involvement of all Directors in the work of the Board and its Committees. Lastly, the Board's rules of procedure expressly provide that this assessment should make it possible to "ensure the availability and commitment of Directors". The contribution of each Director is assessed by the Nomination and Compensation Committee and by the Board, in particular at the time of renewal of the terms of office of Directors and Committee members. Taking into account the satisfactory results of these assessments, the Board of Directors did not express, at this date, the need to carry out a formal assessment of the each Director's contribution.
Termination of employment contract in case of appointment as corporate officer (section 22 of the AFEP-MEDEF Code) *"When an employee is appointed as corporate officer, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation.* *This recommendation applies to the chairman, chairman and chief executive officer, and general manager of companies with a board of directors […]."*	At the time of the separation of the offices of Chairman and Chief Executive Officer, the Board of Directors' meeting of September 2, 2014, pursuant to the recommendation of the Nomination and Compensation Committee, confirmed the position taken by the Board in 2013 and considered that the employment contracts of Mr. Franck RIBOUD and Mr. Emmanuel FABER should be maintained (although they should remain suspended), given their age, personal circumstances and length of service as Group employees. Indeed, the Board considered this system relevant for corporate officers with at least 10 years of seniority within the Group, to encourage internal promotion and the sustainable management that the Company is striving to implement, as terminating the employment contract could, on the contrary, dissuade internal candidates from accepting positions as corporate officers. The Board believed that implementing the AFEP-MEDEF recommendations to permanently terminate these employment contracts would cause them to lose the rights gradually acquired under their employment contracts during their careers at the company (33 years for Mr. Franck RIBOUD and 17 years for Mr. Emmanuel FABER), particularly the benefits gradually acquired throughout their career at Danone based on seniority and actual service, *i.e.* severance pay and long-term benefits such as participation in group plans, compensation that in any case would not exceed, in its entirety, the cap of two years of compensation (fixed and variable). In addition, the French Financial Markets Authority considers that it is in compliance with the AFEP-MEDEF Code for an employment contract to remain in force in view of an executive's (i) length of service as an employee within the company and (ii) his or her personal situation.
Functioning of compensation committees (section 18.2 of the AFEP-MEDEF Code) *"When the report on the work of the compensation committee is presented, the board should deliberate on issues relating to the compensation of the corporate officers without the presence of the latter."*	Corporate officers are present when the Board of Directors deliberates on issues relating to their compensation but do not take part in any debate or vote in relation to decisions which affect them. In addition, the Board of Directors only decides on compensation upon recommendation of the Nomination and Compensation Committee, which is entirely composed of independent Directors and which includes no corporate officer. A Lead Independent Director was appointed in 2013 to provide additional assurance that the Board is functioning correctly and that power is well-balanced on the General Management and Board of Directors.

Recommendations	Danone's practice and justification
Stock-options and performance shares (section 23.2.4 of the AFEP-MEDEF Code) *"It is recommended that performance shares allocated to corporate officers be conditional upon the purchase of a defined number of shares when the allocated shares vest, in accordance with the terms and conditions set by the board of directors."*	Given the high obligation imposed on corporate officers and other Executive Committee members to retain DANONE shares, the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, considered that it was not necessary to require them to purchase a certain number of Company shares at the end of the holding period of their shares, subject to performance conditions.
Supplementary pension plans (section 23.2.6 of the AFEP-MEDEF Code) *"Supplementary defined benefit pension plans are subject to the condition that the beneficiary must be a corporate officer or employee of the company when claiming his or her pension rights in accordance with the rules in force."*	Directors' eligibility for the pension plan is indeed subject to the condition that they are performing their duties within the Group at the time of retirement. As an exception to this principle, in the sole case of redundancy after the age of 55, the benefit derived from the plan will be maintained, provided that the employee does not take up paid employment. This last provision, consistent with applicable French regulations, makes it possible to protect all beneficiaries against the risk of redundancy after the age of 55 and before they have reached retirement age.
Independence criteria for directors (section 9.4 of the AFEP-MEDEF Code) *"The criteria to be reviewed by the committee and the board in order for a director to qualify as independent […] are the following: […]* *–not to have been a director of the corporation for more than twelve years."*	Concerning the criterion of the AFEP-MEDEF Code whereby Directors would lose their independence once the length of their term of office exceeded 12 years, the Board observes that Danone has a dual economic and social project, which gives it a unique culture, which the Group has reaffirmed in its strategy, governing bodies, performance measurement and management performance for a number of years. The Board has stressed on many occasions the primary importance that it attaches to the Company's cultural factors in order to assess the pertinence and feasibility of the projects submitted to its approval. It considers that Danone's culture with respect to its dual project is a unique competitive advantage, for the Group and in the interests of its shareholders. As such, the Board has observed that in the collective decision-making approach taken at its meetings, the ability to view the development of cultural traits specific to the Company and its mission in the long term is a real benefit which clarifies the Board's work. The Board thus believes that the holding of a term of office over a long period constitutes a measure of an ability to contribute to the Board's work in a free and autonomous manner while ensuring that the Group's identity and culture are preserved, rather than being an obstacle to independence, and that additionally, the length of service on the Board should not be used solely to determine the non-independence of a Director. Concerning Mr. Bruno BONNELL, the Board has noted that he has continually proven his particularly noteworthy independence of thought and freedom of speech, which have led him to take up marked and constructive positions and to provide specific and differentiated viewpoints during Board discussions. The Board noted that his positions have enriched its decisions and that the independence of such decisions is an important value for Danone, within a Board of Directors which has a majority of independent Directors as defined using the strictest application of current standards. Concerning Mr. Benoît POTIER, the Board has noted his strong contribution to the Board's discussions as well as the freedom of thought and of speech of the Chairman and Chief Executive Officer of one of the largest companies in the CAC 40. Lastly, Mr. Benoît POTIER demonstrates a remarkable independence of spirit.
Cap set for the qualitative portion of the annual variable compensation of corporate officers (section 23.2.3 of the AFEP-MEDEF Code) *"Within the variable compensation, when qualitative criteria are used, a cap must be applied to the qualitative portion while still allowing for the possibility of taking into account exceptional circumstances where necessary"*	As a reminder, the annual variable compensation of corporate officers is indeed subject to a global cap, which is indicated in the registration document (see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Principles of annual variable compensation of corporate officers*); however, only the cap of the qualitative portion of corporate officers' variable compensation, although set, is not published for confidentiality reasons.

In addition, the French High Committee for the Corporate Governance communicated recommendations to Danone in 2014. One of these recommendations involves the independence of the members of the Board who have been seated for more than 12 years. The Board decided not to apply this recommendation and to maintain the qualification of independence based on circumstances for the Directors who have been seated for more than 12 years for the reasons mentioned above. A second recommendation involved the indication of the cap set for the qualitative portion of variable compensation; as mentioned above, this cap exists but is not communicated for confidentiality reasons.

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS AND NOMINEES TO THE BOARD OF DIRECTORS

(Article R. 225-83 of the French commercial code)

Information relating to the Directors and the nominees to the Board of Directors:

Appointment

Serpil TIMURAY

Renewal of terms of office

Jacques-Antoine GRANJON

Jean LAURENT

Benoît POTIER

Mouna SEPEHRI

Virginia A. STALLINGS

Current Directors

Bruno BONNELL

Emmanuel FABER

Richard GOBLET D'ALVIELLA

Marie-Anne JOURDAIN

Gaëlle OLIVIER

Franck RIBOUD

Isabelle SEILLIER

Jean-Michel SEVERINO

Bettina THEISSIG

Lionel ZINSOU-DERLIN

Appointment

SERPIL TIMURAY

Born on July 7, 1969

Age: 45

Business address: One Kingdom Street, Paddington Central – London W2 6BY – United Kingdom

Number of DANONE shares held as of December 31, 2014: 0 (in accordance with the by-laws, the 4,000 DANONE shares to be held by each Director must be purchased within 3 months following his/her appointment by the Shareholders' Meeting at the latest)

Independent Director

Turkish nationality

Principal responsibility: Regional Chief Executive Officer Africa, Middle East, Asia and Pacific, and Executive Committee member of Vodafone Group

Personal background – experience and expertise:

A native of Turkey, 45-year-old Serpil TIMURAY holds a degree in business administration from Bogazici University in Istanbul.

She began her career in 1991 at Procter & Gamble, where she was later on appointed to the Executive Committee of Procter & Gamble Turkey. In 1999, she moved to Groupe Danone as the Marketing Director and a member of the Executive Committee for the Fresh Dairy Products subsidiary in Turkey. From 2002 to 2008, she served as General Manager of Danone Turkey, overseeing the acquisition and integration of several companies in the region. In 2009, she joined Vodafone Group as the Chief Executive Officer of Vodafone Turkey, contributing to its considerable growth. Since January 2014, Serpil TIMURAY is serving as the Regional CEO of Africa, Middle East and Asia-Pacific and as a member of the Executive Committee of Vodafone Group. She is also a board member in several Vodafone companies in the region and sits in boards of several non-profit organizations outside of the Vodafone Group.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director Member of the Nomination Committee Member of the Remuneration Committee	*VODACOM GROUP* [b] [c]	*South Africa*
Director Chairperson of Corporate Social Responsibility Committee Member of the Nomination Committee Member of the Remuneration Committee	*VODAFONE INDIA* [c]	*India*
Director Member of the Nomination Committee Member of the Remuneration Committee	*VODAFONE HUTCHISON AUSTRALIA* [c]	*Australia*
Director Member of the Nomination Committee Member of the Remuneration Committee	*SAFARICOM KENYA* [c]	*Kenya*
Director Member of the Nomination Committee Member of the Remuneration Committee	*VODAFONE QATAR* [c]	*Qatar*

Positions	Associations/Foundations/Other	Countries
Chairperson of the Board	*YASED (Turkish International Investors Association)*	*Turkey*
Member of the Board	*TOBB-GGK (Young Entrepreneurs Council of Turkish Union of Chambers and Commodity Exchanges)*	*Turkey*
Board of Trustees Member	*Koc University*	*Turkey*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Companies owned by Vodafone Group.

Positions and responsibilities held during the past five years

Positions	Companies	Countries
Chief Executive Officer	VODAFONE TURKEY	Turkey

Renewal of terms of office

JACQUES-ANTOINE GRANJON

Born on August 9, 1962

Age: 52

Business address:
249, avenue du Président Wilson – 93210 La Plaine-Saint-Denis – France

Number of DANONE shares held as of December 31, 2014: 4,127

Independent Director

French nationality

Principal responsibility: Chairman and Chief Executive Officer of vente-privée.com

Personal background – experience and expertise:

Jacques-Antoine GRANJON is a graduate of the European Business School in Paris.

After completing his studies, his entrepreneurial spirit led him and a friend to found Cofotex SA in 1985, which specialized in wholesale close-outs.

In 1996, Jacques-Antoine GRANJON purchased the former printing plants of *Le Monde* newspaper, which were being sold as part of an urban renewal program for La Plaine-Saint-Denis (93), and there he established the headquarters of Oredis group. Jacques-Antoine GRANJON came up with a completely innovative concept: a web platform dedicated to private sales of brand name products at deeply discounted prices.

In January 2001, Jacques-Antoine GRANJON and his partners launched vente-privee.com in France. He thus took his experience in drawing down inventories of close-outs from leading fashion and home furnishing brands to the Internet by applying a dual approach: event-based and exclusive, while always emphasizing customer satisfaction. vente-privee.com was built in the image of its founder as a model corporate citizen promoting responsible growth, training and employability and a social conscience.

In 2011, Jacques-Antoine GRANJON partnered with Xavier NIEL and Marc SIMONCINI to create the Ecole Européenne des Métiers de l'Internet.

Positions and responsibilities as of December 31, 2014[a]

Positions	Companies	Countries
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2017 financial statements)[c]	DANONE SA[b]	France
Chairman and Chief Executive Officer	VENTE-PRIVEE.COM SA	France
Chairman	*OREFI ORIENTALE ET FINANCIÈRE SAS*[d]	*France*
Chairman of the Board of Directors	*PALAIS DE TOKYO SAS*	*France*

Positions	Associations/Foundations/Other	Countries
Chairman	*FONDATION VENTE-PRIVEE.COM*	*France*

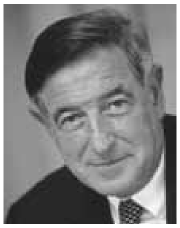
(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Subject to the renewal of his term of office by the Shareholders' Meeting of April 29, 2015.
(d) Jacques-Antoine GRANJON also holds corporate offices in companies controlled by OREFI ORIENTALE ET FINANCIÈRE SAS:

- Chairman of HOLDING DE LA RUE BLANCHE SAS (France), ORIMM SAS (France), VENTE PRIVEE USA BRANDS, INC. (United States), VENTE-PRIVEE.COM DEUTSCHLAND (Germany), VENTE-PRIVEE.COM LIMITED (United Kingdom), VENTA- PRIVADA IBERICA (Spain), VENDITA.PRIVATA ITALIA SRL (Italy);
- Chairman and Chief Executive Officer of PIN UP SA (France);
- Manager of EGLISE WILSON SARL (France), ORIMM BIENS SARL (France);
- Co-Manager of VENTE-PRIVEE.COM IP SARL (Luxembourg);
- Director of VENTE-PRIVEE.COM HOLDING SA (Luxembourg), LOOKLET (Sweden), VENTE-PRIVEE USA, LLC (United States);
- Director of NOUVELLE D'EXPLOITATION DE RENOVATION ET DE RENAISSANCE DU THEATRE DE PARIS SA (France);
- Manager of French civil partnerships (sociétés civiles françaises) SCI 247, SCI 249, BM WILSON SCI, FRUITIER WILSON SCI, LANDY WILSON SCI, LYON 3 SCI, MM WILSON SCI, PRESSENSE WILSON SCI, SCI BRETONS WILSON, SCI LE STADE WILSON, SCI SAINT WILSON, SCI HOTEL WILSON, SCI BEAUNE-WILSON, SCI MB WILSON, and MALAKOFF WILSON;
- Chairman of VENTE-PRIVEE HOLDING PRODUCTIONS SAS (France);
- Chairman of HOLDING DE LA RUE DE LA MICHODIERE SAS (France): company pending incorporation; and
- Co-Manager of PRODUCTS AND BRANDS STUDIO SAS (France): company pending registration.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Chairman	ROSEBUZZ SAS	France

JEAN LAURENT



Born on July 31, 1944

Age: 70

Business address:
30, avenue Kléber – 75208 Paris Cedex 16 – France

Number of DANONE shares held as of December 31, 2014: 5,100

Independent Director and
Lead Independent Director

French nationality

Principal responsibility: Chairman of the Board of Directors of Foncière des Régions

Personal background – experience and expertise:

Jean LAURENT is a graduate of the École Nationale Supérieure de l'Aéronautique (1967) and has a Master of Sciences degree from Wichita State University.

He spent his entire career at the Crédit Agricole group, first with Crédit Agricole de Toulouse, and later with Crédit Agricole du Loiret and then Crédit Agricole de l'Ile de France, where he exercised or supervised various retail banking business activities.

He then joined Caisse Nationale du Crédit Agricole, first as Deputy General Manager (1993-1999) and later as Chief Executive Officer (1999-2005). In that capacity, he was responsible for the public offering of Crédit Agricole SA (2001) and the acquisition and integration of Crédit Lyonnais in Crédit Agricole group.

He is also Chairman of the Board of Directors of Foncière des Régions.

The Board of Directors of Danone appointed Jean LAURENT as Chairman of the Social Responsibility Committee on February 14, 2007, Chairman of the Compensation and Nomination Committee on April 28, 2011 and Lead Independent Director on February 18, 2013.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director (term of office from February 10, 2005 to the end of the Shareholders' Meeting to approve the 2017 financial statements)[c] Chairman and member of the Board of Directors' Compensation and Nomination Committee (since April 28, 2011 and April 22, 2005, respectively) Chairman and member of the Board of Directors' Social Responsibility Committee (since February 14, 2007) Lead Independent Director (since February 18, 2013)	DANONE SA [b]	France
Chairman of the Board of Directors Member of the Strategy and Investments Committee	FONCIÈRE DES RÉGIONS SA [b]	France
Vice-Chairman of the Supervisory Board Chairman of the Audit Committee Member of the Finance Committee	EURAZEO SA [b] [d]	France
Director	*BENI STABILI [a]*	*Italy*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Subject to the renewal of his term of office by the Shareholders' Meeting of April 29, 2015.
(d) As of December 31, 2014, Eurazeo holds 0.01% of the Company's share capital (see section *7.7 Share ownership structure as of December 31, 2014 and significant changes over the last three fiscal years*).

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Director	CRÉDIT AGRICOLE EGYPT SAE	Egypt
Member of the Supervisory Board Member of the Audit Committee	M6 SA (MÉTROPOLE TELEVISION) [a]	France
Director	UNIGRAINS SA	France

Positions	Associations/Foundations/Other	Countries
Chairman	PÔLE DE COMPÉTITIVITÉ "FINANCE INNOVATION" (Association)	France
Chairman of the Board of Directors	FONDATION INSTITUT EUROPLACE DE FINANCE	France

(a) Listed company.

6

BENOÎT POTIER

Born on September 3, 1957

Age: 57

Business address:
75, quai d'Orsay – 75007 Paris – France

Number of DANONE shares held as of December 31, 2014: 8,343

Independent Director

French nationality

Principal responsibility: Chairman and Chief Executive Officer of Air Liquide SA

Personal background – experience and expertise:

A graduate of the École Centrale de Paris, Benoît POTIER joined the Air Liquide group in 1981 as a Research and Development engineer. He then held positions as Project Manager in the Engineering and Construction Department and Head of Energy Development within the Large Industry segment. In 1993 he was named Head of Strategy-Organization and in 1994 he was appointed Head of Chemicals, Steel, Refining and Energy Markets. He became Deputy General Manager in 1995, and added to the aforementioned responsibilities that of Head of Construction Engineering and Large Industry for Europe.

Benoît POTIER was appointed Chief Executive Officer in 1997, Director of Air Liquide in 2000 and Chairman of the Management Board in November 2001. In 2006, he was named Chairman and Chief Executive Officer of Air Liquide SA.

In 2004, Air Liquide acquired the assets of Messer Griesheim in Germany, the United Kingdom and the United States.

In 2007, the group expanded its technology portfolio by acquiring the Lurgi engineering company and in 2008 launched the Alma company project aimed at accelerating its growth. The group is continuing to diversify internationally, notably through its growing presence in developing economies: Asia, Russia, Central and Eastern Europe, the Middle East and Latin America.

In 2008, Benoît POTIER initiated the creation of Fondation Air Liquide and has served as its Chairman since inception. Fondation Air Liquide supports research projects in the environmental and healthcare fields and contributes to local development by encouraging micro-initiatives in those areas of the world where the group is present.

Since May 2014, Benoît POTIER has also been Chairman of the European Roundtable of Industrialists (ERT).

Positions and responsibilities as of December 31, 2014[a]

Positions	Companies	Countries
Director (term of office from April 11, 2003 to the end of the Shareholders' Meeting to approve the 2017 financial statements)[d]	DANONE SA [b]	France
Member of the Board of Directors' Compensation and Nomination Committee (since April 26, 2012)		
Chairman and Chief Executive Officer	AIR LIQUIDE SA[b]	France
	AIR LIQUIDE INTERNATIONAL (SA)[c]	*France*
Director	*AMERICAN AIR LIQUIDE HOLDINGS INC* [c]	*United States*
Chairman, President & Chief Executive Officer	*AIR LIQUIDE INTERNATIONAL CORPORATION (ALIC)*[c]	*United States*

Positions	Associations/Foundations/Other	Countries
Chairman	*EUROPEAN ROUNDTABLE OF INDUSTRIALISTS (ERT)*	*Belgium*
	FONDATION D'ENTREPRISE AIR LIQUIDE	*France*
Vice-Chairman	*ASSOCIATION NATIONALE DES SOCIETES PAR ACTIONS (ANSA)*	*France*
Director	*ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES (AFEP)*	*France*
	CERCLE DE L'INDUSTRIE (Association)	*France*
	LA FABRIQUE DE L'INDUSTRIE (Association)	*France*
	ÉCOLE CENTRALE DES ARTS ET MANUFACTURES	*France*
Member of the Board	*INSEAD*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Companies in the Air Liquide group in which Benoît POTIER holds a corporate office.
(d) Subject to the renewal of his term of office by the Shareholders' Meeting of April 29, 2015.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Member and Chairman of the Audit Committee	DANONE [a]	France
Member of the Supervisory Board	MICHELIN [a]	France
Member of the Audit Committee		

(a) Listed company.

MOUNA SEPEHRI

Born on April 11, 1963

Age: 51

Business address:
13-15, quai Le Gallo – 92513 Boulogne-Billancourt – France

Number of DANONE shares held as of December 31, 2014: 4,127

Independent Director

Dual French and Iranian nationality

Principal responsibility: Executive Vice-President, Member of the Executive Committee, Vice-President CEO Office of Renault

Personal background – experience and expertise:

After receiving her law degree and joining the Paris bar, Mouna SEPEHRI began her career in 1990 as a lawyer in Paris and then New York, where she specialized in Mergers & Acquisitions and International Business Law.

She joined Renault in 1996 as the group's Deputy General Counsel. She played an integral part in the group's international growth and participated in the creation of the Renault-Nissan Alliance from the beginning (1999) as a member of the negotiating team.

In 2007, she joined the Office of the CEO and was in charge of the management of the cross functional teams.

In 2009, she was appointed Director of the Renault-Nissan Alliance CEO Office and Secretary of the Renault-Nissan Alliance Board of Directors. In 2010, she also became a member of the steering committee on the Alliance cooperation with Daimler. As a part of that mission, she was responsible for steering the implementation of Alliance synergies, coordinating strategic cooperation and for driving new projects.

On April 11, 2011, she joined the Renault group Executive Committee as Executive Vice President, Office of the CEO. She oversees the following functions: Legal, Public Affairs, Communications, Public Relations, Corporate Social Responsibility, Property and General Services, Prevention and Group Protection, Cross-functional Support, the Operating Costs Effectiveness Program and the Strategy and Group Planning. In 2013, she was appointed as a permanent member of the Management Board of the Renault-Nissan Alliance.

Positions and responsibilities as of December 31, 2014[a]

Positions	Companies	Countries
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2017 financial statements) [c] Member of the Board of Directors' Audit Committee (since April 26, 2012)	DANONE SA [b]	France
Director	NEXANS SA[b]	France
Director Chairwoman of the Governance and Corporate Social Responsibility Committee (CGRSE)	ORANGE [b]	France
Member of the Supervisory Board Member of the Audit Committee	M6 SA (MÉTROPÔLE TÉLÉVISION) [b]	France

Positions	Associations/Foundations/Other	Countries
Director	*FONDATION RENAULT*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Subject to the renewal of her term of office by the Shareholders' Meeting of April 29, 2015.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
None		

6

VIRGINIA A. STALLINGS

Born on September 18, 1950

Age: 64

Business address:
Children's Hospital of Philadelphia – 3535 Market Street – Rm 1558 – Philadelphia, PA 19104 – United States

Number of DANONE shares held as of December 31, 2014: 4,000

Independent Director

American nationality

Principal responsibility: Professor of Pediatrics at Children's Hospital of Philadelphia

Personal background – experience and expertise:

Virginia A. STALLINGS is a Professor of Pediatrics at the University of Pennsylvania Perelman School of Medicine, Director of the Nutrition Center at The Children's Hospital of Philadelphia and holds a Chair in Gastroenterology and Nutrition. She is a pediatrician and an expert in nutrition and growth in children with chronic illnesses. Her research interests are in nutrition-related growth in healthy children and those with chronic illnesses including: obesity, sickle cell disease, osteoporosis, cystic fibrosis, cerebral palsy, Crohn's disease, HIV and congenital heart disease. She has been extensively involved in pediatric nutrition clinical care and research for more than 25 years.

Dr. STALLINGS plays a significant role in the community of nutrition scientists and physicians as a member of the Institute of Medicine, the Food and Nutrition Board of the US National Academy of Sciences and the Council of the American Society for Nutrition. She steered the Institute of Medicine committee report, *Nutrition Standards for Foods in Schools: Leading the Way Towards Healthier Youth*, and the committee report, *School Meals: Building Blocks for Healthy Children*, that led to new policy to improve the nutritional quality of children's meals and school meals in the United States. She has received research and teaching awards from the American Society of Nutrition, the American Academy of Pediatrics, the Institute of Medicine, and the National Academies.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2017 financial statements) [c]	DANONE SA [b]	France

Positions	Associations/Foundations/Other	Countries
Professor of Pediatrics	*THE CHILDREN'S HOSPITAL OF PHILADELPHIA, DEPARTMENT OF PEDIATRICS, THE UNIVERSITY OF PENNSYLVANIA PERELMAN SCHOOL OF MEDICINE*	*United States*
Director, The Nutrition Center	*THE CHILDREN'S HOSPITAL OF PHILADELPHIA*	*United States*
Director, Office of Faculty Development	*THE CHILDREN'S HOSPITAL OF PHILADELPHIA RESEARCH INSTITUTE*	*United States*
Member	*NATIONAL ACADEMY OF SCIENCES, INSTITUTE OF MEDICINE*	*United States*
Member of International Research Advisory Committee	*CHILDREN'S HOSPITAL OF LA PLATA RESEARCH INSTITUTE*	*Argentina*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Subject to the renewal of his term of office by the Shareholders' Meeting of April 29, 2015.

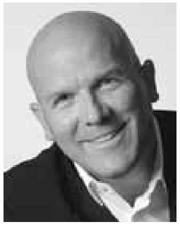
Positions and responsibilities held during the past five years

Positions	Associations/Foundations/Other	Countries
President of the Board of Directors	DANONE INSTITUTE USA [a]	United States
	DANONE INSTITUTE INTERNATIONAL [a]	France

(a) The mission of these two organizations, which are established as non-profit associations, is to promote research and education in the field of nutrition as well as the importance of nutrition on health.

Current Directors

BRUNO BONNELL



Born on October 6, 1958

Age: 56

Business address:
1, rue du Docteur Fleury-Pierre Papillon – 69100 Villeurbanne – France

Number of DANONE shares held as of December 31, 2014: 4,000

Independent Director

French nationality

Principal responsibility: Chairman of I-VOLUTION

Personal background – experience and expertise:

Bruno BONNELL was born in Algiers, Algeria in 1958. He received a degree in chemical engineering at CPE Lyon (*École Supérieure de Chimie Physique Électronique de Lyon*) and another in applied economics from the University of Paris-Dauphine (class of 1982).

He began his career at Thomson SDRM as a business engineer responsible for launching and marketing the company's first computer, the T07.

In June 1983, Bruno BONNELL founded Infogrames, which in 2000 merged with Atari (listed on the NYSE Euronext). In 1995, he co-founded Infonie, the first Internet service provider in France.

He left Infogrames in April 2007 and founded Robopolis, a company that specializes in service robotics and distributes robots aimed at the household market. The company has operations in seven European countries.

In 2010, he founded Awabot, a robotic platform services company that specializes in telepresence robots. That same year, he founded the French Federation of Service Robotics (Syndicat de la Robotique de Service – SYROBO) and serves as its Chairman.

In 2011, he was appointed Chairman of the Board of Directors of EM Lyon Business School.

He is a member of the Management Board of Pathé SAS and of the Board of Directors of April SA. He has also been a member of the Supervisory Board of Banque Rhône-Alpes since 2013.

Together with his Orkos Capital partners, in March 2014 he created Robolution Capital, a private equity fund that focuses on service robotics.

Bruno BONNELL has written two books on new technologies: *Pratique de l'ordinateur familial* (1983) and *Viva la robolution* (2010).

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director (term of office from February 18, 2002 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	DANONE SA [b]	France
Member of the Board of Directors' Social Responsibility Committee (since February 14, 2007)		
Director	APRIL SA [b]	France
Member of the Sustainable Development Committee		
Member of the Strategy Committee		
Chairman	*AWABOT SAS*	*France*
	I-VOLUTION SAS	*France*
	SOROBOT SAS	*France*
Director	*ROBOPOLIS SAS*	*France*
Member of the Management Board	*PATHÉ SAS*	*France*
Member of the Supervisory Board	*BANQUE RHONE-ALPES*	*France*

Positions	Associations/Foundations/Other	Countries
Chairman of the Board of Directors	*EMLYON BUSINESS SCHOOL*	*France*
Chairman	*FRENCH FEDERATION OF SERVICE ROBOTICS (SYROBO)*	*France*
Founding partner	*ROBOLUTION CAPITAL (professional private equity fund)*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Member of the Supervisory Board	ANF IMMOBILIER SA [a]	France
	ZSLIDE SA	France

(a) Listed company.

6

EMMANUEL FABER

Born on January 22, 1964

Age: 51

Business address:
17, boulevard Haussmann – 75009 Paris – France

Number of DANONE shares held as of December 31, 2014: 59,108

Non-Independent Director

French nationality

Principal responsibility: Chief Executive Officer and Vice-Chairman of the Board of Directors of Danone

Seniority in Danone group: October 1997 (17 years)

Personal background – experience and expertise:

After graduating from HEC, Emmanuel FABER began his career as a consultant at Bain & Company and later Baring Brothers.

In 1993, he joined Legris Industries as Chief Administrative and Financial Officer before being named Chief Executive Officer in 1996.

He joined Danone in 1997 as Head of Finance, Strategies and Information Systems. He became a member of the Executive Committee in 2000.

In 2005, while Danone was strengthening its management structure in the Asia-Pacific region, Emmanuel FABER was named Vice-President for the Asia-Pacific region in charge of the Group's operational activities.

From January 1, 2008 to September 30, 2014, he served as Deputy General Manager of Danone, responsible for major corporate functions (Finance, Human Resources, etc.), and was named Vice-Chairman of the Board of Directors on April 28, 2011.

Since 2008, he has served as Director of the danone.communities mutual investment fund (SICAV).Since 2009, he has been a member of the Steering Committee of the Danone Ecosystem Fund. And since December 2011, he has been a member of the Steering Committee of the Livelihoods Fund.

Since October 1, 2014, he has been Danone's Chief Executive Officer.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Chief Executive Officer (since October 1, 2014) Vice-Chairman of the Board of Directors (since April 28, 2011) Director (term of office from April 25, 2002 to the end of the Shareholders' Meeting to approve the 2015 financial statements) Member of the Board of Directors' Social Responsibility Committee (since February 14, 2007) Member of the Executive Committee (since January 1, 2000)	DANONE SA [b]	France
Director	*COFCO DAIRY INVESTMENTS LIMITED* [c]	*Hong Kong*
	GRAMEEN DANONE FOODS LIMITED [c] [d]	*Bangladesh*
	danone.communities (SICAV) [d]	*France*
	PROMINENT ACHIEVER LIMITED [c]	*Hong Kong*
Director and Vice-President	*NAANDI COMMUNITY WATER SERVICES PRIVATE LTD* [d]	*India*
Member of the Steering Committee	*LIVELIHOODS FUND* (SICAV) [d]	*Luxembourg*

Positions	Associations/Foundations/Other	Countries
Member of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [d]	*France*
Co-Chairman	*ACTION TANK ENTREPRISE ET PAUVRETE*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Company consolidated as associate by Danone.
(d) Duties performed in the framework of social projects initiated by the Group.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Deputy General Manager	DANONE SA[a]	France
Director Member of the Audit Committee	RYANAIR HOLDINGS PLC [a]	Ireland
Director	RYANAIR LIMITED	Ireland
	YAKULT HONSHA CO., LTD [a]	Japan
Member of the Supervisory Board	LEGRIS INDUSTRIES SA	France

(a) Listed company.

RICHARD GOBLET D'ALVIELLA

Born on July 6, 1948

Age: 66

Business address:
Rue Ducale 21, – 1000 Brussels – Belgium

Number of DANONE shares held as of December 31, 2014: 4,491

Independent Director

Belgian nationality

Principal responsibility: Honorary Chairman of Sofina SA, Managing Director of Union Financière Boël SA

Personal background – experience and expertise

Richard GOBLET D'ALVIELLA received a commercial engineering degree from the Free University of Brussels and an MBA from Harvard Business School. For 15 years, Richard GOBLET D'ALVIELLA was an investment banker specializing in international finance in London and New York.

He was Managing Director and Executive Chairman of Sofina from 1989 to May 2014. He has held the position of Honorary Chairman of Sofina SA since May 2014.

Positions and responsibilities as of December 31, 2014[a]

Positions	Companies	Countries
Director (term of office from April 11, 2003 to the end of the Shareholders' Meeting to approve the 2014 financial statements) Member of the Board of Directors' Audit Committee (since April 11, 2003) Member of the Board of Directors' Compensation and Nomination Committee (since July 26, 2013)	DANONE SA [b]	France
Honorary Chairman	*SOFINA SA*[b]	*Belgium*
Managing Director	*UNION FINANCIÈRE BOEL SA*	*Belgium*
Director	*HENEX SA*	*Belgium*
	SOCIÉTÉ DE PARTICIPATIONS INDUSTRIELLES SA	*Belgium*
	POLYGONE SA	France
Director Member of the Audit Committee	GL EVENTS SA [b]	France
Member of the Supervisory Board Member of the Audit Committee Member of the Compensation Committee	EURAZEO SA [b]	France

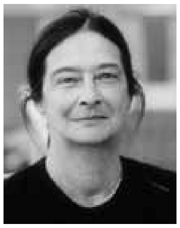
(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Executive Chairman Vice-Chairman of the Board of Directors and Managing Director	SOFINA SA[a]	Belgium
Director	SUEZ-TRACTEBEL	Belgium
Director Member of the Audit Committee and the Nomination and Compensation Committee	CALEDONIA INVESTMENTS	United Kingdom
Director – Member of the Compensation Committee	DELHAIZE GROUP [a]	Belgium
Non-voting advisor ("*censeur*")	GDF SUEZ [a]	France

(a) Listed company.

MARIE-ANNE JOURDAIN



Born on April 28, 1958

Age: 56

Business address:
17, boulevard Haussmann – 75009 Paris – France

Number of DANONE shares held as of October 1, 2014: 0 (the obligation to hold DANONE shares is not applicable to Directors representing employees)

Director representing employees

French nationality

Principal responsibility: Danone project and social monitoring manager

Personal background – experience and expertise:

Marie-Anne JOURDAIN began her career at a para-chemicals SME and later moved on to metallurgy before joining the Danone Group in 1989 where she has held various responsibilities in several of the Group's businesses.

After spending nine years abroad and helping to create the Group's Export Division, she joined Danone's Legal Department where she worked for three years.

In 2002, she changed course and began to represent and defend employees' interests, joining the various Employee Representative Bodies both at Danone's registered office and at the national level.

In 2008, she also became a Counselor at the Paris Labor Tribunal (*Conseil de Prud'Hommes*).

She has served as project and social monitoring manager at Danone since September 2014.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director representing employees	DANONE SA[b]	France

Positions	Associations/Foundations/Other	Countries
Counselor	*PARIS LABOR TRIBUNAL*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Works Council representative to the Board of Directors Member of the Supervisory Board of the "Fonds Danone" company investment fund Works Council Secretary Shop Steward Secretary of the Workplace Health and Safety Committee Trade Union Representative Member of the European Works Council (CIC) Member of the Group-level Works Council	DANONE SA[a]	France

(a) Listed company.

GAËLLE OLIVIER

Born on May 25, 1971

Age: 43

Business address: 1 Raffles Place – #14-61 One Raffles Place Tower Two – Singapore 048616

Number of DANONE shares held as of December 31, 2014: 4,088

Independent Director

French nationality

Principal responsibility: Chief Executive Officer AXA Asia General Insurance

Personal background – experience and expertise:
Graduate of Ecole Polytechnique, ENSAE and the Institut des Actuaires.

After having started her career in the dealing room at Crédit Lyonnais with equity derivative products, Gaëlle OLIVIER joined the AXA group in 1998 where she has had responsibilities in various activities, both in France and abroad.

After two years with AXA Investment Managers, she became Executive Assistant to AXA group CEO, Henri de CASTRIES, and Secretary of the Supervisory Board for five years.

In 2004, she joined AXA Life Japan as Head of Investment Operations, and then became a member of the Management Committee in 2006, in charge of Strategy, Winterthur Japan Integration and Audit.

In 2009, she became Head of Group Communication and Corporate Responsibility for the AXA Group.

Since 2011, she has been Chief Executive Officer, AXA Asia General Insurance.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director (term of office from April 29, 2014 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	DANONE SA[b]	France
Director	*AXA ASIA REGIONAL CENTRE PTE LTD*	*Singapore*
	AXA GENERAL INSURANCE HONG KONG LIMITED	*China*
	AXA GENERAL INSURANCE CHINA LIMITED	*China*
	WIN PROPERTY (SHANGHAI LINKS) LIMITED	*China*
	AXA INSURANCE SINGAPORE PTE LTD	*Singapore*
	AXA AFFIN GENERAL INSURANCE BERHAD	*Malaysia*
	BHARTI – AXA GENERAL INSURANCE COMPANY LIMITED	*India*
	AXA TIAN PING PROPERTY & CASUALTY INSURANCE COMPANY LIMITED	*China*
Chairwoman and Director	*AXA THAILAND PUBLIC COMPANY LIMITED*	*Thailand*

Positions	Associations/Foundations/Other	Countries
French Foreign Trade Advisor	*NATIONAL COMMITTEE OF FRENCH FOREIGN TRADE ADVISORS*	*Singapore*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Director	WIN PROPERTY (SHANGHAI LINKS) LIMITED	China
	AXA TECHNOLOGY SERVICES SINGAPORE PTE LTD	Singapore

Positions	Associations/Foundations/Other	Countries
Director	AXA RESEARCH FUND – SCIENTIFIC COMMITTEE	France
Member of the Board of Directors	FRENCH CHAMBER OF COMMERCE IN SINGAPORE	Singapore

FRANCK RIBOUD

Born on November 7, 1955

Age: 59

Business address:
17, boulevard Haussmann – 75009 Paris – France

Number of DANONE shares held as of December 31, 2014: 274,512

Non-Independent Director

French nationality

Principal responsibility: Chairman of Danone's Board of Directors

Seniority in Danone group: October 1981 (33 years)

Personal background – experience and expertise:

Franck RIBOUD is a graduate of the École Polytechnique Fédérale de Lausanne.

He joined the Group in 1981, where he held successive positions through 1989 in management control, sales and marketing. After serving as Head of Sales at Heudebert, in September 1989 he was appointed to head up the department responsible for the integration and development of new companies in the Biscuits branch. He was involved in the most significant acquisition, at that time, completed by a French group in the United States, namely the acquisition of Nabisco's European activities by BSN. In July 1990, he was appointed General Manager of Société des Eaux Minérales d'Evian.

In 1992, Franck RIBOUD became Head of the Group Development Department. The Group then launched its international diversification marked by increased development in Asia and Latin America and through the creation of an Export Department.

In 1994, BSN changed its name to Danone in order to become a global brand.

From May 2, 1996 to September 30, 2014, he was Chairman and Chief Executive Officer of Danone. Following the separation of offices, he became Chairman of Danone's Board of Directors on October 1, 2014.

Since 2008, he has been the Chairman of the Board of Directors of the danone.communities mutual investment fund (SICAV), a financing entity aimed at promoting the development of profitable companies whose primary goal is to maximize socially responsible objectives as opposed to profit.

Since 2009, he has served as the Chairman of the Steering Committee of the Danone Ecosystem Fund, and in December 2011 he was named member of the Steering Committee of the Livelihoods Fund.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Chairman of the Board of Directors (since October 1, 2014) Director (term of office from September 30, 1992 to the end of the Shareholders' Meeting to approve the 2015 financial statements) Chairman of the Strategy Committee	DANONE SA [b]	France
Director	RENAULT SA [b]	France
	BAGLEY LATINOAMERICA, SA [c]	*Spain*
	DANONE (SPAIN) SA [d]	*Spain*
	RENAULT SAS	*France*
	ROLEX SA	*Switzerland*
	ROLEX HOLDING SA	*Switzerland*
Chairman of the Board of Directors	*danone.communities (SICAV)* [e]	*France*
Member of the Steering Committee	*LIVELIHOODS FUND (SICAV)* [e]	*Luxembourg*

Positions	Associations/Foundations/Other	Countries
Chairman of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [e]	*France*
Director	*INTERNATIONAL ADVISORY BOARD HEC BUSINESS SCHOOL*	*France*
	RAISE (endowment fund)	*France*
Member of the Supervisory Board	*FONDATION ELA (EUROPEAN LEUKODYSTROPHY ASSOCIATION)*	*France*
Honorary member	*ASSOCIATION ELA*	*France*
Member of the Board of	*FONDATION EPFL PLUS (ÉCOLE POLYTECHNIQUE FEDERALE DE LAUSANNE)*	*Switzerland*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Company consolidated as associate by Danone.
(d) Company fully consolidated by Danone.
(e) Duties performed in the framework of social projects initiated by the Group.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Chairman of the Executive Committee Chief Executive Officer	DANONE SA [a]	France
Director	LACOSTE SA	France
	OMNIUM NORD AFRICAIN (ONA) [a]	Morocco
Director and Member of the Compensation Committee	ACCOR SA [a]	France
Chairman and Member of the Compensation Committee	RENAULT SA [a]	France

Positions	Associations/Foundations/Other	Countries
Director	ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES	France

(a) Listed company.

ISABELLE SEILLIER

Born on January 4, 1960

Age: 55

Business address:
25 Bank Street, Canary Wharf – London E14 5JP – United Kingdom

Number of DANONE shares held as of December 31, 2014: 4,000

Non-Independent Director

French nationality

Principal responsibility: Head of Financial Institutions EMEA of J.P Morgan

Personal background – experience and expertise:

Isabelle SEILLIER is a graduate of Sciences-Po Paris (Economics-Finance, 1985) and holds a master's degree in business law.

In 1987, she began her professional career in the options division of Société Générale in Paris, where she headed the Sales Department for options products in Europe until 1993.

Isabelle SEILLIER joined J.P. Morgan in Paris in 1993 as the Head of the Sales Department for derivative products in France for industrial companies. In 1997, she became an investment banker at J.P. Morgan & Cie SA as a banking advisor providing coverage for large industrial clients. In March 2005, she was appointed the joint Head of investment banking before being named sole Head of this activity beginning in June 2006.

She was Chairman of J.P. Morgan for France from 2008 while remaining in charge of investment banking for France and North Africa.

Since January 15, 2013, she is the Head of all Investment Banking activities for financial institutions of J.P. Morgan for Europe, Middle East and Africa (EMEA).

Isabelle SEILLIER is actively involved in philanthropic activities, in particular children's aid associations. Under her direction, J.P. Morgan France has developed a philanthropic program by helping these associations.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director (term of office from April 28, 2011 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	DANONE SA [b]	France
Director Member of the Strategy Committee	CLUB MÉDITERRANÉE SA [b]	France

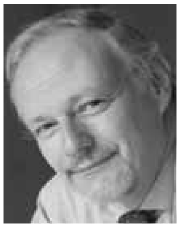
Positions	Associations/Foundations/Other	Countries
Member of the Board of Directors	*AFB (ASSOCIATION FRANÇAISE DES BANQUES)*	*France*
	PARIS EUROPLACE (Association)	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Chairman	J.P. MORGAN CHASE BANK	France

JEAN-MICHEL SEVERINO



Born on September 6, 1957

Age: 57

Business address:
10, rue de Sèze – 75009 Paris – France

Number of DANONE shares held as of December 31, 2014: 4,126

Independent Director

French nationality

Principal responsibility: Head of I&P SARL (Investisseurs & Partenaires)

Personal background – experience and expertise:

Jean-Michel SEVERINO was born on September 6, 1957 in Abidjan, Ivory Coast. He is a graduate of the École Nationale d'Administration, ESCP, IEP Paris and holds a postgraduate degree (DEA) in economics and a degree in law.

After four years working at the Inspection générale des finances (French General Inspection of Finance) (1984-1988), he was named technical advisor for economic and financial affairs at the French Ministry of Cooperation (1988-1989). He later became the Head of that Ministry's Department of Economic and Financial Affairs and then its Development Director. In all these positions, he was particularly active in macroeconomic and financial relations, as well as the management of political and humanitarian crises, in sub-Saharan Africa.

In 1996, he was recruited by the World Bank as Director for Central Europe at a time when this region was marked by the end of the Balkans conflict and reconstruction. He became the World Bank's Vice-President in charge of East Asia from 1997 to 2001 and focused on the management of the major macroeconomic and financial crisis that shook these countries.

After a brief stint working once again for the French government as Inspector General of Finance, he was named Chief Executive Officer of the *Agence Française de Développement* (AFD), where from 2001 to 2010 he led the expansion efforts to cover the entire emerging and developing world, notably in the Mediterranean region, Asia and Latin America, while still maintaining its strong roots in sub-Saharan Africa. He significantly expanded the bank's development activities and extended its areas of responsibility to a large number of new countries as well as contemporary global issues: climate, biodiversity, poverty, growth, etc. He also implemented a significant restructuring of the AFD by entering into close partnerships with the local and international industrial and financial private sector.

Positions and responsibilities as of December 31, 2014 [a]

Position	Company	Country
Director (term of office from April 28, 2011 to the end of the Shareholders' Meeting to approve the 2016 financial statements) Chairman, member and financial expert of the Board of Directors' Audit Committee (since April 26, 2012) Member of the Board of Directors' Social Responsibility Committee (since April 28, 2011)	DANONE SA [b]	France
Chairman of the Board of Directors	EBI SA (ECOBANK INTERNATIONAL)	France
Director Member of the Audit Committee	ORANGE [b]	France
Director	*I&P GESTION*	*Mauritius*
	I&P DEVELOPEMENT	*Mauritius*
	PHITRUST IMPACT INVESTORS SA	France
Chairman of the Board of Directors	*I&P AFRIQUE ENTREPRENEURS*	*Mauritius*
Director Member of the Investment Committee	*ADENIA PARTNERS*	*Mauritius*
Manager	*EMERGENCES DEVELOPPEMENT*	*France*
	I&P SARL (INVESTISSEURS ET PARTENAIRES)	*France*

Positions	Associations/Foundations/Other	Countries
Chairman	*CONVERGENCES 2015*	*France*
	CRITICAL ECOSYSTEM PARTNERSHIP FUND (CEPF)	*United States*
Director	*FONDATION SANOFI ESPOIR*	*France*
	FONDATION GRAMEEN CREDIT AGRICOLE	*Luxembourg*
Senior fellow	*THE GERMAN MARSHALL FUND OF THE UNITED STATES (Foundation)*	*United States*
Research Director and member of the Strategy Steering Committee	*FONDATION POUR LES ÉTUDES ET RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL*	*France*
Member	*ACADÉMIE DES TECHNOLOGIES (public-sector institution with administrative activities)*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

JEAN-MICHEL SEVERINO (CONTINUED)

In 2010, at the end of his third term of office, he returned once again to the Inspection générale des finances, where he was responsible for the French Water Partnership. In May 2011, he left the civil service in order to head up "I&P (Investisseurs et Partenaires)", a fund management company specializing in financing African small and medium-sized businesses.

In addition to his professional duties, he has significant experience in the educational and research areas, notably as an associate professor at CERDI (Centre d'Études et de Recherches sur le Développement International). He was elected as a member of the Académie des Technologies (2010); he is currently a senior fellow of the Fondation pour la Recherche sur le Développement International (FERDI) and of the German Marshall Fund (GMF). He has published numerous articles and books, including, in 2010, *Idées reçues sur le développement* and *Le temps de l'Afrique* and, in 2011, *Le Grand Basculement*.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Chairman	SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE	France

Positions	Associations/Foundations/Other	Countries
Chairman	INSTITUT D'ÉTUDE DU DÉVELOPPEMENT ÉCONOMIQUE ET SOCIAL	France
	FRENCH WATER PARTNERSHIP	France
Chief Executive Officer	AGENCE FRANÇAISE DE DÉVELOPPEMENT (public-sector institution with industrial and commercial activities)	France
Vice-Chairman	COMITÉ NATIONAL FRANÇAIS	France
Director	EUROPEAN INVESTMENT BANK	Luxembourg
	INSTITUT DE RECHERCHE POUR LE DÉVELOPPEMENT (French public-sector institution with scientific and technological activities)	France
	danone.communities (SICAV)	France
	CENTRE DE COOPÉRATION INTERNATIONALE EN RECHERCHE AGRONOMIQUE POUR LE DÉVELOPPEMENT (public-sector institution with industrial and commercial activities)	France
	FONDATION JACQUES CHIRAC	France
	CONSERVATION INTERNATIONAL (Foundation)	United States
	AFRICAN CENTER FOR ECONOMIC TRANSFORMATION (ACET) GHANA	Ghana
Member	INDEPENDENT ASSESSMENT COMMITTEE ON SUSTAINABLE DEVELOPMENT, VEOLIA ENVIRONNEMENT	France
	CONSEIL D'ORIENTATION SCIENTIFIQUE DE LA FONDATION JEAN-JAURÈS	France
Member of Working Group	ONU – DIVISION DÉVELOPPEMENT DURABLE	France

BETTINA THEISSIG

Born on July 2, 1962

Age: 52

Business address:
Bahnstrasse 14-30, 61381 Friedrichsdorf – Germany

Number of DANONE shares held as of October 1, 2014: 0 (the obligation to hold DANONE shares is not applicable to Directors representing employees)

Director representing employees

German nationality

Principal responsibility: Chairwoman of the Works Council of Milupa GmbH

Personal background – experience and expertise:

Bettina THEISSIG began her training in the industrial sector in 1978 at Milupa GmbH, a baby food and formula manufacturer that has been part of Danone's Early Life Nutrition Division since the acquisition of the Numico Group in 2007.

She acquired her first professional experience in Milupa's advertising department. She then held various responsibilities in several departments, including marketing, sales, human resources and medical, which enabled her to gain further knowledge of the company.

Her unwavering interest in the condition of employees and the protection of their rights prompted her to join Milupa's Works Council in 2002. She is currently Chairwoman of Milupa's Works Council, Chairwoman of Milupa's Central Works Council and Representative to the Works Council of the Danone Group's sites in Germany. She is also a member of the Danone Group's European Works Council and its steering committee.

Bettina THEISSIG has also represented employees with disabilities since 1998.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director representing employees	*DANONE SA* [b]	*France*
Member of the European Works Council (CIC) and its steering committee.		
Chairwoman of the Works Council	*MILUPA GMBH*	*Germany*
Chairwoman of the Central Works Council		
Representative of employees with disabilities		
Health Officer		
Representative to the Works Council of the Danone Group's sites in Germany		

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held in the past five years

Positions	Companies	Countries
None		

LIONEL ZINSOU-DERLIN

Born on October 23, 1954

Age: 60

Business address:
232, rue de Rivoli – 75001 Paris – France

Number of DANONE shares held as of December 31, 2014: 4,000

Independent Director

Dual French and Beninese nationality

Principal responsibility: Chairman of PAI partners SAS

Personal background – experience and expertise:

Lionel ZINSOU-DERLIN, of French and Beninese nationality, is a graduate from the Ecole Normale Supérieure (Ulm), the London School of Economics and the Institut d'Etudes Politiques of Paris. He holds a master degree in Economic History and is an Associate Professor in Social Sciences and Economics.

He started his career as a Senior Lecturer and Professor of Economics at Université Paris XIII.

From 1984 to 1986, he became an Advisor to the French Ministry of Industry and then to the Prime Minister.

In 1986, he joined Danone where he held various positions, in particular Group Corporate Development Director, then General Manager at HP Foods Limited and Lea & Perrins.

In 1997, he joined Rothschild & Cie bank as Managing Partner where he was Head of the Consumer Products Group, Head of Middle East and Africa region and a member of the Global Investment Bank Committee.

In 2008, he joined PAI partners SAS of which he has been Chairman since 2009 and Chairman of the Executive Committee since 2010.

Positions and responsibilities as of December 31, 2014 [a]

Positions	Companies	Countries
Director (term of office from April 29, 2014 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	DANONE SA [b]	France
Chairman and Chairman of the Executive Committee Member of the Investment Committee	*PAI PARTNERS SAS*	*France*
Director	*INVESTISSEURS & PARTENAIRES*	*Mauritius*
	I&P AFRIQUE ENTREPRENEURS	*Mauritius*
	KAUFMAN & BROAD SA [b]	France
	PAI SYNDICATION GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE III GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE IV GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE V GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE VI GENERAL PARTNER LIMITED	*Guernsey*
Chairman and Member of the Supervisory Board	*LES DOMAINES BARONS DE ROTHSCHILD SCA (LAFITE)*	*France*
Member of the Advisory Council	*MOET HENNESSY*	*France*
Member of the Supervisory Board	*CERBA EUROPEAN LAB SAS*	*France*
Alternate Director	*UNITED BISCUITS TOPCO LTD*	*Luxembourg*
Manager	*SOFIA – SOCIÉTÉ FINANCIÈRE AFRICAINE SARL*	*France*

Positions	Associations/Foundations/Other	Countries
Founder and Treasurer	*FONDATION ZINSOU*	*Benin*
Director	*CARE FRANCE (Association)*	*France*
	LE SIÈCLE (Association)	*France*
	AMREF (Association)	*France*
	INSTITUT PASTEUR (Foundation)	*France*
Member of the Strategy Steering Committee	*FONDATION POUR LES ÉTUDES ET RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

LIONEL ZINSOU-DERLIN (CONTINUED)

Positions and responsibilities held in the past five years

Positions	Companies	Countries
Vice-Chairman of the Board of Directors	CHR HANSEN HOLDING AS [a]	Sweden
Director	ATOS SA [a]	France
	CHR HANSEN HOLDING AS [a]	Sweden
	FINANCIÈRE SPIE SAS	France
	SODIMA SAS	France
	SPIE SAS	France
	STRATEGIC INITIATIVES FRANCE SAS	France
	YOPLAIT FRANCE SAS	France
	YOPLAIT MARQUES INTERNATIONALES SAS	France
	YOPLAIT SAS	France
Manager	STAR LADYBIRD SARL	Luxembourg

(a) Listed company.

6.3 COMPENSATION AND BENEFITS FOR CORPORATE OFFICERS AND GOVERNANCE BODIES

TABLE OF CONTENTS

Principles of the compensation policy for Group executives **263**

Role of the Nomination and Compensation Committee 263

Principles applicable to annual compensation of Group executives 263

Principles applicable to multi-annual variable compensation of Group executives 265

Principles applicable to long-term variable compensation of Group executives 265

Principles relative to Group executives' supplementary retirement plan 268

Description of the Group compensation collective programs **269**

Description of the Group performance units program (multi-annual variable compensation) 269

Description of the Group performance shares program (long-term variable compensation) 271

Description of stock-options programs (as of December 31, 2014) 278

Compensation and benefits paid to corporate officers and governance bodies **280**

Compensation and benefits paid to members of the Board of Directors and of the Executive Committee 280

Compensation and benefits paid to corporate officers 282

Individual compensation of corporate officers **297**

Transactions made in 2014 involving Company shares by members of the Board of Directors and Executive Committee **297**

Principles of the compensation policy for Group executives

The Group's compensation policy for general managers and senior executives uses a tiered approach to responsibilities based on job content and market practices. This policy is built on collective principles applied to approximately 1,300 general managers and senior executives worldwide as well as to corporate officers. The principles adopted by the Group break compensation down into two distinct parts: annual compensation and multi-annual compensation, as described hereafter.

Danone's compensation policy is based on simple, stable and transparent principles. As such, multi-annual compensation in the form of Group performance units was established in 2005, and long-term compensation in the form of Group performance shares in 2010. All performance conditions for these components of multi-annual/long-term compensation, as well as the review of their achievement, have been set out clearly and precisely in the Registration Document for several years.

The compensation of the Company's corporate officers is determined by the Board of Directors on the basis of recommendations made by the Nomination and Compensation Committee as described hereafter.

Role of the Nomination and Compensation Committee

The Group's compensation policy is regularly reviewed by the Nomination and Compensation Committee. As described above in section 6.1 *Governance Bodies*, this Committee is composed entirely of independent Directors, and is chaired by the Lead Independent Director. In particular, the Nomination and Compensation Committee reviews the Group's compensation policy annually. To do so, it relies on a study conducted by a specialized firm, the objectivity of which is guaranteed and which takes into account practices in two main markets (France and Europe).

In its recommendations on the compensation of corporate officers and members of the Executive Committee, the Compensation and Remuneration Committee seeks to maintain a balance between the various components. The Nomination and Compensation Committee, in its recommendation on the overall compensation of corporate officers, integrates the advantage represented by the potential benefit of a supplementary pension plan.

The Committee considers best market practices on the basis of (i) a benchmark prepared by the aforementioned specialized firm, including large international companies listed in France (CAC 40), and (ii) a panel of eight international benchmarks in the food and beverage sector (the same panel used to set the performance conditions for the Group's performance shares and the termination indemnities of corporate officers, and includes Unilever NV, Nestle SA, PepsiCo Inc., The Coca-Cola Company, General Mills Inc., Kellogg Company, Kraft Foods Group Inc. and Mondelez International Inc.).

The Nomination and Compensation Committee ensures, in particular, that:

- multi-annual compensation which is subject to performance conditions, has sufficient weighting in relation to the annual compensation in order to (i) encourage corporate officers to focus their work on the long-term, and (ii) prevent poor performance from being rewarded by bonuses;
- performance conditions are both complementary and stable. In fact, they enable the interests of shareholders to be aligned with those of management, since they are largely based on the Group's objectives communicated to the financial markets. In addition, these performance conditions reflect best compensation practices, namely "no pay below median" as regards external performance conditions; and
- compensation-related performance criteria are sufficiently stringent so as to reward long-term performance in line with market expectations.

Principles applicable to annual compensation of Group executives

This annual compensation consists of:

Principles applicable to fixed compensation

Fixed compensation of corporate officers is reviewed after relatively long periods, in accordance with the recommendations of the AFEP-MEDEF Code, and reflects the experience and level of responsibility of the beneficiary.

Principles applicable to annual variable compensation

Annual short-term variable compensation is subject to performance conditions and determined on the basis of quantitative (economic objectives) and qualitative (social and managerial objectives) criteria, which are specifically and objectively defined and described hereafter for the (i) corporate officers, (ii) members of the Executive Committee who manage a Division, (iii) other members of the Executive Committee, and (iv) the Group's other senior executives.

Conditions of annual variable compensation of corporate officers

For Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014 (who does not anymore receive any annual variable compensation since October 1, 2014, effective date of his appointment as Chairman of the Board of Directors) for Mr. Emmanuel FABER, Deputy General Manager from January 1 to September 30, 2014 and then Chief Executive Officer, and for Mr. Bernard HOURS, Deputy General Manager until September 2, 2014, annual variable compensation consists of the following items:

(i) a variable economic portion, representing 60% for corporate officers (except the Chairman and Chief Executive Officer), calculated with reference to Group objectives as disclosed to the financial markets in terms of:

- sales;
- trading operating margin; and
- free cash-flow.

In accordance with the French Financial Markets Authority recommendation no. 2012-02 of February 9, 2012, for Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS the expected level of fulfillment of each of these criteria was specifically predefined on the basis of recommendations from the Nomination and Compensation Committee but cannot be disclosed publicly for reasons of confidentiality. Indeed, Danone is particularly careful about confidentiality issues, all the more so in a sector characterized by robust competition. Nonetheless, in view of shareholders' requirements to align corporate officers' variable compensation with Group performance and shareholders' interests, information is provided concerning the calculation of the amounts allocated as variable

6

compensation to allow shareholders to verify the transparency of compensation and ensure compliance with best market practices;

(ii) a variable social portion, representing 20% for corporate officers (except the Chairman and Chief Executive Officer), calculated with reference to the Group's social objectives such as safety at work, employee training, skills development, environmental parameters and societal initiatives; and

(iii) a variable managerial portion, representing 20% for corporate officers (except the Chairman and Chief Executive Officer), calculated with reference to objectives linked to the expansion of the Group's business (product innovation, market share, expansion in new geographic areas and implementation of strategic themes).

The following weightings have been applied to the Chairman and Chief Executive Officer, namely: 40% for the economic and social objectives, and 60% for the managerial objectives.

As a reminder, Mr. Franck RIBOUD's target bonus for his duties as Chairman and Chief Executive Officer for 2014 is €1,063,125 (prorated over the first nine months of the year given that he has been Chairman of the Board of Directors since October 1 and receives no annual variable compensation in that capacity), Mr. Emmanuel FABER's target bonus for his duties as Deputy General Manager until September 30, 2014 is €423,000 (prorated) and the target bonus for his duties as Chief Executive Officer, since October 1, 2014, is €250,000 (prorated), and Mr. Bernard HOURS' target bonus for his duties as Deputy General Manager until September 2, 2014 is €376,000 (prorated).

The level of achievement of each variable portion category is capped at a maximum of twice the target, in line with best practices in the Fast Moving Consumer Goods sector to which Danone belongs.

For reasons of confidentiality, the level of fulfillment of all the objectives for each of the portions, although specifically predefined, cannot be made public precisely but further indications are provided hereafter in section *2014 annual short-term variable compensation*.

At its meeting on February 18, 2014, upon recommendation of the Nomination and Compensation Committee, the Board of Directors capped the 2014 annual short-term variable compensation of Mr. Franck RIBOUD, who served as Chairman and Chief Executive Officer until September 30, 2014, at 236% of his fixed compensation.

Mr. Emmanuel FABER's annual short-term variable compensation, in respect of his duties as Deputy General Manager, from January 1 to September 30, 2014, was capped at 166% of his fixed compensation. As of October 1, 2014, for his duties as Chief Executive Officer, this cap is 200% of his fixed compensation.

Lastly, Mr. Bernard HOURS's annual short-term variable compensation, in respect of his duties as Deputy General Manager, for the period from January 1 to September 2, 2014, was capped at 166% of his fixed compensation.

Moreover, the formula used to determine annual short-term variable compensation does not include a guaranteed portion, which prevents the payment of a bonus in the event of poor performance.

Conditions of annual variable compensation for members of the Executive Committee managing a Division

For the members of the Executive Committee who manage one of the Group's four Divisions, the annual variable compensation consists of the following items:

(i) a variable economic portion, representing 60%, calculated with reference to the objectives set in the annual budget of the relevant Division (in terms of sales, trading operating margin and operating free cash-flow);

(ii) a variable social portion, representing 20%, calculated with reference to the social objectives set for the relevant Division (such as safety at work, employee training, skills development, environmental parameters and societal initiatives); and

(iii) a variable managerial portion, representing 20%, calculated with reference to objectives linked to the expansion of the Division's business (product innovation, market share, expansion in new geographic areas and implementation of strategic themes).

Conditions of annual variable compensation for the other members of the Executive Committee

For the other members of the Executive Committee, the annual variable compensation consists of the following items:

(i) a variable economic portion, representing 60%, calculated with reference to Group objectives as communicated to the financial markets (e.g. in terms of sales, trading operating margin and free cash-flow);

(ii) a variable social portion, representing 20%, calculated with reference to the Group's social objectives (such as safety at work, employee training, skills development, environmental parameters and societal initiatives); and

(iii) a variable managerial portion, representing 20%, calculated with reference to objectives linked to the expansion of the Group's business.

Conditions of annual variable compensation for other general managers and senior executives of the Group

The annual variable compensation applicable to corporate officers and to members of the Executive Committee applies in the same way to all the Group's 1,300 general managers and senior executives at all locations throughout the world, particularly as regards the various criteria and their weighting.

Principles applicable to multi-annual variable compensation of Group executives

This multi-annual compensation is in the form of Group performance units.

General principles of Group performance units

The multi-annual variable compensation consists of Group performance units paid subject to multi-annual performance conditions over a three-year period.

The Group performance units were introduced in 2005 with the objective of aligning more closely the compensation of the corporate officers, the members of the Executive Committee and the 1,300 general managers and senior executives with the Group's overall operating and economic performance and in the medium term. In accordance with the AFEP-MEDEF Code, Group performance units are not reserved only for corporate officers.

Group performance units are allocated each year upon the decision of the Board of Directors, upon recommendation of the Nomination and Compensation Committee, for a three-year period. The Board of Directors, upon the recommendation of the Nomination and Compensation Committee, sets the performance objective(s) for the next calendar year and afterwards verifies the achievement of the previous year's objective(s) for each Group performance unit plan. The annual objectives for Group performance units currently in the process of vesting (Group performance units granted in 2012, 2013 and 2014) are detailed hereafter in section *Group performance units annual objectives*.

Value of Group performance units

With regard to outstanding Group performance units, the years 2012 and 2013 are valued individually and respectively at €10 and €0 based on the achievement or non-achievement of the defined objectives and the year 2014 was valued at €7 as a result of a mechanism that gradually increases the compensation of each Group performance unit from €0 to €10 based on the level of fulfillment of the defined objective.

Lastly, the valuation of each Group performance unit is zero if the objective(s) was/were not 100% achieved at least one out of three years.

Performance objectives of Group performance units

The objective(s) of Group performance units, determined by the Board of Directors for a fiscal year, is/are based on performance conditions in line with the Group's objectives, as communicated to the financial markets at the beginning of the year (see list hereafter in section *Group performance units annual objectives*). These objectives are the same for all beneficiaries of Group performance units.

Other characteristics of the Group performance units

Consequences for a beneficiary following a change of control

If a person or group of persons acting in concert (within the meaning of Article L. 233-10 of the French commercial code) were to acquire control of Danone (within the meaning of Article L. 233-3 of the French commercial code), the performance objectives for the year during which the change of control occurred would be deemed to have been achieved and all the outstanding Group performance unit plans would be paid during the month following the change of control.

Consequences following death, voluntary or non-voluntary retirement of a beneficiary

The regulations of the Group performance unit plans stipulate that the continuous employment condition and the performance condition are partially waived in the event of death, voluntary or non-voluntary retirement of a beneficiary.

The Group performance unit plans comply with the AFEP-MEDEF Code, which states that, in the event of the departure of a corporate officer before the expiry of the term set for the assessment of performance criteria, the payment of multi-annual variable compensation is canceled, except in exceptional circumstances justified by the Board.

As such, in the event of the departure or retirement of a corporate officer:

(i) he loses all rights to the Group performance units granted to him over the 12 months preceding his departure; and

(ii) the Group performance units granted previously are (a) considered vested by said beneficiary and the condition of continuous employment for three years does not apply, and (b) valued at the date of the event in accordance with the following rules:

- the calendar year(s) for which the accounts have been closed by the Board of Directors are valued based on the achievement of objectives; and
- current and future calendar years are deemed to have zero value.

Principles applicable to long-term variable compensation of Group executives

Long-term compensation in the form of Group performance shares (program introduced in 2010)

General principles applicable to Group performance shares and termination of the stock-options program

The Group's long-term variable compensation takes the form of Group performance shares (Company shares subject to performance conditions). Group performance shares were introduced in 2010 by the Shareholders' Meeting held on April 22, 2010 to replace the stock-option program that was consequently closed. They are allocated to corporate officers, members of the Executive Committee and more than 1,300 Group general managers and senior executives. In accordance with the AFEP-MEDEF Code, Group performance shares are not reserved uniquely for corporate officers.

This long-term, performance-based incentive program is intended to strengthen the commitment of beneficiaries to support the Group's development and enhance the share value on a long-term basis.

The plan regulations prohibit Group performance shares beneficiaries from hedging in any manner (i) their position with respect to their rights to receive Group performance shares or (ii) their rights with respect to shares that they have already received and that are still subject to a holding period. Moreover, for the Group's corporate officers, the prohibition of hedging is extended to all DANONE shares or financial instruments related to these shares that they own or may be in a position to own (see section hereafter *Obligation to hold Company shares resulting from vestings of Group performance shares*). In addition, in accordance with the AFEP-MEDEF Code, each beneficiary of Group performance shares has personally agreed not to use hedging instruments. To the Group's knowledge, no hedging instrument is put in place.

Authorization by the Shareholders' Meeting

On April 22, 2010 the Shareholders' Meeting authorized the Board of Directors to grant on one or more occasions, existing or to be issued Company shares, to members of personnel or to certain categories thereof that it shall select among eligible employees and directors and officers of the Company or of its affiliates within the meaning of Article L. 225-197-2 of the French commercial code. At the same time, the Shareholders' Meeting decided that this authorization canceled the as-then-unused portion of the previous authorization granted on April 23, 2009 by the Shareholders' Meeting in its 30th resolution to grant options to purchase and/or subscribe shares.

This authorization was renewed by the Shareholders' Meetings of April 26, 2012, April 25, 2013 and April 29, 2014.

A new authorization will be submitted for the approval of the Shareholders' Meeting on April 29, 2015 (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Cap on the number of Group performance shares granted

Group performance share grants are subject to a double cap, decided by the Shareholders' Meeting, limiting (i) the total number of Group performance shares that may be granted, and (ii) the total number of Group performance shares that may be granted to all the corporate officers as follows:

Shareholders' Meeting authorizing the Group performance shares	04/22/2010	04/26/2012	04/25/2013 [b]	04/29/2014 [b]
Maximum number of Group performance shares that may be granted [a]	0.4%	0.4%	0.2%	0.2%
Including the maximum number of Group performance shares that may be granted to all corporate officers [a]	*0.1%*	*0.1%*	*0.05%*	*0.05%*

(a) Expressed as a percentage of the share capital for the fiscal year in question, recorded at the close of the Shareholders' Meeting that authorized the plans. This number of shares does not reflect potential adjustments that may be made in accordance with applicable legal and regulatory requirements and, where applicable, contractual provisions calling for other adjustments in order to maintain the rights of holders of securities or other rights giving access to capital the share capital.
(b) Authorization valid until December 31, 2014.

Grant by the Board of Directors

Group performance shares are granted annually by the Board of Directors, upon recommendation of the Nomination and Compensation Committee, at consistent and regular periods. They are granted at the end of July to the members of the Executive Committee (including to corporate officers), as well as to general managers and senior executives. In addition, a second, very minor grant, to the benefit of certain new employees, is made in October.

Finally, regardless of the date of the grant, in 2014, as in previous years, the Group performance share performance conditions were set in advance and described in the report of the Board of Directors to the Shareholders' Meeting presenting the resolution on Group performance shares.

Review of the potential achievement of performance objectives by the Board of Directors

The potential achievement of performance objectives is examined by the Board of Directors after prior review by the Nomination and Compensation Committee.

Valuation and booking in the consolidated financial statements

Long-term compensation in the form of Group performance shares is valued and booked in the Group's consolidated financial statements, pursuant to IFRS 2, *Share-based payment* (see Note 7.4 of the Notes to the consolidated financial statements).

General principles of the performance conditions of Group performance shares

The performance conditions are determined by the Board of Directors upon recommendation of the Nomination and Compensation Committee. They are the same for all beneficiaries of Group performance shares.

The performance conditions of the various plans in effect are based on the following principles:

Demanding performance conditions appropriate for the Group's current environment

The performance conditions for Group performance shares consist of two complementary criteria representative of the Group's performances and adapted to the specificity of its activity:

(i) the first criterion (an external performance criterion) is based on the Group's sales growth compared to that of a panel of the Group's historical peers, comprising leading international groups in the food and beverage sector; and

(ii) the second criterion (an internal performance criterion) is based on the change in the Group's trading operating margin.

These two objectives reflect key indicators followed by investors and analysts to measure companies' performance in the food and beverage sector.

Stability of performance conditions and consistency of the composition of the panel of the Group's historical peers

The Board considers that consistency in performance conditions is an essential factor for long-term value creation. In that regard, the performance criterion related to Group sales was used for all Group performance shares grants.

The Group operating margin criterion has been used since 2013. Since performance conditions constitute one of the factors in long-term value creation, in 2013 the Board of Directors stated that it did not intend to amend the nature of these conditions every year.

As a consequence, for the Group performance shares awarded in 2015, the performance conditions will continue to include performance criteria related to the Group's sales and trading operating margin.

Moreover, regarding the external performance criterion, the composition of the panel of peers that serves as the basis for the performance conditions of the Group performance shares but also for those of the termination indemnities has remained unchanged since 2007. It was, however, adjusted in 2013 following the spin-off of one of its members, Kraft Foods Inc., which was replaced by the two companies resulting from the spin-off that occurred in 2012, *i.e.* Kraft Foods Group Inc. and Mondelez International Inc.

Introduction of a single reference period of three years applicable to all performance conditions

In 2013, the criterion related to the growth of the Group's sales was set with a three-year reference period and the criterion related to the trading operating margin with a two-year period. Given the Board of Directors' desire to comply with investors' expectations, at the time of the allocation of 2014 Group performance shares, the reference period related to both performance conditions was aligned with a single period of three years.

A single three-year reference period will again be proposed for the allocation of 2015 GPS.

Application of performance conditions to all Group performance shares

In accordance with best market practices and further to discussions with certain shareholders and shareholder representatives of the Group, from 2012, the Board of Directors decided to have all Group performance shares allocated by virtue of the authorization given by the Shareholders' Meeting subject to performance conditions.

General principles related to the condition of continuous employment for Group performance shares

Each grant is subject to a condition of continuous employment, which applies to all Group performance share beneficiaries.

Therefore, a Group performance share beneficiary who leaves the Group prior to the end of the vesting period may not retain his/her Group performance shares, which will be canceled. By way of exception, in statutory cases of early departure (including death and disability categories two and three), and barring exceptions approved by the Board of Directors, the Group performance share plan regulations stipulate that the continuous employment and performance conditions may be partially waived. In the event of the employee's voluntary retirement (or statutory early retirement), the continuous employment condition (but not the performance conditions) may also be partially waived. However, in the specific case where an employee retires (or takes statutory early retirement) in the 12 months following a grant, the Group performance shares thus granted will be canceled.

In addition, the plan regulations for Group performance shares leave open the possibility, for Group performance share beneficiaries, of waiving the continuous employment and performance conditions in the event of a change of control of the Company (all stock-option plans introduced since 2003 have a similar procedure, until their closure – see section hereafter *Compensation and benefits paid to corporate officers and governance bodies*). Therefore, if a person or group of people acting collectively (as defined in Article L. 233-10 of the French commercial code) acquires the control of Danone (as defined in Article L. 233-3 of the French commercial code), there would be no more conditions (not even performance conditions) in order to receive the Group performance shares at the end of the vesting period.

Finally, if the continuous employment condition is not met for another reason, the Board of Directors can decide to uphold a beneficiary's rights to the Group performance shares, subject to fulfillment of the performance conditions.

General principles of the definitive grant of Group performance shares

Vesting period provided for by the Shareholders' Meeting resolutions

The grants of Group performance shares become final and Company shares are delivered to their beneficiaries after a vesting period set by the Board of Directors. In accordance with the authorization given by the Shareholders' Meeting, this vesting period may not be less than three years.

Holding period provided for by the Shareholders' Meeting

The beneficiaries must hold the shares for a period of two years following their definitive grant.

If the vesting period for all or part of one or more grants is at least four years, the Board of Directors may choose not to impose any holding period for the corresponding shares.

Allocation by the Board of Directors of "3+2" and "4+0" plans

In 2010, 2011 and 2012, the Board set up "3+2" plans (three-year vesting period and two-year holding period) and "4+0" plans (four-year vesting period and no holding period) depending on the social security contributions regime of beneficiaries (*i.e.* "3+2" for the French regime and "4+0" for those of other countries).

Since 2013 and in order to strengthen the incentive character of Group performance shares for the Group's corporate officers and employees, the Board of Directors has only set up "4+0" plans.

Impact of Group performance shares in terms of dilution/ownership of the Company's share capital

The Group's policy on the grant of stock-options and Group performance shares has always had a limited impact on dilution/ownership of the Company's share capital. In particular, the grant of Group performance shares is subject to a double cap set by the Shareholders' Meeting which limits: (i) the total number of Group performance shares that may be granted and, (ii) the total number of Group performance shares that may be granted to all corporate officers.

In 2014, as in 2013, the grant of Group performance shares to corporate officers could not exceed 0.05% of the share capital until December 31, 2014. In prior years, the cap was set at 0.10% over a 2-year period. In 2015, the new authorization submitted for the April 29, 2015 Shareholders' Meeting's approval provides that the grant of Group performance shares to corporate officers cannot exceed 0.03% of the share capital (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Long-term compensation in the form of stock-options (until 2009)

General principles of stock-options and closure of the stock-options program

In its 15th resolution, the April 22, 2010 Shareholders' Meeting authorized the Board of Directors to grant Company existing or to be issued shares, on one or more occasions. At the same time, the Shareholders' Meeting decided that this authorization canceled the as-then-unused portion of the previous authorization granted by the April 23, 2009 Shareholders' General Meeting in its 30th resolution to grant options to purchase and/or subscribe shares.

Consequently, no stock-option has been granted since November 2009. Table 4 of the French Financial Markets Authority nomenclature concerning disclosures in registration documents on compensation of corporate officers is therefore not applicable. Instead, Group performance shares have been granted to the members of the Executive Committee (including the corporate officers) and to the other senior executives since 2010.

Until the end of 2009, only stock- purchase options were granted to eligible employees as part of stock-option plans (the Company had not issued options to subscribe shares since 1997). These allocations were granted to the same group of employees as those now receiving Group performance shares.

Grant by the Board of Directors
Stock-options were generally granted twice a year: (i) the main grant during the course of the year (generally in April) was intended for members of the Executive Committee (including the corporate officers), as well as the other senior executives, and (ii) a second grant (generally in October) was intended for certain new employees, and where appropriate, for certain employees of recently acquired companies.

Characteristics of stock-options
The exercise price of the options was the equivalent of the average stock market price of DANONE shares during the 20 trading days leading up to the Board of Directors' meeting held to grant them, with no discount offered.

The term of the existing plans is eight years: with the last plan having been approved in October 2009, the Group's stock-option program will remain in effect until October 2017. Since 2006, the options may be exercised following a four-year period from the date of grant (with the exception of the two plans granted in December 2007 and April 2008, for which the respective vesting periods are two and three years). However, the regulations of the stock-option plans authorized by the Board of Directors beginning April 11, 2003 entitle beneficiaries to exercise all or part of the options granted to them in the event of a successful public offer targeting the Company's shares (see section 7.10 *Change of control*).

In the event of voluntary departures, the granted options would be canceled. Thus, for example, as of December 31, 2014, the aggregate number of void or canceled options represented 1,857,462 options out of a total of 13,059,050 options granted.

Valuation and booking in the consolidated financial statements
Long-term compensation in the form of stock-options is valued and booked in the consolidated financial statements, pursuant to IFRS 2, *Share-based payment* (see Note 7.4 of the Notes to the consolidated financial statements).

Principles relative to Group executives' supplementary retirement plan

Approximately 139 Group employees who hold the status of senior executives and who were covered by French retirement schemes as of December 31, 2003 are, under certain conditions (in particular seniority and continuous employment conditions), eligible for a defined benefit retirement plan. As a reminder, in 2009, more than 210 executives were covered by this plan.

This plan provides for a pension based on years of service and the amount of final salary, under the condition that the beneficiary is still in the Group's employment at the time of retirement. The pension is paid after deducting certain pensions corresponding:

- with respect to a first category of senior executives in the Group, to the full amount of retirement benefits they acquired over the course of their professional career; and
- with respect to a second category of senior executives in the Group, to the full amount of retirement benefits that they acquired due to the implementation of a Company non-contributory supplementary retirement plan;

and can be as high as 65% of final salaries.

In the event an employee leaves the Group before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, the plan benefits are preserved, subject to the beneficiary not taking any salaried position in the future. This provision, which is consistent with applicable French regulations, enables in particular protecting all beneficiaries against the risks related to a termination of employment occurring after the beneficiary has reached the age of 55 but prior to reaching retirement age.

This retirement plan was closed to any new beneficiaries as of December 31, 2003. The current corporate officers are eligible for this supplementary retirement plan (see section *Agreements, plans and indemnities applicable to corporate officers* which describes notably the progressive increase in potential rights, the reference wage taken into account for pension calculation (spread over a three-year period in accordance with the recommendations of the AFEP-MEDEF Code)).

The amount booked for this plan represents the obligation of the Group as of December 31, 2014 for the payment of annuities calculated on the basis of life expectancies derived from mortality tables (see Note 7.3 of the Notes to the consolidated financial statements).

Description of the Group compensation collective programs

Description of the Group performance units program (multi-annual variable compensation)

Group performance units annual objectives

Objectives for fiscal year 2012 (applied to Group performance units granted in 2010, 2011 and 2012)
For 2012, the criteria set by the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, are as follows:

- an increase in consolidated net sales of at least 5% on a like-for-like basis; and
- the generation of at least €2 billion in free cash-flow on a reported basis.

The 2012 results exceeded the objectives (namely 5.4% growth in consolidated net sales and €2,088 billion in free cash-flow). As a result, the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, noted the achievement of the 2012 objectives.

Objectives for fiscal year 2013 (applied to Group performance units granted in 2011, 2012 and 2013)
For 2013, the criteria set by the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, are as follows:

- an increase in consolidated net sales of at least 5% on a like-for-like basis; and
- a reduction in the trading operating margin of a maximum of 50 basis points in 2013 versus 2012, on a like-for-like basis.

The Board, upon recommendation of the Nomination and Compensation Committee, acknowledged that the objective related to the trading operating margin was not achieved. As a result, as the Group performance unit performance conditions are cumulative, the Board of Directors meeting on February 19, 2014 noted that the Group performance unit 2013 objectives had not been achieved.

Objective for fiscal year 2014 (applied to Group performance units granted in 2012, 2013 and 2014)
For 2014, the criterion set by the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, is an increase in net sales of at least 5% on a like-for-like basis.

Moreover, the Board acting upon recommendation of the Nomination and Compensation Committee, in the event of partial achievement of the aforementioned objective (*i.e.* if growth in net sales for 2014 is between 4.5%, the lower range of the objective disclosed to the market, and 5%, on a like-for-like basis), decided to implement a mechanism that gradually increases the compensation of each Group performance unit between 0 and 10 euros, in line with the objective disclosed to the market, as follows:

Level of fulfillment of the objective in 2014	Value of each Group performance unit for 2014 *(in €)*
< 4.5%	0
≥ 4.5%	5
≥ 4.6%	6
≥ 4.7%	7
≥ 4.8%	8
≥ 4.9%	9
≥ 5.0%	10

The Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, noted that the objective related to an increase in net sales was achieved at a rate of 4.7%. Consequently, on February 19, 2015, the Board of Directors applied the above-mentioned valuation scale and valued the 2012, 2013 and 2014 GPU at €7 for 2014.

Objectives for fiscal years after 2014
The criterion/criteria will be set by the Board of Directors during the fiscal year in question, upon recommendation of the Nomination and Compensation Committee.

Group performance unit plans: position as of December 31, 2014

Group performance unit plans currently outstanding are presented hereafter:

Group performance unit plans outstanding					**Total**
Year of grant	**2011**	**2012**	**2013**	**2014**	
Date of Board of Directors' meeting granting the Group performance units	04/28/2011	07/26/2012	07/26/2013	07/24/2014	
Number of Group performance units granted	1,099,772	1,042,424	1,019,636	967,017	**4,128,849**
Of which number granted to corporate officers	*108,000*	*68,500*	*68,500*	*61,000*	***306,000***
Number of beneficiaries	1,454	1,525	1,584	1,330	
Group performance unit characteristics					
Year paid	2014	2015	2016	2017	
Performance conditions [a]	Objectives set for each of the 2011, 2012 and 2013 fiscal years	Objectives set for each of the 2012, 2013 and 2014 fiscal years	Objectives set for each of the 2013, 2014 and 2015 fiscal years	Objectives set for each of the 2014, 2015 and 2016 fiscal years	
Review to determine whether performance conditions have been achieved	Achievement of objectives for 2011 and 2012, but not for 2013 [b]	• Achievement of objectives for 2012 [b] • But not for 2013 [b] • Partial achievement of objectives for 2014 [b]	• Objectives for fiscal year 2013 not achieved [b] • Partial achievement of objectives for 2014 [b] • A review will be conducted in 2016 to determine whether the 2015 objectives were	• Partial achievement of objectives for 2014 [b] • A review will be conducted in 2016 and 2017 to determine whether the 2015 and 2016 objectives were achieved	
Unit value of Group performance units	€20 (since the 2013 objectives were not achieved)	€17 (since the 2013 objectives were not achieved and the 2014 objectives were partially achieved)	€17 maximum (since the 2013 objectives were not achieved and the 2014 objectives were partially achieved)	€27 maximum (since the 2014 objectives were partially achieved)	

(a) See details of these objectives above.
(b) See details of possible achievement of these objectives above.

Description of the Group performance shares program (long-term variable compensation)

Description of the Group performance shares' performance conditions

The performance conditions for each of the outstanding Group performance share plans are described hereafter:

Shareholders' Meeting authorizing the Group performance shares	04/22/2010	04/26/2012	04/25/2013	04/29/2014
Performance conditions applied to Group performance shares	Grants made in 2010 and 2011	Grants made in 2012	Grants made in 2013	Grants made in 2014

Performance conditions of grants made in connection with the resolution approved on April 22, 2010 (2010 and 2011 Group performance share plans)

The performance conditions of the grants related to the resolution approved on April 22, 2010 were determined as follows:

(i) Nature of performance conditions and detailed objectives for each performance criterion

- growth in Group sales (on a consolidated and like-for-like basis, *i.e.* excluding changes in scope and exchange rates) ("CA"); and
- growth in free cash-flow (on a consolidated and like-for-like basis, *i.e.* excluding changes in scope and exchange rates) ("FCF").

The performance conditions are calculated for the first two years of the vesting period based on the following objectives:

- for grants approved in 2010: the first and second years of the vesting period (2010 and 2011), average arithmetic annual growth over the period in sales of 5% and in free cash-flow of 10%; and
- for grants approved in 2011: the first and second years of the vesting period (2011 and 2012), average arithmetic annual growth over the period in sales of 5% and in free cash-flow of 10%.

(ii) Weighting of each performance criterion

For Executive Committee members, the definitive grant of half of the shares subject to performance conditions attributed to a beneficiary will be subject to each of these two criteria being achieved (subject to compliance with the condition of continuous employment within the Group). For the other beneficiaries, the definitive grant of shares representing a maximum of one-third of the Group performance share grants will not be subject to the performance conditions, and the definitive grant of each half of the reminding shares granted will be subject to the achievement of one of the two criteria.

(iii) Exceptions to the application of performance conditions

Part of the Group performance shares granted pursuant to the resolution approved in 2010 could be made without performance conditions within the following limits:

- the grantees could only be Group employees, excluding corporate officers and members of the Executive Committee;
- these shares could not represent more than 25% of the total number of shares eligible to be granted pursuant to this authorization; and
- these shares could not represent more than 33% of the total number of shares granted for each respective employee.

(iv) Review of achievement of performance conditions for grants related to the resolution approved on April 22, 2010 (2010 and 2011 Group performance share plans)

The Board of Directors on February 14, 2012 noted the achievement of the performance conditions of the 2010 Group performance share plan, *i.e.* for the 2010 and 2011 fiscal years: average annual growth in consolidated sales of 7.3% and growth in free cash-flow of 14.3%.

The Board of Directors on February 18, 2013 noted the achievement of the performance conditions of the 2011 Group performance share plan, *i.e.* for the 2011 and 2012 fiscal years: average annual growth in sales of 6.6% and growth in free cash-flow of 11.7%.

Performance conditions of grants made in connection with the resolution approved on April 26, 2012 (2012 Group performance share plan)

The performance conditions of the grants related to the resolution approved on April 26, 2012 are:

(i) Nature of performance conditions and detailed objectives for each performance criterion

(a) Comparison of the average arithmetic sales growth ("CA") of the Group with that of a reference Panel, on a like-for-like basis, during the CA Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive allocation shall be 100%; and
- if the Group's CA is less than the Median CA of the Panel, the definitive grant shall be 0%.

Where:

- the Group's CA refers to the arithmetic average internal ("organic") sales growth over the CA Reference Period (on a consolidated and like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the CA of each Panel member refers to the arithmetic average internal ("organic") growth of sales recorded by the said member of the Panel over the CA Reference Period (on a consolidated and like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the Panel CAs refers to the CAs of all members of the Panel;
- the CA Reference Period refers to the first three fiscal years of the vesting period for each grant, with the first fiscal year being the one during which the grant is decided;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel designates seven benchmark multinational companies in the food and beverage sector, specifically: Unilever N.V., Nestlé S.A., PepsiCo Inc., Coca-Cola Company, General Mills Inc., Kellogg Company and Kraft Foods;
- in the event that the audited financial statements accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally,

exclude this member of the Panel through a duly justified decision at a later date that is mentioned in the Report of the Board of Directors to the Shareholders' Meeting;

- in the event that the audited financial statements or financial results of two or more members of the Panel are not published or published late, the Board of Directors will reach a decision duly justified at a later date and described in the Report of the Board of Directors to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the members of the Panel and by Danone over the three latest completed fiscal years for which financial statements were published for all members of the Panel and for Danone;
- the Board of Directors may, through a duly justified decision taken later and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of one of the companies in the Panel, provided that it maintains the overall coherence of the peer group; and
- the Board of Directors must state whether the performance conditions were attained, on the basis of a duly justified decision taken later and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) Achievement of a level of free cash-flow ("FCF") for the Group averaging at least €2 billion per year over the Reference Period.

Where:

- FCF refers to the Group's free cash-flow over the FCF Reference Period; and
- the FCF Reference Period refers to the first two years of the vesting period for each grant, the first fiscal year being the one during which the grant is decided.

(ii) Weighting of each performance criterion

The achievement of each of these two criteria (subject to continuous employment condition with the Group) determines the definitive grant of half of the Group performance shares granted to the beneficiary. Accordingly, and in all cases subject to a continuous employment condition with the Group:

- for the beneficiary corporate officers or members of the Executive Committee: the definitive grant of half of the shares will be subject to the achievement of the performance condition related to the FCF, and the definitive grant of the other half will be subject to the achievement of the performance condition related to the CA; and
- for the other beneficiaries: the definitive grant of shares representing a maximum of one-third of the grants will not be subject to the performance condition (see hereafter); the definitive grant of the remainder of the shares granted will be subject to the achievement of the performance condition related to the FCF for the first half, and of the performance condition related to the CA for the second half.

(iii) Exceptions to the application of performance conditions

Part of the Group performance shares granted pursuant to the resolution approved in 2012 could be made without performance conditions within the following limits:

- the grantees could only be Group employees, excluding corporate officers and members of the Executive Committee;
- these shares could not represent more than 25% of the total number of shares eligible to be granted pursuant to this authorization; and
- these shares could not represent more than 33% of the total number of shares granted for each respective employee.

(iv) Review of achievement of performance conditions for grants related to the resolution approved on April 26, 2012 (2012 Group performance share plans)

Concerning the level of free cash-flow of at least €2 billion per year on average over the Reference Period, the Board of Directors meeting of February 19, 2014 acknowledged that this objective had not been achieved. As a result, the share of Group performance shares granted subject to the free cash-flow performance condition is zero, with an impact (i) of 50% on the number of Group performance shares granted to corporate officers and to the members of the Executive Committee and, (ii) of 33% on the number of Group performance shares granted to other beneficiaries.

Concerning sales growth, the achievement or otherwise of this condition will be reviewed at the end of the first half of 2015, when the companies in the Panel have published their sales results.

Performance conditions of grants made in connection with the resolution approved on April 25, 2013 (2013 Group performance share plan)

The performance conditions of the grants related to the resolution approved on April 25, 2013 are:

(i) Nature of performance conditions and detailed objectives for each performance criterion

(a) Comparison of the arithmetic average net sales growth (the "CA") of the Group with that of a reference panel, on a like-for-like basis, for a period of three years, *i.e.* 2013, 2014 and 2015:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive allocation shall be 100%; and
- if the Group's CA is less than the Median CA of the Panel, the definitive allocation will be 0%, in accordance with the "no pay below median" principle;

Where:

- the Group's CA refers to the arithmetic average internal ("organic") net sales growth (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates) for the years 2013, 2014 and 2015;
- the CA of each Panel member refers to the arithmetic average internal ("organic") net sales growth recorded by the said member of the Panel (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates) for the years 2013, 2014 and 2015;
- the Panel CAs refers to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel designates eight benchmark multinational groups in the food sector, specifically: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc., Mondelez International Inc., General Mills Inc. and Kellogg Company;
- restatements (mainly adjustments of scope and/or foreign exchange effects) will be made only to the extent strictly necessary in order to ensure the consistency of the calculation method for the CAs of all Panel members and the CA of the Group over the entire period under review;

- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member of the Panel through a duly justified decision taken at a later date that is mentioned in the Report of the Board of Directors to the Shareholders' Meeting;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or published late, the Board of Directors will make a decision duly justified at a later date and described in the Report of the Board of Directors to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the members of the Panel and by Danone over the three latest completed fiscal years for which financial statements were published for all members of the Panel and for Danone;
- the Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group; and
- the Board of Directors must state whether this first performance condition was attained, on the basis of a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) Achievement of trading operating margin objectives set by the Board of Directors and disclosed to the market (the "Margin Objective") for a period of two years, *i.e.* the years 2013 and 2014:

- if the Margin Objective is achieved in each of the two years 2013 and 2014, the definitive allocation will be 100%; and
- if the Margin Objective is not achieved in either of the two years 2013 and 2014 or if it is achieved in only one of these years, the definitive allocation will be 0%;

Where:

- for the year 2013, the Margin Objective is a trading operating margin down by a maximum of 50 basis points on a like-for-like basis relative to the trading operating margin for fiscal year 2012;
- for the year 2014, the Margin Objective will be the higher of (i) a positive evolution (*i.e.* an increase in basis points) of the trading operating margin on a like-for-like basis relative to the trading operating margin for fiscal year 2013 and (ii) any trading operating margin objective for fiscal year 2014 that may be subsequently set by the Board of Directors and disclosed to the market;
- moreover, and in accordance with the "no pay below market objectives" principle, in the event that the Board of Directors should decide to revise its trading operating margin objective upward for 2013 and/or 2014, the Margin Objective would be automatically adjusted upward for the corresponding year on the basis of the trading operating margin objective as amended (to avoid any confusion, it should be noted that in the event that the trading operating margin objective disclosed to the market is revised downward, the amount of the Margin Objective will not be adjusted and will therefore be calculated on the basis of the initial operating margin objective disclosed to the market for the corresponding year);
- "trading operating margin" is defined as the trading operating income over net sales ratio;
- "trading operating income" is defined as the Group operating income excluding Other operating income and expense. Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC "on the format of financial statements for entities applying international accounting standards", and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major litigation. Since the application of IFRS 3 *Revised, Business combinations*, Other operating income has also included acquisition fees related to business combinations;
- "net sales" corresponds to the Group's consolidated net sales, as defined in IFRS;
- the change (increase or decrease) on a "like-for-like basis" in the trading operating margin essentially exclude the impact of: (i) changes in exchange rates, with both previous year and current year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year), and (ii) changes in consolidation scope, with indicators related to considered fiscal year calculated on the basis of previous-year scope; and
- the Board of Directors will need to state whether this second performance condition has been achieved through a duly informed decision made at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, upon the recommendation of the Nomination and Compensation Committee.

(ii) Weighting of each performance criterion

For all beneficiaries, provided that the condition of continuous employment with the Group is met (see hereafter), two-thirds of the Group performance shares will be definitively allocated subject to the achievement of the performance condition related to sales growth, and the remaining third will be allocated subject to the achievement of the performance condition related to the trading operating margin.

(iii) No exceptions to the application of performance conditions

In accordance with best practices in the market and following discussions with shareholders, 100% of Group performance shares granted under this plan are subject to performance conditions.

(iv) Review of achievement of performance conditions for grants related to the resolution approved on April 25, 2013 (2013 Group performance share plans)

Concerning the achievement of the trading operating margin in 2013 and 2014, the Board of Directors meeting on February 19, 2014 acknowledged that this objective had not been achieved for fiscal year 2013. As a result, the share of Group performance shares granted subject to the trading operating margin performance condition is zero, with an impact of 33% on the number of Group performance shares granted to all beneficiaries.

Concerning sales growth in the period 2013 to 2015, the achievement of this condition will be reviewed at the end of the first half of 2016, when the companies in the Panel have published their sales results.

Performance conditions of grants made in connection with the resolution approved on April 29, 2014 (2014 Group performance share plan)

The performance conditions of the grants related to the resolution approved on April 29, 2014 are:

(i) Nature of performance conditions and detailed objectives for each performance criterion

(a) Comparison of the arithmetic average net sales growth (the "CA") of the Group with that of a reference panel, on a like-for-like basis, for a period of three years, *i.e.* 2014, 2015 and 2016:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive allocation shall be 100%; and
- if the Group's CA is less than the Median CA of the Panel, the definitive allocation will be 0%, in accordance with the "no pay below median" principle;

Where:

- the Group's CA refers to the arithmetic average internal ("organic") net sales growth (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope, exchange rates and applicable accounting principles) for the years 2014, 2015 and 2016;
- the CA of each Panel member refers to the arithmetic average internal ("organic") net sales growth recorded by the said member of the Panel (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope, exchange rates and applicable accounting principles) for the years 2014, 2015 and 2016;
- the Panel CAs refers to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel refers to eight benchmark multinational groups in the food sector, specifically: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc., Mondelez International Inc., General Mills Inc. and Kellogg Company;
- restatements (mainly adjustments of scope and/or foreign exchange effects) will be made only to the extent strictly necessary in order to ensure the consistency of the calculation method for the CAs of all panel members and the CA of the Group over the entire period under review;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member of the Panel through a duly justified decision taken at a later date that is mentioned in the Report of the Board of Directors to the Shareholders' Meeting;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or published late, the Board of Directors will make a decision duly justified at a later date and described in the Report of the Board of Directors to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the members of the Panel and by the Company over the three latest completed fiscal years for which financial statements were published for all members of the Panel and for the Company;
- the Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group;
- the Board of Directors must state whether this first performance condition was attained, on the basis of a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor;

(b)The arithmetic average of growth in the trading operating margin over a three-year period, *i.e.* for 2014, 2015 and 2016:

- if the arithmetic average of growth in the trading operating margin calculated over the three fiscal years (2014, 2015 and 2016) is positive (*i.e.* greater than or equal to 1 basis point), the definitive allocation shall be 100%;
- if the arithmetic average of growth in the trading operating margin calculated over the three fiscal years (2014, 2015 and 2016) is equal to zero or negative, the definitive allocation shall be 0%;

Where:

- the arithmetic average of growth in the trading operating margin refers to the arithmetic average of:
  - growth in the trading operating margin for fiscal year 2014 relative to fiscal year 2013, on a like-for-like basis,
  - growth in the trading operating margin for fiscal year 2015 relative to fiscal year 2014, on a like-for-like basis,
  - growth in the trading operating margin for fiscal year 2016 relative to fiscal year 2015, on a like-for-like basis,
- "trading operating margin" is defined as the trading operating income over net sales ratio;
- "trading operating income" is defined as the Group operating income excluding Other operating income and expense. Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC "on the format of financial statements for entities applying international accounting standards", and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to major strategic restructuring and external growth operations and (incurred or estimated) costs related to crises and major litigation. Moreover, under revised IFRS 3, Business Combinations, in the Other operating income and expenses item the Group also presents (i) costs to acquire companies in which the Group acquires a controlling interest, (ii) revaluation variances recorded following a loss of control, and (iii) changes in additional purchase prices subsequent to the acquisition of a controlling interest;
- "net sales" corresponds to the Group's consolidated net sales, as defined in IFRS;
- the change (increase or decrease) on a "like-for-like basis" in the trading operating margin essentially exclude the impact of: (i) changes in exchange rates, with both previous year and current year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year), and (ii) changes in consolidation scope,

with indicators related to considered fiscal year calculated on the basis of previous-year scope; and (iii) changes in applicable accounting principles; and

- the Board of Directors will need to state whether this second performance condition has been achieved through a duly informed decision made at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, upon the recommendation of the Nomination and Compensation Committee.

(ii) Weighting of each performance criterion

For all beneficiaries, provided that the condition of continuous employment with the Group is met (see hereafter), two-thirds of the shares will be definitively allocated subject to the achievement of the Performance Condition related to sales growth, and the remaining third will be allocated subject to the achievement of the Performance Condition related to the trading operating margin.

(iii) No exceptions to the application of performance conditions

In accordance with best practices in the market and following discussions with shareholders, 100% of Group performance shares granted under this plan are subject to performance conditions.

(iv) Review of achievement of performance conditions for grants related to the resolution approved on Tuesday, April 29, 2014 (2014 Group performance share plans)

Concerning growth in the trading operating margin for 2014, 2015 and 2016, the achievement of this condition will be reviewed in early 2017 after the closing of the 2016 accounts, it being stipulated that, at its meeting on February 19, 2015, the Board of Directors noted that the change in the trading operating margin in 2014 relative to 2013, on a like-for-like basis, was -12 basis points.

Concerning sales growth in the period 2014 to 2016, the achievement of this condition will be noted at the end of the first half of 2017, when the companies in the Panel have published their sales results.

Vesting periods of the Group performance share plans

A vesting period and, where relevant, a holding period (lock-up period) applies to the "3+2" and "4+0" plans, described hereafter:

Shareholders' Meeting authorizing the Group performance shares		04/22/2010		04/26/2012	04/25/2013	04/29/2014
Plans	"3+2"	"4+0"	"3+2"	"4+0"	"4+0"	"4+0"
Vesting period of shares [a]	3 years	4 years	3 years	4 years	4 years	4 years
Retention period [b]	2 years	–	2 years	–	–	–

(a) Shares are delivered to their beneficiaries at the end of a vesting period, after application of the performance and continuous employment conditions.
(b) The retention period starts on the delivery date and applies only to "3+2" plans whose beneficiaries are subject to the French system of social security contributions.

In the case of corporate officers and members of the Executive Committee, an obligation to hold their shares received under the terms of Group performance shares plans and stock-options has also been implemented and is described in sections *Obligation to hold Company shares resulting from vestings of Group performance shares* and *Obligation to hold Company shares resulting from exercise of stock-options* hereafter.

Group performance share plans: position as of December 31, 2014

Summary of Group performance shares outstanding and grants for fiscal year 2014

The characteristics of the Group performance share plans currently outstanding in 2014, the grants made in connection with these plans and the changes in these plans during 2014 are presented hereafter (information required by French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers, Tables 6 and 7 of the French Financial Markets Authority nomenclature):

Group performance share plans outstanding					
Shareholders' Meeting authorizing the Group performance shares					04/22/2010
Group performance shares authorized by the Shareholders' Meeting [a]					2,587,963
Of which Group performance shares not granted					*1,229,737*
Board of Directors' meeting granting the Group performance shares	07/26/2010	04/28/2011	04/28/2011	10/20/2011	10/20/2011
Plans	"4+0"	"3+2"	"4+0"	"3+2"	"4+0"
Number of Group performance shares granted	**377,665**	**276,023**	**420,288**	**11,000**	**6,350**
Group performance share characteristics					
Delivery date	07/27/2014	04/29/2014	04/29/2015	10/21/2014	10/21/2015
Retention period [b]	–	2 years	–	2 years	–
Performance conditions [c]	Conditions determined at the February 10, 2010 Board meeting: • average (arithmetic) annual growth in consolidated sales of 5% over two fiscal years; • average (arithmetic) annual growth in free cash-flow of 10% over two fiscal years.				
Review to determine whether performance conditions have been achieved	Achievement for the two fiscal years determined by the February 14, 2012 Board of Directors' meeting (average growth in 2010 and 2011 (i) of consolidated sales of 7.3% and (ii) of free cash-flow of 14.3%).	Achievement for the two fiscal years determined by the February 18, 2013 Board of Directors' meeting (average growth in 2011 and 2012 (i) of consolidated sales of 6.6 % and (ii) of free cash-flow of 11.7 %).			
Changes in 2014 and situation as of December 31, 2014					
Group performance shares as of December 31, 2013	**319,349**	**260,130**	**331,131**	**11,000**	**5,100**
Group performance shares granted in 2014 [d]	–	–	–	–	–
Of which Group performance shares granted to corporate officers	–	–	–	–	–
Void or canceled Group performance shares in 2014	26,510	6,050	39,310	–	–
Of which Group Performance Shares canceled in 2014 due to non-achievement of some of the performance conditions					
Transfer from Group performance share plan "3+2" to "4+0"	–	(48,992)	48,992	(4,000)	4,000
Shares delivered in 2014	292,839	205,088	–	7,000	–
Of which shares delivered to corporate officers	–	*68,000*	–	–	–
Of which shares delivered to the ten Group employees (excluding corporate officers) who received the largest number of shares in 2014	*29,150*	*45,150*	–	*7,000*	–
Group performance shares as of December 31, 2014	**–**	**–**	**340,813**	**–**	**9,100**
Of which, Group performance shares granted to corporate officers [e]	–	*98,000*	–	–	–
Of which, Group performance shares granted to members of the Executive Committee [e]	*21,150*	*137,000*	*24,300*	*11,000*	*4,000*
Of which number of Executive Committee beneficiaries	*3*	*6*	*3*	*2*	*1*
Of which, Group performance shares granted to the ten Group employees (excluding corporate officers) who received the largest number of shares in 2014 [f]	–	–	–	–	–
Number of beneficiaries [g]	1,372	–	1,449	–	5
Void or canceled Group performance shares as of December 31, 2014	**108,845**	**21,943**	**128,267**	**–**	**1,250**

a) Authorization expressed as a percentage of the Company's share capital as recorded at the close of the Shareholders' Meeting and excluding any adjustments likely to take place.
(b) The retention period starts on the delivery date and applies only to "3+2" plans whose beneficiaries are subject to the French system of social security contributions.
(c) Conditions other than continuous employment condition.
(d) 100% of grants are subject to performance conditions.

							Total
		04/26/2012		04/25/2013		04/29/2014	
		2,568,986		1,268,724		1,262,056	
		1,784,674		*447,081*		*483,685*	
07/26/2012	07/26/2012	10/23/2012	07/26/2013	10/23/2013	07/24/2014	10/17/2014	
"3+2"	"4+0"	"4+0"	"4+0"	"4+0"	"4+0"	"4+0"	
334,406	**446,506**	**3,400**	**817,993**	**3,650**	**776,521**	**1,850**	**3,475,652**

07/27/2015	07/27/2016	10/24/2016	07/27/2017	10/24/2017	07/25/2018	10/18/2018
2 years	–	–	–	–	–	–
Conditions determined at the February 14, 2012 Board meeting: • growth in sales equal to or greater than the median sales of the Panel over the 2012, 2013 and 2014 fiscal years; • achievement of a consolidated free cash-flow level of at least €2 billion per year on average over the 2012 and 2013 fiscal years.			Conditions determined at the February 18, 2013 Board meeting: • average growth in sales equal to or greater than the median sales of the Panel over the 2013, 2014 and 2015 fiscal years; • achievement of a trading operating margin level for 2013 and 2014.		Conditions determined at the February 19, 2014 Board meeting: • average growth in sales equal to or greater than the median sales of the Panel over the 2014, 2015 and 2016 fiscal years; • average growth in trading operating margin over fiscal years 2014, 2015 and 2016.	
• The Board of Directors will conduct a review at the end of the first half of 2015 to determine whether the sales criterion was met, based on the recommendation of the Nomination and Compensation Committee; • The non-achievement of the free cash-flow objective was noted by the Board of Directors on February 19, 2014.			• Sales growth objective from 2013 to 2015: the Board of Directors will conduct a review in 2016 to determine whether this criterion was met; • The non-achievement of the trading operating margin objective was noted by the Board of Directors on February 19, 2014.		The Board of Directors will conduct a review in 2017 to determine whether these criteria were met;	

							Total
327,689	**412,876**	**3,400**	**814,093**	**3,650**	**–**	**–**	**2,488,418**
–	–	–	–	–	776,521	1,850	*778,371*
–	–	–	–	–	*122,000*	–	*122,000*
180,397	174,016	1,132	342,563	1,714	39,175	–	*810,867*
109,352	*129,009*	*1,132*	*235,150*	*964*	–	–	*475,607*
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	504,927
–	–	–	–	–	–	–	*68,000*
–	–	–	–	–	–	–	*81,300*
147,292	**238,860**	**2,268**	**471,530**	**1,936**	**737,346**	**1,850**	**1,950,995**
137,000	–	–	*137,000*	–	*122,000*	–	*494,000*
202,000	*40,000*	–	*239,500*	–	*217,500*	–	*896,450*
7	*3*	–	*10*	–	*10*	–	
–	–	–	–	–	*108,500*	–	*108,500*
–	1,523	5	1,578	9	1,327	4	
187,114	**207,646**	**1,132**	**346,463**	**1,714**	**39,175**	**–**	**1,043,549**

(e) As a reminder, Group performance shares granted to members of the Executive Committee and to corporate officers are subject to performance conditions.
(f) Of which 95,500 Group performance shares granted to seven members of the Executive Committee, excluding corporate officers.
(g) Cumulative number of beneficiaries for "3+2" and "4+0" plans granted by the Board of Directors.

Impact of Group performance shares in terms of dilution/ownership of the Company's share capital

				Year ended December 31
		2013		2014
Allocations in the fiscal year	**Number of shares**	**Percentage of share capital** [a]	**Number of shares**	**Percentage of share capital** [a]
Group performance shares granted	821,643	0.13%	778,371	0.12%
Of which Group performance shares granted to all corporate officers	*137,000*	*0.02%*	*122,000*	*0.02%*

(a) Percentage of share capital as of December 31 of the fiscal year in question.

				Year ended December 31
		2013		2014
Balance as of December 31 [b]	**Number of shares**	**Percentage of share capital** [a]	**Number of shares**	**Percentage of share capital** [a]
GPS in the process of vesting	2,488,418	0.39%	1,950,995	0.30%
Of which GPS granted to all corporate officers [c]	*372,000*	*0.06%*	*375,500*	*0.06%*

(a) Percentage of share capital as of December 31 of the fiscal year in question.
(b) Balance of 2011, 2012, 2013 and 2014 GPS in the process of being vested as of December 31 of the fiscal year in question.
(c) For fiscal year 2014, the number takes into account the cancellation of Mr. Bernard HOURS' 2012, 2013 and 2014 GPS.

The number of Group performance shares granted in 2014 to Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS represent respectively 0.008%, 0.006% and 0.006% of the Company's share capital as of December 31, 2014, and 15.7% of the overall grant. The grant made to Mr. Bernard HOURS was thereafter canceled due to his departure from the Group.

Description of stock-options programs (as of December 31, 2014)

Stock-option plans outstanding			
Shareholders' Meeting authorizing the options			4/22/2005
Stock-options authorized by the Shareholders' Meeting			6,000,000 [b]
Of which stock-options not granted			*1,497,900* [c]
Board of Directors' meeting granting the stock-options	04/27/2006	10/16/2006	04/26/2007
Of which number that may be issued or purchased by:			
Franck RIBOUD			424,000
Emmanuel FABER			56,180
Bernard HOURS			56,180
Stock-options granted [a]	**2,045,853**	**36,040**	**2,633,517**
Stock-options characteristics			
First exercise date [f]	04/27/2010	10/16/2010	04/26/2011
Expiration date	04/26/2014	10/15/2014	04/25/2015
Exercise price	46.92	52.40	57.54
Changes in 2014 and situation as of December 31, 2014			
Stock-options as of December 31, 2013	**967,599**	**26,076**	**2,231,830**
Void or canceled stock-options in 2014	81,866	18,444	16,536
Stock-options exercised in 2014 [g]	885,733	7,632	–
Of which, stock-options exercised by corporate officers in 2014 [h]	*268,180*	–	–
Stock-options as of December 31, 2014	**–**	**–**	**2,215,294**
Of which, stock-options granted to corporate officers [g]	–	–	*536,360*
Of which stock-options granted to members of the Executive Committee	–	–	*623,704*
Of which number of Executive Committee beneficiaries	–	–	7
Void or canceled stock-options as of December 31, 2014	**317,027**	**25,440**	**378,049**

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.
(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.
(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.
(d) Date of last grant of options to corporate officers.
(e) The first exercise date corresponds to the end of the vesting period.

Summary of stock-option plans outstanding

The characteristics of the stock-option plans currently outstanding and the changes in these plans during 2014 are presented hereafter (information required pursuant to the French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers, Tables 5, 8 and 9 of the French Financial Markets Authority nomenclature) and take into account:

- the split by half of DANONE shares that occurred in June 2004 and June 2007; and
- the adjustments, following the June 25, 2009 share capital increase, to the number of stock-options granted and to the exercise prices of the plans in existence as of that date. The maximum number of stock-options authorized by the various Shareholders' Meetings was not changed.

						Total
				04/26/2007	04/23/2009	
				6,000,000 [b]	6,000,000	
				476,942 [c]	*5,979,600*	
10/19/2007	12/17/2007	04/29/2008	10/21/2008	04/23/2009 [d]	10/20/2009	
		212,000		164,300		
		106,000		82,150		
		106,000		82,150		
28,408	**327,078**	**2,762,403**	**31,941**	**2,704,611**	**20,400**	**13,059,050**
10/19/2011	12/18/2009	04/29/2011	10/21/2011	04/23/2013	10/20/2013	
10/18/2015	12/16/2015	04/28/2016	10/20/2016	04/22/2017	10/19/2017	
52.33	56.57	53.90	43.71	34.85	40.90	
						Total
15,052	**195,343**	**2,033,144**	**20,776**	**1,669,380**	**18,400**	**7,177,600**
212	15,088	18,938	–	44,638	200	195,922
–	–	15,296	4,240	379,280	800	1,292,981
–	–	–	–	*82,150*	–	*350,330*
14,840	**180,255**	**1,998,910**	**16,536**	**1,245,462**	**17,400**	**5,688,697**
–	–	*424,000*	–	*328,600*	–	*1,288,960*
–	–	*623,810*	–	*554,380*	–	*1,801,894*
–	–	*9*	–	*9*	–	
12,720	**108,677**	**520,556**	**6,148**	**486,645**	**2,200**	**1,857,462**

(f) Of which 228,984 options were exercised at a weighted average price of €43.12 by the 10 Group employees (excluding corporate officers) who exercised the largest number of shares in 2014 (including 72,104 options by two members of the Executive Committee who are not executive
(g) See details in section *Compensation and benefits paid to corporate officers and governance bodies* hereafter. As of December 31, 2014, 56% of these stock-options were in the money relative to the DANONE share price on that date (€54.45 per share).

.

Impact of stock-options in terms of dilution/ownership of the Company's share capital

The Group's policy on the grant of stock-options and Group performance shares has always had a limited impact on dilution/ownership of the Company's share capital. The most recent stock-options grants were made in 2009:

	Year ended December 31, 2009	
	Number of shares	**Percentage of share capital [a]**
Allocations in the fiscal year		
Stock-options granted	2,725,011	0.4%
Of which, stock-options granted to all corporate officers	*575,050*	*0.1%*

(a) Percentage of share capital on the grant date (date of the Shareholders' Meeting authorizing the stock-options grants).

The balance of stock-options granted as a percentage of share capital as of December 31, 2013 and 2014 is presented hereafter:

	Fiscal year ending on December 31			
	2013		**2014**	
	Number of shares	**Percentage of share capital [a]**	**Number of shares**	**Percentage of share capital [a]**
Balance as of December 31 [b]				
Active stock-options	7,177,600	1.14%	5,688,697	0.88%
Of which stock-options granted to all corporate officers	*1,557,140*	*0.25%*	*1,206,810*	*0.19%*

(a) Percentage of share capital as of December 31 of the fiscal year in question.
(b) Balance of stock-options that could be exercised as of December 31 of the fiscal year in question.

Compensation and benefits paid to corporate officers and governance bodies

Compensation and benefits paid to members of the Board of Directors and of the Executive Committee

Summary of compensation and benefits paid to members of the Board of Directors and of the Executive Committee (except corporate officers)

Compensation and benefits paid to Directors in 2013 and 2014 (including Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS) and to the members of the Company's Executive Committee are detailed hereafter:

	Fiscal year ending on December 31	
(in € millions)	**2013**	**2014**
Compensation paid to corporate officers and to members of the Executive Committee [a]	17.2	13.4
Attendance fees paid to Directors [b]	0.5	0.6
Compensation paid	**17.7**	**14.0**
Termination benefits	–	2.1
Carrying amount of Group performance shares granted [c]	8.3	9.1

(a) Annual and multi-annual fixed and variable compensation (gross amount before employers' charges), of which the variable portion amounts to €7 million in 2014 (€11 million in 2013).
(b) The three corporate officers are not entitled to attendance fees.
(c) For fiscal year 2012, the carrying amount represented the entirety of the estimated value at the date of granting in application of IFRS 2, supposing the performance conditions to be achieved (see details above and see Note 7.4 of the Notes to the accounts).

It is also important to note that one Director received an annuity under the supplementary retirement plan, which they have earned in respect of prior positions in the Group. The amount was €0.9 million in 2014 (unchanged from 2013).

Compensation and benefits paid to members of the Board of Directors who are not corporate officers

The amount of annual compensation due and paid, as well as of all types of benefits granted during fiscal years 2013 and 2014 to the members of the Board of Directors who are not corporate officers breaks down as follows (information required pursuant to the French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers – Table 3 of the French Financial Markets Authority nomenclature).

For information, it is noted that the two Directors representing employees hold an employment contract with the Group and therefore receive compensation in this regard that has no connection to the exercise of their office. This compensation is therefore not communicated.

Fiscal year ending on December 31

	2013				2014			
(in €)	Attendance fees [a]		Benefits of any kind	Total annual compensation	Attendance fees [a]		Benefits of any kind	Total annual compensation
Name	**Amounts due**	**Amounts paid**	**Amounts due and paid**	**Amounts due and paid**	**Amounts due**	**Amounts paid**	**Amounts due and paid**	**Amounts due and paid**
Bruno BONNELL	34,000	34,000	–	34,000	38,000	38,000	–	38,000
Richard GOBLET D'ALVIELLA	62,000	62,000	–	62,000	88,000	88,000	–	88,000
Jacques-Antoine GRANJON	20,000	20,000	–	20,000	20,000	20,000	–	20,000
Yoshihiro KAWABATA [c]	9,000	9,000	–	9,000			–	
Jean LAURENT	138,000	138,000	–	138,000	152,000	152,000	–	152,000
Gaëlle OLIVIER					26,000	26,000	–	26,000
Benoît POTIER	38,000	38,000	–	38,000	46,000	46,000	–	46,000
Isabelle SEILLIER	29,000	29,000	–	29,000	30,000	30,000	–	30,000
Mouna SEPEHRI	42,000	42,000	–	42,000	44,000	44,000	–	44,000
Jean-Michel SEVERINO	84,000	84,000	–	84,000	86,000	86,000	–	86,000
Virginia A. STALLINGS	34,000	34,000	–	34,000	42,000	42,000	–	42,000
Jacques VINCENT [b]	22,000	22,000	–	22,000	9,000	9,000	–	9,000
Lionel ZINSOU-DERLIN					18,000	18,000	–	18,000
Total	**512,000**	**512,000**	**–**	**512,000**	**599,000**	**599,000**	**–**	**599,000**

(a) Gross amount due during the year before withholding tax.
(b) The term of office of Director of Mr. Jacques VINCENT was ended following the Shareholders' Meeting of April 29, 2014. The annuity received by Mr. Jacques VINCENT under the Group's supplementary retirement plan in respect of his prior positions and for which he qualifies as a result of his 40 years' service in the Group amounted to €0.9 million in 2014 (unchanged from 2013), which was paid in full by the said retirement plan.
(c) Mr. Yoshihiro KAWABATA ended his term of office as Director on July 15, 2013.

Compensation and benefits paid to corporate officers

Evolution of compensation paid to current corporate officers

The evolution of compensation paid to current corporate officers over the last five years is detailed for information in the tables hereafter, the first one is related to Mr. Franck RIBOUD and the second one is related to Mr. Emmanuel FABER:

	Chairman and Chief executive Officer					Chairman of the Board
(in €)	**2010**	**2011**	**2012**	**2013**	**2014 [a]**	**2014 [b]**
Short-term compensation in cash	2,897,370	2,840,670	2,401,245	1,947,645	2,385,653	501,155
Value of the granted GPU	1,500,000	1,500,000	817,500	545,000	675,000	–
Total amount	**4,397,370**	**4,340,670**	**3,218,745**	**2,492,645**	**3,060,653**	**501,155**
Value of the granted GPS	1,497,688	1,716,560	2,197,985	1,882,413	2,513,500	–
Total	**5,895,058**	**6,057,230**	**5,416,730**	**4,375,058**	**5,574,153**	**501,155**

(a) For the period from January 1 to September 30, 2014.
(b) For the period from October 1 to December 31, 2014.

	Deputy General Manager					Chief Executive Officer
(in €)	**2010**	**2011**	**2012**	**2013**	**2014 [a]**	**2014 [b]**
Short-term compensation in cash	1,678,870	1,550,732	1,334,720	1,041,440	954,280	508,655
Value of the granted GPU	750,000	840,000	618,750	412,500	486,000	–
Total amount	**2,428,870**	**2,390,732**	**1,953,470**	**1,453,940**	**1,440,280**	**508,655**
Value of the granted GPS	966,250	1,201,592	1,663,613	1,424,775	1,809,720	–
Total	**3,395,120**	**3,592,324**	**3,617,083**	**2,878,715**	**3,250,000**	**508,655**

(a) For the period from January 1 to September 30, 2014.
(b) For the period from October 1 to December 31, 2014.

Summary of compensation paid to corporate officers

The total compensation due and the overall amount of the value at the grant date of Group performance units and Group performance shares during fiscal years 2013 and 2014 to each corporate officer break down as follows (information required pursuant to the French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers – Table 1 of the French Financial Markets Authority nomenclature):

	Fiscal year ending on December 31	
(in €)	**2013**	**2014**
Franck RIBOUD		
Annual compensation [a]	1,947,645	2,886,808
Multi-annual variable compensation (value of Group performance units granted in the fiscal year) [b]	545,000	675,000
Long-term compensation (value of Group performance shares granted in the fiscal year) [c]	1,882,413	2,513,500
Total	**4,375,058**	**6,075,308**
Emmanuel FABER		
Annual compensation [a]	1,041,440	1,458,935
Multi-annual variable compensation (value of Group performance units granted in the fiscal year) [b]	412,500	486,000
Long-term compensation (value of Group performance shares granted in the fiscal year) [c]	1,424,775	1,809,720
Total	**2,878,715**	**3,754,655**
Bernard HOURS [d]		
Annual compensation [a]	1,041,440	855,076
Multi-annual variable compensation (value of Group performance units granted in the fiscal year) [b]	412,500	–
Long-term compensation (value of Group performance shares granted in the fiscal year) [c]	1,424,775	–
Total	**2,878,715**	**855,076**

(a) Amounts due, fixed and variable. See details hereafter.
(b) For fiscal year 2014, the value is €27 per Group performance unit (€17 for fiscal year 2013), see details above.
(c) For 2014, the amount corresponds to the full value estimated at the grant date pursuant to IFRS 2, on the assumption that performance conditions would be achieved (see details above and Note 7.4 of the Notes to the consolidated financial statements). For fiscal year 2013, the amount indicated reflected the non-achievement of the performance condition relating to the margin, *i.e.* a reduction of one-third of the value of the Group performance shares granted in July 2013.
(d) The grant of GPU and GPS in 2014 was canceled following the departure of Mr. Bernard HOURS.

Details of annual compensation and benefits due and paid to corporate officers

Summary of annual compensation due and paid, as well as benefits of any kind granted in fiscal years 2013 and 2014

The amount of annual compensation due and paid, as well as all types of benefits granted during fiscal years 2013 and 2014 to corporate officers breaks down as follows (information required pursuant to the French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers – Table 2 of the French Financial Markets Authority nomenclature):

Fiscal year ending on December 31

(in €)		2013		2014
Name	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Franck RIBOUD				
Fixed annual compensation [a]	1,050,000	1,050,000	1,287,500	1,287,500
Variable annual compensation	893,025	1,346,625	1,594,688	893,025
Benefits of any kind [b]	4,620	4,620	4,620	4,620
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [c]	N/A	N/A	N/A	N/A
Total	**1,947,645**	**2,401,245**	**2,886,808**	**2,185,145**
Emmanuel FABER				
Fixed annual compensation [a]	681,500	681,500	761,125	761,125
Variable annual compensation	355,320	648,600	693,190	355,320
Benefits of any kind [b]	4,620	4,620	4,620	4,620
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [c]	N/A	N/A	N/A	N/A
Total	**1,041,440**	**1,334,720**	**1,458,935**	**1,121,065**
Bernard HOURS				
Fixed annual compensation [a]	681,500	681,500	457,445	457,445
Variable annual compensation	355,320	648,600	394,550	355,320
Benefits of any kind [b]	4,620	4,620	3,080	3,080
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [c]	N/A	N/A	N/A	N/A
Total	**1,041,440**	**1,334,720**	**855,075**	**815,845**

(a) Gross amount. The amounts due correspond to amounts allocated in respect of the fiscal year concerned. The amounts paid correspond to amounts effectively paid during the fiscal year and include amounts due in respect of the preceding fiscal year.
(b) Benefits in kind correspond to the Company car pool and drivers made available to all Executive Committee members.
(c) The three corporate officers are not entitled to attendance fees.

2014 annual fixed compensation

The fixed compensation of Mr. Franck RIBOUD, in his capacity as Chairman and Chief Executive Officer, due for the period from January 1 to September 30, 2014, amounts to €787,500; it has remained stable for seven years.

On September 2, 2014, in the framework of the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer, Mr. Franck RIBOUD was appointed Chairman of the Board of Directors effective October 1, 2014. The missions of the Chairman of the Board of Directors of Danone, defined by the Board's rules of procedure, were expanded and are in particular more extensive than those provided for by law. The rules of procedure stipulate in particular that he presides over and chairs the Strategy Committee; ensures compliance with Danone's values and culture; may, upon request by the Chief Executive Officer, represent the Company in its high-level relations at a national and international level, and in particular with public authorities and with the Company's partners and strategic stakeholders; and lastly may, without prejudice to the prerogatives of the Board of Directors and its Committees, be regularly consulted by the Chief Executive Officer concerning all events of significance with regard to the Company's strategy in the framework of the policies set by the Board of Directors, major external growth projects, large-scale financial operations, societal initiatives or the appointment of directors for the key activities and functions in the company. Upon invitation by the Chief Executive Officer, the Chairman may participate in internal meetings with the Company's managers and teams in order to share his input on strategic issues.

The Board of Directors at its session of September 2, 2014, upon recommendation by the Nomination and Compensation Committee, decided to allocate to Mr. Franck RIBOUD in respect of his functions as Chairman of the Board of Directors, fixed compensation of €500,000 for the period from October 1 to December 31, 2014, given the expanded missions of the Chairman of the Board, the seniority of Mr. Franck RIBOUD within the Group, his intimate knowledge of Danone's markets, culture and environment, his expanded role as Chairman of the Board and the need to prepare for his succession at the head of Danone under the best conditions. The organization of the succession of Danone's executive management has been carried out in a proactive and forward-looking manner.

Concerning the annual compensation of the Chairman of the Board, Mr. Franck RIBOUD will receive only a fixed salary. The separation of the functions of Chief Executive Officer and Chairman was proposed by Mr. Franck RIBOUD with the aim of preparing his succession at the head of the company under the best conditions and focusing on Danone's major medium - and long-term strategic orientations.

The Lead Independent Director, Mr. Jean LAURENT, was involved in the discussions and organization of the General Management succession plan.

Several factors were taken into consideration, including the fact that Mr. Franck RIBOUD, in his capacity as Chairman and Chief Executive Officer, had transformed the Group into a global company focused on emerging markets and prepared for tomorrow's challenges, that the value of Danone's stock increased fivefold over the course of his term of office, that the dividend never decreased and, lastly, that Mr. Franck RIBOUD embodies Danone and its values, its management style and its very unique culture.

Therefore, the Board of Directors, upon recommendation by the Nomination and Compensation Committee and the Lead Independent Director, accepted Mr. Franck RIBOUD's proposal to organize his succession, even before he turns 60, but wished for him to maintain a full-time involvement in the Company without holding executive office, in order to ensure a smooth, gradual transition, and therefore arranged an enhanced chairmanship enabling Mr. Franck RIBOUD to remain fully involved in the company's activity.

Since October 2014, in addition to overseeing the work of the Board of Directors and in the framework of the enhanced chairmanship, Mr. Franck RIBOUD actively devoted himself to several missions, the most important of which are the following:

- support for the introduction of the new General Management and presentation of the new governance principles to the Danone teams (in particular via a presence at conventions and major in-house events, at various management meetings) and to the company's major commercial and financial partners;
- configuration of the Strategy Committee, which will begin its work in first-half 2015: proposed composition, method of operation, work and discussion themes and topics, principle of coordinating the committee's work with that of the Board, etc;
- dialogue with the management team regarding the Danone 2020 project, begun in April 2014, in particular to help set the goals and the levels of ambition of the various priorities;
- representation of the Company through meetings with high-ranking public authorities, in particular French, Russian and American, and with the shareholders of some of the Company's international entities, notably in Latin America;
- participation in several symbolic events for Danone's development and image, such as the inauguration of a research and development center in Argentina and the world final of the Danone Nations Cup in Brazil; and
- participation in various projects related to Danone's culture and the dual economic and social project, such as the launch of the new Livelihoods fund for family farming in alliance with Mars Inc.

The preparation of the organization of Mr. Franck RIBOUD's succession was thus perfectly managed. It enabled the entry into a smooth and progressive transition starting as early as October 1, considered as remarkable.

The fixed compensation of Mr. Emmanuel FABER, in his capacity as Deputy General Manager, due for the period from January 1 to September 30, 2014, amounts to €511,125; it has been stable for four years. On September 2, 2014, in the framework of the separation of the functions of Chairman of the Board of Directors and Chief Executive Officer, Mr. Emmanuel FABER was appointed Chief Executive Officer. Upon recommendation by the Nomination and Compensation Committee, the Board of Directors decided to allocate him a fixed compensation of €250,000 for the period from October 1 (the date his appointment took effect) to December 31, 2014.

Lastly, the fixed compensation of Mr. Bernard HOURS, in his capacity as Deputy General Manager, due for the period from January 1 to September 2, 2014, amounts to €457,445; it had been stable for four years.

2014 annual short-term variable compensation

Compensation target and annual cap set for fiscal year 2014

The Board of Directors of February 19, 2015, in accordance with the policy described above in the section *Principles of the compensation policy for Group executives* and upon recommendation by the Nomination and Compensation Committee, set the target amount of the variable short-term compensation to be paid in 2015 in respect of fiscal year 2014, subject to performance conditions, at €1,594,688 for Mr. Franck RIBOUD, for Mr. Emmanuel FABER in respect of the period from January 1 to September 30, 2014 at €435,690 and for the period from October 1, 2014 to December 31, 2014 at €257,500, and for Mr. Bernard HOURS for the period from January 1, 2014 to September 2, 2014 at €394.550.

The target amount of the variable short-term compensation of Mr. Franck RIBOUD for the period from January 1 to September 30, 2014, in respect of his functions as Chairman and Chief Executive Officer, was €1,063,125.

The target amount of the variable short-term compensation of Mr. Emmanuel FABER, for the period from January 1 to September 30, 2014, in respect of his functions as Deputy General Manager, was €423,000, and for the period from October 1 to December 31, 2014, in respect of his functions as Chief Executive Officer, was €250,000.

The target amount of the variable short-term compensation of Mr. Bernard HOURS for the period from January 1 to September 2, 2014, in respect of his functions as Deputy General Manager, was €376,000.

Concerning Mr. Franck RIBOUD, who held the office of Chairman and Chief Executive Officer until October 1, 2014, the cap on his variable annual short-term compensation, in respect of 2014, had been set by the Board of Directors upon recommendation by the Nomination and Compensation Committee at 236% of his fixed compensation.

The cap for the variable annual short-term compensation of Mr. Emmanuel FABER (until September 30, 2014) and Mr. Bernard HOURS (until September 2, 2014) was set at 166% of their fixed compensation, and the cap for the variable annual short-term compensation of Mr. Emmanuel FABER, starting from October 1, 2014, was set at 200% of his fixed compensation.

Review of achievement of objectives

The Group results for fiscal year 2014 led to a payment to corporate officers of a variable annual compensation that is differentiated and above the target for this year.

After analyzing the results, the criteria linked to the variable economic portion have been met. They had been established by reference to the Group's objectives as disclosed to the market. As a reminder, these objectives were as follows: increase in sales between 4.5% and 5.5% on a like-for-like basis, stable trading operating margin within a range of -20 bps and +20 bps on a like-for like basis and free cash-flow of around €1.5 billion excluding exceptional items.

The objectives linked to the social portion have been overpassed. Indeed, the various plans aimed at adapting the organizations and industrial capacities notably in Europe were well-managed (savings, high quality social dialogue, setting up of clusters and simplification of business processes). In addition, in the area of work safety, 2014 was marked by the relaunch of the "WISE" initiative at worldwide level and by the achievement of results with regard to frequency and seriousness rates far exceeding expectations.

The objectives linked to the managerial portion have been fully achieved for the Deputy General Managers and for the Chief Executive Officer. The quality of action plans to prepare the future, the definition of Danone's business scopes and the development in the African region were selected. With regard to the Chairman and Chief Executive Officer, the preparation of the organization of his succession was perfectly managed. It enabled the entry into, a smooth and progressive transition starting as early as October 1, considered as remarkable by the Board.

Weightings

For the first nine months of 2014, the following weightings were applied for the Deputy General Managers (as well as for the last three months of the year for the Chief Executive Officer): 60% for the economic objectives, 20% for the social objectives and 20% for the managerial objectives. These same weightings were homogeneously applied for the 1,300 Danone general managers and senior executives in the world, the definition of the objectives being necessarily adapted to the various management teams' specific responsibility scopes (Division, regions, business units).

For the first nine months of 2014, the following weightings were applied for the Chairman and Chief Executive Officer: 40% for the economic and social objectives and 60% for the managerial objectives.

Mr. Franck RIBOUD, since his appointment as Chairman of the Board of Directors effective October 1, 2014, does not receive any variable compensation for his office as Chairman of the Board.

Annual variable compensation target for 2015

The Board of Directors of February 19, 2015, in accordance with the policy described above in the section *Principles of the compensation policy for Group corporate executives* and upon recommendation by the Nomination and Compensation Committee, confirmed the decision of the Board of Directors of September 2, 2014 which had set the variable short-term compensation target to be paid in 2016 in respect of fiscal year 2015, subject to performance conditions, at €1,000,000 for Mr. Emmanuel FABER. The cap on this compensation has been set at 200% of his fixed compensation.

Details of Group performance units granted to corporate officers

The Board of Directors, upon recommendation of the Nomination and Compensation Committee, grants Group performance units annually to corporate officers (for more information see section *General principles of Group performance units* above).

Grant of Group performance units and amounts paid to corporate officers

The value of Group performance units granted and amounts paid during fiscal years 2013 and 2014 to corporate officers breaks down as follows:

	Fiscal year ending on December 31			
(in €)	**2013**		**2014**	
Name	**Value of Group performance units granted during the year [a]**	**Amounts paid [b]**	**Value of Group performance units granted during the year [a][c]**	**Amounts paid [b]**
Franck RIBOUD	545,000	1,500,000	675,000	1,000,000
Emmanuel FABER	412,500	750,000	486,000	560,000
Bernard HOURS[c]	412,500	750,000	–	600,000

(a) For 2013, the value is equal to €20 per Group performance unit as the margin objectives was not achieved (see details above).
(b) The amounts paid in 2013 were paid in respect of the Group performance units granted in 2010 given the achievement of the performance conditions in 2010, 2011and 2012 (see details above). The amounts paid in 2014 were paid in respect of the Group performance units granted in 2011 given the achievement of the performance conditions 2011 and 2012, since the 2013 performance condition was not achieved (see details above).
(c) The grant of GPU in 2014 was canceled following the departure of Mr. Bernard HOURS.

History of Group performance unit grants to corporate officers

The Group performance units granted to each corporate officer break down as follows:

Year of grant	2011	2012	2013	2014
Date of Board of Directors' meeting granting the Group performance units	04/28/2011	07/26/2012	07/26/2013	07/24/2014
Of which, granted to				
Franck RIBOUD				
Number of Group performance units	*50,000*	*27,250*	*27,250*	*25,000*
Maximum value of Group performance units granted during the year [a]	*1,500,000*	*817,500*	*545,000*	*675,000*
Emmanuel FABER				
Number of Group performance units	*28,000*	*20,625*	*20,625*	*18,000*
Value of Group performance units granted during the year [a]	*840,000*	*618,750*	*412,500*	*486,000*
Bernard HOURS [c]				
Number of Group performance units	*30,000*	*20,625*	–	–
Value of Group performance units granted during the year [a]	*900,000*	*618,750*	–	–
Group performance unit characteristics				
Year paid	2014	2015	2016	2017
Performance conditions [a]	Objectives set for each of the 2011, 2012 and 2013 fiscal years	Objectives set for each of the 2012, 2013 and 2014 fiscal years	Objectives set for each of the 2013, 2014 and 2015 fiscal years	Objectives set for each of the 2014, 2015 and 2016 fiscal years
Review to determine whether performance conditions have been achieved	Achievement of objectives for 2011 and 2012, but not for 2013 [b]	• Achievement of objectives for 2012 [b] • Non-achievement of objectives for 2013 [b] • Partial achievement of objectives for 2014 [b]	• Non-achievement of objectives for 2013[b] • Partial achievement of objectives for 2014[b] • A review will be conducted in 2016 to determine whether the 2015 objectives were achieved	• Partial achievement of objectives for 2014[b] • A review will be conducted in 2016 and 2017 to determine whether the 2015 and 2016 objectives were achieved
Unit value of Group performance units	€20 (as the objectives for 2013 were not met)	€17 (as the objectives for 2013 were not met and the objectives for 2014 were only partially met)	Maximum €17 (as the objectives for 2013 were not met and the objectives for 2014 were only partially met)	Maximum €27 (as the objectives for 2014 were only partially met)

(a) See details of these objectives above.
(b) See details of possible achievement of these objectives above.
(c) The GPUs granted in 2013 and 2014 to Mr. Bernard HOURS were canceled following his departure. As Mr. Bernard HOURS left the Group on December 19, 2014, the 20,625 GPU granted in 2012 relating to the 2012, 2013 and 2014 objectives will be paid at normal intervals and remain entirely subject to unchanged performance conditions.

For information, the Board of Directors decided, as part of the overall assessment of the compensation of the Chairman of the Board, that no Group performance unit would be granted to him in 2015.

The performance conditions are presented in section *Group performance units annual objectives* above.

Details of Group performance shares granted to corporate officers

The Board of Directors, upon the recommendation of the Nomination and Compensation Committee, grants Group performance shares annually to corporate officers (as detailed in section *Long-term compensation in the form of Group performance shares (program introduced in 2010)*).

Grant in the fiscal year and history of Group performance share grants to corporate officers

Group performance shares granted to Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS are presented hereafter (information required pursuant to the French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers, Tables 6 and 10 of the French Financial Markets Authority nomenclature):

Group performance share plans outstanding					
Shareholders' Meeting authorizing the Group performance shares		04/22/2010	04/26/2012	04/25/2013	04/29/2014
Group performance shares authorized by the Shareholders' Meeting [a]		2,587,963	2,568,986	1,268,724	1,262,056
Of which Group performance shares not granted		*1,229,737*	*1,784,674*	*447,081*	*483,685*
Board of Directors' meeting granting the Group performance shares	07/26/2010	04/28/2011	07/26/2012	07/26/2013	07/24/2014
Plans	"3+2" and "4+0"	"3+2" and "4+0"	"3+2" and "4+0"	"4+0"	"4+0"
Number of Group performance shares granted	644,565	696,311	780,912	821,643	778,371
Group performance share characteristics for "3+2" plans [b]					
Delivery date	07/27/2013	04/29/2014	07/27/2015	07/27/2017	07/25/2018
Retention period [c]	2 years	2 years	2 years	–	–
Performance conditions [d]	Conditions determined at the February 10, 2010 Board meeting: • average (arithmetic) annual growth in consolidated sales of 5% over two fiscal years; • average (arithmetic) annual growth in free cash-flow of 10% over two fiscal years.		Conditions determined at the February 14, 2012 Board meeting: • growth in sales equal to or greater than the median sales of the Panel over the 2012, 2013 and 2014 fiscal years; • achievement of a consolidated free cash-flow level of at least €2 billion per year on average over the 2012 and 2013 fiscal years.	Conditions determined at the February 18, 2013 Board meeting: • average growth in sales equal to or greater than the median sales of the Panel over the 2013, 2014 and 2015 fiscal years; • achievement of a trading operating margin level for 2013 and 2014.	Conditions determined at the February 19, 2014 Board meeting: • average growth in sales equal to or greater than the median sales of the Panel over the 2014, 2015 and 2016 fiscal years; • average growth in trading operating margin over fiscal years 2014, 2015 and 2016.
Review to determine whether performance conditions have been achieved	Achievement for the two fiscal years determined by the February 14, 2012 Board of Directors' meeting (average growth in 2010 and 2011 (i) in consolidated sales of 7.3%, and (ii) in free cash-flow of 14.3%).	Achievement for the two fiscal years determined by the February 18, 2013 Board of Directors' meeting (average growth in 2011 and 2012 (i) in consolidated sales of 6.6 %, and (ii) in free cash-flow of 11.7 %).	• The Board of Directors will conduct a review at the end of first half 2015 to determine whether these criteria were met, upon recommendation of the Nomination and Compensation Committee; • The non-achievement of the free cash-flow objective was noted by the Board of Directors on February 19, 2014.	• Sales growth objective from 2013 to 2015: the Board of Directors will conduct a review in 2016 to determine whether this criterion was met; • The non-achievement of the trading operating margin objective was noted by the Board of Directors on February 19, 2014.	The Board of Directors will conduct a review in 2017 to determine whether these criteria were met.

Group performance shares granted to corporate officers					
Franck RIBOUD					
Number of Group performance shares	*38,750*	*40,000*	*54,500*	*54,500*	*50,000*
Value of Group performance shares granted during the year [e]	*1,497,688*	*1,716,560*	*2,197,985*	*1,882,413*	*2,513,500*
Number of void or canceled Group performance shares [f]	–	–	–	–	–
Number of available Group performance shares	–	–	–	–	–
Emmanuel FABER					
Number of Group performance shares	*25,000*	*28,000*	*41,250*	*41,250*	*36,000*
Theoretical value of Group performance shares granted during the year [e]	*966,250*	*1,201,592*	*1,663,613*	*1,424,775*	*1,809,720*
Number of void or canceled performance shares [f]	–	–	–	–	–
Number of available Group performance shares	–	–	–	–	–
Bernard HOURS					
Number of Group performance shares	*25,000*	*30,000*	*41,250*	*41,250*	*36,000*
Theoretical value of Group performance shares granted during the year [e]	*966,250*	*1,287,420*	*1,663,613*	*1,424,775*	*1,809,720*
Number of void or canceled Group performance shares [f]	–	–	*41,250*	*41,250*	*36,000*
Number of available shares	–	–	–	–	–

(a) Authorization expressed as a percentage of the Company's share capital at the close of the Shareholders' Meeting and excluding any adjustments likely to take place.
(b) For the 2010, 2011 and 2012 grants, Group performance shares under the "3+2" plans were granted to corporate officers. In 2013, the Board of Directors, upon the recommendation of the Compensation and Nomination Committee, decided that they would be granted Group performance shares under a "4+0" plan.
(c) The retention period starts from the delivery date. These shares are subject to a retention obligation described in the section *Compensation and benefits paid to corporate officers* concerning the *Obligation to hold Company shares resulting from vestings of Group performance shares*.
(d) Conditions other than continuous employment condition.
(e) For the 2010, 2011, 2012 and 2014 fiscal years, the carrying amount represents the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that performance conditions are met (see details above and Note 7.4 of the Notes to the consolidated financial statements). For fiscal year 2013, the amount indicated reflects the non-achievement of the performance condition relating to the margin, i.e. a decrease of one-third of the value of the Group performance shares granted in July 2013.
(f) The notion of void or canceled Group performance shares covers the cases where the continuous employment condition was not satisfied and does not include the Group performance shares that were not vested because of the non-achievement of performance conditions.

For information, the Board of Directors decided, as part of the overall assessment of the compensation of the Chairman of the Board, that no Group Performance Shares would be granted to him in 2015. The performance conditions are described above in section *Description of Group performance share conditions*.

Delivery of Group performance shares

In accordance with Article L. 225-184 of the French commercial code, the Company's shares delivered in 2014 to Messrs. Franck RIBOUD and Emmanuel FABER are presented in the following table:

Year ended December 31, 2014

	Date of Board of Directors' meeting granting the shares	Date of delivery	Number of shares delivered	Retention period [a]
Franck RIBOUD	04/28/2011	04/29/2014	40,000	2 years
Emmanuel FABER	04/28/2011	04/29/2014	28,000	2 years

(a) The retention period starts on the delivery date. These shares are subject to a retention obligation described in the section *Compensation and benefits paid to corporate officers* concerning the *Obligation to hold Company shares resulting from vestings of Group performance shares*.

In accordance with the provisions of the 2011 GPS plan, the Board of Directors decided to remove the continuous employment condition applicable to the 30,000 GPS granted to Mr. Bernard HOURS (that were initially 3+2 GPS which were transformed into 4+0 due to Mr. Bernard HOURS' move to the Netherlands in 2013). To the extent that the attainment of the performance conditions for these GPS had already been validated and the continuous employment condition for these 2011 GPS would have expired in 2014 if Mr. Bernard HOURS had stayed in France, the Board decided to maintain the delivery of the 30,000 GPS in April 2015 pursuant to the provisions of this plan.

Obligation for corporate officers and other Executive Committee members to retain the Company shares from the delivery of Group performance shares

All corporate officers and other Executive Committee members are also subject to an obligation to hold the shares in the Company they acquired through Group performance shares. They must hold (in the registered form) a number of shares derived from each Group performance share plan granted as from July 26, 2010 (until termination of their corporate functions) corresponding to 35% of the capital gains upon acquisition, net of tax and social security contributions, which would be realized if all shares resulting from each Group performance share plan granted to the executive were sold.

Given the significant level of the obligation to hold shares applicable to corporate officers and other Executive Committee members, the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, agreed it was not necessary to require them to purchase a certain number of Company shares at the end of the holding period for their shares subject to performance conditions.

In addition, acting upon recommendation of the Nomination and Compensation Committee, the Board of Directors' of February 14, 2012 decided to complement the current system with the addition of an overall holding ceiling for shares resulting from the delivery of group performance shares or from stock-options, representing in shares the equivalent of four years of fixed compensation for General Management and two years of fixed compensation for the other members of the Executive Committee. This scheme complies fully with the new recommendations of the AFEP-MEDEF Code regarding the requirement to retain shares acquired by the corporate officers.

The Board of Directors confirmed the holding obligation at the time of (i) the renewal of the terms of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER on February 18, 2013, and Mr. Bernard HOURS on February 19, 2014, and (ii) the granting of Group performance shares decided by the Board of Directors meeting of July 24, 2014.

Details of stock-options granted to corporate officers

History of stock-option grants to corporate officers

Stock-options outstanding in 2014 and granted to Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS are presented in the table hereafter:

Stock-option plans outstanding				
Shareholders' Meeting authorizing the options		04/22/2005		04/26/2007
Stock-options authorized by the Shareholders' Meeting		6,000,000 [b]		6,000,000 [b]
Of which stock-options not granted		*1,497,900* [c]		*476,942* [c]
Board of Directors' meeting authorizing the stock-options	04/27/2006	04/26/2007	04/29/2008	04/23/2009 [d]
Stock-options granted [a]	**2,045,853**	**2,633,517**	**2,762,403**	**2,704,611**
Stock-option characteristics				
First exercise date	04/27/2010	04/26/2011	04/29/2011	04/23/2013
Expiration date	04/26/2014	04/25/2015	04/28/2016	04/22/2017
Exercise price	46.92	57.54	53.90	34.85
Options granted to corporate officers				
Franck RIBOUD				
Number of options	*212,000*	*424,000*	*212,000*	*164,300*
Value of options granted [e]	*2,088,000*	*5,846,000*	*3,142,000*	*1,573,250*
Emmanuel FABER				
Number of options	*56,180*	*56,180*	*106,000*	*82,150*
Value of options granted [e]	*553,320*	*774,595*	*1,571,000*	*786,625*
Bernard HOURS				
Number of options	*56,180*	*56,180*	*106,000*	*82,150*
Value of options granted [e]	*553,320*	*774,595*	*1,571,000*	*786,625*

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.
(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.
(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.
(d) Last grant to corporate officers.
(e) Represents the entirety of the estimated fair value on the grant date in accordance with IFRS 2 and before adjustment for the effect of the capital increase of June 25, 2009. See Note 7.4 of the Notes to the consolidated financial statements.

Exercise of stock-options

In accordance with Article L. 225-184 of the French commercial code, details of the exercise of Company stock-options in fiscal year 2014 by Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS (relating to grants made prior to the termination of the stock-option program after 2009, the last grant date), are presented in the table hereafter (information required pursuant to the French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers – Table 5 of the French Financial Markets Authority nomenclature):

Year ended December 31, 2014

	Date of Board of Directors' meeting granting the options	Exercise date	Number of options exercised	Average exercise price
Franck RIBOUD	04/27/2006	02/21/2014	212,000	46.92
Emmanuel FABER	04/27/2006	03/20/2014	56,180	46.92
Bernard HOURS	04/23/2009	12/04/2014	44,333	34.85
	04/23/2009	12/05/2014	37,817	34.85

Obligation to hold Company shares resulting from exercise of stock-options

All corporate officers and other Executive Committee members are subject to an obligation to hold the shares in the Company they acquired through the exercise of stock-options. In accordance with Article L. 225-185 of the French commercial code, the Chairman of the Board and the Chief Executive Officer must hold (in the registered form) a certain number of shares resulting from the exercise of options granted under each stock-option plan approved from January 1, 2007 until such time as the termination of their functions.

Accordingly, the Board of Directors has decided (i) that this commitment to hold a portion of the shares would apply to a number of shares corresponding to 35% of the capital gain upon acquisition, net of tax and social security contributions, realized on all of the shares resulting from an exercise of stock-options by the executive concerned under this plan, and (ii) to subject all other members of the Executive Committee to this obligation to hold shares to the same conditions.

Also, in accordance with the AFEP-MEDEF Code and upon recommendation of the Nomination and Compensation Committee, the Board of Directors reviewed and confirmed the obligation to hold shares resulting from the exercise of options as part of the review of the compensation of officers in February 2015.

Agreements, plans and indemnities applicable to corporate officers

Summary of agreements, plans and indemnities applicable to the corporate officers

The table hereafter shows the various agreements, plans and indemnities applicable to individuals having held office as corporate officers of the Group during the fiscal year closed on December 31, 2014 (information required pursuant to the French Financial Markets Authority recommendation relative to disclosures in registration documents on compensation of corporate officers – Table 11 of the French Financial Markets Authority nomenclature):

Name	Work contract [(a)]		Supplementary retirement plan [(b)]		Indemnities or benefits due likely to be due as a result of termination or change in function [(c)]		Indemnities relating to a non-compete clause [(d)]	
	Yes	No	Yes	No	Yes	No	Yes	No
Franck RIBOUD	x		x			x		x
Chairman of the Board								
Date of first appointment: 1992								
Date appointment ends: 2016								
Emmanuel FABER	x		x		x		x	
Chief Executive Officer								
Date of first appointment: 2002								
Date appointment ends: 2016								

(a) The employment contracts of Messrs. Franck RIBOUD and Emmanuel FABER have been suspended, see section *Suspension of employment contract of corporate officers hereafter*.
(b) These supplementary retirement plans are described in section *Obligations relative to executives' supplementary retirement plans* hereafter.
(c) The indemnities payable in the event of certain cases of the cessation of the corporate mandates of corporate officers are detailed in section *Termination indemnities for corporate officers* hereafter. In the event that these office holders are dismissed, no contractual indemnity would be payable. The indemnities provided for in the collective agreement (Group collective status) would be due, however. The application conditions of these indemnities are set out in section *Termination indemnities for corporate officers* hereafter.
(d) This clause applies solely in the event of the resignation of the officer concerned and enables the Group either to activate the clause for a period of 18 months in exchange for financial compensation equivalent to 50% of the officer's fixed and variable compensation, or to release him from the clause with no financial compensation. See section *Non-compete indemnities* hereafter for more information on the non-compete clause.

Termination indemnities for corporate officers

Principles

Upon the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer, Mr. Emmanuel FABER was appointed Chief Executive Officer. At that time, the Board, upon recommendation by the Nomination and Compensation Committee, renewed in identical terms the entire system in respect of termination indemnity from which Mr. Emmanuel FABER already benefited in the framework of his term of office as Deputy General Manager and which had been approved by the Company's shareholders in the ninth resolution of the Shareholders' Meeting of April 25, 2013. In accordance with applicable law, payment of this termination indemnity is subject to performance conditions. Comprehensive information relating to the termination indemnity of the Mr. Emmanuel FABER is provided in the Statutory auditors' report on related-party agreements in section 6.5 *Statutory auditors' report on related party agreements and commitments*.

This system is identical to that benefiting Mr. Bernard HOURS in respect of his term of office as Deputy General Manager, which was approved by the Company's shareholders in the fourteenth resolution of the Shareholders' Meeting of April 29, 2014, and was implemented upon his departure.

Lastly, since October 1, 2014, Mr. Franck RIBOUD, now Chairman of the Board, is no longer eligible to receive a termination indemnity in respect of his office.

The termination indemnities for Danone corporate officers have the following characteristics, these being in accordance with the recommendations of the AFEP-MEDEF Code:

- application of demanding performance conditions covering a five-year period preceding the date on which the corporate officer's duties end;
- the amount of the termination indemnity due in certain cases of termination of the corporate office (i) is capped at two years of gross compensation (fixed and variable) and (ii) in the event that it is paid in addition to the indemnity due in case of termination of the duties as a salaried employee, it is included within a global cap, also limited to two years of gross compensation (fixed and variable), applicable to all termination indemnities, pursuant to the corporate office as well as to the duties as a salaried employee; and
- payment of the termination indemnity only being applicable in the event of forced termination, of whatever form, and linked to a change in control or of strategy.

Comprehensive information concerning the termination indemnities for the Company's corporate officers is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.

Termination indemnity paid to Mr. Bernard HOURS

In the framework of the end of the term of office of Deputy General Manager of Mr. Bernard HOURS, the Board implemented the provisions concerning his termination indemnity which had been approved by the Company's shareholders in the fourteenth resolution of the Shareholders' Meeting of April 29, 2014.

Thus, payment of the termination indemnity results from a forced departure and reflects the change in the Group's strategic orientations. This change in strategy is related to the definition by the Group of new medium-term strategic priorities, after in-depth discussions held since the beginning of 2014. This has resulted, in particular, in a change in the Group's management, the simplification of decision-making processes, and the introduction of new cross-organization structures. In particular, the creation of the new Africa Division, whose manager is a member of the Executive Committee, will put the management of the Group's four business lines for a strategic region under one Division (whereas previously each Division corresponded to a particular business line).

The termination indemnity in respect of his term of office as Deputy General Manager and in respect of the termination of his employment contract, were subject to the achievement of a performance condition, approved by the Shareholders' Meeting of April 29, 2014. The Board of Directors verified the achievement of this performance condition. To do so, it commissioned an advisory bank which verified that the performance condition for the reference period (*i.e.* from 2009 to 2013) was met: the 5.6% growth in Group sales was higher than the 4.25% median growth in sales of the benchmark panel (comprising Kellogg Company, Unilever N.V., PepsiCo Inc., the Coca-Cola Company and General Mills Inc.) for the reference period.

Therefore, the Board, upon recommendation by the Nomination and Compensation Committee, authorized payment of the entirety of the amount due in respect of the termination indemnity for Mr. Bernard HOURS, *i.e.* €2,109,640, of which €1,787,920 in respect of termination indemnity for the termination his employment contract (stipulated in Danone's collective agreement and applicable to all Danone employees), and €321,720 in respect of his term of office as Deputy General Manager, noting that Mr. Bernard HOURS received no termination indemnity in respect of his Dutch Statutory Director Contract. For more information, see section 6.5 *Statutory auditors' special report on related party agreements and commitments*.

Thus, in accordance with the recommendations of the AFEP-MEDEF Code, the total sums received by Mr. Bernard HOURS in the framework of the termination of his functions did not exceed twice the gross annual compensation (fixed and variable included) received by Mr. Bernard HOURS during the twelve months preceding the date of termination of his functions.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors verified that the termination indemnity of Mr. Bernard HOURS was not combined with pension rights available in the short term. Mr. Bernard HOURS will only be eligible for the executive pension scheme starting in 2018, subject to his not resuming salaried employment. He was dismissed after age 55 and, in accordance with French regulations and Danone's practices, the beneficiaries of this Danone's pension plan are protected in case of dismissal after age 55 but not before reaching retirement age.

Employment contract of the Chairman of the Board

As of December 31, 2014, Mr. Franck RIBOUD has been with the Group for 33 years, including more than 18 years as Chairman and Chief Executive Officer of Danone.

Note for information that at its July 21, 2004 meeting, the Board of Directors updated the conditions under which the employment contract of Mr. Franck RIBOUD (which had been suspended on August 26, 1994 when he was appointed as corporate officer of the Company) would be resumed if his term of office ended, for whatever reason, and established that:

- the amount of time during which he has exercised his duties as corporate officer for the benefit of the Company will be entirely taken into account with respect to seniority and his resulting rights within the framework of his employment contract;
- the Company undertakes to offer him a position involving duties comparable to those currently exercised by the members of the Company's Executive Committee;
- the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the 12 months preceding the resumption of his employment contract; and
- he will benefit from the Company's supplementary retirement plan for executives based on his seniority as an officer and under his employment contract.

Suspension of the employment contract of corporate officers

Concerning Mr. Franck RIBOUD, in the context of the separation of the offices of Chairman and Chief Executive Officer, upon recommendation by the Nomination and Compensation Committee, the Board of Directors meeting of September 2, 2014 confirmed the position taken by the Board in 2013 and considered that it was appropriate to maintain, while continuing to suspend, the employment contract of Mr. Franck RIBOUD and that of Mr. Emmanuel FABER, given their age, personal situation and seniority as employees with the Group. Indeed, the Board considered this system relevant for executives with at least ten years of seniority within the Group, to encourage internal promotion and the sustainable management that the Company is striving to implement, as terminating the employment contract could, on the contrary, dissuade internal candidates from accepting positions as corporate officers.

The Board believed that implementing the AFEP-MEDEF Code recommendations to permanently terminate these employment contracts would cause them to lose the rights gradually acquired under their employment contracts during their careers at the company (33 years for Mr. Franck RIBOUD and 17 years for Mr. Emmanuel FABER), particularly the benefits gradually acquired throughout their career at Danone based on seniority and actual service, *i.e.* termination indemnities and long-term benefits such as participation in group plans, compensation which, in any case, may not exceed in their entirety the cap of two years of compensation (fixed and variable).

In addition, the French Financial Markets Authority considers that it is in compliance with the AFEP-MEDEF Code for an employment contract to remain in force in view of an executive's (i) length of service as an employee within the company, and (ii) his or her personal situation.

Concerning Mr. Bernard HOURS, his employment contract was automatically reactivated when his term of office as Deputy General Manager was terminated. Discussions took place between the Company and Mr. Bernard HOURS, following which a termination procedure was implemented. This procedure led to the termination of the employment contract of Mr. Bernard HOURS in December 2014.

Employment contract of the Chief Executive Officer

Concerning Mr. Emmanuel FABER, the Board of Directors meeting of February 13, 2008 authorized an amendment to his existing employment contract, aimed at determining the conditions for reactivation of his employment contract (suspended upon his appointment as an officer of the Company) in the hypothesis of the end of his term of office as an officer for whatever reason. This amendment stipulates that:

- the amount of time during which he will have exercised his duties on behalf of the Company will be entirely taken into account with respect to seniority and to the resulting rights within the framework of his employment contract;
- the Company undertakes to offer him a position involving duties comparable to those currently exercised by the members of the Company's Executive Committee;
- the annual compensation that will be paid out to them cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the 12 months preceding the resumption of their employment contract;
- he will benefit from the Company's defined benefit pension plan based on his seniority as an officer and under his employment contract; and
- the contractual indemnity due in the event of a breach of the employment contract will be canceled.

Non-compete indemnities

The non-compete clause currently applicable to Mr. Emmanuel FABER, Chief Executive Officer of the Company (there is no non-compete clause included in the suspended employment contract of Mr. Franck RIBOUD, Chairman of the Board) enables the Group either to activate the clause for a period of 18 months in exchange for gross monthly financial compensation paid to him equivalent to 50% of his gross average fixed and target variable compensation paid over the last 12 months ("Consideration for non-compete clause"), or to release him from the clause with no financial compensation.

This non-compete clause aims to protect the Company, and potential non-compete indemnities constitute the necessary financial consideration for the restrictions imposed.

Moreover, to avoid any aggregation of (i) the indemnity provided for by Danone's collective agreement applicable to all Company employees (the "Indemnity for termination of employment contract"), (ii) the indemnity due in certain instances of termination of the term of their office, and (iii) the Non-compete clause consideration, which would exceed twice the gross annual compensation (comprising both fixed and variable compensation) and which would therefore breach the recommendations of the AFEP-MEDEF Code, the Board of Directors' meeting on February 10, 2010, upon recommendation of the Nomination and Compensation Committee, amended the suspended employment contract of Mr. Emmanuel FABER such that the non-compete clause may only be exercised by the Company in the event of resignation, in which event neither an indemnity for termination of the employment contract nor any indemnity due in certain cases of termination of their term of office would be paid.

Mr. Bernard HOURS, for his part, received no non-compete indemnity in the framework of his departure from the Company.

Obligations relative to executives' supplementary retirement plans

Corporate officers are covered by a defined benefit retirement plan provided to employees who are classified as senior executives. This retirement plan was closed to all new beneficiaries on December 31, 2003.

In accordance with the recommendations of the AFEP-MEDEF Code, eligibility for these arrangements is subject to the following conditions:

- the group of potential beneficiaries is larger than just the corporate officers since it concerns a collective contractual commitment. As of December 31, 2014, 139 employees who were classified as senior executives and who were members of the French retirement plan as of December 31, 2003 remained eligible for membership of the said plan (excluding beneficiaries who had already liquidated their rights). It should be noted that in 2009 more than 210 executives were eligible for this plan;
- this eligibility is subject to the condition that they are performing their duties within the Group at the time of retirement, it being specified that as an exception to this principle, in the event of leaving the Group before the age of 55, the rights are forfeited and that, only in the event of dismissal after the age of 55, would the benefit of the plan be maintained provided that the beneficiary does not take up any employee position elsewhere. This last provision, although consistent with applicable French regulations, does not form part of the AFEP-MEDEF Code recommendations, however it enables the Company to protect all beneficiaries against the risk of termination after the age of 55 and before they have reached retirement age;
- beneficiaries must have at least five years' service within the Group (*i.e.* a more stringent condition than the two-year minimum set out in the AFEP-MEDEF Code);
- this benefit is taken into account by the Nomination and Compensation Committee and the Board of Directors when the total compensation of each corporate officer is set;
- the basis of calculation of this retirement guarantee corresponds to the average of the base salaries and variable annual compensation received by each beneficiary during the last three complete years of service within the Group (the term of office included). For Mr. Franck RIBOUD, if he were to retire from the Group in 2015, this average of the base salaries and annual variable compensation received for 2012, 2013 and 2014 would be €2,471,067. For information, last year, the amount including fiscal years 2011, 2012 and 2013 would have been €2,708,475; and
- the increase in the potential rights each year represents only a limited percentage of the beneficiary's compensation. Thus:

(i) the amount of the annuity which would be paid to Mr. Emmanuel FABER would correspond to: (i) 1.5% per year of service (including the period corresponding to the term of office) of this calculation base, for the portion falling between three and eight times the French social security ceiling, and (ii) 3% per year of service (including the period corresponding to the term of office) of this calculation base, for the portion that is higher than eight times the ceiling (this amount will, however, be capped on the basis of a maximum period of service of 20 years), less the full amount of the retirement rights acquired by Mr. Emmanuel FABER resulting from the implementation of the Company's non-contributory supplementary retirement plan. As of December 31, 2014 Mr. Emmanuel FABER's length of service was 17 years. The overall retirement package he would be entitled to receive would provide him with an amount equal to 51% of that portion of his compensation exceeding eight times the Social Security ceiling, as defined above. Nevertheless, in the event that he were to leave the Group before the age of 55 years, the potential entitlement from this regime would be fully canceled; and

(ii) the amount of the annuity that would be paid to Mr. Franck RIBOUD would correspond to 2% of this calculation base per year of service (this amount will, however, be capped at 65% of the calculation base), less the full amount of the retirement rights acquired by Mr. Franck RIBOUD during his professional life, including the Company's non-contributory supplementary retirement plan. As of December 31, 2014 Mr. Franck RIBOUD's length of service with the Group was 33 years. As a result, the overall retirement package he would be entitled to receive would provide him with an amount equal to 65% due to the application of the ceiling mentioned above, and is in accordance with the recommendation of the AFEP-MEDEF Code, to the extent that this retirement plan was closed to all new beneficiaries on December 31, 2003 and that the limit of 45% of income mentioned in the said Code does not concern retirement plans closed to new beneficiaries (see section 6.5 *Statutory auditors' report on related party agreements and commitments*); and

(iii) for each corporate officer, in the event of retirement without satisfying the conditions necessary for obtaining the full rate of social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have received his full rate social security pension will be applied to this annuity.

The corporate officers also benefit from the supplementary executive retirement plan (retirement plan with defined contributions implemented for executives with annual gross compensation greater than or equal to three annual social security ceilings). The amount of contributions in respect of 2014 was €33,000 for Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS. The plan regulation stipulates that the benefit derived from this plan will be deducted in full from any defined benefit retirement plan.

As of December 31, 2014, the portion of the total amount of the Group's obligation relating to the Company's corporate officers and to members of the Executive Committee under this defined benefit retirement plan amounted to €66.9 million, which takes into account the impact of the new charges applicable according to the provisions of the Act of December 22, 2014 concerning social security financing for 2015. Mr. Bernard HOURS remains eligible for the executive pension scheme starting in 2018, subject to his not resuming paid employment. He was dismissed after age 55 and, in accordance with French regulations and Danone's practices, the beneficiaries of Danone's pension plan are protected in case of dismissal after age 55 but before reaching retirement age.

The total amount paid by the Company with respect to this retirement plan for the benefit of members of the Board of Directors, based on their functions exercised within the Group, amounted to €0.9 million in 2014 and currently concerns Mr. Jacques VINCENT, on account of his 40 years of service with the Group.

As indicated above, the executives' supplementary retirement plans are a collective contractual commitment which benefits a large number of Danone managers; as of December 31, 2014, 139 employees were eligible for this collective contractual commitment. In this context, any amendment to this collective contractual commitment would require the individual agreement of each of the 139 people affected. Furthermore, entitlement to this collective contractual commitment constitutes an established right for each of these 139 beneficiaries which cannot be affected retroactively.

Accordingly, shareholders' attention is drawn to the fact that:

- the collective and contractual nature of the defined benefit plan is an obstacle to its modification and the Group reaffirms its wish to respect the contractual obligations that it has legitimately concluded;
- this retirement plan was closed to new beneficiaries as of 31 December 2003;
- the importance of the potential amounts under this plan in respect of the Chairman of the Board and the Chief Executive Officer results primarily from their length of service (33 years for Mr. Franck RIBOUD, 17 years for Mr. Emmanuel FABER) and not from the percentage used as the basis of calculation for each year of service – which is limited to 2% per year for Mr. Franck RIBOUD and to between 1.5% and 3% (see detail above) per year for Mr. Emmanuel FABER;
- all characteristics of these contractual commitments was communicated to them and submitted for their approval, approval granted with a majority of 95% during a resolution on related party agreements at the Shareholders' Meeting held in April 2008, including the specific confirmation of this retirement plan; and
- lastly, the size of the benefit resulting from this collective contractual commitment for the corporate officers concerned has been taken into account by the Nomination and Compensation Committee and by the Board of Directors in determining their overall compensation.

Individual compensation of corporate officers in accordance with the AFEP-MEDEF Code

In accordance with the recommendations of the AFEP-MEDEF Code, the table summarizing the components of compensation due or granted to each of the corporate officers and being presented to the shareholders for consultation, is presented in section 8.3 *Comments on the resolutions of the Shareholders' Meeting.*

Transactions made in 2014 involving Company shares by members of the Board of Directors and Executive Committee

Name	Position	Type of securities	Type of transaction	Transaction date	Gross price per unit *(in €)*	Number of shares	Total gross amount *(in €)*
Franck RIBOUD	Chairman and Chief Executive Officer	Shares	Exercise of stock-options	02/21/2014	46.92	212,000	9,947,040.00
		Shares	Disposal	02/21/2014	51.02	204,620	10,439,712.40
		Shares [a]	Subscription	06/03/2014	45.62	5,248	239,413.76
A person related to Franck RIBOUD		Shares [a]	Subscription	06/03/2014	45.62	244	11,131.28
Emmanuel FABER	Deputy General Manager	Shares	Exercise of stock-options	03/20/2014	46.92	56,180	2,635,965.60
		Shares [a]	Subscription	06/03/2014	45.62	1,168	53,284.16
Bernard HOURS	Deputy General Manager	Shares [a]	Subscription	06/03/2014	45.62	556	25,364.72
		Shares	Disposal	09/12/2014	54.50	6,433	350,588.07
Marc BENOIT	Executive Committee member	Other [b]	Subscription	06/05/2014	10.00	748	7,481.51
Francisco CAMACHO	Executive Committee member	Shares	Exercise of stock-options	03/31/2014	46.92	6,360	298,411.20
		Shares	Disposal	03/31/2014	51.58	6,360	328,070.42
Félix MARTIN GARCIA	Executive Committee member	Shares	Exercise of stock-options	05/30/2014	34.85	27,000	940,950
		Shares	Disposal	05/30/2014	54.77	27,000	1,478,730.60
Jacques-Antoine GRANJON	Director	Shares [a]	Subscription	06/03/2014	45.62	127	5,793.74
Jean-Philippe PARE	Executive Committee member	Shares [a]	Subscription	06/03/2014	45.62	593	27,052.65
		Other [b]	Subscription	06/05/2014	10.00	4,000	40,000.00
Benoît POTIER	Director	Shares [a]	Subscription	06/03/2014	45.62	165	7,527.30
Mouna SEPEHRI	Director	Shares [a]	Subscription	06/03/2014	45.62	127	5,793.74
Jean-Michel SEVERINO	Director	Shares [a]	Subscription	06/03/2014	45.62	126	5,748.12
Pierre-André TERISSE	Executive Committee member	Shares	Exercise of stock-options	03/18/2014	34.85	45,104	1,571,874.40
		Other [c]	Disposal	03/21/2014	83.68	1,732	144,889.03
		Shares	Exercise of stock-options	03/25/2014	34.85	5,456	190,141.60
		Shares [a]	Subscription	06/03/2014	45.62	655	29,881.10
		Other [b]	Subscription	06/05/2014	10.00	5,069	50,687.87
Lionel ZINSOU-DERLIN	Director	Shares	Purchase	07/28/2014	56.50	2,969	167,748.50

(a) This is a subscription in connection with the option offered to shareholders by the Shareholders' Meeting of April 29, 2014 to choose to receive payment of a dividend in cash or in new shares in the Company.
(b) This is a subscription as part of the annual capital increases reserved for employees of the Company and its French subsidiaries, with the subscription made to a Temporary Fund (Fonds Relais) with shares valued at €10 per share in 2014. At the completion of this capital increase, this Temporary Fund was merged into the "Fonds Danone" company investment fund.
(c) This is the sale of shares of the "Fonds Danone" company investment fund.

In the case of corporate officers and members of the Executive Committee, an obligation to hold their shares received under the terms of Group performance share plans and stock-option issues has also been implemented and is described in sections above *Obligation for corporate officers and other Executive Committee members to retain the Company shares from the delivery of Group performance shares* and *Obligation to hold Company shares resulting from exercise of stock-options.*

6

6.4 INTERNAL CONTROL AND RISK MANAGEMENT

In accordance with the Article L. 225-37 paragraph 6 of the French commercial code (*Code de commerce*), the section 6.4 *Internal control and risk management* represents the report of the Chairman of the Board of Directors on the internal control and risk management procedures implemented by the Group.

The Audit Committee examined this report of the Chairman of the Board of Directors, which had been then reviewed and approved by the Company's Board of Directors on February 19, 2015, in accordance with the French Law of July 3, 2008.

General organization of internal control

Internal control objectives and guidelines used

Internal control is a process put in place by Danone's General Management, line management and operational teams. It is designed to provide reasonable assurance, albeit not absolute certainty, that the following main objectives are being met:

- accuracy of financial information;
- compliance with applicable laws, regulations and internal policies; and
- effectiveness and efficiency of internal processes, including those related to the protection of the Group's assets.

Group's internal control referential: DANgo

Danone's internal control system is adapted to the Group's strategic orientations and consistent with its international development. The internal control referential drawn up and used by the Group – DANgo (Danone Governing and Operating Processes) is based on the reference framework implementation guidelines suggested in 2007 by the French Financial Markets Authority (*Autorité des Marchés Financiers*), completed by its application guide, and updated in 2010. This reference framework relates to risk management and internal control procedures, and approaches monitoring processes and the preparation of the accounting and financial information. This reference framework is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) I and II guidelines.

It was created in its present form in 2003, and greatly enriched in 2005 and 2006, as Danone, a publicly listed corporation in the United States at the time, was subject to the Sarbanes-Oxley Act.

It includes operating procedures (Danone Operating Models), internal control items *per se* (Danone Internal Control Evaluation), and the practices promoted by the Danone Way approach (see section 5.1 *Danone social, societal and environmental approach*) and is the subject of an annual systematic review (see section hereafter *Control environment*).

In addition, this DANgo referential is managed in an eponymous software application accessible to everyone worldwide.

Scope of internal control

Danone's internal control system applies systematically to the Group's fully consolidated subsidiaries and to certain subsidiaries consolidated as associates using the equity method. In the specific case of very small or newly-acquired entities, a simplified referential focused on the DANgo "fundamentals" was specifically established in order to facilitate their integration and development while ensuring adequate control of their financial and accounting processes.

During the fiscal year 2014, 181 Group-owned entities located in 60 countries and accounting for 99% of the Group's consolidated net sales were evaluated under Danone's internal control system, including 47 using the referential focusing on the fundamental controls.

Centrale Laitière (Morocco), which recently became a fully-consolidated subsidiary, is now integrated in the Group's internal control system for the first time in 2014.

Internal control participants

General Management

General Management is responsible for the Group's internal control system, while the Audit Committee is responsible for monitoring the effectiveness of the Group's internal control and risk management systems (see section 6.1 *Governance bodies*). In order to accomplish this, General Management relies on the Group Finance Department and the operational reporting lines (Divisions, regions, business lines, subsidiaries).

Group Finance Department

The Group Finance Department is responsible for the Finance function within the entire Group, directly through centralized functions (Finance Control, Consolidation, Reporting and Standards, Treasury and Financing, Tax, Strategy, Financial Communication, Acquisitions, Corporate Legal), and, through functional ties, with the finance directors of the respective Divisions.

The Group Finance Department is also responsible for risk management, internal control and internal audit, which enables a focus on corporate governance and compliance-related topics.

The Chief Financial Officer, who reports to the Chief Executive Officer, is a member of the Group's Executive Committee. The main heads of the Finance functions and Divisions are members of an Executive Finance Committee, which meets monthly.

Risk management

Since 2013, the Group has organized its risk identification and risk management system around two complementary processes:

- identification and management of operational risks, under the responsibility and monitoring of the Internal Control Department; and
- identification and management of strategic risks, under the responsibility and monitoring of the Financial Controlling Department.

The process for identifying and managing Group risks is described hereafter in section *Risk identification and assessment*.

Financial Controlling department

Part of the Group Finance Department, the Financial Controlling Department is responsible for the identification, management and monitoring of strategic risks. In particular, it manages the Group's strategic risk identification and management system. It is supported by several other teams, notably Group operational managers through various internal committees, including the Group Risks Executive Committee, and for the Finance business line through the finance directors of the Divisions and regions (see section hereafter *Organization of the finance function*).

Internal Control Department

Reporting to the Financial Controlling Department, the Internal Control Department is composed of a four-member central team, supported by (i) a head of the Asia/Pacific region, (ii) a coordinator dedicated to the Early Life Nutrition and Medical Nutrition Divisions, and (iii) a network of local internal controllers, who typically report to the finance directors of the subsidiaries. These internal controllers ensure that the procedures defined by the Group are properly applied in their entities and organizations.

The Internal Control Department's main responsibilities are as follows:

- preparing and rolling out DANgo, the Group's internal control referential;
- defining: (i) the priorities as regards to internal control, and (ii) the methodology to be used for the self-assessment process, its testing and documentation;
- managing and analyzing the: (i) internal control indicators, and (ii) results of the assessments and action plans implemented by the community of internal controllers;
- establishing and monitoring operational risks mapping at the various levels of the organization and managing the network of internal controllers on priority actions to be defined in response to these risk maps; and
- supporting and guiding the international network of internal controllers through coordination, communication and training.

Internal Audit Department

The Internal Audit Department reports to the Financial Controlling Department. It reports functionally to the Chairman of the Audit Committee (see section 6.1 *Governance bodies*) and submits twice a year reports to the Audit Committee on internal audit activity and fraud management.

The Internal Audit Department consists of a central team of audit engagement managers and directors that supervises specialized teams from international audit firms (including KPMG) and manages a Singapore-based internal audit team. It conducts regular audits in the operating units as well as audits covering central and transversal functions. In 2009, the Internal Audit Department was certified, for the first time, by the French Institute for Internal Audit and Internal Control (IFACI) in accordance with International Internal Auditing Standards. Following annual renewals of this initial certification, the Internal Audit Department was again certified by IFACI in 2012 for a further three-year period. In 2013 and 2014, a follow-up audit was conducted and confirmed the IFACI certification.

This central unit is supported by audits and supervision activities of other centralized functions (Food Safety, Quality, Industrial, Safety, Environment, Information Systems, Crisis Management, Organization, Human Resources, etc.).

Other internal control participants

In the Group's largest and most complex subsidiaries notably in the emerging countries, the local head of internal control is supported by a team of operational internal controllers, who are responsible for ensuring the successful achievement of internal control practices at the sites (warehouses, plants, etc.).

In addition, the line management teams at headquarters and in the subsidiaries have a major role in internal control and its implementation in their respective areas of responsibility, with support from relevant central corporate departments (mainly Finance, but also Human Resources, Sustainable Development, Environment, Safety, Quality, Information Systems, Legal, etc., see section hereafter *Risk identification and assessment*).

Finally, (i) the DANgo steering and transversal coordination Committee, (ii) the Internal Control steering Committee, (iii) the Dialert Committee (fraud monitoring), and (iv) the Compliance Committee described hereafter are also involved in the management and continuous monitoring of internal control, with a view to ensuring, in particular, consistency with the operating activity at all levels.

Danone's overall internal control and risk management procedures

Internal control consists of the following five closely-related components:

- control environment;
- risk identification and assessment;
- control activities;
- information and communication; and
- continuous monitoring.

They are implemented by the Group as described hereafter.

Control environment

The aim of the control environment is to make staff aware of the usefulness and necessity of internal control, and it is the foundation on which the other components of internal control are built, notably by establishing an ethic, discipline and organization.

Danone's control environment is based on the following:

- Danone values, which are widely communicated across all of the subsidiaries and the Group's dual economic and social project;
- the Business Conduct Policy, defined by the Group and conveyed through a Questions & Answers booklet updated in December 2011;
- the human resources and social policy, particularly with regard to employee development and training;
- the impetus given by the Board of Directors and the willingness to achieve continuous improvements in all operating procedures, as expressed by the Group's General Management;
- the Danone Way approach, which is deployed in nearly all of the Group's subsidiaries;
- an anti-fraud program, which has been deployed and operated by the Group for several years and which informs the subsidiaries' Management Committees and all employees of internal fraud and corruption risks. This antifraud program is based on seven "stages": (i) raising awareness, (ii) prevention, (iii) detection, (iv) investigation, (v) penalties, (vi) reporting and (viii) continuous improvement of the internal control system. In addition, since 2006 Danone has operated a whistle-blowing system (Dialert), which focuses on internal control matters concerning (i) employees, (ii) suppliers and (iii) any failure to comply with the terms defined by the WHO Code (World Health Organization Code see section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*). The system's visibility was enhanced in 2010 through the progressive deployment of an introductory guide (Danone Inside Pack) for new employees that highlights the Business Conduct Policy and the ethics hotline;
- the standardization of the Group's operating processes through the implementation of the DANgo referential and the regular use of a single integrated information system (Themis, see section hereafter *SAP/Themis integrated information system*) which contribute to the strength of the control environment;
- the DANgo referential (see section above *Group's internal control referential: DANgo*): accessible to all Group employees, in a user friendly electronic version, it is subject to a systematic annual review by which the Group ensures that the DANgo internal control and best practices referential is kept up-to-date. DANgo is updated by (i) experts from the network of internal controllers and (ii) operational managers from various business lines, which enables DANgo to be used by participants in the various departments and makes it possible to enhance the referential through best operating practices;
- in addition to DANgo, an intranet site dedicated to the Group's internal controllers and the communities set up on the Danone Social Network present all the documents useful for internal control and contribute to the sharing of experiences and best practices in the area of internal control. These documents may also be accessed by all Danone employees and are updated regularly; and
- the elaboration and diffusion of internal control guidelines, which were reviewed in 2014.

Risk identification and assessment

Every company faces internal and external risks that may hinder the achievement of its objectives. The principal risks to which the Group believes it is exposed as of the date of this Registration Document are described in section 2.7 *Risk Factors*.

The Group has established a system for identifying and managing risks based on two distinct systematic risk identification processes.

Operational risks

The first process for risk identification and management focuses on operational risks related to the company's current activity and deficiencies identified by the internal control review (through the self-assessment and testing of control indicators, see section *Internal Control Department* above). A local standardized mapping of these deficiencies (*Internal Control Deficiencies Impact Mapping*) at the level of each operating unit makes it possible to classify them based on two categories qualifying (i) their potential impact on the company and (ii) the expected difficulty in resolving the deficiency under consideration. This mapping may then be used at different levels of the organization (management committee of the operating unit, region, WWBU, function, etc.) as a prioritization tool for action plans to be implemented in order to reduce the identified risk.

Strategic risks

The second risk identification and management process focuses on strategic risks and takes the form of a risk mapping hierarchy based on their likelihood of occurrence and their estimated impact on the Group.

Methodology

This risk mapping is prepared and updated semi-annually by the Group Finance Department , with each of the Group's four Divisions. The following methodology is used:

- identification of risks and weaknesses deemed strategic and/or structural for all activities of covered subsidiaries;
- consolidation by the business Division and then at the Group level;
- ranking of risks based on their likelihood of occurrence and estimated financial impact, at the scale of a country or a Division; and
- determination of preventive or corrective actions, which may be local or global depending on the case.

Risk monitoring

For each Division, the most significant risks are reviewed twice a year by the regional managers and the Group's Head of Financial Controlling, who is also responsible for internal control, at special meetings attended by the general manager and finance director of each Division.

Furthermore, a review of the most significant risks is also presented twice a year by the Group's Head of Financial Controlling to the Chief Executive Officer as well as to the Chief Financial Officer. A mapping of Danone's major risks is assessed during these meetings, risk owners are systematically designated, and risk mitigation plans are reviewed and assessed. This work serves as the basis for the presentations made to Danone's Executive Committee and to the Audit Committee.

Other Group's organizational units contributing to risk identification and analysis

The existence of procedures – regarding the monitoring of competition, training, risk prevention and protection, etc. – and the initiatives taken by specialized departments – such as the Environment Department and the Quality and Safety Department for food – contribute to the identification and analysis of risks.

Also, the Safety Department helps to identify threats against Group employees or assets.

In addition, the Crisis Management Department uses information made available by the risk maps established at each Division level to identify potential crises and prepare the affected entities accordingly, ensuring that an appropriate response is provided for all crises, even if the related risk was not previously identified.

Moreover, the identification and reporting of risks is also facilitated by the relatively low number of reporting levels within the Group, short decision-making channels and input from the operating units in strategic discussions. In addition, a quarterly transversal Compliance Committee, headed by the Internal Audit Department, has been set up to deal with compliance issues. Since 2006, various central functions that collaborate on the quality of the control environment participate in this process.

Control activities

The control activities are intended to ensure the application of the standards, procedures and recommendations that contribute to the implementation of the main strategic orientations made by the Group's General Management.

All the subsidiaries integrated within the DANgo scope use an annual self-assessment process. The largest of them follow a more detailed internal control review methodology that includes information flows, control points and tests conducted by management:

- the IT application that hosts the DANgo system allows subsidiaries to perform self-assessments and determine whether they are compliant with the Group's internal control referential. It also makes it possible to monitor any action plan that may be needed;
- the results of the DANgo self-assessment campaign by the subsidiaries are sent periodically to the Internal Control Department, which analyzes them and communicates relevant summaries to the different interested parties. Appropriate action plans are put in place by the entities under the supervision of the Internal Control Department, with a goal of continuous improvement and internal audits are subsequently carried out to validate that corrective measures have indeed been taken.

In addition, the performances and results of each operating unit in the area of internal control are regularly and systematically monitored by the entities' Management Committees.

Information and communication

Appropriate information must be identified, collected, quantified and communicated in a format and within an appropriate time frame that enables each person to carry out his or her responsibilities.

To accomplish this, Danone relies on:

- its organization and information system, which are elements that facilitate the communication of the necessary information to the decision-making process;
- the various intranet sites and documentation databases that enable information to be shared within the Group. This information includes not only financial information but also non-financial information that meets the needs of the various operating and administrative departments. Since 2012, the Group has deployed its social network (Danone Social Network), which is accessible to all, to transmit information and develop communication and the sharing of experience;
- the distribution of the DANgo referential by the Internal Control Department, which manages, trains and coordinates the internal controllers' network:
  - it organizes working and annual training sessions for the internal controllers' network including workshops and information-sharing seminars: more than 160 attended the two sessions organized in 2014;
  - it is responsible for the training and integration of new internal controllers, including those working for newly-acquired companies;
  - it is also responsible for internal control training sessions open to all managers of the finance functions; and
  - it communicates regularly at various levels of the organization (Corporate Committees, meetings at Division level with the finance directors or operational employees, systematic annual presentations to the general managers and finance directors of the regions, and participation on the Management Committees of central functions).

Continuous monitoring

The internal control system is reviewed periodically so that its performance and effectiveness may be qualitatively assessed.

The continuous monitoring of control procedures is part of the ongoing activities of the Company and its subsidiaries.

The quality of the internal control system's steering and monitoring is ensured by two Committees – led by the Internal Control Department – which meet regularly:

- the DANgo steering and transversal coordination Committee, which meets twice a year and consists of the operational executive managers designated to represent the Group's key functions: Research and Development, Purchasing, Operations, Marketing, Sales, Finance, Human Resources, Information Systems, etc.;
- the Internal Control steering Committee, which consists mainly of the heads of the Group Finance function and the Divisions and meets quarterly.

In addition, the Audit Committee, as well as Group's General Management, are informed at least twice a year of the status of the self-assessments in the subsidiaries, the related findings and the results of the audits conducted by the Internal Audit Department. The following year's targets are also presented as well as the priorities selected by the Internal Control and Internal Audit functions.

Monitoring of internal control indicators

The Internal Control Department has introduced and monitors internal control performance indicators (coverage rate, internal control intensity rate and deficiency rate on control points) to analyze and communicate the internal control results of the subsidiaries and of the Group together with a monitoring by geographic region and by Division. The targets for these performance indicators are discussed in the Internal Control Committee and in the DANgo steering and transversal coordination Committee, and are then presented to the Audit Committee (see section 6.1 *Governance bodies*), before being sent to the subsidiaries, which assists in harmonizing and developing a shared vision of the internal control priorities.

In 2014, Danone's internal control key indicators showed again signs of improvements. The deficiencies rate compared with 2013 continued to fall even as the coverage rate of subsidiaries remained stable at 97%. This improvement was achieved thanks to on-going implementation of internal control initiatives throughout the organization.

Monitoring of internal fraud

Reporting

The Group has a six-month internal fraud reporting covering 181 entities, *i.e.* nearly all of the Group's operating entities. These entities report twice a year on identified fraud cases. The number of suspected or confirmed fraud cases reported by the subsidiaries fell in 2014 compared to 2013, mainly in certain emerging countries. In 2014, approximately 230 suspected cases were reported per six-month period, of which on average 145 were subsequently confirmed to involve fraudulent activity, the majority of these confirmed cases involving commercial relations with our customers or suppliers. None of these fraud cases had a significant impact on Danone's consolidated financial statements. In the majority of the identified cases, the employment agreements of the corresponding employees were terminated following investigations of these frauds.

Dialert

The Group has also a whistleblowing system (Dialert), which enables employees, suppliers and other third parties to confidentially disclose any fraud case they suspect (see also the above section *Control environment*).

A monitoring meeting of fraud cases and suspected frauds is held monthly at Group headquarters level in order to ensure the effective monitoring of fraud cases and their appropriate management with respect to compliance and internal control. To that end, detailed information on the nature of the main cases is collected and analyzed by the Dialert Committee (fraud monitoring), which comprises representatives from the Human Resources, Legal and Internal Audit functions.

In 2014, the Group received notifications of around a hundred suspected fraud cases, of which only a minority were subsequently confirmed to be fraudulent.

Internal audit assignments

In 2014, the Internal Audit Department conducted 43 internal audits at subsidiaries or transversal functions, based on the plan previously approved by the Audit Committee. These audits confirmed the overall reliability's level of the DANgo self-assessment performed by the subsidiaries.

Following each audit, an action plan is prepared by the management of the subsidiary to correct weaknesses identified in the audit report. The implementation of action plans is monitored by the operational and functional managers, under the supervision of the Internal Audit Department. In particular, in 2014, 17 short follow-up audits on the implementation of action plans were carried out, within 12 months from the initial audit as far as possible.

Moreover, the Treasury and Financing, Information Systems, Environment, Legal and Crisis Management Departments all arrange for audits and periodic reviews in the subsidiaries, in addition to the general internal audit assignments.

Internal control procedure for the preparation and processing of Danone's financial and accounting information

Organization of the finance function

The finance function's organization is based on:

- centralized functional departments: Treasury and Financing, Acquisitions, Strategy, Financial Controlling (to which the following departments in particular report: (i) Consolidation, Reporting and Standards, (ii) Controlling, (iii) Internal Control, and (iv) Internal Audit), Financial Communication and Corporate Legal; and
- the finance department of each Division. These departments are organized by geographic regions supervising operating units with, in some countries, transactional functions (accounting, treasury, tax compliance) and certain specialized functions are shared.

Production of financial and accounting information

Financial information is generated by a rigorous and comprehensive financial planning process. This process integrates, in particular:

- a medium-term strategic plan;
- an annual budget process, preceded by the preparation of a framework defining key financial targets;
- two comprehensive month-by-month re-estimates of financial indicators projected to the year-end are performed, one in April and the other in October;
- monthly reports; and
- monthly updated forecasts of certain financial indicators projected to the year end (monthly scorecards) as well as monthly performance review meetings attended by the finance teams and the general managers of the Divisions.

The relevance of the financial indicators selected to monitor performance is reviewed on a regular basis.

In this context, each operating unit prepares a monthly, detailed financial reporting, and twice a year an exhaustive consolidation package used in the preparation of the Group's consolidated financial statements.

These consolidation packages are verified by a central team, which is responsible for all elimination and consolidation entries, as well as analyzing and validating the most significant line items of the Group's consolidated financial statements (intangible assets, financial assets, taxes, equity, provisions and liabilities).

In addition, the production of financial information integrates the following preliminary control stages, carried out by the Consolidation, Reporting and Standards Department:

- validation by the central team, throughout the year, of the main accounting options adopted by the subsidiaries and central functions and simulation of complex transactions in the consolidation software;
- in-depth review of certain subsidiaries' monthly reports at the end of May and November (known as the hard close procedures) based on the specific transactions and risks identified prior to the consolidated interim and annual financial statements, respectively;

- implementation and maintenance of a central tool called Daφnet, which stores the finance function's main organizational principles and processes and the accounting principles validated for use by the Group;
- meetings to share information and best practices are attended regularly by the main financial managers of each Division and some central department heads and training sessions covering specific accounting topics are also held regularly; and
- preparation meetings with the financial staff of the Group's main subsidiaries based on the specific transactions and risks identified, and (ii) presentations to the Audit Committee (specific transactions during the period, the main accounting options concerning the closing and the contemplated significant changes introduced by developments of the International Financial Reporting Standards) (see section 6.1 *Governance bodies*).

In addition, the Group's financial and accounting information is produced and communicated using the following applications.

SAP/Themis integrated information system

The management and optimization of information flows for the financial functions as well as the purchasing, industrial, quality, supply chain and sales functions, both within the subsidiaries and between them, is performed primarily through the SAP/Themis integrated information system. This application is being steadily deployed in all Group subsidiaries and its features are constantly being improved.

As of December 31, 2014, the activities supported by Themis accounted for 81% of consolidated sales in the Fresh Dairy Products and Waters Divisions (excluding the Unimilk group's companies). The roll-out of Themis continued in the Unimilk group's companies in 2014.

The same information system is currently being rolled out in the subsidiaries of the Medical Nutrition and Early Life Nutrition Divisions (covering 42% of these two activities' total sales for the year ended December 31, 2014).

The data center's level of security, until then ensured by an infrastructure duplicated across two remote sites, was improved by implementation of a Disaster Recovery site.

Consolidation software

Monthly financial reports, and more generally the financial information used to manage and control the activities of the operating units, are produced by a unified information system (SAP/Business Objects Financial Consolidation).

This same system is also used to produce the six-month and full year consolidated financial statements. The procedures related to the security, use and development of new features of this consolidation system are documented.

Control environment

The control environment relating to the preparation and processing of Danone's financial and accounting information is based on the following:

- the organization of the finance function, which is based on central functional departments and the finance department of each of the Divisions (see section above *Organization of the finance function*). In all cases, the operating units are responsible for the production and content of their financial statements as well as their internal control;
- the DANgo control practices and procedures, which help to ensure the reliability of the processes for preparing the financial statements. Indeed, the DANgo referential includes many points that address the quality of the financial and accounting information;
- the controls carried out by the Consolidation, Reporting and Standards Department (see section above *Production of financial and accounting information*);
- the definition for the Group of the roles and skills required at the different levels of the finance organization and the drawing up, as a result, of the internal training programs;
- the production and communication of the Group's financial and accounting information *via* the unified tools described above; and
- the single set of guidelines covering Group accounting procedures and principles, which are consistent with its internal control principles. Available on the Daφnet intranet, these guidelines are accessible to all the Group's employees.

Risk identification and assessment

The monitoring and management of the main identified risks relating to the preparation and processing of Danone's financial and accounting information is organized as follows:

- the identified risks and results obtained through the various approaches established (DANgo, Danone Way) are used;
- the budgeting and strategic planning processes, the performance monitoring, the regularly scheduled meetings that highly involve finance functions (Controlling, Treasury and Financing, Consolidation, Reporting and Standards, Development) as well as the meetings of the Group Risks Executive Committee and the Group's Executive Committee allow to monitor and manage the most important risks identified; and
- the internal control system is also adapted based on the identified risks.

Control activities

Each Division has a finance department, which is responsible for monitoring performance, capital expenditure and operating cash-flow, primarily through the rigorous financial planning and reporting process. The Divisions' finance departments are supported by the finance departments in the geographic regions and operating units, with the overall financial planning process administered by the Controlling Department.

Members of the central departments visit the operating units on a regular basis (performance monitoring, procedure reviews, pre-closing meetings, *ad hoc* audits, progress on improving internal controls, follow-up on action plans, and training in accounting standards). The appropriate documents are provided sufficiently well in advance for them to be reviewed by the Group's management bodies.

Twice a year, the general manager and finance director of each subsidiary along with their counterparts in the regions and Divisions provide written confirmation of compliance with the Group's applicable procedures and with all of the standards applicable to the financial information sent to the central teams. This confirmation is provided in a representation letter that covers the closing of the six-month and full year financial statements, including all subjects involving risk management, internal control and corporate law.

The control activities are therefore conducted at all of the Group's hierarchical and functional levels and include a variety of actions such as approving and authorizing, verifying and comparing, assessing operational performances, ensuring the protection of assets and monitoring the segregation of duties. The audits administered and conducted independently by the Internal Audit Department provide appropriate validation.

Information and communication

The Group's financial and accounting information is produced and communicated *via* the tools described above.

To communicate financial information within the Group, each quarter the Group's entire finance function can log onto a website where the Chief Financial Officer comments on the activity for the quarter, the year-to-date financial results and the main challenges for the Group.

Lastly, the Group's referential covering financial and accounting information (Daφnet, DANgo, etc.) are accessible to all employees.

Continuous monitoring

One of the responsibilities of each Division's finance director and function manager is to improve the procedures used to prepare and process financial information. Detailed audits are conducted on the key control procedures in the preparation of financial information (particularly published disclosures) in the subsidiaries and in the Group's headquarters and on their effective application. Moreover, the internal audit assignments conducted in the operating units are aimed primarily at verifying the quality of the accounting and financial information. The Divisions' Finance Departments ensure that the action plans established subsequent to the above-mentioned internal and external audits have been carried out correctly.

Assessment

The procedures intended to control the accounting and financial information provided by the consolidated subsidiaries, as well as the internal control procedures used to prepare the consolidated financial statements, are adequate to provide reliable accounting and financial information.

Statutory auditors' report

This is a free translation into English of the Statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

Statutory auditors' report prepared in accordance with Article L. 225-235 of the French commercial code on the report prepared by the Chairman of the Board of Directors of Danone

To the shareholders,

In our capacity as Statutory auditors of Danone, and in accordance with Article L. 225-235 of the French commercial code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French commercial code for the year ended December 31, 2014.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French commercial code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report contains the other information required by Article L. 225-37 of the French commercial code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform due diligence procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information contained in the Chairman's report. These procedures mainly consist of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation; and
- determining if any material deficiencies in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our assignment are properly described in the Chairman's report.

On the basis of our work, we have no observations to make on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French commercial code.

Other information

We attest that the Chairman's report contains the other information required by Article L. 225-37 of the French commercial code.

Neuilly-sur-Seine and Paris La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

6.5 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

This is a free translation into English of the Statutory auditors' report issued in the French language and is provided solely for the convenience of English speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French commercial code concerning the implementation, during the year, of the agreements and commitments already approved by the Shareholders' Meeting.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of statutory auditors (*Compagnie nationale des commissaires aux comptes*) for this type of assignment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

1. Agreements and commitments submitted for approval by the Shareholders' Meeting

Agreements and commitments authorized during the past fiscal year

In accordance with Article L. 225-40 of the French commercial code, we were informed of the following agreements and commitments which received prior authorization of your board of directors.

1.1. With J.P. Morgan Group

Person concerned
Mrs. Isabelle SEILLIER, a Director of your company and a managing director within the J.P. Morgan Chase group.

1.1.1. Consulting agreement dated October 28, 2014

Nature, purpose and conditions
On October 17, 2014, the Board of Directors (excluding Mrs. Isabelle SEILLIER who abstained from voting) unanimously authorized the signing of a consulting agreement between your company and J.P. Morgan Limited related to the possible sale of certain Group assets.

Under the terms of this consulting agreement signed on October 28, 2014, J.P. Morgan Limited, along with another consultant bank, agreed to act as your company's financial consultant and, in particular, agreed to help your company find buyers, draft a memorandum describing the activities being sold, analyze bids, coordinate the due diligence process, determine the structure and definition of the terms and conditions of the transaction and negotiate the documents needed to complete the transaction.

Pursuant to the agreement, your company would pay J.P. Morgan Limited, in return for its consulting services and subject to completion of the transaction, a fee representing approximately 0.32% of the total value of the assets being sold as estimated on the date of the agreement.

Since the project was not completed, the consulting agreement will end on May 15, 2015 and will not result in the payment of the abovementioned fee, as provided by the agreement.

1.1.2. New amendment to the syndicated facilities agreement dated December 18, 2014

Nature, purpose and conditions
On July 27, 2011, the Board of Directors had unanimously authorized your company (excluding Mrs. Isabelle SEILLIER who abstained from voting) to enter into a syndicated facilities agreement and all related contractual documents with J.P. Morgan Europe Limited and J.P. Morgan Limited (hereinafter "J.P. Morgan").

On July 28, 2011, your company therefore entered into a syndicated facilities agreement with J.P. Morgan and several other banks. This agreement provides for the establishment of a €2 billion (multi-currency) revolving credit line, combined with a €300 million "swingline" facility, up to a maximum principal amount of €2 billion. The agreement's initial term was five years, with the possibility of renewal for up to two additional years subject to banks' approval.

Interest due by your company on the amounts used with respect to this syndicated facilities agreement are calculated using market rates (EURIBOR, EONIA or equivalent foreign currency indices), plus a margin and potential mandatory costs under certain conditions. A utilization fee is added to the interest due based on the credit portion used and, if the facility is not drawn down, a non-utilization fee equivalent to a percentage of the margin is owed. Finally, your company had paid customary fees to the banks as part of the establishment of the syndicated facilities agreement in 2011.

J.P. Morgan's commitment in its capacity as a lender on the syndicated facilities agreements is €210 million, or 10.5% of the total, *i.e.* the same percentage as the other banking institutions having the first rank in the syndicated facilities agreement. Fees and interest owed by your company to J.P. Morgan are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to fees and interest due to the other banks having a first rank in the facilities agreement;

On June 18, 2012, the Board of Directors (excluding Mrs. Isabelle SEILLIER who abstained from voting) had unanimously authorized your company to enter, along with J.P. Morgan, into an amendment to the syndicated facilities agreement to provide for (i) the extension of the syndicated facilities agreement for a further year (*i.e.* until July 28, 2017) and (ii) as consideration, the addition, for all participating banks and in proportion to their commitments, of a utilization fee of the facilities under certain circumstances and an additional margin for drawdowns in US dollars. Therefore, on July 12, 2012, your company, together with J.P. Morgan and the other banks parties to the syndicated facilities agreement amended the syndicated facilities agreement accordingly. This amendment took effect on July 28, 2012 (the syndicated facilities agreement's anniversary date).

On April 25, 2013, the Board of Directors (excluding Mrs. Isabelle SEILLIER who abstained from voting) unanimously authorized your company to extend the duration of the syndicated facilities agreement entered into with J.P. Morgan on July 28, 2011 and amended on July 12, 2012 for a further year (*i.e.* until July 28, 2018). Accordingly, through an amendment signed on May 24, 2013, the syndicated facilities agreement was again extended for a further year, without modifying the other terms of the syndicated facilities, as agreed by all banking institutions parties to the syndicated facilities agreement (including J.P. Morgan).

On December 11, 2014, the Board of Directors (excluding Mrs. Isabelle SEILLIER who abstained from voting) unanimously authorized your company to enter into a new amendment to the syndicated facilities agreement in order to (i) reduce the applicable margin and the non-utilization fee, (ii) eliminate the additional margin for drawdowns in US dollars, (iii) extend the term of the facility up to five years after the signature date of the amendment, with the option to extend it by two additional years, subject to the banks' agreement and under the same terms and conditions as the original syndicated facility agreement, and (iv) make other changes of a technical or legal nature to reflect changes in current legislation and market practices.

On December 18, 2014, your company therefore amended the syndicated facilities agreement accordingly, with the approval of all the banks parties to the syndicated facility (including J.P. Morgan).

J.P. Morgan's commitment in its capacity as lender on the syndicated facilities agreement continues to be €210 million, or 10.5% of the total, *i.e.* the same percentage as the other banks having the first rank in the syndicated facilities agreement. Fees and interest owed by your company to J.P. Morgan are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to fees and interest due to the other banks having a first rank in the facilities agreement.

No amount was drawn under this syndicated facilities agreement in 2014.

In 2014, your company paid J.P. Morgan a total of €508,083 in fees related to these credit facilities (fees related to the signing of the amendment and non-utilization fees).

1.1.3. Subscription agreement of January 12, 2015 in connection with a bond issue

Nature, purpose and conditions

On December 11, 2014, the Board of Directors (excluding Mrs. Isabelle SEILLIER who abstained from voting) unanimously authorized your company to enter into subscription agreements with J.P. Morgan group in connection with bond issues to be carried out by your company.

In accordance with this authorization, on January 12, 2015, within the scope of a €1.3 billion bond issue under the EMTN program in two tranches (one €550 million tranche with a maturity of five years and one €750 million tranche with a maturity of 10 years), your company entered into a subscription agreement with the banks responsible for placing the bonds (including J.P. Morgan Securities PLC), under the terms of which said banks underwrote your company's entire bond issue, which they then immediately placed with investors wishing to participate in the issue.

The commitment to subscribe gave rise to a fee of 0.21% of the nominal amount of the bonds issued, *i.e.* €1.3 billion, equally divided among the banks responsible for placing the bonds (including J.P. Morgan Securities PLC), as these fees are proportional to the banks' underwriting commitments, which were all of the same amount (subject to rounding rules).

Accordingly, the fee paid to each of the banks responsible for placing the bonds, including J.P. Morgan Securities PLC, amounted to €390,000.

1.2. With Mr. Emmanuel FABER, Chief Executive Officer

Commitments concerning the indemnification conditions applicable to Mr. Emmanuel FABER, Chief Executive Officer, in certain cases of termination of his term of office

Nature, purpose and conditions

On February 13, 2008, the Board of Directors (excluding Mr. Emmanuel FABER who abstained from voting) unanimously approved the principle and terms of Mr. Emmanuel FABER's right to an indemnity in certain cases of termination of his duties as Deputy General Manager.

On February 18, 2013, on the recommendation of the Nomination and Compensation Committee, the Board of Directors (excluding Mr. Emmanuel FABER who abstained from voting) unanimously decided, at the time of renewal of Mr. Emmanuel FABER's term of office subject to approval by the Shareholders' Meeting of April 25, 2013, to renew his rights to indemnity in certain cases of termination of his duties. These rights to indemnity had been renewed on the same basis as that set by the Board of Directors on February 10, 2010 and approved by the Shareholders' Meeting of April 22, 2010, subject to certain amendments made in order to ensure compliance with the provisions of the AFEP-MEDEF Code or to make the payment conditions more restrictive.

These amendments were approved by your company's Shareholders' Meeting of April 25, 2013.

On September 2, 2014, in connection with the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer and Mr. Emmanuel FABER's appointment as Chief Executive Officer, the Board of Directors (excluding Mr. Emmanuel FABER who abstained from voting), on the recommendation of the Nomination and Compensation Committee, decided that his rights to indemnity should be the same as those approved by your company's Shareholders' Meeting of April 25, 2013.

The mechanism approved by the Board of Directors on September 2, 2014, which took effect on October 1, 2014 (effective date of Mr. Emmanuel FABER's appointment as Chief Executive Officer), is described below.

(i) Amount of the Indemnity
Mr. Emmanuel FABER will receive, by way of indemnity (the "Indemnity") and subject to performance conditions, an amount equal to twice his gross annual compensation (including both fixed and variable compensation) received in respect of his term of office during the twelve months preceding the date of termination of said duties.

The sum of the amounts of (i) the indemnity provided under your company's collective agreement applicable to all Company employees (the "Indemnity for Termination of the Employment Contract", with the portion of this indemnity that corresponds to the length of service acquired pursuant to the office being subject to performance conditions) and (ii) the Indemnity must not exceed twice the gross annual compensation (including both fixed and variable compensation) received in respect of the term of office over the last twelve months.

If Mr. Emmanuel FABER's term of office ends in 2015, the base compensation used to calculate this indemnity will be the gross annual compensation (including fixed and variable compensation) received by Mr. Emmanuel FABER during the twelve months preceding the date of termination of his term of office, whether such compensation is paid for his duties as Deputy General Manager or Chief Executive Officer.

In the event that the amount of the Indemnity and the amount of the Indemnity for Termination of the Employment Contract exceed this ceiling of twice the gross annual compensation, and to ensure strict compliance with this ceiling, the amount actually paid to Mr. Emmanuel FABER will first be charged to the Indemnity and then, where applicable, to the portion of the Indemnity for Termination of the Employment Contract subject to performance conditions and corresponding to the length of service acquired in respect of the term of office.

(ii) Cases of payment of the Indemnity
The Indemnity will be payable to Mr. Emmanuel FABER only in case of termination of his term of office as corporate officer related to a change in control or strategy, on the initiative of the Board of Directors, regardless of the form of such termination, in particular dismissal or non-renewal (except in case of serious misconduct, *i.e.* an extremely serious fault which precludes any continuation of his term of office, or gross negligence, *i.e.* an extremely serious fault committed with the intention of harming your company), and subject to the performance conditions being met. It is specified that "change of control" means any change in your company's legal situation resulting, in particular, from a merger, restructuring, sale, takeover bid or exchange offer, following which a shareholder that is a legal entity or natural person, either alone or acting in concert, comes to hold, directly or indirectly, more than 50% of your company's share capital or voting rights.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, no payment of the Indemnity will be due if Mr. Emmanuel FABER is able to avail himself of his pension entitlements within a short period of time under the terms and conditions defined by the pension schemes.

Given the automatic resumption of Mr. Emmanuel FABER's employment contract in the event of the termination of his term of office as a corporate officer, the Indemnity will also be due if Mr. Emmanuel FABER ceases to carry out his duties under said employment contract or resigns from his salaried position within the three months following the date on which his term of office as a corporate officer came to an end due to a change of control.

Where applicable, no Indemnity pursuant to the office will be due if Mr. Emmanuel FABER resumes a salaried position and does not request that such position be terminated within the aforementioned three-month period.

(iii) Performance conditions governing payment of the Indemnity
Payment of the Indemnity will be based on:

a) the arithmetic average internal ("organic") growth in the Danone group's net sales (the "Group's CA") over the five completed fiscal years preceding the date of termination of the term of the corporate officer (the "Reference Period"); and

b) the arithmetic average internal ("organic") growth in net sales recorded by the Panel members (the "CA of the Panel") over the Reference Period.

For application of this decision, it is noted that:

- the Group's CA refers to the arithmetic average internal ("organic") growth in the Group's net sales over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the CA of each Panel member refers to the arithmetic average internal ("organic") growth in net sales recorded by said Panel member over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the Panel CAs refer to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs; and
- the Panel consists of eight benchmark international groups in the food and beverage sector, namely Kellogg Company, Unilever N.V., Nestlé S.A., Kraft Foods Group Inc., Mondelez International Inc., PepsiCo Inc., The Coca-Cola Company and General Mills Inc.

The Board of Directors must determine whether these performance conditions are met within three months of the date of termination of the term of office of the corporate officer. Its explicit decision must be duly justified and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

To ensure the comparability of the CAs used, it is specified that:

- restatements will be made (such as corrections related to changes in consolidation scope and exchange rates) to the strict extent necessary in order to ensure that the method of calculating the CAs of all Panel members and the Group's CA is consistent over the entire period;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member from the Panel through a duly justified decision; and
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or are published late, the Board of Directors will make a decision duly justified at a later date, on the basis of the most recent audited financial statements published by the members of the Panel and by your company over the last five fiscal years for which financial statements were published for all members of the Panel and for your company.

In addition, it is noted that the Board of Directors may, through a duly justified decision, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group.

Over the Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, 100% of the Indemnity will be paid to Mr. Emmanuel FABER; and
- if the Group's CA is lower than the Median CA of the Panel, no Indemnity will be paid to Mr. Emmanuel FABER.

In accordance with the amendment to Mr. Emmanuel FABER's employment contract, it should be noted that the same performance conditions will apply to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of service acquired pursuant to the office and that the sum of the Indemnity pursuant to the office and of the Indemnity for Termination of the Employment Contract may not exceed twenty-four (24) months of gross fixed and variable compensation.

At the time of each renewal of Mr. Emmanuel FABER's term of office, these performance conditions and, where appropriate, the composition of the Panel will be reexamined by the Board of Directors and, where appropriate, modified to take into account changes affecting your company and its business sectors.

(iv) Payment of the Indemnity

The amount of the Indemnity determined according to the above rules will be paid within 30 days following the date of the Board of Directors' meeting which will decide whether the performance conditions governing payment of the Indemnity have been met.

It is also recalled that, in accordance with Mr. Emmanuel FABER's employment contract, amended by authorization of the Board of Directors on February 10, 2010, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of his term of office are the same as those applicable to the Indemnity.

2. Agreements and commitments already approved by the Shareholders' Meeting

2.1. Agreements and commitments approved in prior fiscal years

2.1.1. Whose implementation continued during the past fiscal year

In accordance with Article R. 225-30 of the French commercial code, we were informed that the implementation of the following agreements and commitments, already approved by the Shareholders' Meeting, continued during the past fiscal year.

2.1.1.1. Cooperation agreement in connection with the danone.communities project

Persons concerned

Mr. Franck RIBOUD, Chairman of the Board of Directors, Mr. Emmanuel FABER, Chief Executive Officer, and Mr. Bernard HOURS, former Deputy General Manager and former Director, all three being Directors of the danone.communities mutual investment fund (SICAV).

Nature, purpose and conditions

On April 26, 2007, within the framework of the danone.communities project, your company's Board of Directors unanimously authorized the signing of a cooperation agreement established between your company, the danone.communities mutual investment fund (Société d'Investissement à Capital Variable – SICAV), the danone.communities FCPR (venture capital fund, now FPS), and companies of the Crédit Agricole group, namely IDEAM (which was merged into Amundi in 2011) and Crédit Agricole Private Equity (now renamed Omnes Capital), respectively management companies for the SICAV and the FCPR, it being specified that as of the date of this meeting, Mr. Jean Laurent, Director of your company, was also the Chairman of the Board of Directors of Calyon, a subsidiary of the Crédit Agricole group, and abstained from voting. This agreement governs the relations between your company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the danone.communities SICAV by your company for a maximum amount of €20 million, as well as the annual financial contribution by your company of a maximum amount of €1.5 million for the first fiscal year, it being specified that this amount must be revised annually by your company's Board of Directors.

On February 19, 2014, the Board of Directors unanimously set your company's annual financial contribution for 2014 at a maximum of €3.7 million (your company's total financial contributions toward danone.communities for 2014 thus amounted to €3.6 million). Mr. Franck RIBOUD, Mr. Emmanuel FABER and Mr. Bernard HOURS abstained from voting as all three were Directors of the danone.communities SICAV at the time.

On February 19, 2015, the Board of Directors unanimously set your company's annual financial contribution for 2015 at a maximum of €3.7 million. Mr. Franck RIBOUD and Mr. Emmanuel FABER abstained from voting as both are Directors of the danone.communities SICAV.

2.1.1.2. Commitments with respect to Mr. Franck RIBOUD, Chairman of the Board of Directors, Mr. Emmanuel FABER, Chief Executive Officer, and Messrs. Bernard HOURS and Jacques Vincent, former Deputy General Managers, relative to the payment of a pension under the defined benefit pension plan

Persons concerned
Mr. Franck RIBOUD, Chairman of the Board of Directors, Mr. Emmanuel FABER, Chief Executive Officer, and Messrs. Bernard HOURS and Jacques VINCENT, former Deputy General Managers.

Nature, purpose and conditions
On February 13, 2008, the Board of Directors unanimously confirmed your company's commitment with respect to each of the four corporate officers (Messrs. Franck RIBOUD, Emmanuel FABER, Bernard HOURS and Jacques VINCENT it being specified that Messrs. Bernard HOURS and Vincent are no longer corporate officers), relative to the payment of a pension under the defined benefit pension plan in the form of an annuity (with a reversion option), calculated based on the following elements (the corporate officers concerned abstained from voting):

- the basis of calculation for the retirement guarantee corresponds to the average of annual base salaries and bonuses for the last three entire years of activity within the Group. The length of service taken into account would include the period corresponding to the term of office;
- in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have received his full rate social security pension will be applied to this annuity;
- the amount of the annuity that would be paid to Mr. Franck RIBOUD and Mr. Jacques Vincent would correspond to 2% of this calculation base per year of service (this amount will, however, be capped at 65% of the calculation base), less the full amount of the retirement rights acquired by Mr. Franck RIBOUD and Mr. Jacques Vincent during their professional life, including the supplementary pension plan fully funded by your company; and
- the amount of the annuity that would be paid to Mr. Emmanuel FABER and Mr. Bernard HOURS would correspond to (i) 1.5% per year of seniority (including the period corresponding to the term of office) of this calculation base, for the tranche located between 3 and 8 French Social Security ceiling levels (*3 et 8 plafonds de la Sécurité Sociale*), and (ii) 3% per year of seniority (including the period corresponding to the term of office) of this calculation base, for the tranche that is higher than these 8 ceiling levels (this amount will however be limited on the basis of a maximum seniority of 20 years) minus the full amount of pension rights that Mr. Emmanuel FABER and Mr. Bernard HOURS have acquired due to the implementation of the supplementary pension plan fully funded by your company.

The person concerned is eligible to benefit from this pension plan only if he was performing his duties within the Group at the time of retirement (it being specified that in the event the person leaves the Group before reaching the age of 55, all the rights acquired will be lost, and that in the event such officer is laid off after the age of 55, the benefit derived from this plan will be preserved, on condition that the person does not take up a salaried position).

These agreements remained in force and unchanged in 2014 and were not implemented, with the exception of the one involving Mr. Jacques Vincent, who exercised his rights to retirement benefits effective April 1, 2010 (after 40 years within the Group). The annuity which was paid to him during the 2014 fiscal year with respect to this agreement amounted to €0.9 million.

2.1.1.3. Commitments with respect to Mr. Emmanuel FABER, Chief Executive Officer, and Mr. Bernard HOURS, former Deputy General Manager, relative to the conditions under which their employment contracts would be resumed following the expiration of their terms of office

Persons concerned
Mr. Emmanuel FABER, Chief Executive Officer, and Mr. Bernard HOURS, former Deputy General Manager.

Nature, purpose and conditions
On February 13, 2008, the Board of Directors (excluding Mr. Emmanuel FABER and Mr. Bernard HOURS who abstained from voting) unanimously authorized an amendment to your company's employment contracts concluded with Mr. Emmanuel FABER and Mr. Bernard HOURS, for the purpose of determining the conditions under which their respective employment contracts would be resumed (these employment contracts were suspended when they were appointed corporate officers of your company), assuming that their term of office had ended, for whatever reason.

These amendments provide both executives, in an identical manner, with the assurance that:

- the amount of time during which they have exercised their duties as corporate officers for the benefit of your company will be entirely taken into account with respect to seniority and to their resulting rights within the framework of their employment contracts;
- your company undertakes to offer him a position involving duties comparable to those currently exercised by the members of your company's Executive Committee;

- the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the twelve months preceding the resumption of his employment contract;
- they will benefit from your company's defined benefit pension plan based on their seniority as corporate officers and seniority under their employment contract; and
- the contractual indemnity due in the event of a breach of the employment contract will be canceled.

On September 2, 2014, in connection with the decision to separate the offices of Chairman of the Board of Directors and Chief Executive Officer and eliminate the two Deputy General Manager positions in keeping with changes in the Group's strategy, the Board of Directors (excluding Mr. Bernard HOURS who abstained from voting) decided to terminate Mr. Bernard HOURS' term of office as Deputy General Manager. Consequently, the employment contract between your company and Mr. Bernard HOURS was automatically reinstated. A dismissal procedure then began, culminating in the termination of Mr. Bernard HOURS' employment contract on December 19, 2014.

Accordingly, as indicated in the amendment drawn up to determine the conditions under which his employment contract would be reinstated, your company did not pay Mr. Bernard HOURS the individual contractual indemnity (see *Implementation of the mechanism upon the termination of Mr. Bernard HOURS' term of office as Deputy General Manager* in section 2.2.b) below regarding the Indemnity for Termination of the Employment Contract provided under your company's collective agreement applicable to all Company employees and paid by your company to Mr. Bernard HOURS).

2.1.1.4. Amendments to the suspended employment contracts of Mr. Franck RIBOUD, Chairman of the Board of Directors, Mr. Emmanuel FABER, Chief Executive Officer, and Mr. Bernard HOURS, former Deputy General Manager

Persons concerned

Mr. Franck RIBOUD, Chairman of the Board of Directors, Mr. Emmanuel FABER, Chief Executive Officer, and Mr. Bernard HOURS, former Deputy General Manager.

Nature, purpose and conditions

On February 10, 2010, the Board of Directors amended the suspended employment contracts of Mr. Franck RIBOUD, Mr. Emmanuel FABER and Mr. Bernard HOURS, it being specified that for Mr. Bernard HOURS, the renewal of these conditions under identical terms was decided by the Board of Directors at its February 14, 2011 meeting (the corporate officers concerned abstained from voting).

These agreements were therefore amended in order that:

- the indemnity provided under your company's collective agreement applicable to all Company employees (the "Indemnity for Termination of the Employment Contract") is (i) subject to a limit of two years' fixed and variable gross compensation and (ii) in the event of the payment of both the Indemnity for Termination of the Employment Contract and the indemnity due in certain instances of the termination of the term of office of a corporate officer, included in an overall limit, also subject to a limit of two years' fixed and variable gross compensation, applicable to all termination indemnities paid in respect of a term of office or an employment contract;
- the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office of the person concerned is subject to the same performance conditions as the indemnity due in certain instances of the termination of the term of office of the corporate officer; and
- in the event only of the termination of his term of office caused by a change of control, the person concerned may, provided he is not guilty of serious misconduct or gross negligence, request the termination of his employment contract in the form of lay-off within three months from the date of the termination of his term of office as a corporate officer (*i.e.* the date on which his employment contract is resumed).

In the event of the amendment of the performance conditions applicable to the indemnity due in certain instances of the termination of the term of office of a corporate officer, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office will be automatically amended.

The portion of the Indemnity for Termination of the Employment Contract which is subject to performance conditions and which corresponds to the seniority acquired in respect of the term of office will be subject to the agreement of the Board of Directors and the approval of the shareholders on each occasion the term of office is renewed.

In addition, the non-compete clause included in the suspended employment contracts of Mr. Emmanuel FABER and Mr. Bernard HOURS was amended such that it can only be exercised by your company and result in the payment of consideration in the event of resignation.

On September 2, 2014, in connection with the decision to separate the offices of Chairman of the Board of Directors and Chief Executive Officer and eliminate the two Deputy General Manager positions in keeping with changes in the Group's strategy, the Board of Directors (excluding Mr. Bernard HOURS who abstained from voting) decided to terminate Mr. Bernard HOURS' term of office as Deputy General Manager. Consequently, the employment contract between your company and Mr. Bernard HOURS was automatically reinstated. A dismissal procedure then began, culminating in the termination of Mr. Bernard HOURS' employment contract on December 19, 2014.

Accordingly, after confirming that the performance condition applicable by the Board of Directors on October 17, 2014 had been met and on the recommendation of the Nomination and Compensation Committee, the Indemnity for Termination of the Employment Contract (provided under your company's collective agreement and applicable to all Company employees) authorized by the Board of Directors on October 17, 2014 and paid by your company to Mr. Bernard HOURS (after more than 29 years of service within the Group) amounted to €1,787,920 (see *Implementation of the mechanism upon the termination of Mr. Bernard HOURS' term of office as Deputy General Manager* in section 2.2.b below). Moreover, the non-compete clause was not applied given that the consideration was payable only in case of Mr. Bernard HOURS' resignation. It should be noted that the total indemnities paid to Mr. Bernard HOURS following the termination of his duties (including the Indemnity for Termination of the Employment Contract) amounted to €2,109,640 and, in accordance with the provisions of the AFEP-MEDEF Code, do not exceed the ceiling of twice the gross annual compensation (including fixed and variable compensation) received by Mr. Bernard HOURS during the twelve months preceding the date of termination of his duties.

2.1.2. Which were not implemented during the past fiscal year

In addition, we were informed of the following agreements and commitments, already approved by the Shareholders' Meeting during previous fiscal years and which were not implemented during the past fiscal year.

2.1.2.1. Commitments with respect to the Chairman of the Board of Directors relative to the conditions under which his employment contract would be resumed following the expiration of his term of office

Person concerned
Mr. Franck RIBOUD, Chairman of the Board of Directors.

Nature, purpose and conditions
On July 21, 2004, the Board of Directors (excluding Mr. Franck RIBOUD who abstained from voting), on recommendation of the Nomination and Compensation Committee, unanimously updated the conditions under which the employment contract of Mr. Franck RIBOUD (which was suspended on August 26, 1994 when he was appointed as corporate officer of your company) would be resumed if his term of office ended, for whatever reason, and established that:

- the amount of time during which he exercised his duties as a corporate officer for the benefit of your company will be entirely taken into account with respect to seniority and his resulting rights within the framework of his employment contract;
- your company undertakes to offer him a position involving duties comparable to those currently exercised by the members of your company's Executive Committee;
- the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the twelve months preceding the resumption of his employment contract; and
- he will benefit from your company's defined benefit pension plan based on his seniority as a corporate officer and his seniority under his employment contract.

2.1.2.2. Commitments concerning the indemnification conditions applicable to Mr. Franck RIBOUD, Chairman of the Board of Directors, in certain cases of termination of his term of office

Nature, purpose and conditions
On February 13, 2008, the Board of Directors (excluding Mr. Franck RIBOUD who abstained from voting) had unanimously approved the principle and terms of the right to an indemnity of M. Franck RIBOUD, Chairman and Chief Executive Officer at the time.

On February 18, 2013, on the recommendation of the Nomination and Compensation Committee, the Board of Directors decided, at the time of renewal of Mr. Franck RIBOUD's term of office subject to approval by the Shareholders' Meeting of April 25, 2013, to renew his rights to indemnity in certain cases of termination of his duties. Mr. Franck RIBOUD abstained from voting. These rights to indemnity were renewed on the same basis as that set by the Board of Directors on February 10, 2010 and approved by the Shareholders' Meeting of April 22, 2010, subject to certain amendments made in order to ensure compliance with the provisions of the AFEP-MEDEF Code or to make the payment conditions more restrictive.

These amendments were approved by your company's Shareholders' Meeting of April 25, 2013.

On September 2, 2014, the Board of Directors (excluding Mr. Franck RIBOUD who abstained from voting) decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer and to appoint Mr. Franck RIBOUD as Chairman of the Board of Directors effective October 1, 2014.

Accordingly, as a result of the termination of his executive duties as of October 1, 2014, Mr. Franck RIBOUD waived the termination indemnity applicable to him in the event of termination of his duties as a corporate officer. It should be noted, as necessary, that Mr. Franck RIBOUD also holds an employment contract which is suspended, and that the portion of the termination indemnity provided under the employment contract corresponding to the length of service acquired during his term as Chairman and Chief Executive Officer and, as of October 1, 2014, as Chairman of the Board of Directors, will continue to be subject to the performance conditions approved by the Board of Directors on February 18, 2013.

The mechanism applicable to Mr. Franck RIBOUD until this waiver, which is the same as the mechanism applicable to Mr. Emmanuel FABER, Chief Executive Officer, is described in section 1.2. above.

2.2. Agreements and commitments approved during the past fiscal year

We were also informed of the implementation of the following agreements and commitments, already approved by the Shareholders' Meeting of April 29, 2015 on the basis of the Statutory auditors' special report of March 7, 2014, during the past fiscal year.

Commitments concerning the indemnification conditions applicable to Mr. Bernard HOURS, former Deputy General Manager, in certain cases of termination of his term of office as corporate officer and his Statutory Director Contract with Danone Trading B.V.

Persons concerned

Mr. Bernard HOURS, former Deputy General Manager.

a) Statutory Director's contract between Mr. Bernard HOURS and Danone Trading B.V., a wholly-owned indirect subsidiary of your company based in the Netherlands

Nature, purpose and conditions

On December 10, 2013, on recommendation of the Nomination and Compensation Committee, the Board of Directors (excluding Mr. Bernard HOURS who abstained from voting) had unanimously approved the Statutory Director's contract (the "Dutch Statutory Director Contract") between Mr. Bernard HOURS and Danone Trading B.V., a wholly-owned indirect subsidiary of your company based in the Netherlands and an operational holding company for part of the management teams of the Medical Nutrition and Early Life Nutrition Divisions and some of the teams of the Fresh Dairy Products Division.

To this effect, on December 20, 2013, Danone Trading B.V. entered into a Dutch Statutory Director Contract with Mr. Bernard HOURS, who was appointed Statutory Director as of January 1, 2014, effective date of the Dutch Statutory Director Contract.

On September 2, 2014, in connection with the decision to separate the offices of Chairman of the Board of Directors and Chief Executive Officer and eliminate the two Deputy General Manager positions in keeping with changes in the Group's strategy, the Board of Directors decided to terminate Mr. Bernard HOURS' term of office as Deputy General Manager. Consequently, Mr. Bernard HOURS' Dutch Statutory Director Contract was automatically terminated on that date.

From January 1, 2014 to September 2, 2014, the gross fixed compensation paid by Danone Trading B.V. to Mr. Bernard HOURS under the Dutch Statutory Director Contract amounted to €367,122 and the gross variable compensation amounted to €284,256. Moreover, the Group Performance Units and Group Performance Shares granted to Mr. Bernard HOURS under the Dutch Statutory Director Contract became null and void. Lastly, Mr. Bernard HOURS received no indemnity under the Dutch Statutory Director Contract as a result of the termination of his duties at Danone Trading B.V.

b) Commitments concerning the indemnification conditions applicable to Mr. Bernard HOURS in certain cases of termination of his term of office as corporate officer and his Statutory Director Contract with Danone Trading B.V.

Nature, purpose and conditions

On December 10, 2013, on recommendation of the Nomination and Compensation Committee, the Board of Directors (excluding Mr. Bernard HOURS who abstained from voting) had unanimously decided, upon the signing of the Dutch Statutory Director Contract (see section 2.2.a) above), to amend Mr. Bernard HOURS' termination indemnity in certain cases of termination of his duties as Deputy General Manager (the "Indemnity").

This indemnity right, authorized by the Board of Directors on February 14, 2011 and approved by the Shareholders' Meeting on April 28, 2011, had been modified to take into account the signing of the Dutch Statutory Director Contract and to bring Mr. Bernard HOURS' indemnity entitlement into line with those applicable to Mr. Franck RIBOUD and Mr. Emmanuel FABER, authorized by the Board on February 18, 2013 and approved by the Shareholders' Meeting on April 25, 2013. The modifications were made to ensure compliance with the provisions of the AFEP-MEDEF Code. The mechanism amended by the Board of Directors on December 10, 2013, applicable as from January 1, 2014, is described hereafter.

On February 19, 2014, on recommendation of the Nomination and Compensation Committee, the Board of Directors (excluding Mr. Bernard HOURS who abstained from voting) unanimously decided, upon the renewal of Mr. Bernard HOURS' term of office subject to approval by the Shareholders' Meeting of April 29, 2014, to renew the commitments made by the Group in certain cases of termination of his duties as Deputy General Manager and his Dutch Statutory Director Contract. These commitments were renewed under the same terms and conditions as those set by the Board of Directors on December 10, 2013. The mechanism amended by the Board of Directors on February 19, 2014, applicable as from the Shareholders' Meeting of April 29, 2014, is described hereafter.

Description of the mechanism

(i) Amount of the Indemnity

Mr. Bernard HOURS will receive, in respect of the Indemnity and subject to performance conditions, an amount equal to twice the gross annual compensation (comprising both fixed and variable compensation) received in respect of his duties as Deputy General Manager for the twelve months preceding the date on which said duties ceased.

Moreover, pursuant to the Dutch Statutory Director Indemnity, Mr. Bernard HOURS will be able to receive, under the same terms and conditions as those set for the payment of the Indemnity (in particular concerning payment and performance conditions), an amount equal to twice the gross annual compensation (comprising both fixed and variable compensation) received for his duties pursuant to the Dutch Statutory Director Contract in the twelve months preceding the date on which said duties ceased.

The sum of the amounts received under (i) the indemnity provided by your company's collective agreement applicable to all Company employees, *i.e.* the "Indemnity for Termination of the Employment Contract" (the portion of said indemnity corresponding to the length of service acquired in respect of his term of office as Deputy General Manager being also subject to performance conditions), (ii) the Indemnity pursuant to the Dutch Statutory Director Contract and (iii) the Indemnity, must not exceed twice the gross annual compensation (comprising both fixed and variable compensation) received by Mr. Bernard HOURS in respect of the last twelve months preceding the date of termination of his duties as Deputy General Manager and his Dutch Statutory Director Contract.

In the event that the sum of the amounts due in respect of the Indemnity, the Indemnity for Termination of the Employment Contract and the Indemnity pursuant to the Dutch Statutory Director Contract exceed this upper limit of twice the gross annual compensation (comprising both fixed and variable compensation) received by Mr. Bernard HOURS in respect of his duties as Deputy General Manager and his Dutch Statutory Director Contract, so as to ensure strict compliance with this limit the amount paid will be deducted in priority from the Indemnity and then, where relevant, from the amount payable in respect of the Indemnity pursuant to the Dutch Statutory Director Contract, and lastly, if applicable, from the portion of the Indemnity for Termination of the Employment Contract subject to performance conditions and corresponding to the length of service acquired in respect of the term of office as Deputy General Manager.

(ii) Cases of payment of the Indemnity

The Indemnity will be payable to Mr. Bernard HOURS only in the event that his duties as Deputy General Manager are terminated by the Board of Directors due to a Change of Control or change of strategy, regardless of the form of such termination, including dismissal or the non-renewal of his term of office (but excluding serious misconduct (*faute grave*) – *i.e.* an extremely serious fault which precludes any continuation of the term of office, or gross negligence (*faute lourde*) *i.e.* an extremely serious fault committed by Mr. Bernard HOURS with the intention of harming your company), and subject to the performance conditions being met. It is specified that "Change of Control" means any change in your company's legal situation resulting, in particular, from a merger, restructuring, sale, takeover bid or exchange offer, following which a shareholder that is a legal entity or natural person, either alone or acting in concert, comes to hold, directly or indirectly, more than 50% of your company's share capital or voting rights.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, no payment of the Indemnity will be due if Mr. Bernard HOURS is able to avail himself of his pension entitlements within a short period of time on the terms and conditions defined by the pension schemes.

It is also specified that, given the automatic resumption of Mr. Bernard HOURS' employment contract in the event of the termination of his term of office as corporate officer, the Indemnity will also be due if Mr. Bernard HOURS ceases to hold his salaried position or requests that it be terminated within three months following the date of termination of his duties as Deputy General Manager in the case of forced termination following a Change of Control.

Where applicable, no indemnity pursuant to the office of Deputy General Manager and no indemnity pursuant to the Dutch Statutory Director Contract will be due if Mr. Bernard HOURS resumes a salaried position and does not request that such position be terminated within the aforementioned three-month period.

(iii) Performance conditions governing payment of the Indemnity to Mr. Bernard HOURS

Payment of the Indemnity will be based on:

a) the arithmetic average internal ("organic") growth in the Group's net sales (the "Group's CA") over the five completed fiscal years preceding the date of termination of Mr. Bernard HOURS' duties as Deputy General Manager ("the Reference Period"); and

b) the arithmetic average internal ("organic") growth in net sales recorded by the Panel members (the "Panel CAs") over the Reference Period.

For application of this decision, it is noted that:

- the Group's CA refers to the arithmetic average internal ("organic") growth in the Group's net sales over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the CA of each Panel member refers to the arithmetic average internal ("organic") growth in net sales recorded by said Panel member over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the Panel CAs refer to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs; and
- The Panel consists of eight benchmark international groups in the food and beverage sector, namely Kellogg Company, Unilever N.V., Nestlé S.A., Kraft Foods Group Inc., Mondelez International Inc., PepsiCo Inc., The Coca-Cola Company and General Mills Inc.

The Board of Directors must determine whether these performance conditions are met within three months of the date of termination of Mr. Bernard HOURS' duties as Deputy General Manager. Its explicit decision must be duly justified and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a financial adviser's report.

To ensure the comparability of the CAs used, it is specified that:

- restatements will be made (such as corrections related to changes in consolidation scope and exchange rates) to the strict extent necessary in order to ensure that the method of calculating the CAs of all Panel members and the Group's CA is consistent over the entire period;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member from the Panel through a duly justified decision; and

- in the event that the audited accounting or financial results of two or more members of the Panel are not published or are published late, the Board of Directors will make a decision duly justified at a later date, on the basis of the most recent audited financial statements published by the members of the Panel and by the Group over the last five fiscal years for which financial statements were published for all members of the Panel and for the Group.

In addition, it is noted that the Board of Directors may, through a duly justified decision, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity, provided that it maintains the overall consistency of the peer group.

Over the Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, 100% of the Indemnity will be paid to Mr. Bernard HOURS;
- if the Group's CA is lower than the Median CA of the Panel, no Indemnity will be paid to Mr. Bernard HOURS.

In accordance with the amendment to Mr. Bernard HOURS' employment contract and the terms of the Dutch Statutory Director Contract, it is recalled that the same performance conditions and payment conditions will apply to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of service acquired in respect of the office of Deputy General Manager, and to the Indemnity pursuant to the Dutch Statutory Director Contract and that the sum of all amounts due in respect of the Indemnity, the Indemnity pursuant to the Dutch Statutory Director Contract and the Indemnity for Termination of the Employment Contract shall not exceed an amount equal to twice the gross annual compensation (including both fixed and variable compensation) paid to Mr. Bernard HOURS by the Group during the twelve months preceding the date on which his duties ceased.

Upon each renewal of Mr. Bernard HOURS' term of office as Deputy General Manager, these performance conditions as well as, where relevant, the composition of the Panel, will be reviewed by the Board of Directors and, where appropriate, amended to take into account any changes to your company and its business sectors.

It is recalled that, where relevant, such modifications will apply under the same conditions to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of office acquired in respect of the office of Deputy General Manager and to the Indemnity pursuant to the Dutch Statutory Director Contract.

(iv) Payment of the Indemnity to Mr. Bernard HOURS

The amount of the Indemnity determined according to the above rules will be paid to Mr. Bernard HOURS within 30 days following the date of the Board of Directors' meeting which will decide whether the performance conditions governing payment of the Indemnity have been met.

It is also recalled that, in accordance with Mr. Bernard HOURS' employment contract, amended by authorization of the Board of Directors on February 10, 2010, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of his term of office will be automatically modified by the approval of this commitment.

Implementation of the mechanism upon the termination of Mr. Bernard HOURS' term of office as Deputy General Manager

In keeping with changes in the Group's strategy, on September 2, 2014, the Board of Directors (excluding Mr. Bernard HOURS who abstained from voting), on the recommendation of the Nomination and Compensation Committee, decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer and terminate Mr. Bernard HOURS' term of office as Deputy General Manager.

Accordingly, on October 17, 2014, the Board of Directors, on the recommendation of the Nomination and Compensation Committee:

- noted, based on a financial expert's report, that the Group's CA was 5.60% over the Reference Period (fiscal years 2009 to 2013) and was higher than the Median CA of the Panel, *i.e.* 4.25%, over this same period and that the performance condition had therefore been met; and
- authorized the payment of the Indemnity by your company to Mr. Bernard HOURS in respect of his duties as Deputy General Manager, which totaled €321,720 It should be noted that the Indemnity for Termination of the Employment Contract (provided under your company's collective agreement and applicable to all Company employees) paid by your company to Mr. Bernard HOURS totaled €1,787,920 (see section 2.1.1.4. above), and that no indemnity was paid pursuant to the Dutch Statutory Director Contract. The total amount paid to Mr. Bernard HOURS for termination of his duties was therefore €2,109,640. Therefore, in accordance with the AFEP-MEDEF Code, the total sums received by Mr. Bernard HOURS for termination of his term of office did not exceed twice the annual gross compensation (including fixed and variable compensation) received by Mr. Bernard HOURS during the twelve months preceding the date of termination of his duties.

Neuilly-sur-Seine and Paris La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

Share capital and share ownership

7

7.1 COMPANY'S SHARE CAPITAL 318

Share capital as of February 28, 2015 318

Changes in share capital in the last five fiscal years 318

7.2 TREASURY SHARES AND DANONE CALL OPTIONS HELD BY THE COMPANY AND ITS SUBSIDIARIES 319

Authorization granted to the Company to repurchase its own shares 319

Authorization to cancel shares and reduce the share capital following the purchase by the Company of its own shares 319

DANONE call options held by the Company 320

Liquidity contract 321

Transactions on Company shares in 2014 and situation as of December 31, 2014 321

Shares and DANONE call options held by the Group as of February 28, 2015 (by type of objective) 322

7.3 AUTHORIZATION TO ISSUE SECURITIES THAT GIVE ACCESS TO THE SHARE CAPITAL 322

Existing authorizations to issue ordinary shares and securities giving access to the Company's share capital as of December 31, 2014 322

Financial authorizations proposed to the vote of the Shareholders' Meeting 325

Changes in share capital and in the rights associated with the shares 325

7.4 FINANCIAL INSTRUMENTS NOT REPRESENTING CAPITAL 326

Powers of the Board of Directors 326

Delegation of powers to the General Management 326

Bonds outstanding as of December 31, 2014 326

7.5 DIVIDENDS PAID BY THE COMPANY 326

Dividend pay-out policy 326

Dividends paid in respect of the three previous fiscal years 327

Dividends forfeited to the State 327

7.6 VOTING RIGHTS, CROSSING OF THRESHOLDS 327

Voting rights 327

Crossing of thresholds 329

7.7 SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2014 AND SIGNIFICANT CHANGES OVER THE LAST THREE FISCAL YEARS 330

Share ownership structure as of December 31, 2014 330

Significant changes in Company's share ownership over the last three fiscal years 331

Survey of the Company's identifiable bearer shareholders 332

Employee profit-sharing 333

7.8 MARKET FOR THE COMPANY'S SHARES 333

Listing markets and indices 333

Stock price and trading volumes (Euronext Paris) 334

7.9 FACTORS THAT MIGHT HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER 334

7.10 CHANGE OF CONTROL 336

7.1 COMPANY'S SHARE CAPITAL

Share capital as of February 28, 2015

As of February 28, 2015, the Company's share capital amounted to €160,948,000. It was divided into 643,792,000 fully paid in shares of the same class with a nominal value of €0.25 per share. Each share gives a right to ownership of a proportion of the Company's assets, profits and liquidation surplus, based on the percentage of share capital that it represents.

Changes in share capital in the last five fiscal years

Company's share capital in the last five fiscal years

As of December 31

	2010	2011	2012	2013	2014
Capital					
Share capital *(in €)*	161,980,460	160,561,643	160,790,500	157,757,000	160,948,000
Number of issued shares	647,921,840	642,246,573	643,162,000	631,028,000	643,792,000

Transactions on the share capital in the last five fiscal years

Effective date of the transaction	Shares created/ (cancelled) by the transaction *(in number of shares)*	Transaction type	Nominal amount of the transaction *(in €)*	Amount of capital after the transaction *(in €)*	Shares making up the share capital after the transaction *(in number of shares)*
May 6, 2010	930,990	Capital increase reserved for employee members of a company savings plan	232,747.50	161,980,460.00	647,921,840
May 5, 2011	939,160	Capital increase reserved for employee members of a company savings plan	234,790.00	162,215,250.00	648,861,000
December 13, 2011	(6,614,427)	Capital decrease by cancellation of shares	(1,653,606.75)	160,561,643.25	642,246,573
May 11, 2012	915,427	Capital increase reserved for employee members of a company savings plan	228,856.75	160,790,500.00	643,162,000
February 18, 2013	(8,800,000)	Capital decrease by cancellation of shares	(2,200,000.00)	158,590,500.00	634,362,000
May 13, 2013	918,000	Capital increase reserved for employee members of a company savings plan	229,500.00	158,820,000.00	635,280,000
July 26, 2013	(4,252,000)	Capital decrease by cancellation of shares	(1,063,000.00)	157,757,000.00	631,028,000
June 3, 2014	11,932,014	Capital increase for payment of the dividend in shares	2,983,003.50	160,740,003.50	642,960,014
June 5, 2014	831,986	Capital increase reserved for employee members of a company savings plan	207,996.50	160,948,000.00	643,792,000

7.2 TREASURY SHARES AND DANONE CALL OPTIONS HELD BY THE COMPANY AND ITS SUBSIDIARIES

This section is a description of the share repurchase program in accordance with Articles 241-1 *et seq*. of the general regulations of the French Financial Markets Authority.

Authorization granted to the Company to repurchase its own shares

The Board of Directors may purchase the Company's shares, subject to limits and conditions set forth by law, and in particular subject to authorization by the Shareholders' Meeting.

Existing authorization

The Shareholders' Meeting of April 29, 2014 therefore authorized the Board of Directors, for an 18-month period, to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company at a maximum purchase price of €65 per share. This authorization cancelled and replaced the authorization previously granted by the Shareholders' Meeting of April 25, 2013.

This authorization was used during fiscal year 2014 (see section *Transactions on Company shares in 2014 and situation as of December 31, 2014* hereafter).

Authorization subject to approval by the Shareholders' Meeting

In addition, the Board of Directors will submit to the Shareholders' Meeting to be held on April 29, 2015, a new authorization valid for 18 months, which will supersede, as from the date of its adoption, the authorization granted by the Shareholders' Meeting of April 29, 2014, to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company (*i.e.*, for indicative purposes only, 64,379,200 shares as of February 28, 2015, representing a maximum potential purchase amount (excluding acquisition costs) of approximately €4.5 billion) at a maximum purchase price of €70 per share.

Subject to approval of the authorization by the Shareholders' Meeting of April 29, 2015, the purchase of the Company's shares may be executed for the purposes of:

- the allocation of shares with respect to the exercise of stock-options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancellation of shares within the maximum legal limit; and
- supporting the market for the shares pursuant to a liquidity contract concluded with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

Share repurchases may, within the limits permitted by the regulations in force, be carried out, in whole or in part, as the case may be, by acquisition, sale, exchange or transfer, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF), through a systematic internalizer or over-the-counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or financial instrument (including in particular any future or any option), except the sale of put options, in compliance with the conditions set out by applicable regulations.

These transactions may be carried out during an 18-month period beginning April 29, 2015 (with the exception of periods of public tender offer on the Company's shares) within the limits allowed by the applicable regulations.

Authorization to cancel shares and reduce the share capital following the purchase by the Company of its own shares

Existing authorization

The Shareholders' Meeting of April 25, 2013 granted an authorization to the Board of Directors for 24 months to cancel shares acquired in the context of a share repurchase program subject to a limit of 10% of the existing share capital as of the day of the Meeting.

This authorization was not used during fiscal year 2014. On July 26, 2013, the Board of Directors, using this authorization, cancelled 4,252,000 Company shares representing approximately 0.7% of the share capital.

Authorization subject to approval by the Shareholders' Meeting

The Board of Directors will submit to the Shareholders' Meeting to be held on April 29, 2015, a new authorization valid for 24 months (which will supersede, as from the date of its adoption, the authorization previously granted by the Shareholders' Meeting of April 25, 2013) to reduce the share capital by the cancellation, on one or more occasions, subject to a limit (per 24-month period) of 10% of the share capital as of the date of the Meeting, of some or all of the shares the Company holds or could acquire under the terms of share repurchase programs authorized by the Shareholders' Meeting (see section above).

DANONE call options held by the Company

Purchase of DANONE call options by the Company in 2011

On October 25, 2011, within its share repurchase program, the Company acquired DANONE call options to hedge part of the stock-options granted to certain of its employees and corporate officers and still in force, as a substitute for their existing hedge by treasury shares held.

Prior to this date, in order to satisfy its legal obligations, the Company held treasury shares specifically allocated to hedge these stock-option plans. These treasury shares were earmarked for gradual release into circulation on the market as and when beneficiaries exercised stock-options until the expiry of the plans still in force, *i.e.* until October 2017. In order to limit the dilutive effect of the exercise of these options, in 2011 the Company decided to hedge part of these stock-options by the acquisition of DANONE call options, as a substitute for the treasury shares held.

A total of 6.6 million DANONE call options representing around 1.02% of the share capital were thus acquired from a financial institution. The Company's intention is to exercise these call options at any time until the expiry of the last stock-option plans still in force (*i.e.* until October 2017), in order to comply with its commitments to deliver shares to stock-option beneficiaries.

The 6.6 million treasury shares held until then to hedge the stock-options concerned were reallocated with a view to their cancellation and were subsequently cancelled on December 13, 2011.

DANONE call options held by the Company as of December 31, 2014

		Movements during the period			
(number of shares)	**As of December 31, 2013**	**Purchases**	**Matured options**	**Options exercised**	**As of December 31, 2014**
DANONE call options held by the Company					
Number of call options	2,021,415	–	–	(1,022,794)	998,621
Percentage of the Company's share capital as of December 31	0.3%				0.2%

Open positions in equity derivatives on the Company's shares as of December 31, 2014

Open positions in equity derivatives on the Company's shares as of December 31, 2014

	Open long positions		Open short positions	
	Call options purchased	**Forward purchases**	**Call options sold**	**Forward sales**
Number of shares	998,621	–	–	–
Weighted maximum average maturity	04/23/2017	N/A	N/A	N/A
Weighted average exercise price *(in €)*	35.07	N/A	N/A	N/A

Additional information on open positions on DANONE call options held by the Company as of December 31, 2014

Board of Directors' meeting authorizing the hedged stock-option plans [a]	10/21/2008	04/23/2009	10/20/2009
DANONE call options hedging stock-option plans	14,436	969,491	14,694
Expiry date of DANONE call options hedging stock-option plans	10/20/2016	04/22/2017	10/19/2017
Exercise price of DANONE call options hedging stock-option plans *(in € per share)*	43.71	34.85	40.90

(a) Stock-option plans granted to certain employees and corporate officers are detailed in section 6.3 *Compensation and benefits for corporate officers and governance bodies.*

Liquidity contract

On January 17, 2014 and for a period of one year with tacit renewal, the Company concluded, with an investment service provider, Rothschild & Cie Banque, a liquidity contract, in accordance with the Ethical Charter drawn up by the Association Française des Marchés Financiers (AMAFI) and recognized by the French Financial Markets Authority, with a view to supporting the market for DANONE shares on Euronext Paris.

This liquidity contract was implemented in connection with the share repurchase program authorization given by the Shareholders' Meeting of April 25, 2013 for a period of 18 months and renewed by the Shareholders' Meeting of April 29, 2014.

In order for this liquidity contract to be implemented, the Company allocated 120,000 DANONE shares and €0.

As of December 31, 2014, the liquidity account contained the following resources: 0 DANONE share and €6,168,649.

Transactions on Company shares in 2014 and situation as of December 31, 2014

Transactions on Company treasury shares during fiscal year 2014 presented by type of Company objective were as follows:

		Movement during the period							
(number of shares)	**As of December 31, 2013**	**Purchases**	**Exercise of DANONE calls**	**Sales/ Transfers**	**Realloca-tions**	**Cancel-lations**	**Delivery of shares following exercises of stock-options**	**Delivery of Group perfor-mance shares**	**As of December 31, 2014**
External growth transactions	**31,117,762**	–	–	(120,000)	(228,402)	–	–	–	**30,769,360**
Liquidity contract	**–**	676,134	–	(796,134)	120,000	–	–	–	**–**
Hedging of stock-options and Group performance shares	**7,710,647**	–	1,022 794	–	228,402	–	(1,292,981)	(504,927)	**7,163,935**
Share cancellations	**–**	–	–	–	–	–	–	–	**–**
Treasury shares	**38,828,409**	**676,134**	**1,022,794**	**(916,134)**	**120,000**	**–**	**(1,292,981)**	**(504,927)**	**37,933,295**
Shares held by Danone Spain	**5,780,005**	–	–	–	–	–	–	–	**5,780,005**
Total shares held by the Group	**44,608,414**	**676,134**	**1,022,794**	**(916,134)**	**120,000**	**–**	**(1,292,981)**	**(504,927)**	**43,713,300**

The average price of DANONE shares repurchased during fiscal year 2014 was €52.77 per share for shares repurchased under the terms of the liquidity contract and €35.07 per share (exercise price of call options, excluding premium paid in 2011 on the acquisition of call options, see section *Purchase of DANONE call options by the Company* above) for shares purchased through the exercise of DANONE call options. The average price of DANONE shares sold during fiscal year 2014 under the terms of the liquidity contract was €52.54 per share. Transaction expenses during this period totaled €0.3 million.

As of December 31, 2014, the Company held 37,933,295 treasury shares, which represented 5.9% of its share capital (nominal value of €9,483,323.75) and a gross purchase value of €1,867 million.

Shares and DANONE call options held by the Group as of February 28, 2015 (by type of objective)

(number of shares)	As of February 28, 2015
External growth transactions	30,769,360
Liquidity contract	–
Hedging of stock-options and Group performance shares	5,369,927
Cancellation	–
Shares held by the Company	**36,139,287**
Shares held by Danone Spain	5,780,005
Total shares held by the Group	**41,919,292**
Call options held by the Company [(a)]	742,410
Total shares held by the Group (including through call options)	**42,661,702**

(a) Each call option giving the right to subscribe for one DANONE share.

Based on the closing price of the Company's share on February 28, 2015 (*i.e.* 62.33 per share), the market value of the Company's shares held as of that date by the Group (excluding call options) amounted to €2,613 million. A 10% increase or decrease of the Company's share price would result in a €261 million increase or decrease, respectively, in the market value of the Company's shares held by the Group.

7.3 AUTHORIZATION TO ISSUE SECURITIES THAT GIVE ACCESS TO THE SHARE CAPITAL

Existing authorizations to issue ordinary shares and securities giving access to the Company's share capital as of December 31, 2014

The Shareholders' Meeting regularly grants to the Board of Directors authorizations to increase the share capital of the Company through the issuance of ordinary shares or securities giving access to the Company's share capital.

Summary of financial authorizations valid as of December 31, 2014

The existing authorizations for the issuance of ordinary shares and securities giving access to the share capital, with or without preferential subscription right, valid as of December 31, 2014, are provided in the following table.

Except for the authorization to grant Group performance shares, all such authorizations were approved by the Shareholders' Meeting of April 25, 2013 for a period of 26 months until June 25, 2015. The authorization to grant Group performance shares was approved by the Shareholders' Meeting of April 29, 2014 and expired on December 31, 2014.

The Shareholders' Meeting of April 29, 2015 will be asked to renew all these authorizations (see section *Financial authorizations subject to approval by the Shareholders' Meeting* hereafter).

Authorized maximum common amounts of capital *(nominal amount)*		Authorization type	Individual maximum amounts authorized *(nominal amount or percentage of capital)*	Use in 2014 *(nominal amount)*	Balance available as of December 31, 2014 *(nominal amount or percentage of capital)*
Maximum common amount applicable to all dilutive and non-dilutive issuances: €55.3 million (approximately 34.4% [a] of capital)	Maximum amount applicable to non-dilutive issuances: €55.3 million (approximately 34.4% [a] of capital)	Capital increase with preferential subscription right of shareholders	€55.3 million (approximately 34.4% [a] of capital) [b]	–	€55.3 million
	Maximum amount applicable to dilutive issuances: €23.6 million (approximately 14.7% [a] of capital)	Capital increase without preferential subscription right but with priority period for shareholders	€23.6 million (approximately 14.7% [a] of capital) [b]	–	€23.6 million
		Overallotment (as a % of initial issuance)	15% [b] [c]	–	–
		Public exchange offer initiated by the Company	€15.7 million (approximately 9.8% [a] of capital) [b]	–	€15.7 million
		Contributions in kind	10% of capital	–	10% of the capital
		Capital increase reserved for employees and/or managers of the Group	€3.1 million (approximately 1.9%[a] of capital)	€207,996.50	€2.9 million [d]
		Grants of Group performance shares (GPS) [e]	0.2% of capital as of the closure of the Shareholders' Meeting	778,371 shares granted [f] (approximately 0,12% [g] of capital	*i.e.* 0.08% [g] of the capital
–	–	Incorporation of reserves, earnings, premiums or other sums	€40.7 million (approximately 25.3% [a] of capital)	–	€40.7 million

(a) This percentage is calculated for indicative purposes only, on the basis of the share capital as of December 31, 2014.
(b) All issuances of securities representing debts giving access to the Company's share capital liable to be performed pursuant to these authorizations: (i) capital increase with preferential subscription right, (ii) capital increase without preferential subscription right but with priority period for shareholders, (iii) over-allotment option, and (iv) public tender offer initiated by the Company, shall not exceed a ceiling representing a principal amount of €2 billion (or the counter-value of this amount if issued in a foreign currency or unit of account set by reference to several currencies).
(c) For capital increases without preferential subscription right (but with priority period for shareholders) resulting from cash subscriptions, the Board of Directors may increase the number of securities to be issued within the limit of 15% of the initial issues and at the same price. This over-allotment option shall not have the effect of increasing the ceiling under this authorization (€23.6 million in capital and €2 billion for debt securities giving access to the Company's share capital).
(d) The nominal amount of the new capital increase reserved for the Group's employees, decided by the Board of Directors at its meeting of February 19, 2015 and to be completed in June 2015, will be deducted from this amount.
(e) This financial authorization expired on December 31, 2014 and accordingly can no longer give rise to grants of Group performance shares.
(f) See section 6.3 *Compensation and benefits for corporate officers and governance bodies* with respect to the review of the achievement of the performance conditions related to these grants.
(g) This percentage is calculated on the basis of the share capital noted at the end of the Shareholders' Meeting of April 29, 2014.

Lastly, it is noted that in addition to these issuance authorizations, the Shareholders' Meeting has authorized the Board of Directors to cancel shares repurchased by the Company. This authorization was not used by the Board of Directors during fiscal year 2014 (see section *Authorization to cancel shares and reduce the share capital following the purchase by the Company of its own shares* above).

Group performance share plans (GPS)

During fiscal year 2014, the Board of Directors used the authorization granted by the Shareholders' Meeting to grant Group performance shares (GPS).

The granting of GPS during fiscal year 2014, the various GPS plans in force as of December 31, 2014, the impact of outstanding plans in terms of dilution/ownership of the Company's share capital, the performance conditions applicable to said GPS plans and the review of the achievement of performance conditions by the Board of Directors are described in section 6.3 *Compensation and benefits for corporate officers and governance bodies.*

Stock purchase option plans (stock-options)

Pursuant to a decision of the Shareholders' Meeting of April 22, 2010, the Group no longer grants stock purchase options and/or stock subscription options. Indeed, it was decided that the authorization to grant Group performance shares cancelled, for the portion not yet used by such date, the authorization granted by the Shareholders' Meeting of April 23, 2009, to allocate stock purchase options (stock-options) and/or stock subscription options. The last outstanding stock-option plans implemented by the Company will expire in October 2017.

The various stock-option plans still outstanding as of December 31, 2014, their main terms and the impact of outstanding plans in terms of dilution/ownership of the Company's share capital are described in section 6.3 *Compensation and benefits for corporate officers and governance bodies.*

Employee shareholding

Capital increase reserved for employees carried out in 2014

The Shareholders' Meeting of April 25, 2013 authorized the Board of Directors, for a period of 26 months, to carry out share capital increases reserved for employees who are members of a Company Savings Plan *(Plan d'Épargne Entreprise – PEE)*, within the limit of a nominal amount of €3.1 million.

Pursuant to this authorization, the Company carried out in June 2014 a share capital increase reserved for Group employees who are members of a Company Savings Plan (through a transition fund later merged into the "Fonds Danone" company investment fund) for a nominal amount of €207,996.50, representing the issuance of 831,986 new shares, or approximately 0.13% of the Company's share capital.

Capital increase reserved for employees underway

Pursuant to the authorization of the Shareholders' Meeting of April 25, 2013, the Board of Directors of February 19, 2015 decided to carry out a share capital increase reserved for Group employees who are members of a Company Savings Plan for a maximum subscription amount of €80 million, representing a maximum of 1,698,153 new shares (or 0.3% of the Company's share capital) based on a discounted DANONE share price of €47.11. The actual amount subscribed will be disclosed in June 2015.

Financial authorizations proposed to the vote of the Shareholders' Meeting

The Shareholders' Meeting of April 29, 2015 will be asked to renew the issuance authorizations in respect of ordinary shares and securities, with or without preferential subscription right, in accordance with the conditions set out in the table hereafter:

			Authorized maximum	
	Authorization date	**Expiry date**	**Ordinary shares** *(nominal amount of the issue)*	**Debt securities**
Non-dilutive issuances (with preferential subscription right of shareholders)	April 29, 2015 (26 months)	June 29, 2017	€56.3 million (approximately 35% [a] of capital)	Common maximum amount of €2 billion
Dilutive issuances (without preferential subscription right of shareholders, but with obligation to grant a priority period)	April 29, 2015 (26 months)	June 29, 2017	€16 million [b] (approximately 10% [a] of capital), forming part of the maximum amount of €56.3 million of the above non-dilutive issuances	
Dilutive issuance (public exchange offer initiated by the Company)	April 29, 2015 (26 months)	June 29, 2017	€16 million (approximately 10% [a] of capital) forming part of the maximum amount of €16 million common to the above dilutive issuances	
Dilutive issuance (contributions in kind granted by the Company)	April 29, 2015 (26 months)	June 29, 2017	10% of capital forming part of the maximum amount of €16 million common to the above dilutive issuances	–
Capital increase by incorporation of reserves, earnings or premiums	April 29, 2015 (26 months)	June 29, 2017	€40.2 million (approximately 25% [a] of capital)	–
Capital increase reserved for members of a Company Savings Plan and/or reserved sales of securities	April 29, 2015 (26 months)	June 29, 2017	€3.2 million (approximately 2% [a] of capital) forming part of the maximum amount of €16 million of the above dilutive issuances	–
Grants of Group performance shares (GPS)	April 29, 2015 (26 months)	December 31, 2015	0.2% of capital as of the closure of the Shareholders' Meeting, forming part of the maximum amount of €16 million common to the above dilutive issuances	–

(a) This percentage is calculated for indicative purposes only, on the basis of the share capital as of February 28, 2015.
(b) In the case of dilutive issuances resulting from subscriptions in cash, the Board of Directors may increase the number of securities to be issued within the limit of 15% of the initial issue and at the same price. This over-allotment option shall not have the effect of increasing the ceiling under this authorization.

These draft resolutions are presented in sections 8.2 *Draft resolutions presented at the Shareholders' Meeting* and 8.3 *Comments on the resolutions of the Shareholders' Meeting.*

Changes in share capital and in the rights associated with the shares

Any changes in the share capital or the rights attached to the securities comprising the share capital are subject to applicable legal provisions, as the by-laws do not contain any specific provisions related thereto.

7.4 FINANCIAL INSTRUMENTS NOT REPRESENTING CAPITAL

Powers of the Board of Directors

At the Combined Shareholders' Meeting of April 23, 2009, it was decided to delete Article 27.I.9 of the Company's by-laws (which reserved the authority to decide on or authorize bond issuances to the Shareholders' Meeting), in order to recognize the Board of Directors' authority in principle in this area, pursuant to the first paragraph of Article L. 228-40 of the French commercial code.

Delegation of powers to the General Management

At its meeting of October 17, 2014, the Board of Directors decided to renew, for a period of one year, the authorization granted to the General Management to issue, in France or abroad (including, in particular, in the United States of America by means of private placements to institutional investors), ordinary bonds, subordinated debt securities or complex securities (whether fixed-term or perpetual) or any other type of negotiable debt instrument for up to a maximum outstanding principal amount at any time of €10 billion (or the equivalent amount in any other currency or unit of account).

Bonds outstanding as of December 31, 2014

As of December 31, 2014, the total outstanding principal amount on bonds issued by the Company was €6,690 million (amount recorded in the consolidated financial statements, see Note 10.3 of the Notes to the consolidated financial statements).

The Company is the sole issuer of the Group's bonds. In particular, it is noted that in accordance with a substitution agreement entered into on November 16, 2009 by the Company and its subsidiary Danone Finance (which has been since dissolved), the Company was substituted for Danone Finance in its debt securities issued under its EMTN (Euro Medium Term Note) program. The last debt securities issued by Danone Finance (which the Company has replaced) and still outstanding will reach maturity in June 2016.

7.5 DIVIDENDS PAID BY THE COMPANY

Dividend pay-out policy

Rules set out by law and the Company's by-laws

In accordance with law, the following is withheld from earnings (from which, if applicable, past losses have already been deducted): (i) at least 5% for the creation of the legal reserve, a deduction that will cease to be mandatory when the legal reserve has reached one-tenth of the share capital, but that will be reinstituted if, for any reason whatsoever, the legal reserve falls below this amount, and (ii) any sums to be allocated to reserves in accordance with law. The balance, to which are added retained earnings, represents the distributable earnings.

Under the terms of the by-laws, the amount necessary to constitute a first dividend payment to shareholders is deducted from the distributable earnings: this amount corresponds to interest of 6% per annum on the amount of their shares that has been paid up and not reimbursed, it being specified that if in a given fiscal year earnings are not sufficient to make this payment, the shortfall may be paid by deduction from the earnings of subsequent fiscal years.

Any remaining balance is available for allocation by the annual Shareholders' Meeting, in accordance with a proposal by the Board of Directors, to shares as dividends or, in full or in part, to any reserve accounts or to retained earnings.

The reserves available to the Shareholders' Meeting can be used, if it so decides, to pay a dividend. In this case, the decision will expressly indicate those accounts to which the dividend will be charged.

Group's pay-out policy

The dividend pay-out policy, defined by the Board of Directors, is based on an analysis that notably takes into account the history of dividend payments, the financial situation and the profits of the Group, as well as the pay-out practices applicable in the Group's sector.

Dividends paid in respect of the three previous fiscal years

A dividend of €1.50 per share will be proposed at the Shareholders' Meeting of April 29, 2015 in respect of shares for which the dividend entitlement date is January 1, 2014. If this dividend is approved, it will be detached from the share on May 7, 2015 and will be payable as from June 3, 2015.

Furthermore, the Shareholders' Meeting of April 29, 2015 will propose to offer each shareholder the possibility to opt for the payment in new shares of the Company of the full dividend to which the shares owned give an entitlement (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

The following dividends were paid for the three fiscal years prior to the 2014 fiscal year:

Dividend relating to fiscal year [a]	Dividend per share *(in € per share)*	Dividend approved *(in € millions)*	Dividend paid [b] *(in € millions)*
2011	1.39	893	843
2012	1.45	933	858
2013	1.45	915	299 [c]

(a) Paid in the following year.
(b) Treasury shares held directly by the Company (*i.e.* approximately 5.9% of the share capital as of December 31, 2014) do not carry the right to receive a dividend. By contrast, the Company's shares held by its subsidiary Danone Spain (*i.e.* approximately 0.9% of the share capital as of December 31, 2014) carry the right to receive a dividend.
(c) The Shareholders' Meeting of April 29, 2014 approved the proposed dividend in respect of fiscal year 2013 and decided that each shareholder could choose to receive payment of the dividend in cash or in DANONE shares. Shareholders owning 65.23% of the voting rights voted to receive payment of the dividend in shares, which resulted, in June 2014, in the issuance by the Company of 11,932,014 new shares (*i.e.* approximately 1.89% of the share capital). The amount of the dividend paid in cash corresponded to the dividend paid to those shareholders who did not opt for payment in shares (see Note 13.5 of the Notes to the consolidated financial statements).

Dividends forfeited to the French State

In accordance with law, dividends that have not been claimed within a five-year period are prescribed and revert to the French State.

7.6 VOTING RIGHTS, CROSSING OF THRESHOLDS

Voting rights

Double voting rights

The Extraordinary Shareholders' Meeting of October 18, 1935 decided to grant double voting rights, in accordance with law and in relation to the portion of the Company's share capital that they represent, to all fully paid up shares for which evidence is provided that they have been registered in the name of the same shareholder for at least two years, as well as – in the event of a share capital increase through capitalization of reserves, earnings or additional paid-in capital – to registered shares granted free of charge to a shareholder in consideration of existing shares in respect of which he enjoys said rights.

Double voting rights cease in the event of a transfer or conversion into bearer shares, unless otherwise provided for by law. A merger with another company shall not affect double voting rights, which can be exercised within the absorbing company if its by-laws have instituted this procedure.

Limitation on voting rights at Shareholders' Meeting

Principle of limitations on voting rights

The Extraordinary Shareholders' Meeting of September 30, 1992 decided that at Shareholders' Meetings no shareholder may cast more than 6% of the total number of voting rights attached to the Company's shares in his or her own right or through proxy (*mandataire*), in respect of single voting rights attached to shares which he or she holds directly and indirectly and of powers which have been granted to him or her. Nevertheless, if, additionally, he or she enjoys double voting rights in a personal capacity and/or in the capacity of agent, the limit set above may be exceeded by taking into account only the extra voting rights resulting therefrom. In such a case, the total voting rights that he or she represents shall not exceed 12% of the total number of voting rights attached to the Company's shares.

In accordance with Article 26 II of the Company's by-laws, this limitation applies as follows:

- the total number of voting rights taken into account is calculated as of the date of the Shareholders' Meeting and is brought to the attention of shareholders at the opening of the Shareholders' Meeting;
- the number of voting rights held directly and indirectly refers particularly to those attached to shares held personally by a shareholder, shares held by a corporation he or she controls within the meaning of Article L. 233-3 of the French commercial code and shares assimilated with shares held, as defined by the provisions of Articles L. 233-7 *et seq.* of the French commercial code; and
- in respect of voting rights used by the Chairman of the Shareholders' Meeting, those attached to shares for which a proxy form has been returned to the Company without naming a proxy and which, individually, do not violate the applicable limitations, are not taken into account.

This limitation of voting rights in the Shareholders' Meeting was implemented by the Company at the Shareholders' Meeting of April 29, 2014, in respect of the MFS group (see section 7.7 *Share ownership structure as of December 31, 2014 and significant changes over the last three fiscal years* for more information on the interest held by the MFS group in the Company's share capital).

Exceptions to limitations on voting rights

In accordance with Article 26 II of the Company's by-laws, the aforementioned limitations shall become null and void if any individual or corporate entity, acting alone or in concert with one or more individuals or corporate entities, were to come into possession of at least two-thirds of the total shares of the Company as a result of a public tender offer for all the Company's shares. The Board of Directors shall formally acknowledge that the limitations have become null and void and shall complete the corresponding modifications to the by-laws.

In addition, in accordance with the general regulations of the French Financial Markets Authority, the effects of the limitations provided for in the preceding sections shall be suspended at the first Shareholders' Meeting following the close of a public tender offer if the bidder, acting alone or in concert, were to come into possession of more than two-thirds of the total shares or total voting rights of the company concerned.

Lastly, following adoption of the 16th resolution by the Shareholders' Meeting of April 22, 2010, the aforementioned limitations shall be suspended for a Shareholders' Meeting if the number of shares present or represented at such meeting reaches or exceeds 75% of the total number of shares carrying voting rights. In such event, the Chairman of the Board of Directors (or any other person who is presiding over the meeting in his absence) shall formally acknowledge the suspension of said limitation when the Shareholders' Meeting is opened.

Reasons for the limitation of voting rights for shareholders

The Board of Directors has, on several occasions, reviewed this clause limiting voting rights at Shareholders' Meetings and, following discussions with its shareholders, has concluded that this voting rights limitation is in the interest of all the Company's shareholders. Thus:

- this limitation prevents shareholders from influencing corporate decisions in a manner that would be disproportionate to the actual size of their shareholding, particularly in the event of a low quorum or when a simple majority is sufficient for the adoption of a corporate decision (with a quorum for Shareholders' Meetings of 50%, 25% of the votes could be sufficient to adopt or reject a corporate decision);
- it also prevents shareholders taking control of the Company "by stealth", *i.e.* without being obliged to launch a public tender offer and therefore enables existing shareholders to dispose of their shareholdings in the Company under satisfactory conditions. Therefore, the clause limiting voting rights enables this situation to be avoided by requiring a shareholder wishing to take control of the Company to launch a public tender offer on all the Company's shares. In this regard, this provision provides protection for all the shareholders and guarantees them the best valuation for their shares;
- this clause of the by-laws does not under any circumstances constitute an obstacle to a public tender offer on the Company, since the clause becomes automatically null and void in the event that one or more shareholders acting in concert would come to own more than two-thirds of the Company's share capital or voting rights; and
- the validity of clauses limiting voting rights has been recognized by the French commercial code and these limitation clauses are used by several CAC 40 companies.

In 2007, the Shareholders' Meeting rejected a resolution aimed at removing this clause limiting voting rights at Meeting.

In 2010, following discussions with its shareholders, the Board considered it would be appropriate to amend the terms of this voting rights limitation mechanism in order to introduce the automatic suspension of the limitation process for any Shareholders' Meeting at which a sufficiently high quorum is achieved. Indeed, whereas this limitation appears appropriate and justified in the event of a low quorum, it appears superfluous in the event of a high quorum, since such a quorum would ensure all shareholders could express their opinion without the risk of distortion. For this reason, this limitation is suspended, in respect of any Meeting at which the number of shares whose shareholders are present or represented reaches or exceeds 75% of the total number of shares with voting rights.

In the event that a shareholder acquires a significant non-controlling interest in the Company's share capital, the quorum should automatically increase and would facilitate the suspension of the clause, whilst ensuring that said shareholder was not able to influence proceedings at the Shareholders' Meeting in a manner disproportionate to his or her shareholding.

The quorum achieved at the Shareholders' Meeting of April 29, 2014 was 52.2%.

Procedures for exercising voting rights

Any shareholder, regardless of the number of shares he/she holds, may attend the Shareholders' Meeting, subject to proof of identity and share ownership.

Shareholders may choose between one of the three following participation options:

- attend the Meeting in person by requesting an admission card;
- give a proxy to the Chairman of the Shareholders' Meeting or any other natural or legal person of their choice; or
- vote by correspondence.

In accordance with Article R. 225-85 of the French commercial code, the right to attend the Shareholders' Meeting requires the registration of the securities in the name of the shareholder or of the authorized intermediary acting on his/her behalf (pursuant to the seventh paragraph of Article L. 228-1 of the French commercial code), on the second business day preceding the Meeting, either in the Company's registry of registered shares or in the registry of bearer securities maintained by the authorized intermediary.

In accordance with Article R. 225-85 of the French commercial code, the registration of securities in the registry of bearer securities maintained by the authorized intermediary shall be established by a certificate of participation issued by the intermediary (as the case may be, by electronic means under the conditions set forth in Article R. 225-61 of the French commercial code), and attached to the correspondence voting form, the proxy voting form or of the request for an admission card completed in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Shareholders may appoint any individual or legal entity of their choice as a proxy holder to be represented at a Shareholders' Meeting. Proxies, as well as any proxy revocations, must be evidenced in writing and notified to the Company or to its authorized representative (BNP Paribas Securities Services). Proxies may be revoked in the same forms as those required for the designation of the proxy holder, including by electronic means if need be. The owners of shares that are properly registered in the name of an intermediary under the conditions provided for in Article L. 228-1 of the French commercial code may be represented by a registered intermediary under the conditions provided for in said Article.

The Company's by-laws allow for shareholders to participate in Shareholders' Meetings through electronic means, and a website will be specially configured for the Shareholders' Meeting of April 29, 2015, enabling shareholders to vote online before the Meeting. The electronic signature of the proxy or mail-in voting forms may be carried out using a procedure consistent with the terms defined in Articles R. 225-79 (for proxies) and R. 225-77 (for votes by correspondence) of the French commercial code.

Holders of bearer shares may also use the online VOTACCESS platform for the Shareholders' Meeting of April 29, 2015 (as was already the case for the Shareholders' Meeting of April 29, 2014). This facility has been available, since the Shareholders' Meeting of April 25, 2013, to all shareholders for whom the account-holding institution has adhered to the VOTACCESS system and, since the Shareholders' Meeting of April 29, 2014, to all holders of a minimum of one bearer share. This platform allows holders of bearer shares to send their voting instructions electronically, request an admission card and appoints or revokes a proxy, before the Shareholders' Meeting is held.

Finally, the Board of Directors may decide that any vote cast during a Shareholders' Meeting may be expressed by videoconference or by any telecommunication mean enabling the shareholder to be identified, in accordance with the terms set forth in the applicable legislation and regulations.

Crossing of thresholds

In addition to the legal obligation to inform the Company and the French Financial Markets Authority in the event of a crossing, in either direction, of any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, one-third, 50%, two-thirds, 90% or 95% of the Company's share capital or voting rights, within four trading days of crossing such shareholding threshold (Article L. 233-7 of the French commercial code), any individual or entity that comes to acquire or ceases to hold in any manner whatsoever, within the meaning of Articles L. 233-7 *et seq.* of the French commercial code, a fraction equivalent to 0.5% of the voting rights or a multiple thereof must, within five trading days of crossing such threshold, notify the Company of the total number of shares or securities giving future access to the capital and the total number of voting rights that said individual or entity holds alone, or indirectly, or in concert, by registered mail with return receipt to the Company's registered office. If the threshold is crossed as a result of a purchase or sale on the market, the period of five trading days begins as from the date of trade and not the date of delivery.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

7.7 SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2014 AND SIGNIFICANT CHANGES OVER THE LAST THREE FISCAL YEARS

Share ownership structure as of December 31, 2014

It should be noted that double voting rights are granted to all fully paid-up shares held in registered form in the name of the same shareholder for at least two years (see section 7.6 *Voting rights, crossing of thresholds*).

The following table provides details (on the basis of the declarations of crossing statutory thresholds received by the Company) on the shareholders having declared that they own more than 1.5% of the Company's voting rights as of December 31, 2014:

Shareholders	Number of shares held	% of capital	Number of gross voting rights	% of gross voting rights [a]	Number of net voting rights	% of net voting rights [b]
MFS Group [c]	80,984,423	12.6%	64,886,476	9.6%	64,886,476	10.3 %[d]
Sofina & Henex group	13,957,819	2.2%	27,542,360	4.1%	27,542,360	4.4%
Harris Associates L.P.	19,551,538	3.0%	19,551,538	2.9%	19,551,538	3.1%
Amundi Asset Management	13,574,413	2.1%	13,574,413	2.0%	13,574,413	2.1%
First Eagle Investment Management [e]	12,681,299	2.0%	12,339,645	1.8%	12,339,645	2.0%
CDC group	10,557,910	1.6%	10,557,910	1.6%	10,557,910	1.7%
Norges Bank	9,665,010	1.5%	9,665,010	1.4%	9,665,010	1.5%
Natixis Asset Management [e]	12,363,241	1.9%	6,981,958	1.0%	6,981,958	1.1%
Employee shareholding – "Fonds Danone" company investment fund	8,429,898	1.3%	16,311,908	2.4%	16,311,908	2.6%
Treasury shares – the Company	37,933,295	5.9%	37,933,295	5.6%	–	–
Treasury shares – Danone Spain subsidiary	5,780,005	0.9%	5,780,005	0.9%	–	–
Others	418,313,149	65.0%	450,171,847	66.7%	450,171,847	71.3%
Total	**643,792,000**	**100.0%**	**675,296,365**	**100.0%**	**631,583,065**	**100.0%**

(a) The percentage of gross voting rights is calculated taking into account the shares held by the Company and its subsidiaries, which are stripped of voting rights.
(b) The number of net voting rights (or voting rights "exercisable in a Shareholders' Meeting") is calculated excluding shares stripped of voting rights.
(c) See section *Significant changes in Company's share ownership structure over the last three fiscal years* hereafter for details on MFS group's positions.
(d) The voting rights of MFS group were capped at 6% at the Shareholders' Meeting of April 29, 2014 in accordance with Article 26 II of the by-laws of the Company (see section 7.6 *Voting Rights, crossing of thresholds* above for details on limitations on voting rights in Shareholders' Meetings).
(e) First Eagle Investment Management and Natixis Asset Management indicated to the Company that the number of voting rights (gross and net) it held in the Company is less than the number of shares that it holds, as certain of its customers retain the voting right attached to the shares managed by them.

As of December 31, 2014, the total number of the Company's shares held by the 15 members of the Board of Directors and the 8 members of the Executive Committee (including 1 Director), *i.e.* a total of 22 persons, was 549,188 shares, representing 0.09% of the Company's share capital.

There is no clause in the Company's by-laws giving preferential rights for the acquisition or sale of Company shares.

Lastly, as of December 31, 2014, the portion of the Company's share capital held by shareholders in registered form on the Company share register (*nominatif pur*) and in registered form on the books of a financial intermediary (*nominatif administré*) and pledged was not material.

To the Company's knowledge, on the basis of threshold crossing statements made to the French Financial Markets Authority, no shareholder other than the MFS group had a stake of more than 5% in the Company's share capital or voting rights as of December 31, 2014.

Significant changes in Company's share ownership over the last three fiscal years

The following table shows an analysis of share ownership and voting rights of the Company's principal shareholders over the last three fiscal years:

Year ended December 31

	2014			2013			2012		
Shareholders	Number of shares	% of total shares	% of net voting rights [a]	Number of shares	% of total shares	% of net voting rights [a]	Number of shares	% of total shares	% of net voting right [a]
MFS group [b]	80,984,423	12.6%	10.3%	68,665,265	10.9%	8.7%	55,558,778	8.6%	6.6%
Eurazeo group [b]	94,227	0.01%	0.01%	94,227	0.01%	0.01%	16,433,370	2.6%	5.0%
Sofina & Henex group	13,957,819	2.2%	4.4%	13,584,541	2.2%	4.0%	13,584,541	2.1%	3.9%
Harris Associates	19,551,538	3.0%	3.1%	14,426,983	2.3%	2.4%	3,187,384	0.5%	0.5%
Amundi Asset Management	13,574,413	2.1%	2.1%	14,048,609	2.2%	2.3%	20,039,020	3.1%	3.1%
First Eagle Investment Management	12,681,299	2.0%	2.0%	0	–	–	0	–	–
CDC group	10,557,910	1.6%	1.7%	9,145,941	1.4%	1.5%	9,783,434	1.5%	1.5%
Norges Bank	9,665,010	1.5%	1.5%	10,761,115	1.7%	1.8%	15,048,614	2.3%	2.4%
Natixis Asset Management	12,363,241	1.9%	1.1%	14,651,596	2.3%	1.5%	12,811,179	2.0%	2.0%
Employee shareholding – "Fonds Danone" company investment fund	8,429,898	1.3%	2.6%	8,269,252	1.3%	2.6%	8,533,644	1.3%	2.6%
Treasury shares – the Company	37,933,295	5.9%	–	38,828,409	6.2%	–	44,051,229	6.8%	–
Treasury shares – subsidiary Danone Spain	5,780,005	0.9%	–	5,780,005	0.9%	–	5,780,005	0.9%	–
Others	418,218,922	65.0%	71.3%	432,772,057	68.6%	75.2%	438,350,802	68.2%	72.3%
Total	**643,792,000**	**100.0%**	**100.0%**	**631,028,000**	**100.0%**	**100.0%**	**643,162,000**	**100.0%**	**100.0%**

(a) This percentage excludes shares held by the Company and its subsidiaries, which are stripped of voting rights.
(b) See hereafter for details on MFS group and Eurazeo groups' positions.

Interest held by Eurazeo group

On May 28, 2009, Eurazeo announced the launch of an issue of five-year bonds convertible into existing DANONE shares, in an initial offering totaling €500 million, an amount increased to €700 million as a result of the full exercise of the over-allotment option.

This issue was represented by 15.5 million convertible bonds at a ratio of one DANONE share per bond issued (this parity having been subject to adjustments in the context of the share capital increase with preferential subscription right completed by the Company in 2009). As part of this issue, 16.4 million DANONE shares were pledged by Eurazeo in favor of bearers of these convertible bonds.

Eurazeo's entire equity stake in the Company, except for the 16.4 million shares pledged as described above, was sold in 2009 and 2010. In this context, Eurazeo notified that it had fallen below the 5% legal threshold for voting rights on July 13, 2010, and that it held, at such date, 2.71% of the Company's share capital and 4.78% of its voting rights (declaration no. 210C0641).

These bonds exchangeable for existing DANONE shares were scheduled to reach maturity on June 10, 2014. However, on April 26, 2013, the Eurazeo group announced that, in view of the increase in the DANONE share price, it had received requests from bondholders to exchange 12.3 million bonds into DANONE shares and that it planned to exercise its early redemption option on the bonds for which no exchange request was received. In a statement issued on August 28, 2013, the Eurazeo group said that it had ultimately kept 94,227 DANONE shares (approximately 0.01% of the share capital) following the transaction.

As of December 31, 2014, the Eurazeo group held 0.01% of the share capital (corresponding to 94,227 shares) and 0.01% of the gross voting rights of the Company.

Interest held by the MFS group

The Massachusetts Financial Services group ("MFS") has gradually increased its stake in the Company's share capital to 12.6% as of December 31, 2014.

It is specified that until August 2012, the MFS group declared that it recognized separately the DANONE securities held by the various entities within its group. Prior to that date, two MFS group entities, MFS Investment Management and MFS Institutional Advisors, Inc., had made separate declarations of crossing thresholds to the Company.

On August 13, 2012, Massachusetts Financial Services Company indicated to the Company that it had, on August 8, 2012, in accordance with the provisions of Article 223-12-II-1 of the general regulations of the French Financial Markets Authority, abandoned its disaggregation policy, which had aimed to recognize separately in two groups of companies the stakes in the Company's share capital owned. This decision has resulted, since August 8, 2012, in the aggregation at Massachusetts Financial Services Company level of all the DANONE shares held by the MFS group.

This decision also led the MFS group to declare the crossing of a threshold to the French Financial Markets Authority on August 10, 2012. Abandoning the policy of disaggregation led the MFS group to cross the legal thresholds of 5% of capital and voting rights (declaration no. 212C1042).

In addition, on November 14, 2014, MFS declared to the French Financial Markets Authority that it had increased its shareholding in Danone above the 10% threshold and as a result held 64,466,947 DANONE shares representing the same number of voting rights, *i.e.* 10.01% of the share capital and 9.55% of the voting rights. On this occasion, MFS notably declared that it did not contemplate to acquire control of the Company and that it had no intention to request the appointment of a member of the Board of Directors (12 (declaration no. 214C2390).

Finally, MFS indicated to the Company that the number of (gross and net) voting rights of the Company it holds, is less than the number of shares it owns, as certain of its clients retain the voting ability on the shares whose management is assigned to MFS. As such, on December 31, 2014, MFS has informed the Company that it held 80,984,423 DANONE shares (approximately 12.6% of the share capital), including 64,886,476 shares (representing approximately 10.1% of capital) for which MFS exercises voting rights and 16,097,947 shares (representing approximately 2.5% of capital) for which MFS clients have retained voting rights.

Other significant changes during the last three fiscal years

In the course of 2013 and 2014, the company Harris Associates, an American subsidiary of the Natixis group, increased its stake in the Company's share capital up to 3.0% of the Company's shares as of December 31, 2014.

In the course of 2014, the First Eagle group became a shareholder in the Company and held 2.0% of the Company's shares as of December 31, 2014.

No statement regarding the crossing of legal thresholds in respect of the share capital or voting rights of the Company was made by the French Financial Markets Authority in fiscal year 2014, with the exception of that of MFS described above.

To the Company's knowledge, no other significant changes in the Company's shareholding structure have taken place during the past three fiscal years.

Survey of the Company's identifiable bearer shareholders

Under the terms of its by-laws and in accordance with law and regulations, the Company may, at any time, ask the entity responsible for clearing shares (Euroclear France) for the name (or legal name), nationality, and address of the holders of shares or other securities conferring immediate or future voting rights at its Shareholders' Meetings, along with the number of securities held by each of them and, if applicable, any restrictions placed upon such securities. Euroclear France obtains the information requested from account-holding custodians affiliated to it, which are obliged to provide such information.

At the request of the Company, the above information may be limited to those individuals holding a number of securities as determined by the Company.

The following table provides an analysis of the Company's shareholders on the basis of the survey of identifiable bearer shareholders the Company conducted in August 2014:

	In percentage of capital
Institutional investors	**78%**
France	12%
United Kingdom	8%
Switzerland	4%
Rest of Europe	12%
North America	36%
Asia Pacific	5%
Rest of the World	1%
Individual shareholders and "Fonds Danone" company investment fund	**11%**
Shares held by the Company and its subsidiaries	**7%**
Other	**4%**
Total	**100%**

Employee profit-sharing

The Company performs each year a capital increase reserved for Group employees having subscribed to a Company Savings Plan (see section *Employee shareholding* above).

As of December 31, 2014, to the Company's knowledge, the number of the Company's shares held directly or indirectly by employees of the Company and of companies related to it, and, in particular, those that are subject to collective management or conditions prohibiting their disposal, either within the framework of a French Company Savings Plan (*Plan d'Épargne Entreprise*) or through a French company investment fund (*Fonds Communs de Placement Entreprise – FCPE*) (the "Fonds Danone" company investment fund and the company investment funds of other Group subsidiaries), amounted to 8,579,457 shares, or 1.3% of the Company's share capital.

Only the supervisory board of the "Fonds Danone" company investment fund is authorized to vote on behalf of the shares held by the FCPE. As an exception to this principle, in accordance with the decisions taken by the supervisory board, holders of shares in the FCPE may be consulted directly by referendum in the event that the supervisory board has a split vote. The supervisory board is currently composed of (i) four employee members representing the employee shareholders and former employees appointed by the representatives of the various trade unions representing the Company's employees in accordance with the French labor code, and of (ii) four members representing the Company and appointed by the Group's management.

7.8 MARKET FOR THE COMPANY'S SHARES

Listing markets and indices

Listing markets

The Company's shares are listed on Euronext Paris (Compartment A – Deferred Settlement Department; ISIN Code: FR 0000120644; ticker "BN") and also have a secondary listing on the Swiss Stock Exchange (SWX Suisse Exchange).

Between 1997 and 2007, the Company's shares were also listed on the New York Stock Exchange in the form of American Depositary Shares (ADS). Due to the low trading volume of these ADS on this market, in 2007 the Group decided to delist the shares from that market and to deregister them with the Securities and Exchange Commission, pursuant to the U.S. Securities Exchange Act of 1934.

The Group nevertheless maintains a sponsored Level 1 program of American Depositary Receipts (ADR), which are traded over the counter), through the OTCQX platform under the symbol DANOY (each ADR representing one-fifth of a DANONE share). OTCQX is an information platform representing over 300 international groups and enabling them to access US investors while guaranteeing price transparency.

Indices

The Company's shares are included in the following indices:

- CAC 40, the principal index published by Euronext Paris; and
- Eurostoxx 50, which lists the 50 largest market capitalizations in the euro zone.

The Company is also included in the main indices of social responsibility:

- Dow Jones Sustainability Index, Vigeo World 120 and Ethibel Sustainability Index (ESI) Excellence Europe comprise the best-performing companies selected annually based on strict criteria such as the quality of corporate governance, social responsibility policy, their criteria relating to innovation, and their economic performance; and
- Carbon Disclosure Leadership Index (see section 5.2 *Information concerning the Group's social, societal and environmental performances in compliance with the Grenelle II law*).

Stock price and trading volumes (Euronext Paris)

	Number of shares dealt [a]		Amount dealt [a]		Stock price [a]	
	Total	Daily average	Total amount traded	Monthly average stock	High	Low
	(in number of shares)	*(in number of shares)*	*(in € millions)*	*(in € per share)*	*(in € per share)*	*(in € per share)*
2014						
January	41,821,865	1,900,994	2,131	51.102	53.310	48.330
February	36,884,694	1,844,235	1,858	50.408	52.460	48.500
March	42,350,690	2,016,700	2,139	50.464	52.780	49.040
April	36,014,803	1,800,740	1,890	52.438	54.610	50.610
May	36,673,561	1,746,360	1,962	53.684	55.600	50.520
June	35,612,994	1,695,857	1,927	54.098	55.720	52.530
July	39,994,808	1,738,905	2,221	55.386	57.440	53.810
August	31,336,633	1,492,221	1,677	53.463	54.560	52.560
September	36,372,941	1,653,316	1,949	53.711	55.460	51.570
October	55,265,319	2,402,840	2,836	51.272	54.460	49.835
November	30,830,811	1,541,541	1,686	54.742	56.800	53.160
December	35,652,941	1,697,759	1,947	54.908	57.000	51.500
2015						
January	47,139,066	2,244,717	2,656	56.116	60.530	51.880
February	43,230,076	2,161,504	2,558	59.243	62.380	56.820

(a) Source Euronext Paris. Includes over-the counter transactions.

7.9 FACTORS THAT MIGHT HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER

In accordance with article L. 225-100-3 of the French commercial code, the factors that might have an impact in the event of a public tender offer are set out hereafter:

(i) Structure of the Company's share capital

Details of the structure of the Company's share capital are provided in section 7.7 *Share ownership structure as of December 31, 2014 and significant changes over the last three fiscal years*.

(ii) By-laws' restrictions to the exercise of voting rights

The Company's by-laws provide for a system of limitation of voting rights, described in section 7.6 *Voting rights, crossing of thresholds*. The Shareholders' Meeting of April 22, 2010 has decided to include a mechanism for suspending this limitation if the number of shares present or represented at a Shareholders' Meeting reaches or exceeds 75% of the total number of shares carrying voting rights.

In addition, the Company's by-laws provide for a reporting obligation for anyone who would hold or cease to hold a fraction equal to 0.5% of voting rights or a multiple thereof, beginning when one of the thresholds is crossed. This mechanism is described in section 7.6 *Voting rights, crossing of thresholds*.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

On the date hereof, the Company is not aware of any clause of agreements providing for preferential terms of sale or acquisition concerning at least 0.5% of the capital or voting rights of the Company.

(iii) Direct or indirect holdings in the Company's share capital of which the Company is aware

Details of the Company's shareholder structure are provided in section 7.7 *Share ownership structure as of December 31, 2014 and significant changes over the last three fiscal years*.

(iv) Holders of securities providing special control rights over the Company and description of such rights

None.

(v) Control mechanisms provided for any employee shareholding program, when such control rights are not exercised by employees

Only the supervisory board of the "Fonds Danone" company investment fund (which on December 31, 2014 held 1.3% of the share capital and 2.6% of the net voting rights) has the authority to decide how to respond to a possible public tender offer. As an exception to this principle, holders of shares in the company investment fund may be consulted directly by referendum if the supervisory board were to have a split vote.

(vi) Agreements between shareholders of which the Company is aware and that could impose restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no agreement exists between shareholders that could impose restrictions on the transfer of the Company's shares and the exercise of voting rights.

(vii) Rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws

With the exception of the rules, approved by the shareholders at the Shareholders' Meeting of April 29, 2014, concerning the appointment of the Directors representing employees (see section 6.1 *Governance bodies*), there are no specific rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws.

(viii) Powers of the Board of Directors in the event of a public tender offer

Pursuant to the resolution approved by shareholders at the April 29, 2014 Shareholders' Meeting, the Board of Directors is prohibited from implementing the Company share repurchase program during a public tender offer involving the Company's shares. The Shareholders' Meeting of April 29, 2015 will be asked to renew this prohibition.

In addition, following the amendment of Article L.233-32 of the French commercial code by law no. 2014-384 of March 29, 2014 aimed at recapturing the real economy (the "Florange law"), the Shareholders' Meeting of April 29, 2015 called to renew the issuance authorizations in respect of shares and securities with or without preferential subscription right, will be asked to provide that the Board of Directors may not decide on such issuances (other than capital increases reserved for employees and managers and grants of Group performance shares) during periods when the Company's shares are the subject of a public tender offer (see section 8.3 *Comments on the resolutions of the Shareholders' Meetings*).

(ix) Agreements signed by the Company that are amended or terminated in the event of the change of control of the Company

- The Group granted put options to minority shareholders of its subsidiaries, relating to their shares and which may be exercised during a public tender offer. The amount of such options is set out in Notes 3.4 and 3.5 of the Notes to the consolidated financial statements.
- In 2005, the Company and the Arcor group signed an agreement governing relations between the Group and Arcor within the joint venture named Bagley Latino America, a leader in biscuits in Latin America, in which the Company holds a 49% equity interest. In the event of a change of control of the Company, the Arcor group will have the right to have the Company repurchase all of its interest held in Bagley Latino America, for an amount equal to its fair value.
- Under the terms of contracts regarding the use of mineral springs, in particular Volvic and Evian in France, the Group has very old and privileged relations with local municipalities in which these springs are located. It is difficult for the Company to assess with certainty the impact on these contracts of any change in its control.
- The stock-option plans, as well as Group performance units (GPU) and Group performance shares (GPS) plans, that were put in place by the Company for the benefit of certain employees and its corporate officers (*mandataires sociaux*), include specific provisions in the event of a change of control of the Company resulting from a public tender offer on the Company's securities, described in section 6.3 *Compensation and benefits for corporate officers and governance bodies*.
- The Group's syndicated facilities agreement includes a change of control clause, which offers the lending banks an early redemption right in the event of a change of control of the Company, if it is accompanied by a downgrade of its rating by the rating agencies to "sub-investment grade". This syndicated facilities agreement, with a principal amount of €2 billion, has a term of five years as from its renewal on December 18, 2014, with options for an extension for a further two years with the Banks' agreement.
- The Group's EMTN program, the Company's bond issue in the US in June 2012 and certain bank credit lines also include a similar feature in the event of a change of control of the Company (see Note 10.3 of the Notes to the consolidated financial statements).

(x) Agreements providing for indemnities to be paid to employees and corporate officers of the Company in the event that they resign, or their employment is terminated in the absence of a real and serious cause, or if their employment expires due to a public tender offer

The indemnities that would be paid to the Company's corporate officers (*mandataires sociaux*) in certain circumstances are described in section 6.3 *Compensation and benefits for corporate officers and governance bodies*.

7.10 CHANGE OF CONTROL

To the Company's knowledge, no agreement exists which, if implemented, could, at a future date, lead to a change of control of the Company.

Combined Shareholders' Meeting of April 29, 2015

8

8.1 PARTICIPATION IN SHAREHOLDERS' MEETINGS 340

8.2 DRAFT RESOLUTIONS PRESENTED AT THE SHAREHOLDERS' MEETING 340

Resolutions within the authority of the Ordinary Shareholders' Meeting 340

Resolutions within the authority of the Extraordinary Shareholders' Meeting 344

8.3 COMMENTS ON THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING 351

Approval of the statutory and consolidated financial statements for fiscal year 2014 (1st and 2nd resolutions) 351

Allocation of earnings (3rd and 4th resolutions) 351

Composition of the Board of Directors (5th to 10th resolutions) 352

Approval of agreements and commitments referred to in the Statutory auditors' special report (11th and 12th resolutions) 355

Advisory opinion on the components of compensation of corporate officers (13th to 17th resolutions) 357

Fixing of the amount of Directors' attendance fees (18th resolution) 370

Acquisition by the Company of its own shares (19th resolution) 371

Financial authorizations (20th to 27th resolutions) 372

Authorization to reduce the share capital by canceling shares (28th resolution) 380

8.4 SPECIAL REPORTS OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING 381

Extraordinary Shareholders' Meeting of April 29, 2015 (20th, 21st, 22nd, 23rd and 24th resolutions) 381

Extraordinary Shareholders' Meeting of April 29, 2015 (26th resolution) 383

Combined Shareholders' Meeting of April 29, 2015 (27th resolution) 384

Extraordinary Shareholders' Meeting of April 29, 2015 (28th resolution) 385

8.1 PARTICIPATION IN SHAREHOLDERS' MEETINGS

The Board of Directors convenes Shareholders' Meetings in accordance with French law.

Meetings shall be held in the town in which the registered office is located or in any other locality, depending on the decision made in such regard by the person calling the meeting, and at the venue specified in the notice of meeting.

All shareholders may participate to Shareholders' Meetings, regardless of the number of shares held, subject to the loss of rights incurred under any applicable laws or regulations.

When properly convened and constituted, the Shareholders' Meeting represents all the shareholders. Its resolutions are binding on all, even dissenting, incompetent, or absent shareholders.

Any shareholder may be represented by his or her spouse, by another shareholder or by any other individual or legal entity of his or her choice, by virtue of a proxy statement which form is determined by the Board of Directors.

Minors and incompetent persons shall be represented by their legal guardians and trustees, who do not need to be shareholders themselves. A corporate entity shall be legitimately represented by any legal representative so entitled or by an individual specially empowered for said purpose.

Participation in Shareholders' Meetings by any means shall be contingent on the registration or recording of stock ownership, according to the terms and within the time-limits stipulated by the regulations in force.

At the Shareholders' Meeting of April 23, 2009, the Company's by-laws were amended (i) to facilitate the implementation of electronic voting for the vote prior to Shareholders' Meetings and (ii) to allow the Board of Directors to decide that votes during the Shareholders' Meeting may be cast by videoconference or any other means of telecommunication by which shareholders may be identified in accordance with regulatory conditions.

Upon decision of the Board of Directors, the shareholders can follow the Shareholders' Meeting in real time or in replay during one year on the Group's website.

Danone also publishes on its website a report on the Shareholders' Meeting, including in particular the main presentations to shareholders.

8.2 DRAFT RESOLUTIONS PRESENTED AT THE SHAREHOLDERS' MEETING

Resolutions within the authority of the Ordinary Shareholders' Meeting

First resolution

(Approval of the statutory financial statements for the fiscal year ended December 31, 2014)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors, approves the statutory financial statements of the Company for the fiscal year ended December 31, 2014, which include the balance sheet, the income statement and the notes, as presented, which show earnings amounting to €541,271,933.84, as well as the transactions reflected therein and summarized in these reports.

Second resolution

(Approval of the consolidated financial statements for the fiscal year ended December 31, 2014)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors, approves the consolidated financial statements of the Company for the fiscal year ended December 31, 2014, which include the balance sheet, the income statement and the notes, as presented, as well as the transactions reflected therein and summarized in these reports.

Third resolution

(Allocation of earnings for the fiscal year ended December 31, 2014 and setting of the dividend at €1.50 per share)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors:

- acknowledges that the earnings for fiscal year 2014 amount to €541,271,933.84;
- acknowledges that retained earnings amount to €3,124,805,677.01;

totaling earnings available for allocation of profits of €3,666,077,610.85;

- decides to allocate the total earnings as follows:
  - to dividends in the amount of €965,688,000;
  - to retained earnings in the amount of €2,700,389,610.85.

The Shareholders' Meeting therefore decides the payment of a dividend of €1.50 per share.

When paid to individuals domiciled in France for tax purposes, the dividend is fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.

The ex-dividend date is May 7, 2015 and the dividend will be payable on June 3, 2015.

In accordance with the provisions of Article L.225-210 of the French commercial code, the Shareholders' Meeting decides that the amount of the dividend corresponding to the shares held by the Company on the payment date will be allocated to the "retained earnings" account.

As a reminder, the dividends distributed for the three previous fiscal years were as follows:

Fiscal year	Number of shares	Dividend distributed per share [a] *(in €)*
2011	642,246,573	1.39
2012	643,162,000	1.45
2013	631,028,000	1.45 [b]

(a) Dividend fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.
(b) The Shareholders' Meeting of April 29, 2014 has offered each shareholder the option for the payment of the dividend either in cash or in shares.

Fourth resolution

(Option for the payment of the dividend in shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and noted that the Company's share capital has been fully paid up, decides, in accordance with the provisions of Articles L.232-18 *et seq.* of the French commercial code and Articles 27.I and 34.I of the Company's by-laws, to offer each shareholder the possibility to opt for the payment in new shares of the Company of the full dividend to which the shares owned give an entitlement.

The new shares will bear rights as from January 1, 2015 and will be entirely fungible with the Company's other shares.

The issuance price of these new shares is set at 90% of the average of the opening Company share prices on Euronext over the twenty trading days preceding the date of this Shareholders' Meeting less the amount of the dividend. This issuance price will be rounded up to the next euro cent.

If the amount of the dividends to which the shareholder is entitled does not correspond to a whole number of shares, the shareholder will obtain the number of shares immediately below, and a balancing payment in cash.

The option for the payment of the dividend in shares can be exercised between May 7, 2015 and May 21, 2015 by requesting authorized financial intermediaries or, for shareholders registered in registered share accounts of the Company, to its agent (BNP Paribas Securities Services, Service Opérations sur Titres – Les Grands Moulins de Pantin, 9, rue du Débarcadère – 93761 Pantin Cedex). Failure to exercise this option within this period will result in the full amount of the dividend owed to the shareholder being paid in cash on the date of payment of the dividend, *i.e.* on June 3, 2015.

The Shareholders' Meeting grants full powers to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, to implement this resolution, within the conditions set forth above and within the limits authorized by applicable laws, and regulations and in particular to carry out all transactions related or consecutive to the exercise of the option, acknowledge the resulting share capital increase, amend the Company's by-laws accordingly, and more generally, complete all formalities useful for the issuance, listing and financial servicing of securities issued as a result of this resolution and take all useful and necessary steps in accordance with applicable laws and regulations.

Fifth resolution

(Renewal of the term of office of Mr. Jacques-Antoine GRANJON as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mr. Jacques-Antoine GRANJON as Director for the three-year period set forth in the by-laws. Mr. Jacques-Antoine GRANJON's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2017.

Sixth resolution

(Renewal of the term of office of Mr. Jean LAURENT as Director in accordance with Article 15-II of the Company's by-laws)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, in accordance with the provisions of Article 15-II of the Company's by-laws, having reviewed the Board of Directors' report, renews the term of office of Mr. Jean LAURENT as Director for the three-year period set forth in the by-laws. Mr. Jean LAURENT's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2017.

Seventh resolution

(Renewal of the term of office of Mr. Benoît POTIER as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mr. Benoît POTIER as Director for the three-year period set forth in the by-laws. Mr. Benoît POTIER's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2017.

Eighth resolution

(Renewal of the term of office of Mrs. Mouna SEPEHRI as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mrs. Mouna SEPEHRI as Director for the three-year period set forth in the by-laws. Mrs. Mouna SEPEHRI's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2017.

Ninth resolution

(Renewal of the term of office of Mrs. Virginia A. STALLINGS as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mrs. Virginia A. STALLINGS as Director for the three-year period set forth in the by-laws. Mrs. Virginia A. STALLINGS' term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2017.

Tenth resolution

(Appointment of Mrs. Serpil TIMURAY as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, appoints Mrs. Serpil TIMURAY as Director for the three-year period set forth in the by-laws. Mrs. Serpil TIMURAY's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2017.

Eleventh resolution

(Approval of the agreements referred to in Articles L. 225-38 *et seq.* of the French commercial code entered into by the Company with the J.P. Morgan group)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the special report of the Statutory auditors concerning the agreements and undertakings referred to in Articles L.225-38 *et seq.* of the French commercial code, approves the new agreements authorized by the Board of Directors during the fiscal year ended on December 31, 2014 and entered into with the J.P. Morgan group mentioned in this report.

Twelfth resolution

(Approval of the agreements and undertakings referred to in Articles L.225-38 and L.225-42-1 of the French commercial code regarding Mr. Emmanuel FABER)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the special report of the Statutory auditors concerning the agreements and undertakings referred to in Articles L.225-38 and L.225-42-1 of the French commercial code, approves the agreements and undertakings covered by Articles L.225-38 and L.225-42-1 of the French commercial code entered into for the benefit of Mr. Emmanuel FABER and mentioned in this report.

Thirteenth resolution

(Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF corporate governance code for listed companies, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014, as presented in the Board of Directors' report.

Fourteenth resolution

(Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Franck RIBOUD, Chairman of the Board of Directors as from October 1, 2014)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF corporate governance code for listed companies, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014, to Mr. Franck RIBOUD, Chairman of the Board of Directors as from October 1, 2014, as presented in the Board of Directors' report.

Fifteenth resolution

(Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Deputy General Manager until September 30, 2014)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF corporate governance code for listed companies, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Deputy General Manager until September 30, 2014, as presented in the Board of Directors' report.

Sixteenth resolution

(Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Chief Executive Officer as from October 1, 2014)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF corporate governance code for listed companies, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Chief Executive Officer as from October 1, 2014, as presented in the Board of Directors' report.

Seventeenth resolution

(Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Bernard HOURS, Deputy General Manager until September 2, 2014)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF corporate governance code for listed companies, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2014 to Mr. Bernard HOURS, Deputy General Manager until September 2, 2014, as presented in the Board of Directors' report.

Eighteenth resolution

(Fixing of the amount of the Directors' attendance fees)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, sets, as from the 2015 fiscal year, at €1 million the maximum annual amount to be paid to the Board of Directors in attendance fees and thus until the Shareholders' Meeting decides otherwise.

Nineteenth resolution

(Authorization granted to the Board of Directors to purchase, retain or transfer the Company's shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the description of the program established in accordance with Articles 241-1 *et seq.* of the general regulations of the French Financial Markets Authority:

1. Authorizes the Board of Directors to purchase, retain or transfer the Company's shares, on one or more occasions, within the context of a share repurchase program, pursuant to the provisions of Articles L.225-209 *et seq.* of the French commercial code and European Regulation 2273/2003 of December 22, 2003 implementing European Directive 2003/6/EC of January 28, 2003.

The Company may repurchase its own shares for any of the following purposes:

- the allocation of shares with respect to the exercise of stock purchase options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through employee savings mutual funds) within the context of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancelation of shares within the maximum legal limit;
- supporting the market for the shares pursuant to a liquidity contract concluded with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

Within the limits permitted by applicable regulations, the shares may be acquired, sold, exchanged or transferred, in whole or in part as the case may be, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF) or via a systematic internalizer or over the counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or instrument (including in particular any future or any option) except the sale of put options, in the conditions set out by applicable regulations.

2. Decides that these transactions may be completed at any time, except during the period of a public tender offer on the Company's shares, and within the limits allowed by applicable regulations.
3. Decides that the maximum purchase price may not exceed €70 per share (excluding acquisition costs).

In the event of a capital increase by incorporation of premiums, reserves or earnings through free allocations of shares or in the event of a stock split or a reverse stock split or any other transaction relating to the share capital, the price indicated above will be adjusted by a multiplying factor equal to the ratio between the number of shares comprising the share capital before the transaction and the number of shares comprising the share capital after the transaction.

4. Acknowledges that the maximum number of shares that may be purchased under this authorization may not, at any time, exceed 10% of the total number of shares comprising the share capital (*i.e.*, on an indicative basis, 64,379,200 shares as of February 28, 2015, without taking into account the shares already held by the Company, representing a maximum theoretical purchase amount (excluding acquisition costs) of €4,506,544,000), it being specified that (i) this limit applies to an amount of the Company's capital that will be, if necessary, adjusted to take into account the transactions affecting the share capital following this Meeting and (ii) in accordance with Article L.225-209 of the French commercial code, when shares are repurchased to enhance liquidity under the conditions set out in the general regulations of the French Financial Markets Authority, the number of shares taken into account for the calculation of the above-mentioned 10% limit corresponds to the number of shares purchased, minus the number of shares resold during the authorization. The acquisitions made by the Company may not under any circumstances result in the Company holding more than 10% of its share capital, either directly or indirectly through subsidiaries.

Furthermore, the number of shares acquired by the Company to be retained and later delivered for payment or exchange in the context of an acquisition may not exceed 5% of its share capital.

5. Delegates full powers to the Board of Directors to implement this authorization, with the ability to sub-delegate in accordance with the conditions set out by law, to:

- place all orders on any market or carry out any transaction over the counter;
- enter into any agreements for, among other purposes, the maintenance of the share purchase and sale registries;
- allocate or re-allocate the shares acquired to the various objectives under the applicable legal and regulatory conditions;
- prepare all documents, file all declarations, issue all statements and carry out all formalities with the French Financial Markets Authority or any other authority regarding the transactions carried out pursuant to this resolution;
- define the terms and conditions under which, where applicable, the rights of holders of securities giving access to the Company's share capital will be preserved in accordance with regulatory provisions; and
- carry out all other formalities and, generally, take any necessary measures.

The Board of Directors will inform the Shareholders' Meeting of the transactions carried out pursuant to this resolution.

This authorization is granted for an 18-month period as from the date of this Meeting and supersedes with effect from this day the authorization granted by the Shareholders' Meeting of April 29, 2014 in its 18th resolution.

Resolutions within the authority of the Extraordinary Shareholders' Meeting

Twentieth resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities, with preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors and acknowledged that the share capital is fully paid up, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French commercial code, delegates to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, the authority to decide on the issuance of, on one or more occasions, in the proportions and periods that it deems appropriate, except during the period of a public tender offer on the Company's shares, in France and abroad, either in euros or any foreign currency, and with preferential subscription right of the shareholders, (i) ordinary shares of the Company and/or (ii) securities which are equity securities of the Company giving access by any means, immediately and/or in the future, to other equity securities of the Company and/or to an allotment of debt securities, and/or (iii) debt securities giving or entitling access by any means, immediately and/or in the future, to equity securities of the Company to be issued.

The Shareholders' Meeting decides that any issuance of preferred shares and securities giving a right to preferred shares is expressly excluded.

a) The maximum nominal amount of the increase in the Company's share capital resulting from all issuances realized either immediately and/or in the future pursuant to this delegation is fixed at an amount of €56.3 million, it being specified that the nominal amount of ordinary shares issued under the 21st, 22nd, 23rd, 24th, 26th and 27th resolutions of this Meeting will be applied to this maximum amount.

It is noted that the limit indicated in paragraph (a) above is determined without having taken into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to protect the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory requirements and contractual provisions. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

b) All issuances of debt securities carried out pursuant to this delegation shall not exceed a maximum principal amount of €2 billion (or the corresponding value of this amount for an issuance in a foreign currency or monetary unit determined by reference to several currencies); this limit is a common limit applicable to all issuances of debt securities, which may be carried out pursuant to the delegations granted in the 21st, 22nd and 23rd resolutions submitted to this Meeting.

In calculating the limit set forth in paragraph (b) above, the corresponding value in euros of the nominal value of debt securities issued in foreign currencies shall be determined on the date of the issuance.

Shareholders may exercise, in accordance with the provisions provided for by law, their preferential subscription right by irrevocable entitlement (*à titre irréductible*). The Board of Directors may furthermore grant to shareholders a preferential subscription right subject to *pro rata* reduction (*à titre réductible*), in proportion to their subscription rights and, in any case, limited to the number of securities requested.

According to Article L.225-134 of the French commercial code, if the amount of subscriptions exercised by irrevocable entitlement and, if applicable, subject to *pro rata* reduction, does not attain the amount of the entire issuance, the Board of Directors may use, at its option and in the order it finds most appropriate, one or more of the following options:

- limit the issuance to the amount of subscriptions received, provided this amounts to at least three quarters of the approved issuance;
- allocate at its discretion all or part of the unsubscribed securities; and
- offer to the public, on the French or international market, all or part of the unsubscribed securities.

The Shareholders' Meeting acknowledges that this delegation entails *ipso jure* the waiver by the shareholders of their preferential subscription right to the Company's ordinary shares, to which the securities that would be issued on the basis of this delegation would give right, for the benefit of the holders of securities giving access to the Company's share capital and issued pursuant to this delegation.

The Board of Directors will have the necessary powers, with the ability to sub-delegate in accordance with the conditions set out by law, to carry out this resolution, determine the conditions of the issuance, and in particular, the form and characteristics of the securities to be created, to acknowledge the resulting increases in share capital, and to proceed with, as necessary, any adjustments to take into account the impact of the transactions on the Company's share capital, determine the terms and conditions according to which the preservation of the rights of the holders of securities giving access to the Company's share capital shall be ensured, in accordance with applicable legal, regulatory and contractual provisions, amend the by-laws of the Company accordingly, charge the fees and expenses to the issue premium and take generally all necessary measures.

In the event of an issuance of debt securities, the Board of Directors will have all powers, with the ability to sub-delegate in accordance with the conditions set out by law, to decide whether or not they are subordinated, to set their interest rate, duration (which may be with or without a fixed-term), the fixed or variable redemption price with or without a premium, the terms and conditions for their redemption in accordance with market conditions, the conditions according to which these securities shall give access to the Company's share capital and their other terms and conditions.

The Shareholders' Meeting decides that, in the case of an issuance of ordinary Company warrants (*bons de souscription d'actions*), included in the maximum limit mentioned in paragraph (a) above, the issuance may take place either by cash subscription according to the conditions provided for hereafter, or by a free allocation of these warrants to the holders of existing shares.

The Board of Directors will set, with the ability to sub-delegate in accordance with the conditions set out by law, the issuance price of the ordinary shares or securities. The sum received immediately by the Company, increased, if applicable, by the sum that may be received at a later date by the Company, shall be at least equal to the nominal value for each ordinary share issued as of the issue date of said securities.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 25, 2013 in its 12th resolution.

Twenty-first resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities, without preferential subscription right of the shareholders, but with the obligation to grant a priority period)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors and acknowledged that the share capital is fully paid up, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 and L. 228-92 of the French commercial code, delegates to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, the authority to decide to issue, on one or more occasions, in the proportions and periods that it deems appropriate, except during the period of a public tender offer on the Company's shares, in France and abroad, either in euros or any foreign currency, through a public offering, (i) ordinary shares of the Company and/or (ii) securities which are equity securities of the Company giving access by any means, immediately and/or in the future, to other equity securities of the Company and/or to an allotment of debt securities, and/or (iii) debt securities giving or entitling access by any means, immediately and/or in the future, to equity securities of the Company to be issued.

The Shareholders' Meeting decides to waive the preferential subscription right of the shareholders to these ordinary shares, equity securities and securities giving access to the Company's equity securities to be issued with the understanding that the Board of Directors will be required to grant shareholders a right of priority to the totality of the issuance, for a minimum period of five trading days and under the conditions it will set in accordance with the applicable legal and regulatory provisions. This subscription priority will not give rise to the creation of negotiable rights but may be exercised, by irrevocable entitlement (*à titre irréductible*) or subject to *pro rata* reduction (*à titre réductible*), if the Board of Directors decides that it is appropriate.

a) The maximum nominal amount of the increase in the Company's share capital resulting from all issuances carried out either immediately and/or in the future pursuant to this delegation is fixed at €16 million, which is a common limit applicable to the capital increases made pursuant to the delegations granted in the 22nd, 23rd, 24th, 26th and 27th resolutions submitted to this Meeting. The capital increases carried out pursuant to this delegation shall be deducted from the global maximum amount mentioned in paragraph (a) of the 20th resolution of this Meeting.

It is noted that the limit indicated in paragraph (a) above is determined without taking into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to preserve the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory requirements and contractual provisions. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

b) All issuances of debt securities carried out pursuant to this delegation shall not exceed a maximum principal amount of €2 billion (or the corresponding value of this amount for an issuance in a foreign currency or monetary unit determined by a reference of several currencies); this limit is a common limit applicable to all issuances of debt securities, which may be carried out pursuant to the delegations granted in the 20th, 22nd and 23th resolutions submitted to this Meeting.

In calculating the limit set forth in paragraph (b) above, the corresponding value in euros of the principal amount of the debt securities issued in foreign currencies shall be determined on the date of the issuance.

The Shareholders' Meeting acknowledges that this delegation entails, *ipso jure*, the waiver by the shareholders of their preferential subscription right to the Company's ordinary shares and equity securities to which the securities that would be issued on the basis of this delegation would give right, for the benefit of the holders of securities giving access to the Company's share capital, and issued pursuant to this delegation.

The Board of Directors will have the necessary powers, with the ability to sub-delegate in accordance with the conditions set out by law, to implement this resolution, determine the conditions of issuances, and in particular, the form and characteristics of the securities to be created, acknowledge the resulting increases in share capital, amend the by-laws of the Company accordingly, charge the fees and expenses to the issue premium and take generally all necessary measures. It is specified that:

- the issuance price of the ordinary shares shall be at least equal to the minimum value provided for by the legal and regulatory provisions applicable when this delegation is implemented, after adjustment of this amount, if necessary, to take into account the difference in the dividend entitlement date of the shares. On the date of this Meeting, the minimum price corresponds to the weighted average price of the last three trading sessions on Euronext preceding the fixing of the subscription price and possibly subject to a maximum of 5% discount;
- the issuance price of the securities giving access to the Company's share capital shall be such that the sum received immediately by the Company increased, if applicable, by the sum that may be received at a later date by the Company for each ordinary share issued as a result of the issuance of securities, shall be at least equal to the amount set forth in the preceding paragraph after adjustment, if necessary, of this amount to take into account the difference in the dividend entitlement date of the shares.

In the event of an issuance of debt securities, the Board of Directors will have all powers, with the ability to sub-delegate in accordance with the conditions set out by law, to decide whether or not they are subordinated, to set their interest rate, duration (which may be with or without a fixed-term), the fixed or variable redemption price with or without a premium, the terms and conditions for their redemption in accordance with market conditions, the conditions according to which these securities shall give access to the Company's share capital and their other terms and conditions.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 25, 2013 in its 13th resolution.

Twenty-second resolution

(Delegation of authority to the Board of Directors to increase the number of securities to be issued in the event of a capital increase without preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Article L.225-135-1 of the French commercial code, delegates to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, the authority to decide to increase, except during the period of a public tender offer on the Company's shares, the number of securities to be issued, for any issuance approved pursuant to the 21st resolution above, in accordance with the conditions of the abovementioned Article L.225-135-1, up to a maximum of 15% of the initial issue and at the same price as the price of the initial issue.

The Shareholders' Meeting decides that the amount of the capital increases that may be carried out pursuant to this delegation will be applied to the capital increase limit stipulated in the 21st resolution of this Meeting.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 25, 2013 in its 14th resolution.

Twenty-third resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities, without preferential subscription right of the shareholders, in the event of a public exchange offer initiated by the Company)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-148, L. 228-91 and L. 228-92 of the French commercial code, delegates to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, the authority to decide, except during the period of a public tender offer on the Company's shares, to issue (i) ordinary shares of the Company and/or (ii) securities which are equity securities of the Company giving access, by any means, immediately and/or in the future, to other equity securities of the Company and/or to an allotment of debt securities, in consideration for securities tendered in a public exchange offer initiated by the Company in France or abroad, according to local regulations, for another company's securities which are listed on one of the regulated markets provided in the above-mentioned Article L.225-148, and decides, to the extent necessary, to waive the shareholders' preferential subscription right to the ordinary shares and securities to be issued for the benefit of the holders of these securities.

The Shareholders' Meeting acknowledges that this delegation entails, *ipso jure*, the waiver by the shareholders of their preferential subscription rights to the Company's ordinary shares and equity securities to which the securities that will be issued pursuant to this delegation may give right, for the benefit of the holders of securities giving access to the Company's share capital issued pursuant to this delegation.

a) The maximum nominal amount of the increase in the Company's share capital resulting from all issuances carried out either immediately and/or in the future pursuant to this delegation is fixed at an amount of €16 million, it being specified that the issuances that may be carried out as a result of this delegation shall be deducted from the limits provided for in paragraphs (a) of the 20th and 21st resolutions submitted to this Meeting.

b) All issuances of debt securities carried out pursuant to this delegation shall not exceed a maximum principal amount of €2 billion (or the corresponding value of this amount for an issuance in a foreign currency or monetary unit determined by reference to several currencies); this limit is a common limit applicable to all issuances of debt securities, which may be carried out pursuant to the delegations granted in the 20th, 21st and 22nd resolutions submitted to this Meeting.

In calculating the limit set forth in paragraph (b) above, the corresponding value in euros of the principal amount of the debt securities issued in foreign currencies shall be determined on the date of the issuance.

The Shareholders' Meeting grants to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, all necessary powers to carry out the issuances of ordinary shares and/or securities in consideration for the tendered shares pursuant to the abovementioned public exchange offers, in particular for:

- in the case of an issuance of securities as consideration for securities in a public exchange offer (*offre publique d'échange* (OPE)), determine the list of securities to be exchanged, determine the conditions of the issuance, the exchange parity as well as, if applicable, the amount of cash to be paid and determine the terms of the issuance in the context of an exchange offer, or an alternative tender or exchange offer, either a single tender or exchange offer for securities in exchange for shares and cash, or a principal public tender offer or exchange offer, together with a subsidiary exchange offer or tender offer, or an exchange offer carried out in France or abroad according to local regulations (for example, in connection with a reverse merger in the United States) relating to securities meeting the conditions provided for in Article L.225-148 of the French commercial code, or any other form of public offer in accordance with the laws and regulations applicable to the such public offer;
- determine the dates, conditions of issuance, notably the price and dividend entitlement date of new ordinary shares or, if need be, of securities;
- record as liabilities in the balance sheet in an "additional paid-in capital" account, to which all shareholders have rights, the difference between the issue price of new ordinary shares and their nominal value;
- charge, if the need arises, all expenses and amounts incurred in connection with such transaction to the "additional paid-in capital" account; and
- acknowledge the completion of the capital increases carried out pursuant to this delegation, amend the by-laws of the Company accordingly, carry out all necessary formalities and request all authorizations for the completion of these contributions, and to take generally all necessary measures.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 25, 2013 in its 15th resolution.

Twenty-fourth resolution

(Delegation of powers to the Board of Directors to issue ordinary shares and securities, without preferential subscription right of the shareholders, in consideration for contributions in kind granted to the Company and comprised of equity securities or securities giving access to share capital)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L. 225-147 of the French commercial code, delegates to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, the powers necessary to decide, within the limit of 10% of the Company's share capital, on the date of the Board's decision and except during the period of a public tender offer on the Company's shares, upon the report of the Contribution auditor(s) mentioned in the first and second paragraphs of the above-mentioned Article L.225-147, to issue (i) ordinary shares of the Company and/or (ii) securities which are equity securities of the Company giving access, by any means, immediately and/or in the future, to other equity securities of the Company, in consideration for the contributions-in-kind granted to the Company and comprised of equity securities or securities giving access to share capital, when the provisions of Article L.225-148 of the French commercial code are not applicable, and decides, to the extent necessary, to waive, for the benefit of the holders of these securities, which are the object of these contributions-in-kind, the shareholders' preferential subscription right to the securities issued pursuant to this delegation.

The Shareholders' Meeting acknowledges that this delegation entails, *ipso jure*, the waiver by the shareholders of their preferential subscription right to the Company's ordinary shares to which the securities, that would be issued on the basis of this delegation, would give right, for the benefit of holders of securities giving access to the Company's share capital issued pursuant to this delegation.

In addition to the legal limit of 10% of the Company's share capital provided in Article L.225-147 of the French commercial code, the issuances carried out pursuant to this delegation shall be deducted from the limits provided for in paragraphs (a) of the 20th and 21st resolutions submitted for approval to this Meeting.

The Board of Directors will have full powers, with the ability to sub-delegate in accordance with the conditions set out by law, to implement this resolution, in particular:

- to decide, on the basis of the report of the Contribution auditor(s) mentioned in the first and second paragraphs of the above-mentioned Article L.225-147, on the valuation of the contributions and the granting of certain advantages and their values;
- to acknowledge the completion of the capital increases carried out pursuant to this delegation, amend the by-laws of the Company accordingly, enable any setting off of expenses against the contribution premium, carry out all necessary formalities and request all authorizations for the completion of these contributions, and to take generally all necessary measures.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 25, 2013 in its 16th resolution.

Twenty-fifth resolution

(Delegation of authority to the Board of Directors to increase the Company's share capital through incorporation of reserves, profits, premiums or any other amounts that may be capitalized)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, and acting in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the French commercial code, delegates to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, the authority to decide to increase the share capital, on one or more occasions, at the times and under the conditions that it deems appropriate, except during the period of a public tender offer on the Company's shares, through the incorporation of reserves, profits, premiums or any other amounts that may be capitalized, followed by the issuance and the free allocation of shares or the increase of the nominal value of the existing ordinary shares, or any combination of these two methods.

The Shareholders' Meeting decides that rights corresponding to fractional shares may neither be negotiable nor transferable and that the corresponding shares will be sold. The amounts obtained from the sale shall be distributed to the holders of the rights within the applicable legal time period.

The maximum nominal amount of the share capital increase that may be achieved, immediately or in the future, pursuant to this resolution is fixed at €40.2 million. This limit is set (i) without taking into account the nominal value of the Company's ordinary shares to be issued, if applicable, pursuant to the adjustments carried out in order to protect the interests of holders of rights attached to the securities that shall be issued on the basis of this delegation, in accordance with legal and regulatory requirements as well as applicable contractual provisions and (ii) independently from the limits on the share capital increases resulting from the issuances of the ordinary shares or securities as authorized in the 20th, 21st, 22nd, 23rd, 24th, 26th and 27th resolutions submitted to this Meeting.

The Shareholders' Meeting grants full powers to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, to implement this resolution, particularly in order to:

- determine the terms and conditions of the authorized transactions and in particular decide on the amount and the nature of the reserves and premiums to incorporate into the share capital, determining the number of new shares to issue or the amount to which the nominal value of the existing shares comprising the share capital will be increased, decide on the dividend entitlement date (even retroactive) of the new shares or the date on which the increase in their nominal value will take effect;
- take all necessary measures to protect the rights of the holders of securities giving access to the Company's share capital on the day of the capital increase;
- acknowledge the capital increase resulting from the issuance of shares, amend the by-laws of the Company accordingly and carry out all necessary publicity formalities;
- and generally take all measures and complete all formalities required to ensure the proper completion of each capital increase.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 25, 2013 in its 17th resolution.

Twenty-sixth resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities in favor of employees who are members of a company savings plan and/or to carry out reserved sales of securities, without preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L.225-129-2, L.225-129-6 and L.225-138-1 of the French commercial code and Articles L.3332-1 *et seq.* of the French labor code, delegates to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, the authority to decide to increase the Company's share capital, on one or more occasions, at the times and under the conditions that it deems appropriate, through the issuance of ordinary shares or securities giving access to ordinary shares reserved for the members subscribing to a company savings plan of the Company or of French or foreign companies related to the Company according to Articles L.225-180 of the French commercial code and L.3344-1 of the French labor code.

The maximum nominal amount of the increase of the Company's share capital that may be completed pursuant to this resolution may not exceed €3.2 million, it being specified that the issues carried out pursuant to this delegation shall be deducted from the limits provided for in paragraph (a) of the 20th and 21st resolutions submitted to this Meeting.

It is noted that the above limit is determined without taking into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to preserve the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory requirements and contractual provisions. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

The Shareholders' Meeting decides to waive in favor of the beneficiaries, as defined above, the shareholders' preferential subscription right to the ordinary shares or securities giving access to ordinary shares to be issued according to this resolution and to waive any right to the shares or other securities allocated free of charge on the basis of this delegation.

The Shareholders' Meeting decides to set the discount offered under the company savings plan at 20% of the average of the Company's opening share prices listed on Euronext during the 20 trading sessions preceding the date of the decision setting the opening date for subscription. When this delegation will be implemented, the Board of Directors may decrease the amount of the discount on a case-by-case basis only for reasons of legal, tax or social constraints that may be applicable outside of France, in any of the countries in which the Danone group's entities employing the employees participating in the share capital increases are located. The Board of Directors may also decide, pursuant to the provisions of Article L.3332-21 of the French labor code, to substitute the discount with a grant of free shares for subscribers of new shares.

The Shareholders' Meeting decides that the Board of Directors may also grant to the aforementioned beneficiaries free shares or other securities giving access to the Company's share capital to be issued or already issued, by way of company contribution (abondement), within the limits set forth by Article L.3332-21 of the French labor code.

The Shareholders' Meeting grants the Board of Directors full powers, with the ability to sub-delegate in accordance with the conditions set out by law, to implement this resolution, particularly in order to:

- set the subscription price, the amount, the dividend entitlement date of the shares (even retroactively) and the terms of each issuance of shares or securities giving access to ordinary shares;
- determine if the subscriptions may be made directly by the beneficiaries or through a collective investment undertaking, and in particular through a company investment fund;
- set the opening and closing dates of the subscriptions, and more generally decide on all other conditions of each issuance;
- at its sole discretion and if it deems it appropriate, charge the expenses of capital increases to the amount of the premiums associated to these increases, and deduct from this amount the sums needed to bring the legal reserve to one-tenth of the new capital after each share capital increase; and
- acknowledge completion of one or more share capital increases through the issuance of ordinary shares up to the amount of ordinary shares that shall be subscribed, enter into all agreements, take all measures necessary to carry out such increases, complete the subsequent formalities, in particular those related to the listing of the securities created, amend the by-laws of the Company accordingly, and generally take all necessary measures.

Pursuant to applicable legal provisions, the transactions carried out pursuant to this resolution may also take the form of the sale of shares to members of a company savings plan.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 25, 2013 in its 18th resolution.

Twenty-seventh resolution

(Authorization granted to the Board of Directors to allocate existing or newly issued shares of the Company, without preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, in accordance with Articles L.225-197-1 *et seq.* of the French commercial code:

1. Authorizes the Board of Directors to freely allocate, on one or more occasions, shares of the Company, existing or to be issued, to members of personnel or to certain categories thereof that it shall select among eligible employees and corporate officers of the Company and of affiliates of the Company within the meaning of Article L.225-197-2 of the French commercial code. If the shares allocated are to be issued, this authorization will result, after the expiration of the vesting period(s), in a capital increase through the incorporation of reserves, earnings or premiums in favor of the beneficiaries of said shares.
2. Decides that the Board of Directors will proceed with the allocations and will determine the identity of the beneficiaries of said allocations.
3. Decides that the allocation of shares in accordance with this authorization may not represent a number of existing or newly issued shares exceeding 0.2% of the Company's share capital at the end of this Meeting; this percentage shall be calculated without taking into account the adjustments that may be made in accordance with any applicable legal and regulatory requirements or any contractual provisions providing for any other adjustments, to protect the rights of the holders of securities or other rights giving access to the share capital. It is noted that the nominal amount of the existing or newly issued shares allocated pursuant to this authorization shall be deducted from the limits provided for in paragraph (a) of the 20th and 21st resolutions submitted to this Meeting.
4. Decides that the existing or newly issued shares allocated pursuant to this authorization may be allocated, in accordance with legal requirements, to corporate officers of the Company, provided that the total thereof does not represent more than 0.03% of the Company's share capital at the end of this Meeting (subject to any adjustment mentioned in the preceding paragraph).
5. Decides that the allocation of shares to their beneficiaries will become final after a vesting period, the duration of which will be set by the Board of Directors and shall not be less than three years. The beneficiaries must hold said shares for a duration set by the Board of Directors and the holding period may not be less than two years after the final allocation of such shares. However, if the vesting period for all or a part of one or more allocations is a minimum of four years, the Shareholders' Meeting authorizes the Board of Directors not to impose any holding period for the shares in question. It is reminded that the Board of Directors may provide for longer vesting and holding periods than the aforementioned minimum durations.
6. Expressly subjects the final allocation of all existing or newly issued shares under this resolution to the achievement of the performance conditions determined by the Board of Directors and presented in the Board of Directors' report.
7. Decides, moreover, that, in the event that the disability of the beneficiary corresponds to a classification in the second or third of the categories provided in Article L.341-4 of the French social security code, the shares will be definitively allocated to the beneficiary before the end of the remaining vesting period. Said shares will be freely transferable from delivery.
8. Acknowledges that this authorization entails *ipso jure* the waiver by the shareholders of their preferential subscription right to the shares that would be issued as a result of this resolution, to the benefit of the beneficiaries.
9. Grants full powers to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, to implement this resolution, within the conditions set forth above and within the limits authorized by applicable laws and regulations, and in particular to determine, if applicable, the terms and conditions of the issuances that will be completed as a result of this authorization, as well as the dividend entitlement dates of the newly issued shares, acknowledge the share capital increases, amend the Company's by-laws accordingly, and more generally complete all formalities useful for the issuance, listing and financial servicing of securities issued as a result of this resolution and take all useful and necessary steps in accordance with applicable laws and regulations.

This authorization is granted until December 31, 2015.

Each year, the Board of Directors will inform the Ordinary Shareholders' Meeting, in accordance with legal and regulatory requirements, and in particular Article L.225-197-4 of the French commercial code, of the transactions completed pursuant to this resolution.

Twenty-eighth resolution

(Authorization granted to the Board of Directors to reduce the share capital by canceling shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L. 225-209 *et seq*. of the French commercial code:

1. Authorizes the Board of Directors to reduce the Company's share capital by cancelling, on one or more occasions, within the limit of 10% of the Company's share capital on the date of this Meeting and by 24-month periods, all or part of the Company's shares that the Company holds or may acquire within the framework of share repurchase programs authorized by the Shareholders' Meeting.
2. Decides that the excess of the repurchase price of the shares over their par value shall be charged to the "additional paid-in capital" account or to any other available reserve account, including the legal reserve, within the limit of 10% of the reduction of share capital completed.
3. Delegates full powers to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, to carry out, on its sole decision, the cancellation of shares thus acquired, to proceed with the resulting reduction of share capital, and the aforementioned deduction, as well as to amend the by-laws of the Company accordingly.

This authorization is granted for a 24-month period as from the date of this Meeting and replaces the authorization granted by the Shareholders' Meeting of April 25, 2013 in its 20th resolution.

Twenty-ninth resolution

(Powers to carry out formalities)

The Shareholders' Meeting gives full powers to any bearer of an original, a copy or an excerpt of these minutes to make all legal and administrative formalities and carry out all filings and any publicity required by applicable laws and regulations.

8.3 COMMENTS ON THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING

TABLE OF CONTENTS

Approval of the statutory and consolidated financial statements for fiscal year 2014 (1st and 2nd resolutions)	**351**
Allocation of earnings (3rd and 4th resolutions)	**351**
Composition of the Board of Directors (5th to 10th resolutions)	**352**
Approval of agreements and commitments referred to in the Statutory auditors' special report (11th and 12th resolutions)	**355**
Advisory opinion on the components of compensation of corporate officers (13th to 17th resolutions)	**357**
Fixing of the amount of Directors' attendance fees (18th resolution)	**370**
Acquisition by the Company of its own shares (19th resolution)	**371**
Financial authorizations (20th to 27th resolutions)	**372**
Authorization to reduce the share capital by canceling shares (28th resolution)	**380**

Approval of the statutory and consolidated financial statements for fiscal year 2014 (1st and 2nd resolutions)

We request that you approve the Company's statutory and consolidated financial statements for the fiscal year ended December 31, 2014.

In accordance with Article 223 *quater* of the French tax code, it is stipulated that the total amount of expenses and charges referred to in paragraph 4 of Article 39 of the French tax code totaled €382,377 during the year under review, and that the tax borne as a result of these expenses and charges totaled €145,303.

Allocation of earnings (3rd and 4th resolutions)

Allocation of earnings and dividend proposal (3rd resolution)

You are asked to:

- acknowledge that the earnings for fiscal year 2014 amount to €541,271,933.84;
- acknowledge that the retained earnings amount to €3,124,805,677.01;

  totaling earnings available for allocation of profits of €3,666,077,610.85;
- decide to allocate the total earnings available for allocation as follows:
  - to dividends in the amount of €965,688,000; and
  - to retained earnings in the amount of €2,700,389,610.85.

The amount of €965,688,000 distributed among shareholders enables the payout of a dividend of €1.50 per share.

Where this is paid to individuals domiciled in France for tax purposes, the dividend is fully eligible for the 40% tax allowance provided for in Article 158-3.2° of the French tax code.

The ex-dividend date is May 7, 2015 and the dividend will be payable as from June 3, 2015.

In accordance with Article L. 225-210 of the French commercial code, the amount of the dividend corresponding to the shares held by the Company on the payment date will be allocated to "retained earnings" account.

Dividends paid in respect of the last three fiscal years

Fiscal year	Number of shares	Dividend distributed per share [a] *(in €)*
2011	642 246 573	1,39
2012	643,162,000	1.45
2013	631,028,000	1.45 [b]

(a) Dividend fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.
(b) The Shareholders' Meeting of April 29, 2014 has offered each shareholder the option for the payment of the dividend either in cash or in shares.

Option for the payment of the dividend in shares (4th resolution)

We propose, in accordance with applicable legal provisions and the Company's by-laws, to offer each shareholder the possibility to opt for the payment in new shares of the Company of the full dividend to which the shares owned give an entitlement.

This option, already offered by the Company in 2009 and 2014, would allow shareholders opting to have their dividend paid in shares to immediately reinvest the amount of their dividend and obtain in return new DANONE shares.

The new shares would bear rights as from January 1, 2015 and would be entirely fungible with the Company's other shares.

The issuance price of these new shares would be set at 90% of the average of the opening Company share prices on Euronext over the twenty trading days preceding the date of the Shareholders' Meeting less the amount of the dividend. This issuance price would be rounded up to the next euro cent.

If the amount of the dividends to which the shareholder is entitled did not correspond to a whole number of shares, the shareholder would obtain the number of shares immediately below, and a balancing payment in cash.

The option for dividends to be paid in shares would be open from May 7, 2015 to May 21, 2015.

Failure to exercise this option within this period would result in the full amount of the dividend owed to the shareholder being paid in cash.

The ex-dividend date is set at May 7, 2015. The date set for payment in cash or delivery of the shares is June 3, 2015.

Composition of the Board of Directors (5th to 10th resolutions)

We request that you renew the terms of office of Mr. Jacques-Antoine GRANJON, Mr. Jean LAURENT, Mr. Benoît POTIER, Mrs. Mouna SEPEHRI and Mrs. Virginia A. STALLINGS as Directors for the three-year period set forth in the by-laws. These renewed terms of office would expire at the end of the Shareholders' Meeting convened to approve the financial statements for fiscal year 2017.

We request that you also appoint Mrs. Serpil TIMURAY as a Director for a three-year period. Her term of office would also expire at the end of the Shareholders' Meeting convened to approve the financial statements for fiscal year 2017.

The Board of Directors noted that, if all its proposals are approved by the Shareholders' Meeting, the changes in the Board's composition will allow the Board to continue the ongoing improvement in the Company's governance.

Accordingly, at the end of the Shareholders' Meeting of April 29, 2015, and in comparison with the composition of the Board at the end of the Shareholders' Meeting of April 29, 2014:

- the rate of independence of the Board would rise from 71% to 77%;
- the percentage of women on the Board would rise from 29% to 38%;
- the average age of Directors would fall from 56.1 years to 55.4 years;
- the average length of term of office as Director would fall from 7.4 years to 6.9 years; and
- the international composition of the Board would rise from 29% to 31%.

The Board recalls that it has been committed toward its shareholders for several years to improving its governance, particularly in terms of its independence, the percentage of women on the Board, its expertise and the diversity of its composition.

Renewal of terms of office as Directors (5th to 9th resolutions)

Regarding Mr. Jacques-Antoine GRANJON (5th resolution)

We request that you renew the term of office as Director of Mr. Jacques-Antoine GRANJON.

1. Mr. Jacques-Antoine GRANJON's situation with regard to multiple directorships rules

On February 19, 2015, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mr. Jacques-Antoine GRANJON's situation with regard to the law and the recommendations of the AFEP-MEDEF Code concerning multiple directorships. The Board came to the conclusion that, in this instance, the rules had been complied with in full. In particular, Mr. Jacques-Antoine GRANJON currently holds no other term of office as director of another listed company.

A biography and a list of all Mr. Jacques-Antoine GRANJON's positions and responsibilities as of December 31, 2014 and of those held during the last five years are included above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mr. Jacques-Antoine GRANJON's attendance rate

Over the past three years, Mr. Jacques-Antoine GRANJON's attendance rate at Board meetings has averaged 85%. He was not a Member of any Board Committee in 2014.

3. Mr. Jacques-Antoine GRANJON's situation with regard to independence rules

In the annual individual review of the independence of Directors, the Board of Directors of February 19, 2015 confirmed, upon recommendation of the Nomination and Compensation Committee, the qualification of Mr. Jacques-Antoine GRANJON as an independent Director pursuant to the AFEP-MEDEF Code independence criteria (see section 6.1 *Governance bodies, Review of Directors' independence*).

Regarding Mr. Jean LAURENT (6th resolution)

We request that you renew the term of office as Director of Mr. Jean LAURENT.

1. Mr. Jean LAURENT's situation with regard to multiple directorships rules

On February 19, 2015, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mr. Jean LAURENT's situation with regard to the law and the recommendations of the AFEP-MEDEF Code concerning multiple directorships. The Board came to the conclusion that, in this instance, the rules had been complied with in full. In particular, Mr. Jean LAURENT currently holds only two terms of office in other listed companies (Chairman of the Board of Directors of Foncière des Régions and Vice Chairman of the Supervisory Board of Eurazeo).

A biography and a list of all Mr. Jean LAURENT's positions and responsibilities as of December 31, 2014 and of those held during the last five years are included above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mr. Jean LAURENT's attendance rate

Over the past three years, Mr. Jean LAURENT's attendance rate has averaged 96% at Board meetings, 100% at Nomination and Compensation Committee meetings and 100% at Social Responsibility Committee meetings. As part of its review of Committee membership, the Board of Directors meeting of February 19, 2015 confirmed Mr. Jean LAURENT in the position of Chairman of the Nomination and Compensation Committee. The Board also decided to replace him with Mr. Bruno BONNELL as the Chairman of the Social Responsibility Committee.

3. Mr. Jean LAURENT's situation with regard to independence rules

In the annual individual review of the independence of Directors, the Board of Directors of February 19, 2015 confirmed, upon recommendation of the Nomination and Compensation Committee, the qualification of Mr. Jean LAURENT as an independent Director pursuant to the AFEP-MEDEF Code independence criteria (see section 6.1 *Governance bodies, Review of Directors' independence*).

4. Mr. Jean LAURENT's situation with regard to the age limit set in the by-laws

Mr. Jean LAURENT turned 70 in July 2014, thus the renewal of his term of office shall be determined in accordance with the provisions of Article 15.II of the Company's by-laws. This Article stipulates that Directors of the Company who are over the age of 70 on the date when the decision is made to renew their term of office are not precluded from having said term renewed by the Shareholders' Meeting and serving it in full, provided that the number of Directors affected by this age limit does not exceed one-fourth of the Directors serving terms on the Board. This limit is largely satisfied, since at the end of the April 29, 2015 Shareholders' Meeting, Mr. Jean LAURENT will be the only Director of the Company over the age of 70 and no other Directors will reach that age during their respective terms of office.

5. Renewal of Mr. Jean LAURENT's term of office as Lead Independent Director

With the completion of Mr. Jean LAURENT's initial term of office as Lead Independent Director and in accordance with its rules of procedure, the Board of Directors meeting of February 19, 2015 examined the operation of this body and reviewed its powers (see above section 6.1 *Governance bodies, Review of the Lead Independent Director at the end of his term of office*). On that occasion, the Board confirmed the powers of the Lead Independent Director and reappointed Mr. Jean LAURENT to the position (subject to the condition precedent of the renewal of his term of office as Director by the Shareholders' Meeting of April 29, 2015).

Regarding Mr. Benoît POTIER (7th resolution)

We request that you renew the term of office as Director of Mr. Benoît POTIER.

1. Mr. Benoît POTIER's situation with regard to multiple directorships rules

On February 19, 2015, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mr. Benoît POTIER's situation with regard to the law and the recommendations of the AFEP-MEDEF Code concerning multiple directorships. The Board came to the conclusion that, in this instance, the rules had been complied with in full. In particular, Mr. Benoît POTIER currently holds only one term of office in another listed company (Chairman and Chief Executive Officer of Air Liquide).

A biography and a list of all Mr. Benoît POTIER's positions and responsibilities as of December 31, 2014 and of those held during the last five years are included above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mr. Benoît POTIER's attendance rate

Over the past three years, Mr. Benoît POTIER's attendance rate has averaged 88% at Board meetings and 100% at Nomination and Compensation Committee meetings. As part of its review of Committee membership, the Board of Directors meeting of February 19, 2015 appointed Mr. Benoît POTIER to the Strategy Committee and confirmed his position as a Member of the Nomination and Compensation Committee.

3. Mr. Benoît POTIER's situation with regard to independence rules

In the annual individual review of independence of the Directors, the Board of Directors of February 19, 2015 confirmed, upon recommendation of the Nomination and Compensation Committee, the qualification of Mr. Benoît POTIER as an independent Director and confirmed that his seniority of more than 12 years did not prevent him from such qualification (see section 6.1 *Governance bodies, Review of Directors' independence*).

Regarding Mrs. Mouna SEPEHRI (8th resolution)

We request that you renew the term of office as Director of Mrs. Mouna SEPEHRI.

1. Mrs. Mouna SEPEHRI's situation with regard to multiple directorships rules

On February 19, 2015, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mrs. Mouna SEPEHRI's situation with regard to the law and the recommendations of the AFEP-MEDEF Code concerning multiple directorships. The Board came to the conclusion that, in this instance, the rules had been complied with in full. In particular, Mrs. Mouna SEPEHRI currently holds three terms of office in other listed companies (Director of Nexans, Member of Supervisory Board of M6 and Director of Orange).

A biography and a list of all Mrs. Mouna SEPEHRI's positions and responsibilities as of December 31, 2014 and of those held during the last five years are included above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mrs. Mouna SEPEHRI's attendance rate

Over the past three years, Mrs. Mouna SEPEHRI's attendance rate has averaged 90% at Board meetings and 94% at Audit Committee meetings. As part of its review of Committee membership, the Board of Directors meeting of February 19, 2015 confirmed Mrs. Mouna SEPEHRI's position as a Member of the Audit Committee.

3. Mrs. Mouna SEPEHRI's situation with regard to independence rules

In the annual individual review of independence of the Directors, the Board of Directors of February 19, 2015 confirmed, upon recommendation of the Nomination and Compensation Committee, the qualification of Mrs. Mouna SEPEHRI as an independent Director pursuant to the AFEP-MEDEF Code independence criteria (see section 6.1 *Governance bodies, Review of Directors' independence*).

Regarding Mrs. Virginia A. STALLINGS (9th resolution)

We request that you renew the term of office as Director of Mrs. Virginia A. STALLINGS.

1. Mrs. Virginia A. STALLINGS' situation with regard to multiple directorships rules

On February 19, 2015, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mrs. Virginia A. STALLINGS' situation with regard to the law and the recommendations of the AFEP-MEDEF Code concerning multiple directorships. The Board came to the conclusion that, in this instance, the rules had been complied with in full. In particular, Mrs. Virginia A. STALLINGS currently holds no other term of office as director of another listed company.

A biography and a list of all Mrs. Virginia A. STALLINGS' positions and responsibilities as of December 31, 2014 and of those held during the last five years are included above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mrs. Virginia A. STALLINGS' attendance rate

Over the past three years, Mrs. Virginia A. STALLINGS' attendance rate has averaged 100% at Board meetings. In 2014, she was not a Member of any Board Committee. As part of its review of Committee membership, the Board of Directors meeting of February 19, 2015 appointed Mrs. Virginia A. STALLINGS to the Social Responsibility Committee.

3. Mrs. Virginia A. STALLINGS' situation with regard to independence rules

In the annual individual review of independence of the Directors, the Board of Directors of February 19, 2015 confirmed, upon recommendation of the Nomination and Compensation Committee, the qualification of Mrs. Virginia A. STALLINGS as an independent Director pursuant to the AFEP-MEDEF independence criteria (see section 6.1 *Governance bodies, Review of Directors' independence*).

Appointment of a new Director (10th resolution)

On February 19, 2015, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined the situation of Mrs. Serpil TIMURAY, whose appointment is proposed to you:

1. Skills and expertise of Mrs. Serpil TIMURAY

A native of Turkey, 45-year-old Mrs. Serpil TIMURAY holds a degree in business administration from Bogazici University in Istanbul.

Mrs. Serpil TIMURAY began her career in 1991 at Procter & Gamble, where she was later on appointed to the Executive Committee of Procter & Gamble Turkey. In 1999, she moved to the Danone group as the marketing director and a member of the executive committee for the fresh dairy products subsidiary in Turkey. From 2002 to 2008, she served as General Manager of Danone Turkey, overseeing the acquisition and integration of several companies in the region. In 2009 she joined Vodafone Turkey as the Chief Executive Officer, contributing to the considerable growth of this company. Since January 2014, she is serving as the Regional CEO of Africa, Middle East and Asia-Pacific and as a member of the Executive Committee of Vodafone group.

The Board noted that her widely recognized skills in executive positions, her success in helping international groups grow their business, and her thorough knowledge of markets that are critical for Danone will be valuable assets for the work of the Board of Directors.

2. Mrs. Serpil TIMURAY's situation with regard to multiple directorships rules

On February 19, 2015, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mrs. Serpil TIMURAY's situation with regard to the law and the recommendations of the AFEP-MEDEF Code concerning multiple directorships. The Board came to the conclusion that, in this instance, the rules had been complied with in full. In particular, Mrs. Serpil TIMURAY currently holds only one term of office in another listed company (Director of Vodacom, a listed subsidiary of Vodafone group).

A biography and a list of all Mrs. Serpil TIMURAY's positions and responsibilities as of December 31, 2014 and of those held during the last five years are included above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

3. Mrs. Serpil TIMURAY's situation with regard to independence rules

In the annual individual review of independence of the Directors, the Board of Directors of February 19, 2015, upon recommendation of the Nomination and Compensation Committee, considered that Mrs. Serpil TIMURAY is an independent Director pursuant to the AFEP-MEDEF Code independence criteria (see section 6.1 *Governance bodies, Review of Directors' independence*). In particular, the Board considered that Mrs. Serpil TIMURAY's prior position as an employee and senior manager of a Group company until 2008 (*i.e.* more than seven years ago) should not block her qualification as an independent Director. The Board also noted the absence of any significant business relationship between Mrs. Serpil TIMURAY and the Danone group.

Approval of agreements and commitments referred to in the Statutory auditors' special report (11th and 12th resolutions)

We are asking you to approve the regulated agreements referred to in Articles L. 225-38 *et seq.* of the French commercial code, which were authorized by the Board of Directors during the 2014 fiscal year.

First, the Board would like to inform you that pursuant to the French Order No. 2014-863 of July 31, 2014, agreements entered into with wholly-owned subsidiaries of the Company, previously approved by shareholders, are no longer subject to the procedure of regulated agreements. Two agreements are covered by this provision and are therefore excluded from this report: the guarantee granted by the Company in respect of commitments of Danone Finance International (the subsidiary that notably manages the Group's treasury centralization) and the guarantee granted by the Company in respect of commitments of Danone Corporate Finance Services (a subsidiary that carries out financial risk management transactions (mainly currency and interest rate risk) on behalf of Group companies).

The only regulated agreements authorized by the Board of Directors during fiscal year 2014 and submitted for approval are those entered into between (i) the Company and J.P. Morgan group (11th resolution) and (ii) the commitments regarding Mr. Emmanuel FABER as Chief Executive Officer in cases of termination of his duties (12th resolution)

Lastly, it should be noted that, by law, only new agreements are subject to a vote of the Shareholders' Meeting. However, for the information of the shareholders, the special report of the Statutory auditors (see above section 6.5 *Statutory auditors' special report on related party agreements and commitments*) describes agreements authorized during prior fiscal years, the performance of which continued during the fiscal year ended December 31, 2014. Those agreements were again reviewed by the Board of Directors of February 19, 2015, in accordance with the requirements of the French Order N°2014-863 of July 31, 2014. The Board intends to continue providing a high level of information to shareholders concerning the execution of regulated agreements authorized during prior fiscal years and the performance of which may continue in future years.

Approval of regulated agreements entered into with J.P. Morgan group (11th resolution)

As part of its activities, the Group works with various leading financial institutions, including the J.P. Morgan group.

In 2014, the Board of Directors thus authorized the signing of the following three agreements: (i) a consulting agreement in connection with a possible planned disposal of certain Group assets; (ii) a new amendment to the syndicated facilities agreement signed in 2011; and (iii) a subscription agreement as part of a bond issue.

These three agreements constitute regulated agreements (subject to the provisions of Articles L. 225-38 *et seq.* of the French commercial code), given the presence on the Board of Directors of Mrs. Isabelle SEILLIER, also a senior executive of the J.P. Morgan group.

Mrs. Isabelle SEILLIER has been a Director of the Company since the Shareholders' Meeting of April 28, 2011. Due to her position at J.P. Morgan, she was designated non-independent Director by the Board of Directors, upon recommendation of the Nomination and Compensation Committee.

The Board of Directors noted in this regard that several measures have been taken to ensure that any potential conflict of interest linked to Mrs. Isabelle SEILLIER's responsibilities is properly controlled by the Group, in particular:

- systematic abstention by Mrs. Isabelle SEILLIER from participating in discussions and voting on any deliberations which could place her in a situation giving rise to a conflict of interest involving (directly or indirectly) the J.P. Morgan group;
- express reference in the report of the Board of Directors to the Shareholders' Meeting of her qualification as a non-independent Director and of the existence of potential conflicts of interest involving her;
- complete transparency on terms of compensation for J.P. Morgan group by the Group in connection with agreements subject to shareholders' approval; and
- systematic resolution concerning all new regulated agreements which might be entered into with the J.P. Morgan group in the future, it being specified that this resolution would be automatically be put to a separate shareholders' vote during the subsequent Shareholders' Meeting.

1. Consulting agreement of October 28, 2014

The Board of Directors of October 17, 2014 unanimously approved the signature of a consulting agreement with J.P. Morgan Limited relating to an eventual planned disposal of certain Group assets; Mrs. Isabelle SEILLIER abstained from voting.

Under the terms of this consulting agreement, which was entered into on October 28, 2014, J.P. Morgan Limited acted as the Company's financial advisor and in particular agreed to assist the Company in finding purchasers, in drafting a memorandum presenting the activities to be sold, in analyzing the bids, coordinating due diligence work, structuring and defining the transaction's terms and conditions and negotiating the documents needed to complete the transaction.

Under the terms of the agreement and subject to the successful completion of the transaction, the Company was to pay J.P. Morgan Limited a commission as consideration for its efforts, with the amount representing approximately 0.32% of the total value of the assets to be sold and measured as of the agreement date.

Since the planned disposal was not completed, the consulting agreement will expire on May 15, 2015 and will not give rise to the payment of the above-mentioned commission, in accordance with the terms of the agreement.

As part of this planned disposal, the Company had also retained a second advisory bank whose terms for participating in the transaction were similar to those applicable to the J.P. Morgan group, notably with regard to the scope of the assignment and compensation.

2. New amendment to the December 18, 2014 syndicated facilities agreement

The Board of Directors of July 27, 2011 had unanimously authorized the Company, Mrs. Isabelle SEILLIER abstained from voting, to enter into a syndicated facilities agreement with J.P. Morgan Europe Limited and J.P. Morgan Limited (hereinafter "J.P. Morgan").

On July 28, 2011, the Company therefore entered into a syndicated facilities agreement with J.P. Morgan and several other banks, this agreement providing for the establishment of a €2 billion (multi-currency) revolving credit line, combined with a €300 million "swingline" facility, up to a maximum principal amount of €2 billion. The agreement's term was initially five years, with the possibility of renewal for up to two additional years subject to banks' approval.

Interest owed by the Company on amounts drawn under this syn-

8

dicated facilities agreement are calculated on the basis of market rates (EURIBOR, EONIA, or equivalent indices in other currencies), plus a margin and any additional costs under certain conditions. A utilization fee is added to the interest due based on the credit portion used and, if the facility is not drawn down, a non-utilization fee equivalent to a percentage of the margin is applied. Finally, the Company paid the customary fees to the banks as part of the establishment of the syndicated facilities agreement in 2011.

The shareholders approved the signing of this syndicated facilities agreement at the Shareholders' Meeting of April 26, 2012.

In 2012 and 2013, the Company twice exercised the extension options included in the agreement. As a result, the syndicated facilities agreement was extended for two additional years, *i.e.*, until July 28, 2018.

On December 11, 2014, the Board of Directors, Mrs. Isabelle SEILLIER abstained from voting, unanimously authorized the Company to enter into a new amendment to the syndicated loan facility in order to: (i) lower the applicable margin and non-utilization fee; (ii) cancel the additional margin for amounts drawn in U.S. dollars; (iii) extend the duration of the facility for up to five years as from the signature date of the amendment, with options to extend it by up to two additional years, subject to the approval of the banks and under the same terms as the initial syndicated facilities agreement; and (iv) carry out other technical or legal adjustments in order to reflect changes in applicable legislation or market practices.

Pursuant to this authorization and through a legal agreement dated December 18, 2014, the Company entered into a syndicated facilities agreement along these lines with all banks party to the syndicated facilities agreement (including J.P. Morgan).

J.P. Morgan's commitment as a lender under the syndicated facilities agreement remains equal to €210 million, *i.e.*, 10.5% of the total, which is the same percentage as the other banks having the first rank in the syndicated facilities agreement. The fees and interest owed to the J.P. Morgan group by the Company are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to the fees and interest due to the other banking institutions having a first rank in the facilities agreement.

No amount was drawn under this syndicated facilities agreement in 2014.

In 2014, the Company paid J.P. Morgan a total of €508,083 in fees related to these credit facilities (fees related to the establishment of the amendment as well as non-utilization fees).

The Board of Directors noted that the shareholders will be informed each year, by means of the Statutory auditors' special report on related party agreements and commitments, of the amount actually paid to J.P. Morgan in respect of this agreement during the preceding fiscal year.

3. Subscription agreement of January 12, 2015 in connection with a bond issue

At its December 11, 2014 meeting, the Board of Directors unanimously, Mrs. Isabelle SEILLIER abstained from voting, authorized the Company to enter with the J.P. Morgan into group subscriptions agreements in connection with a bond issue by the Company.

Under this authorization and within the scope of a €1.3 billion bond issue in two tranches under the EMTN program (a €550 million tranche with a five-year maturity and a €750 million tranche with a 10-year maturity), the Company entered into a subscription agreement with the banks responsible for placing the bonds (including J.P. Morgan Securities PLC) on January 12, 2015, under the terms of which said banks underwrote the Company's entire bond issue, which they then immediately placed with investors wishing to participate in the issue.

Under the subscription agreement, a fee of 0.21% of the nominal amount of the bonds issued (€1.3 billion) was equally divided among the banks responsible for placing the bonds (including J.P. Morgan Securities PLC).

In this context, the amount paid to each of the banks responsible for the placement of the bonds, including J.P. Morgan Securities PLC after equal sharing of the commission, amounted to €390,000.

4. Benefit for the Company and its shareholders of these agreements entered into with J.P. Morgan

The Board of Directors recalls that the decision to retain J.P. Morgan for these three transactions is justified on objective grounds and is therefore in the strict interest of the Company and its shareholders.

In particular, the Board of Directors emphasizes that:

- it is essential that the Group be able to rely on first-tier international banks, especially in a period of financial crisis;
- the J.P. Morgan group is a major international bank, whose expertise in strategic transactions is recognized in France and abroad (particularly in the United States);
- this bank has worked in the past with the Group on similar strategic transactions and therefore has a very good understanding of the Group and its activities, as well as excellent knowledge of the various players in the worldwide food and beverage industry, which further adds to the relevance of its advice; and
- the terms of J.P. Morgan's involvement (and in particular its compensation) are based on customary market practices, as evidenced by the presence, for each of the three respective agreements, of other banks receiving similar terms as those granted to J.P. Morgan.

In this context, we request that you approve the three above-mentioned agreements entered into by the Company with the J.P. Morgan group, which were authorized by the Board of Directors during the fiscal year ended December 31, 2014.

Approval of related party agreements and commitments concerning Mr. Emmanuel FABER (12th resolution)

By law, upon the appointment of Mr. Emmanuel Faber as Chief Executive Officer as from October 1, 2014, the Company's shareholders must decide as to the renewal of his rights to indemnity in the event of termination of his duties.

The Board of Directors of February 18, 2013, upon recommendation of the Nomination and Compensation Committee, unanimously decided, at the time of the renewal of Mr. Emmanuel Faber's term of office as Director, subject to the vote of the Shareholders' Meeting of April 25, 2013, to renew his rights to indemnity applicable in certain cases of termination of his duties, Mr. Emmanuel FABER abstained from voting. These rights to indemnity were renewed on the same basis as that set by the Board of Directors of February 10, 2010 (approved by the Shareholders' Meeting of April 22, 2010), subject to certain amendments made in order to ensure strict compliance with the provisions of the AFEP-MEDEF Code, and to make the payment conditions more restrictive. These amendments were approved by the Company's Shareholders' Meeting of April 25, 2013.

In connection with the separation of the Chairman of the Board of Directors and Chief Executive Officer offices and the appointment of Mr. Emmanuel Faber as Chief Executive Officer, the Board of Directors of September 2, 2014, upon recommendation of the Nomination and Compensation Committee, decided to maintain the same rights to indemnity (by taking into account, for the calculation basis of the indemnity, his average compensation received during the last 12 months in respect of his term of office as Chief Executive Officer and, in the event of termination of his duties before October 1, 2015, in respect of his term of office as Deputy General Manager, if appropriate), Mr. Emmanuel FABER abstained from voting, as approved by the Company's Shareholders' Meeting of April 25, 2013.

The rights to indemnity that entered into force as from October 1, 2014 (the date when Mr. Emmanuel Faber effectively assumed his duties as Chief Executive Officer) are described above in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.

Advisory opinion on the components of compensation of corporate officers for the fiscal year ended December 31, 2014 (13th to 17th resolutions)

Reminder of the principles of the Group's compensation policy for corporate officers

In accordance with the recommendations of the AFEP-MEDEF Code, the Company submits to the advisory opinion of its shareholders the components of compensation due or awarded for the fiscal year ended December 31, 2014 to its corporate officers. Given the changes in the Group's governance decided by the Board of Directors of September 2, 2014, five resolutions will be presented to the vote of the shareholders for fiscal year 2014.

The compensation of Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014 and Chairman of the Board of Directors as from October 1, 2014, Mr. Emmanuel FABER, Deputy General Manager until September 30, 2014 and Chief Executive Officer as from October 1, 2014, and Mr. Bernard HOURS, Deputy General Manager until September 2, 2014, was determined by the Board of Directors on the basis of recommendations made by the Nomination and Compensation Committee. We remind you that these two bodies are predominantly (for the Board) or in whole (for the Nomination and Compensation Committee) composed of independent directors.

In accordance with the AFEP-MEDEF Code, the compensation of the Company's corporate officers is:

- appropriate and balanced in its various components, while favoring the award of a main part in the form of a variable multi-annual compensation; and
- determined in line with that of other directors and officers of the Group's subsidiaries worldwide.

Compensation of the Chairman and Chief Executive Officer and of the Deputy General Managers until September 30, 2014, then as from October 1, 2014, of the Chief Executive Officer

The compensation of these corporate officers is divided into two distinct components: an annual compensation and a multi-annual compensation, whose principles are described hereafter.

The Nomination and Compensation Committee undertook an in-depth study of best practices in the market on the basis of a benchmark prepared by external consultants, whose objectivity was verified by the Nomination and Compensation Committee, including large international companies listed in France (CAC 40) and a panel of eight leading international groups in the food and beverage sector (the same panel as used for the performance conditions of Group performance shares and termination indemnities of corporate officers, and including Unilever N.V., Nestlé S.A., PespiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc., Mondelez International Inc., General Mills Inc. and Kellogg Company).

The Nomination and Compensation Committee determines the compensation of its corporate officers, taking care:

- on the one hand, that the mid-term and long-term portion is sufficiently significant in relation to their annual compensation (to motivate the corporate officers to work in a long-term perspective); and
- on the other hand, that the part subject to performance conditions is also sufficiently significant when compared to the fixed part so as to ensure effective alignment of the interests of management with the general interest of the Company and shareholders.

In addition, the Nomination and Compensation Committee determines the overall compensation of its corporate officers by integrating the advantage represented by the potential benefit of a supplementary pension plan.

The performance conditions are established so as to be both complementary and stable over the long-term. They are drawn up with reference to the Group's objectives communicated to the market. In addition, these performance conditions reflect compensation best practices, such as the integration of internal and external performance conditions, the latter being drawn up according to the "no pay below median" principle. The Nomination and Compensation Committee is therefore particularly careful to ensure that the performance criteria for compensation are demanding and reward long-term performance in line with market expectations.

The compensation policy implemented is based on simple, stable and transparent principles: thus Group performance units have been awarded since 2005 and Group performance shares since 2010. All the components of compensation of corporate officers, as well as an assessment of whether they have been achieved, are published on the Company's website and in the Registration Document (see section 6.3 *Compensation and benefits for corporate officers and governance bodies*). Lastly, for several years, the Company has been holding regular dialogs with its shareholders on this subject.

The annual compensation of the corporate officers comprises the following components:

- a fixed compensation, reviewed after relatively long periods (this fixed compensation has been reviewed for Mr. Emmanuel FABER, on the occasion of his appointment as Chief Executive Officer; his compensation for his duties as Deputy General Manager was stable since 2011), in accordance with the recommendations of the AFEP-MEDEF Code and which reflects the experience and level of responsibility of the beneficiary; and
- a short-term annual variable compensation:
  - with regard to the short-term annual variable compensation granted to corporate officers until September 30, 2014:
    - for the Chairman and Chief Executive Officer, the short-term variable compensation target represents 135% of his fixed compensation and it is capped at 175% of his annual variable target compensation;
    - for the Deputy General Managers, the short-term variable compensation target represents 83% of their fixed compensation and it is capped at 200% of their annual variable target compensation; and
  - with regard to the short-term annual variable compensation granted to the Chief Executive Officer as from October 1, 2014, the target represents 100% of his fixed compensation and it is capped at 200% of his annual variable target compensation.

It is specified, as necessary, that, for fiscal year 2014, the annual compensation of the corporate officers has been calculated *pro rata temporis* depending on the effective date on which Mr. Franck RIBOUD and Mr. Emmanuel FABER took up their new duties (as from October 1, 2014) and on the date on which Mr. Bernard HOURS ceased his duties as Deputy General Manager (on September 2, 2014).

The short-term annual variable compensation is granted subject to predetermined performance conditions, calculated on the basis of objective and precise quantitative and qualitative criteria and determined on the basis of economic, social and managerial objectives. It includes:

- a variable economic portion representing 60% for the corporate officers (except for the Chairman and Chief Executive Officer), calculated with reference to the Group's objectives as communicated to the market in terms of the following indicators:
  - sales;
  - trading operating margin; and
  - free cash-flow;
- a variable social portion, representing 20% for the corporate officers (except for the Chairman and Chief Executive Officer), calculated with reference to the Group's social objectives (safety at work, employee training, skills development, environmental parameters and societal initiatives); and
- a variable managerial portion, representing 20% for the corporate officers (except for the Chairman and Chief Executive Officer), calculated with reference to objectives related to growth of the Group's business (product innovation, market share, development in new geographical areas, implementation of strategic decisions).

The achievement evaluation of the annual variable compensation different criteria is described in details in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *2014 annual short-term variable compensation*.

During fiscal year 2014, the medium- and long-term variable compensation of corporate officers was composed of the following components:

- a medium-term variable compensation in the form of "Group performance units" paid subject to multi-annual performance conditions being met over a three-year period; and
- a long-term variable compensation in the form of Group performance shares subject to long-term performance conditions based on internal performance criteria related to the objectives communicated to the market by the Group and external performance criteria related to a comparison of the Group's performance against those of a panel of its peers. The Company's program for awarding Group performance shares is therefore in line with best market practices (see comments on the 27th resolution hereafter).

Compensation of the Chairman of the Board of Directors as from October 1, 2014

In consistence with the organization of the transition of Danone's General Management, the compensation of Mr. Franck RIBOUD has been globally reviewed.

The separation of the offices of Chief Executive Officer and Chairman was proposed by Mr. Franck RIBOUD with the objective of laying the groundwork for his smooth succession at the head of the Company and of focusing on the key strategic issues for Danone in the medium and long term.

The Lead Independent Director, Mr. Jean LAURENT, was involved in the reflection and organization of the General Management's succession.

Several elements were taken into consideration, in particular, the fact that Mr. Franck RIBOUD, as Chairman and Chief Executive Officer, had transformed the Group in a worldwide company turned to emerging markets and prepared for future challenges; but also the fact that DANONE share value was multiplied by five during his term of office and that the dividend was never lowered and finally, the fact that Mr. Franck RIBOUD embodies Danone and its values, its management style and its very specific culture.

That is why, the Board of Directors, upon recommendation of the Nomination and Compensation Committee and of the Lead Independent Director, accepted the proposal made by Mr. Franck RIBOUD to lay the groundwork for his succession before being 60 years old, but wished he remained involved full-time in the Company life, without assuming executive responsibilities, in order to ensure a smooth and progressive transition. It has thus organized a reinforced Chairmanship enabling Mr. Franck RIBOUD to remain totally involved in the company life.

Since October 2014, beyond the charge of directing the work of the Board of Directors and within the framework of the reinforced Chairmanship, Mr. Franck RIBOUD has been actively devoted to several duties including in particular:

- support in the setting up of the new general management and presentation of the new governance principles to Danone's teams (notably through the attendance at conventions and internal great events, and at various managerial meetings), and to the main business and financial partners of the Company;
- configuration of the new Strategy Committee which will begin its work at the first semester of 2015: composition proposal, functioning, work and reflection items and themes, coordination of the Committee work with the Board, etc.;
- dialogue with the management on the Danone 2020 project, initiated in April 2014, in particular, to help fixing objectives and levels of ambition of the various work streams;
- representation of the Company towards meetings with public authorities of first rank, notably with French, Russian and American public authorities, or with the shareholders of certain of international Group entities, notably in Latin America;
- participation to several symbolic events for Danone's development and reputation like the inauguration of a research and development center in Argentina or the world final of the Danone Nations Cup in Brazil; and
- investment in various projects in connection with Danone's culture and the dual economic and social project like the launch of the new Livelihoods fund for familial farming in alliance with Mars Inc.

Thus, the annual fixed compensation, the amount of which was decided on September 2, 2014, for application as from October 1, 2014, is the single component of compensation of Mr. Franck RIBOUD for fiscal year 2015. Those conditions of compensation will be reviewed on a regular basis in view of proposing a compensation structure suited to the Chairman duties, in consistence with the interest of the Company and of its shareholders.

For more information on the compensation policy for corporate officers, see section 6.3 *Compensation and benefits for corporate officers and governance bodies*.

Concerning the components of compensation due or awarded in respect of the fiscal year ended December 31, 2014 to Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014 (13th resolution)

The shareholders are asked to issue an opinion on the following components of compensation due or awarded to Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded to Mr. Franck RIBOUD, Chairman and Chief Executive Officer until September 30, 2014, in respect of the fiscal year just ended		
Fixed compensation	787,500	Fixed compensation is reviewed after relatively long periods in accordance with the recommendations of the AFEP-MEDEF Code and takes into account the executive's experience and level of responsibility. Fixed compensation paid to Mr. Franck RIBOUD has been stable during seven years.
Annual variable compensation	1,594,688	Short-term variable compensation is subject to performance conditions, calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of the economic, social and managerial objectives described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Principles applicable to annual variable compensation*. The annual variable target compensation of Mr. Franck RIBOUD in respect of this period was equal to €1,063,125. Concerning the achievement evaluation of the annual variable compensation various criteria, see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *2014 annual short-term variable compensation*.
Deferred variable compensation	Not applicable	Purposeless, the Group does not provide for deferred variable compensation for corporate officers.
Multi-annual variable compensation (*i.e.* Group performance units) [a]	675,000	Multi-annual variable compensation consists of Group performance units (GPU) paid subject to multi-annual performance conditions over a three-year period. The 2014 GPU were allocated to Mr. Franck RIBOUD on July 24, 2014. General principles as well as the annual objectives of GPU granted in 2014 are presented in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *General principles of Group performance units* and to *Description of the Group performance units program (multi-annual variable compensation).*
Extraordinary compensation	Not applicable	Purposeless, the Group does not provide for extraordinary compensation for corporate officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation [b]	Options = Not applicable	None granted. The most recent grant of stock-options to corporate officers occurred in November 2009 (see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Long-term compensation in the form of stock-options (until 2009)* and to *Description of stock-options programs (as of December 31, 2014)*).
	Group performance shares = 2,513,500	Long-term variable compensation takes the form of Group performance shares (GPS). GPS are Company shares subject to performance conditions. The 2014 GPS were allocated to Mr. Franck RIBOUD on July 24, 2014. General principles and performance conditions applying to GPS granted in 2014 are presented in sections 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Long-term compensation in the form of Group performance shares (program introduced in 2010)* and to *Description of the Group performance shares program (long-term variable compensation).*
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or corporate officers do not receive attendance fees.
Value of benefits of any kind	3,465	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded in respect of the fiscal year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	No amount due in respect of the fiscal year just ended	In accordance with French law, payment of termination indemnities to corporate officers is subject to performance conditions. In addition, and in compliance with the AFEP-MEDEF Code, the amount of these termination indemnities is subject to a limit and they are to be paid only in certain cases. Comprehensive information concerning the termination indemnity for Mr. Franck RIBOUD is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.
Non-compete indemnities	Not applicable	No non-compete clause is applicable to Mr. Franck RIBOUD.
Supplementary retirement plan	No amount due in respect of the fiscal year just ended	Corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers (139 persons still benefit from this plan). This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Obligations relative to executives' supplementary retirement plans*.

(a) Maximum value of GPU granted in the fiscal year in question, taking into account the partial achievement of the 2014 objective, *i.e.* €27 per GPU.
(b) Represents the estimated value as of the grant date in accordance with IFRS 2, *Share-based Payment*.

8

Concerning the components of compensation due or awarded in respect of the fiscal year ended December 31, 2014 to Mr. Franck RIBOUD, Chairman of the board of Directors as from October 1, 2014 (14th resolution)

The shareholders are asked to issue an opinion on the following components of compensation due or awarded to Mr. Franck RIBOUD, Chairman of the Board of Directors as from October 1, 2014:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded to Mr. Franck RIBOUD, Chairman of the Board of Directors as from October 1, 2014, in respect of the fiscal year just ended		
Fixed compensation	500,000	As part of the new duties of Mr. Franck RIBOUD, which he exercises on a full-time basis, his compensation has been globally reviewed and has led to significant arbitration. Thus, for his annual compensation, he has only benefited from a fixed compensation, the monetary annual and multi-annual variable compensation being not applicable. The amount of this compensation has been established both by taking into account the importance of the duties entrusted to Mr. Franck RIBOUD which are, within the framework of a reinforced Chairmanship, larger than those provided by French Law, the active role played by Mr. Franck RIBOUD in the transition of the General Management of Danone, his seniority within the Group, and his in-depth knowledge of Danone's markets, culture and environment. With regard to the complementary tasks entrusted to Mr. Franck RIBOUD, he chairs and leads the new Strategy Committee, ensures compliance with the values of Danone and its culture, may represent the Group in its high-level relations (at the request of the Chief Executive Officer) on a national and international level, may be consulted on any significant events concerning the strategy of the Group and participate to internal meetings with managers and teams of the Group (see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Details of annual compensation and benefits due and paid to corporate officers*).
Annual variable compensation	Not applicable	Mr. Franck RIBOUD does not benefit from any variable compensation.
Deferred variable compensation	Not applicable	Purposeless, the Group does not provide for deferred variable compensation for corporate officers.
Multi-annual variable compensation (*i.e.* Group performance units)	0	Multi-annual variable compensation consists of Group performance units (GPU) paid subject to multi-annual performance conditions over a three-year period. No GPU has been granted to corporate officers since October 1, 2014.
Extraordinary compensation	Not applicable	Purposeless, the Group has not introduced a system of extraordinary compensation for corporate officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation	Options = Not applicable	None granted. The most recent grant of stock-options to corporate officers occurred in November 2009 (see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Long-term compensation in the form of stock-options (until 2009)* and to *Description of stock-options programs (as of December 31, 2014)*).
	Group performance shares = 0	Long-term variable compensation takes the form of Group performance shares (GPS). GPS are Company's shares subject to performance conditions. No GPS has been granted to corporate officers since October 1, 2014.
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or corporate officers do not receive attendance fees.
Value of benefits of any kind	1,155	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded in respect of the fiscal year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	Not applicable	As part of his new duties, Mr. Franck RIBOUD waived his termination indemnity in respect of his corporate office. It should be noted that Mr. Franck RIBOUD also benefits from a termination indemnity as part of his suspended employment contract (for more details, see section *6.3 Compensation and benefits for corporate officers and governance bodies* related to *Suspension of the employment contract of corporate officers*)
Non-compete indemnities	Not applicable	No non-compete clause is applicable to Mr. Franck RIBOUD
Supplementary retirement plan	No amount due in respect of the fiscal year just ended	Corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers (139 persons still benefit from this plan). This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Obligations relative to executives' supplementary retirement plans*.

Concerning the components of compensation due or awarded in respect of the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Deputy General Manager until September 30, 2014 (15th resolution)

The shareholders are asked to issue an opinion on the following components of the compensation due or awarded to Mr. Emmanuel FABER, Deputy General Manager until September 30, 2014:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded to Mr. Emmanuel FABER, Deputy General Manager until September 30, 2014, in respect of the fiscal year just ended		
Fixed compensation	511,125	Fixed compensation is reviewed after relatively long periods in accordance with the recommendations of the AFEP-MEDEF Code and takes into account the executive's experience and level of responsibility. Fixed compensation paid to Mr. Emmanuel FABER has been stable during four years.
Annual variable compensation	435,690	Short-term variable compensation is subject to performance conditions, calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of the economic, social and managerial objectives described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Principles applicable to annual variable compensation*. The annual variable target compensation of Mr. Emmanuel FABER in respect of this period was equal to €423,000. Concerning the achievement evaluation of the annual variable compensation various criteria, see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *2014 annual short-term variable compensation*.
Deferred variable compensation	Not applicable	Purposeless, the Group does not provide for deferred variable compensation for corporate officers.
Multi-annual variable compensation (*i.e.* Group performance units) [a]	486,000	Multi-annual variable compensation consists of Group performance units (GPU) paid subject to multi-annual performance conditions over a three-year period. The 2014 GPU were allocated to Mr. Emmanuel FABER on July 24, 2014. General principles as well as the annual objectives of the GPS granted in 2014 are presented in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *General principles of Group performance units* and to *Description of the Group performance units program (multi-annual variable compensation)*.
Extraordinary compensation	Not applicable	Purposeless, the Group has not introduced a system of extraordinary compensation for corporate officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation [b]	Options = Not applicable	None granted. The most recent grant of stock-options to corporate officers occurred in November 2009 (see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Long-term compensation in the form of stock-options (until 2009)* and to *Description of stock-options programs (as of December 31, 2014)*).
	Group performance shares = 1,809,720	Long-term variable compensation takes the form of Group performance shares (GPS). GPS are Company's shares subject to performance conditions. The 2014 GPS were allocated to Mr. Emmanuel FABER on July 24, 2014. General principles and performance conditions applying to GPS granted in 2014 are presented in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Long-term compensation in the form of Group performance shares (program introduced in 2010)* and to *Description of the Group performance shares program (long-term variable compensation)*.
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or corporate officers do not receive attendance fees.
Value of benefits of any kind	3,465	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded in respect of the fiscal year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	No amount due in respect of the fiscal year just ended	In accordance with French law, payment of termination indemnities to corporate officers is subject to performance conditions. In addition, and in compliance with the AFEP-MEDEF Code, the amount of these termination indemnities is subject to a limit and they are to be paid only in certain cases. Comprehensive information concerning the termination indemnity for Mr. Emmanuel FABER is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.
Non-compete indemnities	No amount due in respect of the fiscal year just ended	The non-compete clause currently applicable to Mr. Emmanuel FABER provides, at Danone's discretion, either for the activation of the clause for a 18-month period subject to a gross monthly payment equivalent to 50% of his gross average base salary and of his target bonus paid over the last 12 months, or for his release from the clause without any financial compensation. To avoid any situation of aggregation, which would not fall within the recommendations of the AFEP-MEDEF Code, the Board of Directors of February 10, 2010, and as recommended by the Nomination and Compensation Committee, amended Mr. Emmanuel FABER's suspended employment contract to ensure that the non-compete clause may only be activated by the Company in the event of his resignation, in respect of which neither the indemnity for the termination of his employment contract nor the indemnity due in certain cases upon the cessation of his duties would be paid.
Supplementary retirement plan	No amount due in respect of the fiscal year just ended	Corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers (139 persons still benefit from this plan). This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Obligations relative to executives' supplementary retirement plans*.

(a) Maximum value of GPU granted in the fiscal year in question, taking into account the partial achievement of the 2014 objective, *i.e.* €27 per GPU.
(b) Represents the estimated value as of the grant date in accordance with IFRS 2, *Share-based payment*.

Concerning the components of compensation due or awarded in respect of the fiscal year ended December 31, 2014 to Mr. Emmanuel FABER, Chief Executive Officer as from October 1, 2014, (16th resolution)

The shareholders are asked to issue an opinion on the following components of the compensation due or awarded to Mr. Emmanuel FABER, Chief Executive Officer as from October 1, 2014:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded to Mr. Emmanuel FABER, Deputy General Manager, as from October 1, 2014, in respect of the fiscal year just ended		
Fixed compensation	250,000	Within the framework of the new duties of Mr. Emmanuel FABER, his fixed compensation has been reviewed globally. It takes into account in accordance with the recommendations of the AFEP-MEDEF Code, his executive's experience and his level of responsibility.
Annual variable compensation	257,500	Short-term variable compensation is subject to performance conditions, calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of the economic, social and managerial objectives described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Principles applicable to annual variable compensation*. The annual variable compensation of Mr. Emmanuel FABER in respect of this period was equal to €250,000. Concerning the achievement evaluation of the annual variable compensation various criteria, see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *2014 annual short-term variable compensation*.
Deferred variable compensation	Not applicable	Purposeless, the Group does not provide for deferred variable compensation for corporate officers.
Multi-annual variable compensation (*i.e.* Group performance units)[a]	0	Multi-annual variable compensation consists of Group performance units (GPU) paid subject to multi-annual performance conditions over a three-year period. No GPU has been granted to corporate officers since October 1, 2014.
Extraordinary compensation	Not applicable	Purposeless, the Group has not introduced a system of extraordinary compensation for corporate officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation [b]	Options = Not applicable	None granted. The most recent grant of stock-options to corporate officers occurred in November 2009 (see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Long-term compensation in the form of stock-options (until 2009)* and to *Description of stock-options programs (as of December 31, 2014)*).
	Group performance shares = 0	Long-term variable compensation takes the form of Group performance shares (GPS). GPS are Company's shares subject to performance conditions. No GPS has been granted to corporate officers since October 1, 2014
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or corporate officers do not receive attendance fees.
Value of benefits of any kind	1,155	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded in respect of the fiscal year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	No amount due in respect of the fiscal year just ended	In accordance with French law, payment of termination indemnities to corporate officers is subject to performance conditions. In addition, and in compliance with the AFEP-MEDEF Code, the amount of these termination indemnities is subject to a limit and they are to be paid only in certain cases. Comprehensive information concerning the termination indemnity for Mr. Emmanuel FABER is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.
Non-compete indemnities	No amount due in respect of the fiscal year just ended	The non-compete clause currently applicable to Mr. Emmanuel FABER provides, at Danone's discretion, either for the activation of the clause for a 18-month period subject to a gross monthly compensation equivalent to 50% of his gross average base salary and of his target bonus paid over the last 12 months, or for his release from the clause without any financial compensation. To avoid any situation of aggregation, which would not fall within the recommendations of the AFEP-MEDEF Code, the Board of Directors of February 10, 2010, and as recommended by the Nomination and Compensation Committee, amended Mr. Emmanuel FABER's suspended employment contract to ensure that the non-compete clause may only be activated by the Company in the event of his resignation, in respect of which neither the indemnity for the termination of his employment contract nor the indemnity due in certain cases upon the cessation of his duties would be paid.
Supplementary retirement plan	No amount due in respect of the fiscal year just ended	Corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers, (139 persons still benefit from this plan). This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Obligations relative to executives' supplementary retirement plans*.

Concerning the components of compensation due or awarded in respect of the fiscal year ended December 31, 2014 to Mr. Bernard HOURS, Deputy General Manager until September 2, 2014, (17th resolution)

The shareholders are asked to issue an opinion on the following components of the compensation due or awarded in respect of the fiscal year just ended to Mr. Bernard HOURS, Deputy General Manager until September 2, 2014:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded to Mr. Bernard HOURS, Deputy General Manager, until September 2, 2014, in respect of the fiscal year just ended		
Fixed compensation	457,445	Fixed compensation is reviewed after relatively long periods in accordance with the recommendations of the AFEP-MEDEF Code and takes into account the executive's experience and level of responsibility. Fixed compensation paid to Mr. Bernard HOURS has been stable during four years.
Annual variable compensation	394,550	Short-term variable compensation is subject to performance conditions, calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of the economic, social and managerial objectives described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Principles applicable to annual variable compensation*. The annual variable target compensation of Mr. Bernard HOURS in respect of this period was equal to €376,000. Concerning the achievement evaluation of the annual variable compensation various criteria, see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *2014 annual short-term variable compensation*.
Deferred variable compensation	Not applicable	Purposeless, the Group does not provide for deferred variable compensation for corporate officers.
Multi-annual variable compensation (*i.e.* Group performance units)[a]	0	Multi-annual variable compensation consists of Group performance units (GPU) paid subject to multi-annual performance conditions over a three-year period. The 18,000 GPU allocated to Mr. Bernard HOURS on July 24, 2014 became void as a result of his departure from the Group.
Extraordinary compensation	Not applicable	Purposeless, the Group has not introduced a system of extraordinary compensation for corporate officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation[b]	Options = Not applicable	None granted. The most recent grant of stock-options to corporate officers occurred in November 2009 (see section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Long-term compensation in the form of stock-options (until 2009)* and to *Description of stock-options programs (as of December 31, 2014)*.
	Group performance shares = 0	Long-term variable compensation takes the form of Group performance shares (GPS). GPS are Company's shares subject to performance conditions. The 36,000 GPS allocated to Mr. Bernard HOURS on July 24, 2014 became void as a result of his departure from the Group.
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or corporate officers do not receive attendance fees.
Value of benefits of any kind	3,080	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2015**	**Presentation**
Components of compensation due or awarded in respect of the fiscal year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	2,109,640	Following the Board of Directors decision to abolish the two offices of Deputy General Managers as part of the evolution of the Group's strategic directions, Mr. Bernard HOURS' office as Deputy General Manager and his Dutch statutory director contract were terminated on September 2, 2014, as well as his employment contract. Consequently, Mr. Bernard HOURS received an indemnity of a global amount of €2,109,640, comprising €321,720 pursuant to the termination of his corporate office and equal to €1,787,920 pursuant to the termination of his employment contract. In accordance with the recommendations of the AFEP-MEDEF Code, (i) all sums received by Mr. Bernard HOURS in the framework of the cessation of his duties within the Group have not exceeded an amount equal to twice the gross annual compensation (comprising both fixed and variable compensation) received during the last 12 months preceding the date on which duties ceased and (ii) the indemnity has been paid only after the acknowledgement of the achievement of the applicable performance condition by the Board of Directors. Comprehensive information concerning the termination indemnity for Mr. Bernard HOURS is provided in section 6.5 *Statutory auditor's special report on agreements and commitments*.
Non-compete indemnities	Not applicable	The non-compete clause which benefited to Mr. Bernard HOURS was not implemented and he did not receive any non-compete indemnity, as the payment of the financial counterpart which solely applies in the event of a resignation.
Supplementary retirement plan	No amount due in respect of the fiscal year just ended	Corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers (139 persons still benefit from this plan). This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for corporate officers and governance bodies* related to *Obligations relative to executives' supplementary retirement plans*.

Fixing of the amount of Directors' attendance fees (18th resolution)

We propose to increase the maximum amount of attendance fees that may be paid to all Directors from €800,000 to €1 million per fiscal year. As a reminder, this overall annual amount of €800,000 was set by your Shareholders' Meeting in 2013.

The increase in the overall amount of attendance fees would make it possible to:

- bear the costs relating to the functioning of the Strategy Committee created by the Board of Directors of September 2, 2014 as well as the costs relating to the functioning and composition of the other Committees; and
- increase the variable portion paid out for Board meetings (from €2,000 to €3,000, with no changes to the other rules) in order to better take into account the Directors' effective attendance at Board meetings, in accordance with the best governance practices and the recommendations of the AFEP-MEDEF Code.

The Board reviewed the distribution rules for allocating attendance fees among CAC 40 companies and its international peers, with regard to the overall annual amount authorized by the Shareholders' Meeting and the amount actually paid out to Directors, regardless of whether they are or not members of committees. The Board noted that this increase in the amount of attendance fees to be paid out to Directors for their attendance at Board meetings is in line with its policy to renew the membership and is consistent with the objectives of independent, diverse and international Board members.

In 2015 and subject to the adoption of this resolution, the allocation formula would therefore still include a fixed portion that remains unchanged, and the allocation of the overall amount of attendance fees between Directors would be made as follows:

(i) Fixed portion

- Director: fixed amount of €10,000 per year (amount unchanged); and
- Lead Independent Director: fixed amount of €50,000 per year (amount unchanged).

(ii) Variable portion

(a) Board of Directors' meetings

- a new amount of €3,000 per meeting (up from €2,000 currently); and
- for travel by Directors residing outside of France:
  - an additional amount of €2,000 per trip to a meeting of the Board of Directors for Directors residing elsewhere in Europe (amount unchanged);and
  - an additional amount of €4,000 per trip to a meeting of the Board of Directors for Directors residing outside of Europe (amount unchanged).

It should be noted that the aforementioned rules also apply for meetings of independent Directors convened by the Lead Independent Director.

(b) Board committees' meetings

- Members: €4,000 per meeting (amount unchanged); and
- Chairman: €8,000 per meeting (amount unchanged).

Moreover, for the additional amounts linked to travel to the Board Committees' meetings, the same rules apply as those specified for Directors.

The Board noted that in accordance with its rules of procedure, Directors who are also members of the Executive Committee or employees or corporate officers (including the Chairman of the Board of Directors) within the Group do not receive these attendance fees.

The individual amounts of attendance fees due for the 2013 and 2014 fiscal years are described in section 6.3 *Compensation and benefits for corporate officers and governance bodies*.

Finally, the Board undertook that as part of this resolution, any change in the allocation rules presented above shall be disclosed in the Registration Document.

Acquisition by the Company of its own shares (19th resolution)

The 19th resolution renews the authorization granted to the Board to purchase or transfer Company shares.

Description of the authorization

We ask you to authorize your Board to purchase, hold or transfer Company shares within the scope of a repurchase program coming under the provisions of Article L. 225-209 *et seq.* of the French commercial code and European Regulation 2273/2003 of December 22, 2003 implementing European Directive 2003/6/EC of January 28, 2003.

A description of the share repurchase program set up in accordance with Articles 241-1 *et seq.* of the general regulations of the French Financial Markets Authority is given in section 7.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries*.

The repurchase by the Company of its own shares may be implemented for any of the following purposes:

- the allocation of shares with respect to the exercise of stock purchase options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of Group performance shares to employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancellation of shares within the maximum legal limit; or
- supporting the market for the shares pursuant to a liquidity contract entered into with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

These transactions may not be carried out during periods of public tender offers on the Company's shares.

Depending on the case, the shares may be acquired, sold, exchanged or transferred, in whole or in part, as the case may be, by any means on any stock markets or over the counter, including by external growth transactions or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or instrument (including in particular any future or any option), except the sale of put options, in the conditions set out by applicable regulations.

The maximum number of shares that may be purchased would represent 10% of the share capital, or 64,379,200 shares as of February 28, 2015, at a maximum purchase price of €70 (net of acquisition costs), resulting in a maximum theoretical total purchase amount of €4,506,544,000. The latter figure is for information purposes only, as it does not include shares already held by the Company.

This authorization would be given for a 18-month period as of the Meeting and would supersede with effect from its adoption the 18th resolution approved by the Shareholders' Meeting of April 29, 2014.

Justification for the authorization request

It is important for the Company and its shareholders that your Board continues to have the necessary powers to carry out transactions involving the Company's shares.

These transactions enable the Board to make payments in Company shares in the context of external growth transactions and to offer shares to the Group's employees and corporate officers, notably as part of allocations of shares subject to performance conditions.

In 2014, therefore, the share repurchase program implemented resulted in the acquisition of 1.7 million shares for the purpose of granting shares to the Group's corporate officers and eligible employees and in connection with a liquidity agreement (for more information on these transactions, see section 7.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries*).

It should be noted, insofar as it is necessary, that the Company purchased call options on DANONE shares in 2011 to cover a portion of the stock purchase option plans granted to certain employees and corporate officers. These calls, which represented a total of 0.16% of the company's share capital as of December 31, 2014, may be exercised at any time to allow the Company to fulfill its obligations to deliver shares to these beneficiaries.

In accordance with the regulation of the French Financial Markets Authority, share repurchase transactions are disclosed in detail each week on the Company's website.

Financial authorizations (20th to 27th resolutions)

Proposed financial authorizations[a] – 26 months[b]

Common maximum amount applicable to all dilutive and non-dilutive issuances: 35% of capital	Maximum amount applicable to non-dilutive issuances: 35% of capital	Capital increase with preferential subscription right for shareholders (20th resolution)	35%
	Maximum amount applicable to dilutive issuances: 10% of capital	Capital increase without preferential subscription right but with a priority period for shareholders (21st resolution)	10%
		Overallotment (as a % of initial issuance)[c] (22nd resolution)	15%
		Public exchange offer initiated by the Company (23rd resolution)	10%
		Contributions in-kind (24th resolution)	10%
		Capital increase reserved for employees (26th resolution)	2%
		Grants of shares subject to performance conditions (Group performance shares) (27th resolution)	0,2%
Incorporation of reserves, earnings, premiums or other amounts (25th resolution)			25%

(a) The percentages indicated in the above table are indicative rounded-off amounts, as the maximum amounts applicable to the authorizations are set in nominal amounts and not in percentages of share capital (the nominal amounts of such ceilings are described hereafter for each resolution).
(b) Except for the authorization to grant Group performance shares (27th resolution) which would expire on December 31, 2015.
(c) The 15% ceiling would be calculated relative to the amount of each issuance made pursuant to the resolution to increase the capital without preferential subscription right but with a priority period (21st resolution).

We recommend that you renew the financial authorizations approved by the Shareholders' Meetings of April 25, 2013 and April 29, 2014, whose use is presented in section 7.3 *Authorizations for securities issues giving rights to the share capital*, under the terms and conditions presented hereafter.

The proposed authorizations would empower the Board with regard to financial management by enabling it to increase the share capital using various means and to serve different purposes.

Each authorization corresponds to a specific objective. Like all major multinational groups, Danone needs to have the flexibility to respond quickly to changes in market conditions and thereby be able to obtain financing under the best possible conditions.

Any use of these authorizations will take into account the impact on existing shareholders. Moreover, such use will be subject to an offering memorandum (note d'information) approved by the French Financial Markets Authority on the reasons and conditions of the transaction in all cases required by applicable regulations.

We draw your attention to the fact that the approval of certain resolutions (21st, 22nd, 23rd, 24th, 26th and 27th resolutions) is intended to enable capital increases while waiving the preferential subscription right for shareholders.

In order to respect shareholders' interests to the greatest extent possible, this waiver of preferential subscription right is accompanied, in the context of the general authorization (21st resolution), by an obligation for the Board to grant a priority period to shareholders.

In accordance with financial market best practices and shareholders' recommendations, the financial authorizations subject to your vote were also restricted in several regards. Thus:

- the maximum amount applicable to the resolution on a capital increase without preferential subscription right but with an obligation to grant a priority period (21st resolution) was lowered from 14.7% to 10% of the share capital, it being noted that this limit applies to all dilutive issuances; and
- the issuances with or without preferential subscription right (20th, 21st, 22nd, 23rd, 24th and 25th resolutions), excluding transactions reserved for employees and corporate officers, may not be decided by the Board of Directors during periods of a public tender offer on the Company's shares, in accordance with the recommendations of shareholders following the enactment of Law No. 2014-384 of March 29, 2014 aimed at reconquering the real economy (so-called "Florange law");

In addition, the financial authorizations retain the provisions favorable to shareholders which were adopted within the framework of previous authorizations, in particular:

- the resolution on a capital increase without preferential subscription right but with an obligation to grant a priority period (21st resolution) provides as was the case under the previous authorization for a priority period of a minimum duration of at least five trading days, which exceeds the legal minimum period of three trading days;
- the limitation on the application scope for the overallotment option (22nd resolution) was maintained only for share capital increases without preferential subscription right, as was the case under the previous authorization; and
- the resolution allowing the allocation of Group performance shares (27th resolution) makes it possible to submit all shares to be issued to performance conditions and is applicable for a one-year period.

The Board will also continue to use these authorizations strictly in accordance with the Group's strategic needs. It should be noted that the authorizations to be renewed were not used, with the exception of the authorization for capital increases reserved for employees (in the amount of approximately 0.13% of the share capital) and the one relating to the allocation of Group performance shares (in the amount of approximately 0.12% of the share capital).

The Board therefore recommends that you renew the following financial authorizations:

- 20th resolution: issuance of shares and securities with preferential subscription right;
- 21st resolution: issuance of shares and securities, without preferential subscription right but with the obligation to grant a priority period;
- 22nd resolution: increase in the number of securities to be issued in the event of an issuance of shares and securities without preferential subscription right of the shareholders (overallotment option);
- 23rd resolution: issuance of shares and securities in the event of a public exchange offer initiated by the Company;
- 24th resolution: issuance of shares and securities as consideration for contributions in-kind;
- 25th resolution: capital increase through incorporation of reserves, earnings, premiums or other amounts;
- 26th resolution: issuance of shares and securities reserved for employees who are members of a company savings plan; and
- 27th resolution: allocation of Group performance shares.

Following this general presentation of the resolutions, the conditions and objectives specific to each financial authorization subject to your vote are described hereafter.

Issuance of shares and securities with preferential subscription right (20th resolution)

Description of the authorization

We request that you renew, for a 26-month period, the delegation of authority granted to the Board of Directors to decide to issue, with preferential subscription right, (a) ordinary shares of the Company and/or (b) securities which are equity securities of the Company giving access to other equity securities of the Company and/or to an allotment of debt securities, and/or (c) debt securities giving access to equity securities of the Company to be issued.

In comparison with the previous authorization granted by the Shareholders' Meeting in 2013 and that is soon to expire, the maximum amounts of this new authorization would be as follows:

(i) for ordinary shares to be issued by the Company:

- a nominal amount of €56.3 million representing, on an indicative basis, approximately 35% of the share capital as of February 28, 2015, similar to the amount authorized by the Shareholders' Meeting of April 25, 2013;
- as was the case under the previous authorization, the nominal amount of ordinary shares that would potentially be issued under the 21st resolution (dilutive issuance without preferential subscription right but with the obligation to grant a priority period), 22nd resolution (authorization to increase the number of securities to be issued), 23rd resolution (issuance of shares and securities in the event of a public exchange offer), 24th resolution (issuance of shares and securities as consideration for contributions in-kind), 26th resolution (issuance of shares and securities reserved for employees) and 27th resolution (allocation of Group performance shares) would be applied to this maximum amount; and

(ii) for issuances of debt securities carried out pursuant to this authorization: a principal amount of €2 billion, unchanged from the amount authorized by the Shareholders' Meeting of April 25, 2013 (maximum amount unchanged and common with the 21st, 22nd and 23rd resolutions).

These issuances may not be decided by the Board of Directors during a period of a public tender offer on the Company's shares.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2013.

This new authorization would supersede with effect from its adoption the 12th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

The renewal of this general authorization is intended to enable the Company to obtain financing any time through the issuance of shares or securities giving access to the share capital by calling on the Company's shareholders. They will be given, under the applicable legal provisions and in proportion to their ownership interest in the Company's share capital, a preferential right to subscribe new shares or securities. This detachable and negotiable right will make it possible, if the holder does not wish to subscribe to the capital increase, to financially offset the dilution resulting from the non-subscription to the capital increase.

Moreover, in accordance with the recommendations of shareholders following the enactment of the Florange law, this resolution has been supplemented by the Board of Directors in order to introduce the prohibition of deciding to issue securities during a period of a public tender offer on the Company's shares on the basis of this resolution (and, therefore, without a new decision by the shareholders).

Issuance of shares and securities without preferential subscription right but with a priority period (21st resolution)

Description of the authorization

We request that you renew the delegation of authority granted to the Board of Directors, for a 26-month period, in order to issue (a) ordinary shares of the Company and/or (b) securities which are equity securities of the Company giving access to other equity securities of the Company and/or to an allotment of debt securities, and/or (c) debt securities giving access to equity securities of the Company to be issued, without preferential subscription right, and by public offering, both in France and abroad. When using this authorization, a priority period must be granted to existing shareholders for the entire issuance. When renewing this authorization, the Company decided to maintain the minimum priority period set up at five trading days within the framework of the previous authorization.

In comparison with the previous authorization granted by the 2013 Shareholders' Meeting, and that is soon to expire, the maximum amounts of this new authorization would be as follows:

(i) for ordinary shares to be issued by the Company:

- an nominal amount of €16 million, representing, on an indicative basis, approximately 10% of the share capital as of February 28, 2015, lowered relative to the nominal amount of 14.7% of the share capital authorized by the Shareholders' Meeting of April 25, 2013;
- this maximum amount would apply to all dilutive issuances: capital increases carried out pursuant to the 22nd resolution (authorization to increase the number of securities to be issued), 23rd resolution (issuance of shares and securities in the event of a public exchange offer), 24th resolution (issuance of shares and securities as consideration for contributions in-kind), 26th resolution (issuance of shares and securities reserved for employees) and 27th resolution (allocation of Grant performance shares);
- as was the case under the previous authorization, this common maximum amount would apply to the global maximum amount of 35% of the share capital set forth in the 20th resolution (non-dilutive issuance with preferential subscription right); and

(ii) for issuances of debt securities carried out pursuant to this authorization: a principal amount of €2 billion, identical to the amount authorized by the Shareholders' Meeting of April 25, 2013 (maximum amount unchanged and common with the 20th, 22nd and 23rd resolutions).

We inform you that, pursuant to the applicable legal and regulatory provisions, the issuance price of the ordinary shares and securities giving access to the Company's share capital shall be at least equal to the weighted average price of the Company's share during the last three trading sessions preceding the fixing of the issuance price, possibly subject to a maximum 5% discount.

These issuances may not be decided by the Board of Directors during a period of a public tender offer on the Company's shares.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2013.

This new authorization would supersede with effect from its adoption the 13th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

The renewal of this general authorization is intended to enable the Company to obtain financing at any time through the issuance of shares or securities giving access to the share capital by calling on investors who are not yet shareholders of the Company. The implementation of this authorization could therefore enable quick access to sources of financing that may be needed by the Company.

As consideration for the waiver of preferential subscription right, the Board would be required to grant shareholders a priority period of at least five trading days, in accordance with financial market best practices and the recommendations of shareholders. This minimum priority period, which is identical to the one previously set forth under the previous authorization approved by the Shareholders' Meeting of April 25, 2013, is greater than the three trading day minimum period provided for in Article R. 225-131 of the French commercial code. The shareholders will therefore be able to subscribe the capital increase with priority over third parties and in proportion to their ownership interest in the share capital (it being noted that this priority right does not give rise to the creation of negotiable rights).

Moreover, in accordance with financial market best practices and the recommendations of shareholders, the Board of Directors decided to significantly lower the limit applicable to this resolution and all dilutive transactions, from 14.7% to 10% of the share capital.

Besides, in accordance with the recommendations of shareholders following the enactment of the Florange law, this resolution has been supplemented by the Board of Directors in order to introduce the prohibition of deciding to issue securities during a period of a public tender offer on the Company's shares on the basis of this resolution (and, therefore, without a new decision by the shareholders).

Authorization to increase the number of securities to be issued, as part of a capital increase without preferential subscription right of shareholders (22nd resolution)

Description of the authorization

We request that you renew the authorization granted to the Board of Directors, for a 26-month period, to increase, for each issuance that may be decided pursuant to the aforementioned 21st resolution (dilutive issuance without preferential subscription right but with a priority period), the number of securities to be issued, in accordance with the conditions set in Article L.225-135-1 of the French commercial code, within a limit of 15% of the initial issuance and at the same price as the price of the initial issue (overallotment option). It should be noted that this authorization could not result in an increase in the limit of 10% of the share capital provided for in the aforementioned resolution.

These increases in the number of securities to be issued may not be decided by the Board of Directors during a period of a public tender offer on the Company's shares.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2013.

This new authorization would supersede with effect from its adoption the 14th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

Given in particular the volatility of current market conditions, the Board feels that it is necessary to renew this authorization, which enables the implementation of a customary mechanism that complies with financial market practices.

As was the case under the previous authorization granted by the 2013 Shareholders' Meeting, the application scope of this new authorization is limited to issuances of shares or securities without preferential subscription right but with a priority period (21st resolution). This limitation is consistent with financial market best practices.

Moreover, in accordance with the recommendations of shareholders following the enactment of the Florange law, this resolution has been supplemented by the Board of Directors in order to introduce the prohibition of deciding to issue securities during a period of a public tender offer on the Company's shares on the basis of this resolution (and, therefore, without a new decision by the shareholders).

Issuance of shares and securities, without preferential subscription right, in the event of a public exchange offer initiated by the Company (23rd resolution)

Description of the authorization

We request that you renew, for a 26-month period, the delegation of authority granted to the Board of Directors to issue (a) ordinary shares of the Company and/or (b) securities which are equity securities of the Company giving access to other equity securities of the Company and/or to an allotment of debt securities, in the event of a public exchange offer initiated by the Company on the securities of another Company whose shares have been admitted for trading on a regulated market.

The issuance of ordinary shares and/or securities would be carried out without preferential subscription right of the shareholders.

Compared with the previous authorization granted by the 2013 Shareholders' Meeting, that is soon to expire, the maximum amounts of this new authorization would be as follows:

(i) for ordinary shares to be issued by the Company:

- a nominal amount of €16 million representing, on an indicative basis, approximately 10% of the share capital as of February 28, 2015, similar to the amount authorized by the Shareholders' Meeting of April 25, 2013;
- as was the case under the previous authorization, issuances carried out pursuant to this authorization would apply to the maximum amounts of 35% of the share capital set forth in the 20th resolution (non-dilutive issuance with preferential subscription right) and 10% of the share capital set forth in the 21st resolution (dilutive issuance without preferential subscription right but with a priority period); and

(ii) for issuances of debt securities carried out pursuant to this authorization: a principal amount of €2 billion, identical to the amount authorized by the Shareholders' Meeting of April 25, 2013 (maximum amount unchanged and common to the 20th, 21st and 22nd resolutions).

Your Board of Directors would have to determine, for each offering, the nature and characteristics of the securities to be issued, the amount of the capital increase depending on the results of the offering and on the number of target company securities presented for exchange, taking into consideration the parities and the shares or securities issued.

These issuances may not be decided by the Board of Directors during a period of a public tender offer on the Company's shares.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2013.

This new authorization would supersede with effect from its adoption the 15th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

The Board felt it was necessary to renew this authorization in order to enable the Company to maintain its ability to acquire medium-sized stakes in companies whose shares are listed on a regulated market. These acquisitions could then be financed, in whole or in part, using shares instead of debt. The Board would therefore be able to respond quickly to market opportunities and have the option of issuing shares or securities to be used as consideration for the shareholders of the target company who accept the offer.

In addition, the renewal of this financial authorization appeared to be necessary in order to preserve the Company's competitiveness relative to some of its competitors, which have similar financial authorizations.

Finally, in accordance with the recommendations of shareholders following the enactment of the Florange law, this resolution has been supplemented by the Board of Directors in order to introduce the prohibition of deciding to issue securities during a period of a public tender offer on the Company's shares on the basis of this resolution (and, therefore, without a new decision by the shareholders).

Issuance of shares and securities, without preferential subscription right for shareholders as consideration for contributions in-kind granted to the Company (24th resolution)

Description of the authorization

We request that you renew, for a 26-month period, the delegation of authority granted to the Board of Directors to decide to issue (a) ordinary shares of the Company and/or (b) securities which are equity securities of the Company giving access to other equity securities of the Company, within a limit of 10% of the Company's share capital at the date of the Board decision, in consideration for contributions in-kind granted to the Company and consisting of equity securities or securities giving access to the share capital.

The issuance of ordinary shares or securities would be carried out without any preferential subscription right of shareholders to the securities issued pursuant to this delegation. Moreover, this delegation would automatically entail a waiver by the shareholders to their preferential subscription right to the ordinary shares of the Company to which securities could entitle to, in favor of the holders of securities giving access to the Company's share capital issued pursuant to this delegation.

As was the case under the previous authorization, this authorization would have to respect the statutory limit of 10% of the share capital. Issuances carried out pursuant to this authorization would also be applicable to the limits of 35% of the share capital set forth in the 20th resolution (non-dilutive issuance with preferential subscription right) and 10% of the share capital set forth in the 21st resolution (dilutive issuance without preferential subscription right but with a priority period).

These issuances may not be decided by the Board of Directors during a period of a public tender offer on the Company's shares.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2013.

This new authorization would supersede with effect from its adoption the 16th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

The renewal of this authorization appeared necessary to the Board to allow the Company to maintain its capacity to acquire stakes in unlisted medium-sized companies. These acquisitions could then be financed, in whole or in part, using shares or securities instead of debt. The Board may therefore decide to increase the share capital in consideration for the contribution of shares or securities to the Company.

In addition, the renewal of this financial authorization is also necessary in order to preserve the Company's competitiveness relative to some of its competitors, which have similar financial authorizations.

Finally, in accordance with the recommendations of shareholders following the enactment of the Florange law, this resolution has been supplemented by the Board of Directors in order to introduce the prohibition of deciding to issue securities during a period of a public tender offer on the Company's shares on the basis of this resolution (and, therefore, without a new decision by the shareholders).

Capital increase through the incorporation of reserves, earnings, premiums or other amounts (25th resolution)

Description of the authorization

We request that you renew, for a 26-month period, the delegation of authority granted to the Board of Directors to decide to increase the share capital through the incorporation of reserves, earnings, premiums or any other amounts that may be capitalized, followed by the issuance and the free allocation of shares and/or the increase in the par value of the existing ordinary shares.

Compared with the previous authorization granted by the 2013 Shareholders' Meeting, which is soon to expire, the maximum nominal amount of ordinary shares issuances under the present resolution would be as follows:

- an amount set at €40.2 million, representing, on an indicative basis, approximately 25% of the share capital as of February 28, 2015, similar to the amount authorized by the April 25, 2013 Shareholders' Meeting; and
- as was the case under the previous authorization, this maximum amount would be independent of the ceilings set by the 20th resolution (non-dilutive issuance with preferential subscription right), 21st resolution (dilutive issuance without preferential subscription right but with a priority period), 22nd resolution (authorization to increase the number of securities to be issued), 23rd resolution (issuance of shares and securities in the event of a public exchange offer), 24th resolution (issuance of shares and securities in consideration for contributions in-kind), 26th resolution (issuance of shares and securities reserved for employees) and 27th resolution (allocation of Group performance shares).

These issuances may not be decided by the Board of Directors during a period of a public tender offer on the Company's shares.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2013.

This new authorization would supersede with effect from its adoption the 17th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

The renewal of this authorization is designed to enable the Company to increase its share capital through a simple transfer of reserves, earnings, premiums or other amounts whose capitalization would be permitted in the "share capital" account. These transactions do not alter the Company's value nor do they affect the rights of shareholders and, in particular, can be used to bring the nominal value of the shares more in line with their market value.

Finally, in accordance with the recommendations of shareholders following the enactment of the Florange law, this resolution has been supplemented by the Board of Directors in order to introduce the prohibition of deciding to issue securities during a period of a public tender offer on the Company's shares on the basis of this resolution (and, therefore, without a new decision by the shareholders).

Issuance of shares and securities reserved for employees who are members of a company savings plan, without preferential subscription right of the shareholders (26th resolution)

Description of the authorization

We request that you renew, for a 26-month period, the delegation of authority granted to the Board of Directors to decide to increase the Company's share capital through the issuance of ordinary shares and/or securities giving access to ordinary shares of your Company and reserved for employees who are members of a company savings plan of the Company or related French or foreign companies according to Article L.225-180 of the French commercial code and L.3344-1 of the French labor code.

Compared with the previous authorization granted by the 2013 Shareholders' Meeting, which is soon to expire, the maximum nominal amount of ordinary share issuances under the present authorization would be as follows:

- an amount set at €3.2 million representing, on an indicative basis, approximately 2% of the share capital as of February 28, 2015, similar to the amount authorized by April 25, 2013 Shareholders' Meeting; and
- as was the case under the previous authorization, the issuances carried out pursuant to this authorization would apply to the ceilings of 35% of share capital set forth in the 20th resolution (non-dilutive issuance with preferential subscription right) and 10% of the share capital set forth in the 21st resolution (dilutive issuance without preferential subscription right but with a priority period).

The issuance of ordinary shares would be carried out without preferential subscription right of the shareholders.

The discount offered as part of the company savings plan or employee shareholding transactions would be set at 20%, which is the maximum allowed under French regulations. This discount would be calculated on the basis of the DANONE share's average opening list price on Euronext Paris during the 20 trading sessions preceding the date of the decision setting the opening date for subscription. It should be noted that during the implementation of this authorization, the Board of Directors may only reduce the amount of the discount on a case-by-case basis for reasons of legal, tax or social constraints that may apply outside of France, in any countries where Group entities are located and where the employees are participating to the share capital increases. The Board of Directors may also decide, pursuant to Article L.3332-21 of the French labor code, to freely allocate shares to subscribers of new shares instead of a discount, or in connection with a company contribution as part of the company savings plan.

In accordance with applicable legal provisions, the proposed transactions could also take the form of selling shares to members of a company savings plan.

It should be noted that under the previous authorization granted by your 2013 Shareholders' Meeting, a capital increase with a nominal amount of €207,996.50 was carried out in June 2014 following a decision of the Board of Directors of February 19, 2014 (corresponding to around 6.7% of the total authorized amount), leaving an available balance of €2,892,003.50 as of December 31, 2014, against which will be deducted another capital increase reserved for employees participating in a company savings plan approved by the Board of Directors of February 19, 2015 and scheduled to occur in June 2015.

This new authorization would supersede with effect from its adoption the 18th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

As of December 31, 2014, employees held approximately 1.3% of the share capital through the "Fonds Danone" company investment fund, which corresponds to shares subscribed as part of the annual capital increases reserved for employees.

The Group would like to continue to enable employees to participate in its development. The employee shareholder transactions covered by this resolution are designed to strengthen their motivation and commitment and to enhance their sense of belonging to the Group. The vote on this resolution would therefore enable your Board of Directors to continue to implement this policy of associating employees in the Group's development.

Allocations of ordinary shares of the Company (27th resolution)

Context of the authorization request

Your Board of Directors, upon recommendation of the Nomination and Compensation Committee, asks you to renew the authorization granted to it at the Shareholders' Meeting of April 29, 2014, for a period of one year (until December 31, 2014), to allocate Group performance shares (GPS).

Identical structure and dilutive effect

The new resolution is based on a structure which is identical to that adopted in 2014 and brings no change in terms of dilution (0.2% of share capital).

The main characteristics of this new resolution are as follows:

(i) Authorization to allocate Group performance shares is again proposed for one year

The resolution submitted to your vote would expire on December 31, 2015 and could therefore only give rise to share allocations in 2015.

A vote will thus enable shareholders to ensure in 2015 that, as in 2014, based on a strict and precise definition of performance conditions, the expected level of objectives would continue to be sufficiently ambitious and motivating, in line with the Group's performance.

(ii) Group performance shares could be allocated only to employees and executive corporate officers, the Chairman of the Board being not eligible in 2015

(iii) Maintenance of a single reference period of three years applicable to all performance conditions

In order to comply with investors' expectations, the reference period relating to the two performance conditions is, as in the preceding authorization, of a single period of three years.

(iv) Stability of performance conditions

The Board considers that a certain degree of consistency in performance conditions is an essential factor for long-term value creation. In that regard, the Board of Directors proposes to shareholders performance conditions that will continue to include growth in the Group's sales and trading operating margin.

(v) Demanding performance conditions that are suited to the Group's current environment

The performance conditions for shares allocated under this new resolution would consist of two complementary criteria representative of the Group's performances and adapted to the specificity of its activity:

- the first criterion (an external performance criterion) would be based on the Group's sales growth over three years (2015, 2016 and 2017) compared to that of a panel of the group's historical peers, comprising benchmark multinational companies in the food and beverage sector; and
- the second criterion (an internal performance criterion) would be based on the improvement, over three years (2015, 2016 and 2017), in the Group's trading operating margin on a like-for-like basis, as communicated to the market.

The allocated shares would continue to be subject for two-thirds to the sales growth criterion and for one-third to the trading operating margin criterion.

The Board also emphasizes that these two objectives are complementary in nature and reflect key indicators followed by investors and analysts to measure companies' performance in the food and beverage sector. In particular, the heavier weighting of the sales growth criterion reflects its importance in the valuation of companies in the sector.

(vi) Performance conditions continuing to apply to 100% of allocated shares

In accordance with best market practices and recommendations of shareholders, the Board of Directors has chosen to continue to require that 100% of the allocated shares be subject to performance conditions by virtue of this resolution, as in 2014.

Description of the authorization

1. Nature of the authorization

We request that you authorize the Board of Directors, until December 31, 2015, to freely allocate, subject to performance conditions, shares of the Company, existing or to be issued, to employees or to certain categories thereof that it shall select among eligible employees, and to corporate officers of the Company and of affiliates of the Company within the meaning of Article L.225-197-2 of the French commercial code. It should be noted that for the 2013 and 2014 fiscal years, approximately 1,300 people benefited from such share allocations.

2. Maximum amount of the authorization

These allocations may not represent a number of existing or newly issued shares exceeding 0.2% of the Company's share capital, as determined at the end of the Shareholders' Meeting of April 29, 2015, which corresponds to the same amount as that approved by the Shareholders' Meeting of April 29, 2014.

The nominal amount of the existing or newly issued shares allocated under this authorization would apply to the limits of 35% of the share capital set forth in the 20th resolution (non-dilutive issuances with preferential subscription right) and of 10% of the share capital set forth in the 21st resolution (dilutive issuances without preferential subscription right, but with a priority period).

This number of shares does not reflect potential adjustments that may be made in accordance with applicable legal and regulatory requirements and, where applicable, to contractual provisions calling for other adjustments in order to maintain the rights of holders of securities or other rights giving access to the share capital. Thus to the extent that share allocation plans include adjustment clauses to the number of shares granted in the event of transactions involving the share capital during the vesting period, the application of these adjustment clauses could result in the final number of allocated shares exceeding 0.2% of the share capital.

3. Sub-ceiling for allocations to corporate officers

The shares allocated pursuant to this authorization may be allocated, subject to performance conditions, to executive corporate officers, but within the maximum limit of 0.03% of the share capital at the end of the Shareholders' Meeting of April 29, 2015 (subject to the same potential adjustments mentioned in point 2 above). Following the separation of the offices of Chairman and Chief Executive Officer and the suppression of the offices of Deputy General Managers in September 2014, this limit has been lowered relative to the sub-ceiling of the authorization approved by the Shareholders' Meeting of April 29, 2014 (which was of 0.05%).

In 2014, a total of 122,000 shares subject to performance conditions were allocated to the three corporate officers, corresponding to 0.02% of the Company's share capital and 15.7% of all shares subject to performance conditions allocated in the Group in 2014.

4. Vesting period

4.1 The allocation of shares to their beneficiaries will become final after a vesting period, the duration of which will be set by the Board of Directors and shall not be less than three years. In principle, the beneficiaries must hold said shares for a duration set by the Board of Directors and the holding period may not be less than two years after the final allocation of such shares.

4.2 However, if the vesting period for all or a part of one or more allocations is a minimum of four years, the Shareholders' Meeting authorizes the Board of Directors not to impose any holding period for the shares in question.

4.3 Since July 2013, in order to increase the duration of the vesting period, the Board of Directors decided to grant performance shares solely in the form of "4+0", corresponding to a vesting period of four years and no holding period (rather than granting performance shares in the form of "4+0" to non-French residents and in the form of "3+2" for individuals domiciled in France for tax purposes). Nevertheless, the corporate officers and the members of the Executive Committee remain subject to the requirement that they hold a significant number of shares stemming from GPS allocations until the termination of their duties (see section 6.3 *Compensation and benefits for corporate officers and governance bodies*).

5. Conditionality of the definitive allocation of shares

The definitive allocation of shares either in existence or to be issued will necessarily be subject to (i) the achievement of the performance conditions to be determined by the Board of Directors in accordance with the terms described hereafter (the "Performance Conditions") and (ii) a condition of continued employment within the Group (see point 5.2 hereafter).

5.1 Performance conditions

The Performance Conditions applied by your Board would be as follows:

(i) These conditions consist of two complementary criteria, indicative of the Group's performance and adapted to the specific nature of its business, namely:

(a) Comparison of the arithmetic average net sales growth (the "CA") of the Group with that of a reference panel, on a like-for-like basis, for a period of three years, *i.e.* 2015, 2016 and 2017:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive allocation shall be 100%;
- if the Group's CA is less than the Median CA of the Panel, the definitive allocation will be 0%, in accordance with the "no pay below median" principle;

Where:

- the Group's CA refers to the arithmetic average internal ("organic") net sales growth of the Group during the fiscal years 2015, 2016 and 2017 (on a consolidated basis and on a like-for-like basis);
- the CA of each Panel member refers to the arithmetic average internal ("organic") net sales growth recorded by the said member of the Panel during the fiscal years 2015, 2016 and 2017 (on a consolidated basis and on a like-for-like basis;
- the Panel CAs refers to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel refers to eight benchmark multinational groups in the food and beverage sector, namely: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc., Mondelez International Inc., General Mills Inc. and Kellogg Company;
- restatements (mainly adjustments of scope and/or foreign exchange effects) will be made only to the extent strictly necessary in order to ensure the consistency of the calculation method for the CAs of all Panel members and the CA of the Group over the entire period under review;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member of the Panel through a duly justified decision taken at a later date that is mentioned in the Report of the Board of Directors to the Shareholders' Meeting;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or published late, the Board of Directors will make a decision duly justified at a later date and described in the Report of the Board of Directors to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the members of the Panel and by the Company over the three latest completed fiscal years for which financial statements were published by all members of the Panel and by the Company;
- the Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group;
- the Board of Directors must state whether this first performance condition was attained, on the basis of a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor;

(b) The improvement in trading operating margin on a like-for like basis, over a period of three years, *i.e.* the years 2015, 2016 and 2017:

- if the arithmetic average of the change on a like-for-like basis in trading operating margin calculated over the three years (2015, 2016 and 2017) is positive (*i.e.* greater than or equal to +1 basis point), the definitive allocation will be 100%;

- if the arithmetic average of the change (on a like-for-like basis) in trading operating margin calculated over the three years (2015, 2016 and 2017) is zero or negative, the definitive allocation will be 0%;

Where:

- the arithmetic average of the change in trading operating margin means the arithmetic average of:

  (i) growth in trading operating margin for 2015 compared on a like-for-like basis to 2014;

  (ii) growth in trading operating margin for 2016 compared on a like-for-like basis to 2015;

  (iii) growth in trading operating margin for 2017 compared on a like-for-like basis to 2016;

- the "trading operating margin", "trading operating income", "net sales" and the change on a "like-for like basis" are financial indicators not defined by the IFRS regulations which are used by the Group and whose calculation is specified in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined by IFRS*); and
- the Board of Directors will need to state whether this second performance condition has been achieved through a duly informed decision made at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, upon recommendation of the Nomination and Compensation Committee.

(ii) For all beneficiaries, provided that the condition of continued employment with the Group is met (see point 5.2 hereafter), two-thirds of the shares will be definitively allocated subject to the achievement of the performance condition related to sales growth, and the remaining third will be allocated subject to the achievement of the performance condition related to the trading operating margin.

5.2 Condition of continued employment with the Group

The beneficiary of a share allocation who leaves the Group before the end of the vesting period may not retain his or her shares except in the case of legally mandated early departure (including death and disability) and in exceptional cases determined by the Board of Directors.

Moreover, it should be noted that the GPS plans allocated as of July 26, 2010 provide that all GPS beneficiaries may be exempted from the conditions of continuous employment and performance in the event of the Company's change of control (see section 7.10 *Change of control*).

6. Impact in terms of dilution/ownership of the Company's share capital

The Board wishes to point out that the Group's policy concerning authorizations to grant stock-options and shares subject to performance conditions has always had a limited impact in terms of the dilution/ownership of share capital.

Thus:

- the outstanding number of stock-options not yet exercised as of December 31, 2014 totaled 5,688,697 options or 0.9% of the share capital;
- the outstanding number of shares subject to performance conditions granted but not yet definitively vested as of December 31, 2014 totaled 1,950,995 or 0.3% of the share capital; and
- the number of shares that may be issued through allocations of shares subject to performance conditions under this resolution may not exceed 0.2% of the share capital,

which represents a total of around 1.4% of the share capital.

Finally, the Board noted that in the absence of any outstanding authorization as a result of the termination of the Group's stock-option program, the Company has not granted any option to purchase and/or subscribe shares since October 2009.

Each year, the Shareholders' Meeting will be informed by the Board of Directors as to the share allocations subject to performance conditions that have been made. These allocations will continue to comply with the principles and best practices applied by the Board (see section 6.3 *Compensation and benefits for corporate officers and governance bodies*), which include in particular:

- involvement at every stage (allocation, achievement evaluation of performance conditions, etc.) by the Nomination and Compensation Committee, entirely composed of independent Directors;
- compliance with best market practices concerning ceilings, applicable to GPS allocations in terms of percentage of the share capital, as well as sub-ceilings for allocations to executives;
- continuation by the Board of its policy for the allocation of "4+0" GPS, applied since 2013 to corporate officers, as recommended by the Nomination and Compensation Committee, henceforth extended to all beneficiaries in order to increase the length of the vesting period, thus conforming to financial market best practices;
- setting demanding and motivating performance conditions, affecting 100% of the shares allocated;
- stability of allocation periods, with the main allocation in principle taking place yearly at the Board meeting convened to approve the semi-annual financial statements, *i.e.* at the end of July; and
- adherence to stringent ethical rules, including the prohibition for beneficiaries who are members of the Executive Committee to use any hedging instrument in respect of GPS and shares stemming from GPS allocations, and holding obligation of a significant number of shares stemming from GPS allocations, periodically set by the Board, until the termination of their duties within the Company.

Authorization to reduce the share capital by canceling shares (28th resolution)

The authorization granted to the Board of Directors in 2013 to cancel shares acquired by the Company pursuant to Article L.225-209 of the French commercial code is soon to expire and you are asked to renew it.

Description of the authorization

We therefore request that you renew the authorization granted to your Board of Directors, for a 24-month period, to reduce the share capital by cancelling, on one or more occasions, within the limit of 10% of the share capital (per 24-month period), part or all of the Company's shares that the Company holds or may acquire within the framework of share repurchase programs authorized by the Shareholders' Meeting.

The difference between the accounting amount of the canceled shares and their par value will be applied to the "Additional paid-in capital" account or on any available reserve account, including the legal reserve, within the limit of 10% of the share capital reduction achieved.

On July 26, 2013, the Board of Directors, using this delegation, cancelled 4,252,000 shares (representing approximately 0.7% of the share capital). This authorization was not used in 2014.

This new authorization would replace the 20th resolution approved by the Shareholders' Meeting of April 25, 2013.

Justification for the authorization request

This mechanism complements the implementation of a share buy-back program that would be authorized under the terms of the 19th resolution submitted to the Shareholders' Meeting.

8.4 SPECIAL REPORTS OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Extraordinary Shareholders' Meeting of April 29, 2015 (20th, 21st, 22nd, 23rd and 24th resolutions)

Statutory auditors' report on the issuance of shares and various securities with or without preferential subscription right

This is a free translation into English of the Statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory auditors of your Company and in execution of our assignment pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French commercial code, we hereby present our report on the proposed authorizations to the Board of Directors for various issues of shares and securities, upon which you are called to vote.

Your Board of Directors requests, on the basis of its report:

- that it be delegated the authority, for a 26-month period, to decide on the following transactions and set the final terms and conditions of these issues, and also proposes, if applicable, to cancel your preferential subscription right:
  - issuance, with preferential subscription right (20th resolution), of ordinary shares and/or securities that are equity securities giving access to other equity securities or giving right to the allocation of debt securities and/or debt securities entitling access to equity securities of the Company to be issued;
  - issuance, without of preferential subscription right but with the obligation to grant a priority period through a public offering (21st resolution) of ordinary shares and/or securities that are equity securities giving access to other equity securities or giving the right to the allocation of debt securities and/or debt securities entitling access to equity securities of the Company to be issued;
  - issuance, in the event of a public exchange offer initiated by your Company (23rd resolution) of ordinary shares and/or securities that are equity securities giving access to other equity securities or giving the right to the allocation of debt securities;
- that it be delegated the necessary powers, for a 26-month period, to execute the issuance of ordinary shares and/or securities that are equity securities giving right to other equity securities, in consideration for the contributions in kind granted to the Company and comprised of equity securities or debt securities giving access to the share capital (24th resolution), within the limit of 10% of the share capital.

The maximum nominal amount of capital increases that can be implemented immediately or at a later date may not exceed:

- €56.3 million pursuant to the 20th resolution, it being specified that the nominal amount of ordinary shares that would be issued under the 21st, 22nd, 23rd, 24th, 26th and 27th resolutions shall comply with this maximum amount,
- €16 million pursuant to the 21st resolution, it being specified that this limit is shared with the 22nd, 23rd, 24th, 26th and 27th resolutions and that the capital increases carried out pursuant to this resolution shall comply with the limit set by the 20th resolution,
- €16 million pursuant to the 23rd resolution, it being specified that the issues carried out pursuant to this resolution shall comply with the limits set by the 20th and 21st resolutions.

The total nominal amount of debt securities that may be issued shall not exceed €2 billion for the 20th, 21st, 22nd and 23rd resolutions.

These maximum amounts take into account the additional number of securities to be created pursuant to the delegation of authority specified in the 21st resolution, in accordance with the provisions of Article L. 225-135-1 of the French commercial code, if you adopt the 22nd resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French commercial code. Our role is to report on the fairness of the financial information taken from the financial statements on the proposed cancellation of preferential subscription right and on certain other information relating to the transactions provided in the report.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaires aux comptes*) for this type of assignment. These procedures consist in verifying the information provided in the Board of Directors' report in respect of these transactions and the terms and conditions governing the determination of the issue price of securities to be issued.

Subject to a subsequent review of the terms and conditions for the issues that may be made, we have no observation to make on the terms and conditions governing the determination of the issue price of equity securities to be issued and that are provided in the Board of Directors' report pursuant to the 21st resolution.

Moreover, since this report did not specify the terms and conditions governing the determination of the issue price of equity securities to be issued pursuant to the 20th, 23rd and 24th resolutions, we cannot express our opinion regarding the factors used to determine the issue price.

As the final terms and conditions under which the issues will be carried out have not yet been set, we do not express an opinion on them nor, consequently, on the proposed cancellation of preferential subscription right which the Board of Directors has proposed in the 21st resolution.

In accordance with Article R. 225-116 of the French commercial code, we will issue an additional report, if applicable, when your Board of Directors uses these delegations in respect of an issue of securities that are equity securities giving access to other equity securities or the right to the allocation of debt securities, in the event of an issue of securities giving access to equity securities to be issued and in the event of a share issue without preferential subscription right.

Neuilly-sur-Seine and Paris La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

Extraordinary Shareholders' Meeting of April 29, 2015 (26th resolution)

Statutory auditors' report on the issuance of shares or securities reserved for members of a company savings plan (plan d'épargne d'entreprise)

This is a free translation into English of the Statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory auditors of your Company and in execution of our assignment pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French commercial code, we hereby present our report on the proposed authorizations to the Board of Directors for various issues of ordinary shares and securities giving access to ordinary shares, without preferential subscription right, reserved for members of a company savings plan of the Company or of related French or foreign companies as defined by article L. 225-180 of the French commercial code and L. 3344-1 of the French labor code, a transaction submitted to you for approval.

The maximum nominal amount of the capital increase that may be achieved by all share issues carried out pursuant to this resolution is set at €3.2 million, it being specified that the issues carried out must comply with the limits provided for in paragraphs (a) of the 20th and 21st resolutions.

This transaction is submitted for your approval in accordance with Articles L. 225-129-6 of the French commercial code and L. 3332-18 *et seq.* of the French Labor Code.

Your Board of Directors requests, on the basis of its report, that you authorize it, for a 26-month period, to increase the Company's share capital on one or more occasions, and proposes that you waive your preferential subscription right to the securities to be issued. In that case, the Board shall determine the final terms and conditions of this transaction.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French commercial code. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of preferential subscription right and on certain other information relating to the issue provided in the report.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaries aux comptes*) for this type of assignment. These procedures consist in verifying the information provided in the Board of Directors' report in respect of this transaction and the terms and conditions governing the determination of the issue price of securities to be issued.

Subject to a subsequent review of the terms and conditions of the issues that may be made, we have no observation to make on the terms and conditions governing the determination of the issue price of equity securities to be issued and that are provided in the Board of Directors' report.

As the final terms and conditions under which the issues will be carried out have not yet been set, we do not express an opinion on them nor, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French commercial code, we will issue an additional report, as necessary, when your Board of Directors exercises this delegation in the event of an issue of securities that are equity securities giving rights to other equity securities, in the event of an issue of securities giving access to equity securities to be issued and in the event of share issues, without preferential subscription right.

Neuilly-sur-Seine and Paris La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

8

Combined Shareholders' Meeting of April 29, 2015 (27th resolution)

Statutory auditors' report on the authorization to freely allocate existing shares or shares to be issued

This is a free translation into English of the Statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory auditors of your Company, and in execution of our assignment pursuant to Article L. 225-197-1 of the French commercial code, we hereby present our report on the proposed authorization to freely allocate existing shares or shares to be issued, to employees or certain categories thereof and to corporate officers of your Company or related companies as defined by Articles L. 225-197-2 of the French commercial code. You are being asked to vote on this proposed authorization.

Your Board of Directors proposes, based upon its report, that you authorize it to freely allocate existing shares or shares to be issued, until December 31, 2015.

It is the responsibility of the Board of Directors to prepare a report on this transaction, which it hopes to carry out. Our duty is to provide you with our observations, if any, on the information thus provided to you on the proposed transaction.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaires aux comptes*) for this type of assignment. These procedures consist in verifying that the methods proposed and disclosed in the Board of Directors' report comply with the statutory requirements.

We have no observation to make regarding the information provided in the Board of Directors' report on the proposed authorization to freely allocate shares.

Neuilly-sur-Seine and Paris La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit

Anik CHAUMARTIN   Philippe VOGT

Ernst & Young et Autres

Gilles COHEN   Pierre-Henri PAGNON

Extraordinary Shareholders' Meeting of April 29, 2015 (28th resolution)

Statutory auditors' report on the capital reduction

This is a free translation into English of the Statutory auditors' report issued in the French language and is provided solely for the convenience of English-speaking readers. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In our capacity as Statutory auditors of your Company and in execution of our assignment pursuant to Article L. 225-209 of the French commercial code in the event of a capital reduction by the cancellation of purchased shares, we hereby report on our assessment of the justifications, terms and conditions for, the proposed reduction in share capital.

Your Board of Directors requests that you authorize it, for a 24-month period starting from the date of this Shareholders' Meeting, all powers to cancel, up to 10% of its share capital per 24-month period, the shares purchased in accordance with an authorization by your Company to purchase its own shares in accordance with the provisions of the aforementioned article.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaries aux comptes*) for this type of assignment. These procedures consist in assessing whether the justifications, terms and conditions for the proposed capital reduction, which is not of a nature to jeopardize the equal treatment of shareholders, are legitimate.

We have no observation to make on the justifications, terms and conditions of the proposed capital reduction.

Neuilly-sur-Seine and Paris La Défense, March 10, 2015

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Anik CHAUMARTIN	Philippe VOGT	Gilles COHEN	Pierre-Henri PAGNON

8

Appendix

CROSS-REFERENCE TABLES 388

Cross-reference table to the Annual Financial Report 388

Cross-reference table to the provisions of Annex 1 of the 809/2004 Regulation of the European Commission 389

Cross-reference table with the Management Report, parent company Danone 392

Cross-reference table with the Management Report, Danone group 393

LIST OF SUBSIDIARIES 394

CROSS-REFERENCE TABLES

Cross-reference table to the Annual Financial Report

In order to facilitate the reading of this Registration Document, the cross-reference table hereafter enables to identify the main information required in accordance with Article L. 451-1-2 of the French monetary and financial code and Article 222-3 of the general regulations of the French Financial Markets Authority.

Annual Financial Report		Pages of the Registration Document
1.	**Company financial statements**	153
2.	**Consolidated financial statements**	74
3.	**Management report (within the meaning of the French monetary and financial code)**	
3.1	Information required by Articles L. 225-100 and L. 225-100-2 of the French commercial code	
	Analysis of the business trends	18, 42 to 65
	Analysis of the results	13, 46
	Analysis of the financial position	54, 56
	Major risk factors and uncertainties	27
	Table of the capital increases delegations	322
3.2	Information required by Article L. 225-100-3 of the French commercial code Elements that might have an impact in the event of a public tender offer	334
3.3	Information required by Article L. 225-211 of the French commercial code Share buyback programs of the Company	319
4.	**Statements of the persons responsible for the Annual Financial Report**	9
5.	**Statutory auditors' report on the Company's financial statements and the consolidated financial statements**	151, 173
6.	**Information on the fees of the Statutory auditors**	174
7.	**Report of the Chairman of the Board of Directors on the corporate governance, the internal control and risk management procedures (Article L. 225-37 of the French commercial code)**	216, 262, 298
8.	**Statutory auditors' report on the report of the Chairman on the internal control and risk management**	305

Cross-reference table to the provisions of Annex 1 of the 809/2004 Regulation of the European Commission

This cross-reference table identifies the main information required by Annex 1 of the 809/2004 Regulation of the European Commission dated April 29, 2004. This table refers to the pages of this Registration Document on which the information related to each item is indicated.

Document of registration relating to shares		Pages of the Registration Document
1.	**Persons responsible**	
1.1	Identity	9
1.2	Statement	9
2.	**Statutory auditors**	
2.1	Identity	7
2.2	Potential change	7
3.	**Selected financial information**	
3.1	Historical financial information	6, 9
3.2	Financial information for interim periods	N/A
4.	**Risk factors**	27
5.	**Information about the issuer**	
5.1	History and development of the Company	
5.1.1	Legal and commercial name	6
5.1.2	Registration place and number	6
5.1.3	Incorporation date and term	6
5.1.4	Registered office, legal form, applicable legislation, country of incorporation, address and telephone number of the registered office	6, 7
5.1.5	Important events in the business development	12 to 26, 42, 65
5.2	Investments	
5.2.1	Principal investments made	42, 54
5.2.2	Principal investments in progress	42, 54
5.2.3	Principal future investments	42, 54, 65
6.	**Business overview**	
6.1	Principal activities	
6.1.1	Nature of operations and principal activities	13 to 18, 42, 65
6.1.2	Development of new products and/or services	15, 16
6.2	Principal markets	13, 16
6.3	Exceptional events	N/A
6.4	Dependence of the issuer	N/A
6.5	Competitive position of the issuer	13, 18
7.	**Organizational structure**	
7.1	Brief description of the Group	24, 74
7.2	List of the significant subsidiaries	24, 74
8.	**Property, plants and equipment**	
8.1	Material tangible fixed assets	18, 74
8.2	Environmental issues	18, 178, 181
9.	**Operating and financial review**	
9.1	Financial position	42 to 56, 74

9.2	Operating results	
9.2.1	Significant factors materially influencing the operating income	13, 27, 46, 74
9.2.2	Evolution of net sales or net revenues	13, 46, 74
9.2.3	External factors materially influencing the operations	18, 27
10.	**Capital resources**	
10.1	Issuer's capital resources	56, 74, 318
10.2	Cash-flows	54, 74
10.3	Information on the borrowing requirements and funding structure of the issuer	56, 74
10.4	Restrictions on the use of capital resources	56, 74
10.5	Anticipated sources of funds	56, 74
11.	**Research and development, patents and licenses**	18, 42
12.	**Trend information**	
12.1	Most significant recent trends since the end of the last fiscal year	65
12.2	Events that are reasonably likely to have a material effect on the issuer's prospects	65
13.	**Profit forecasts or estimates**	65
14.	**Administrative and senior management**	
14.1	Information on the members	216 to 242
14.2	Conflicts of interests	217
15.	**Remuneration and benefits**	
15.1	Remuneration and benefits in kind	262
15.2	Provisions for retirement obligations	262
16.	**Functioning of the board and management**	
16.1	Expiration date of the terms of office	216, 242
16.2	Services agreements relating to the members of the Board and of the management	216
16.3	Information about the Audit Committee, the Nomination and Compensation Committee and the Social Responsibility Committee and the Strategy Committee	232 to 239
16.4	Corporate governance	240
17.	**Employees**	
17.1	Number of employees	181
17.2	Shareholdings and stock-options	262
17.3	Arrangements involving the employees in the capital of the issuer	181
18.	**Major shareholders**	
18.1	Shareholding of the issuer	330
18.2	Voting rights	327
18.3	Control of the issuer	330
18.4	Change of control	336
19.	**Related party transactions**	42
20.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
20.1	Historical financial information	9, 74, 153
20.2	Pro forma financial information	N/A
20.3	Financial statements	9, 74, 153
20.4	Auditing of historical annual financial information	
20.4.1	Statement of audit of the historical financial information	9, 74, 153

20.4.2	Other information audited by the auditors	9, 65, 74, 153
20.4.3	Financial data not extracted from audited financial statements of the issuer	68
20.5	Date of latest financial information	December 31, 2014
20.6	Interim and other financial information	N/A
20.6.1	Half yearly and quarterly financial information	N/A
20.6.2	Interim Financial Information	N/A
20.7	Dividend policy	326
20.7.1	Amount of the dividend per share	326
20.8	Legal and arbitration proceedings	42
20.9	Significant change in the issuer's financial or commercial position	65
21.	**Additional information**	
21.1	Share Capital	
21.1.1	Amount of issued and authorized capital	318, 322
21.1.2	Shares not representing capital	N/A
21.1.3	Shares held by the issuer or its subsidiaries	319, 330
21.1.4	Convertible securities, exchangeable securities or securities with warrants	322
21.1.5	Acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital	322
21.1.6	Options on the capital of Group members	74, 334
21.1.7	History of share capital	330
21.2	Incorporation documents and by-laws	
21.2.1	Objects and purposes	7
21.2.2	Administrative, management and supervisory bodies	216
21.2.3	Rights, preferences and restrictions attaching to shares	326, 327
21.2.4	Change of shareholders' rights	322, 327, 340
21.2.5	Invitation to shareholders' meetings and conditions of admissions	327, 340
21.2.6	Provisions that may delay, defer or prevent a change of control	334, 336
21.2.7	Declarations of crossing statutory thresholds	327
21.2.8	Stringent conditions than required by the law for any change in the capital	322
22.	**Material contracts**	42
23.	**Third party information and statement by experts and declarations of any interest**	
23.1	Identity	175
23.2	Statement	175
24.	**Documents available to the public**	70
25.	**Information on holdings**	24, 74, 319, 394

Cross-reference table with the Management Report, parent company Danone

This Registration Document includes all the items of the Management Report as required pursuant to Article L. 225-100 *et seq.*, L. 232-1, II and R. 225-102 and subsequent of the French commercial code.

Management Report	**Pages of the Registration Document**
Financial position and activity of the Company during the fiscal year	153
Information on trends and outlook	65
Material events occurred since the end of the fiscal year	65
Research and development activities	18, 42
Activities of the Company's subsidiaries	13, 42 to 56
Acquisition of significant equity interests or control in companies headquartered in France	N/A
Amount of dividends distributed during the last three fiscal years	326
Changes to the presentation of the Company's financial statements	153
Injunctions or financial penalties for antitrust practices	N/A
Information relating to suppliers and clients' terms of payment	153
Directorship and offices held by each corporate officers	242
Indication on the use of financial instruments by the Company	153
Analysis of the business performance, results and financial position of the Company during the fiscal year	153
Description of the major risk factors and uncertainties	27
Company's exposure to price, credit, liquidity and cash-flows risks	153
Information relating to the breakdown of the share capital	330
Shares held by the subsidiaries of the Company	319
Employee shareholding on the last day of the fiscal year	330
Summary statement of the transactions relating to shares carried out by executives	297
Table and report on the share capital increase delegations	322
Compensation and benefits of any kind paid to each corporate officer	262
Table of the Company's financial results over the last five years	153
Information required by Article L. 225-211 of the French commercial code in case of transactions carried out by the Company on its own shares	319
Information required by Article L. 225-100-3 of the French commercial code that may have an impact regarding a public tender offer	334
Information required by Article L. 225-102-1 of the French commercial code relating to social and environmental consequences of the Company's business and to its societal commitments	181

Cross-reference table with the Management Report, Danone group

This Registration Document includes all the items of the Management Report as required pursuant to Articles L. 233-26 and L. 225-100-2 of the French commercial code.

Management Report	Pages of the Registration Document
Financial position and activity of the Group during the fiscal year	13, 18, 42 to 56
Information on trends and outlook	65
Material events occurred since the end of the fiscal year	65
Research and development activities	18, 42
Indication on the use of financial instruments by the Group	27, 46, 74
Analysis of the business performance, results and financial position of the Group during the fiscal year	13, 18, 42 to 56
Description of the major risk factors and uncertainties	27, 65

LIST OF SUBSIDIARIES

The following table lists by country, the companies included in the Group's scope of consolidation, whether directly, indirectly or fully consolidated and whether accounted for using the equity method as of December 31, 2014.

Name	Country
DANONE DJURDJURA	Algeria
DANONE TESSALA BOISSONS	Algeria
ADVANCED MEDICAL NUTRITION SA	Argentina
AGUAS DANONE DE ARGENTINA SA	Argentina
BAGLEY ARGENTINA SA	Argentina
DANONE ARGENTINA SA	Argentina
DAN-TRADE SA	Argentina
KASDORF SA	Argentina
LAS MAJADAS SA	Argentina
LOGISTICA LA SERENISIMA	Argentina
NUTRICIA-BAGO SA	Argentina
DANONE ARMENIA LLC	Armenia
DANONE MURRAY GOULBURN PTY LTD	Australia
NUMICO RESEARCH AUSTRALIA PTY LTD	Australia
NUTRICIA AUSTRALIA HOLDINGS PTY LTD	Australia
NUTRICIA AUSTRALIA PTY LTD	Australia
DANONE GESMBH	Austria
MILUPA GMBH	Austria
NUTRICIA GMBH	Austria
DANONE LLC	Azerbaijan
GRAMEEN DANONE FOODS LIMITED	Bangladesh
DANONEBEL	Belarus
JLLC DANONE SHKLOV	Belarus
JLLC UNIMILK PRUZHANY	Belarus
LLC VYSOKVOYE	Belarus
BIALIM BELGIQUE SA	Belgium
DANONE FINANCE INTERNATIONAL	Belgium
DANONE WATERS BENELUX	Belgium
NV DANONE SA	Belgium
NV NUTRICIA BELGIË	Belgium
FAN MILK SARL [a]	Benin
AGUAS MINERAIS BACCARELLI LTDA	Brazil
BAGLEY DO BRASIL ALIMENTOS LTDA	Brazil
CPN MINERACAO	Brazil
DANONE LTDA	Brazil
MINERAÇÃO JOANA LEITE LTDA	Brazil
NUTRIMED INDUSTRIAL LTDA	Brazil
SUPPORT PRODUTOS NUTRICIONAIS LTDA	Brazil
TINGUA EMPRESA DE MINERACAO E AGUAS LTDA	Brazil

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
IBIC SDN BHD	Brunei
DANONE SERDIKA	Bulgaria
FAN MILK BURKINA FASO SARL [a]	Burkina Faso
DAIRYLICIOUS PRODUCTS INC	Canada
DANONE INC	Canada
AGUAS DANONE DE CHILE SA	Chile
BAGLEY CHILE SA	Chile
DANONE CHILE SA	Chile
ASIA HOST INVESTMENTS LTD	China
DANONE (SHANGHAI) HOLDING CO LTD	China
DANONE ASIA HOLDINGS PTE LTD	China
DANONE ASIA PACIFIC MANAGEMENT CO LTD	China
DANONE DAIRY BEIJING CO LTD [a]	China
DANONE DAIRY SALES SHANGHAI CO LTD	China
DANONE DAIRY SHANGHAI CO LTD [a]	China
DANONE PREMIUM BRANDS (SHANGHAI) TRADING CO LTD	China
DANONE YILI DRINKS TRADING (SHENZHEN) CO LTD	China
DANONE YILI (HUIZHOU) BEVERAGES CO LTD	China
DANONE YILI TRADING (SHENZHEN) CO LTD	China
DUMEX BABY FOOD CO LTD	China
HUBEI FREALTH DAIRY CO LTD [a]	China
HUBEI ROBUST FOOD & BEVERAGE CO LTD	China
INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD	China
INNER MONGOLIA MENGNIU DANONE DAIRY CO LTD	China
MENGNIU DAIRY (JIAOZUO) CO LTD [a]	China
MENGNIU DAIRY (MEISHAN) CO LTD [a]	China
MENGNIU DAIRY (QINGYUAN) CO LTD [a]	China
MENGNIU DAIRY (TAI'AN) CO LTD [a]	China
MENGNIU DAIRY (TIANJIN) CO LTD [a]	China
MENGNIU HIGH TECHNOLOGY DAIRY (BEIJING) CO LTD [a]	China
MENGNIU HIGH TECHNOLOGY DAIRY (MA'ANSHAN) CO LTD [a]	China
NANJING ZILE BEVERAGE INDUSTRY CO LTD	China
NINGXIA MENGNIU DAIRY CO LTD [a]	China
NUTRICIA EARLY LIFE NUTRITION (SHANGHAI) CO LTD	China
NUTRICIA PHARMACEUTICAL (WUXI) CO LTD	China
NUTRICIA TRADING (SHANGHAI) CO LTD	China
NUTRICIA (CHINA) MEDICAL NUTRITION CO LTD	China
ROBUST (CHONGQING) FOOD & BEVERAGE CO LTD	China
ROBUST (FENGRUN) FOOD & BEVERAGE CO LTD	China
ROBUST (GUANGDONG) DRINKING WATER CO LTD	China
ROBUST (GUANGDONG) FOOD & BEVERAGE CO LTD	China
ROBUST (GUANGDONG) HOD DEVELOPMENT CO LTD	China

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
ROBUST (SHAAN'XI) FOOD & BEVERAGE CO LTD	China
ROBUST (WUHAN) FOOD & BEVERAGE CO LTD	China
ROBUST (ZHENGZHOU) FOOD & BEVERAGE CO LTD	China
SHENZHEN DANONE YILI DRINKS CO LTD	China
SICHUAN ROBUST FOOD & BEVERAGE CO LTD	China
TONGLIAO MENGNIU DAIRY CO LTD [a]	China
DANONE ALQUERIA SA	Colombia
DANONE BABY NUTRITION COLOMBIA	Colombia
NUTRICIA COLOMBIA LTDA	Colombia
DANONE DOO	Croatia
NUTRICIA AMERICAS NV	Curacao
DAIRY JV (CIS) HOLDINGS (CYPRUS) LIMITED	Cyprus
DANONE AS	Czech Republic
NUTRICIA AS	Czech Republic
NUTRICIA DEVA AS	Czech Republic
DANONE AS	Denmark
NUTRICIA AS	Denmark
AQUA D'OR MINERAL WATER AS	Denmark
DUMEX NUTRITION LTD AS	Denmark
EMIDAN AS [a]	Denmark
FAN MILK INTERNATIONAL AS	Denmark
INC SHANGHAI (HOLDING) LTD AS	Denmark
INTERNATIONAL NUTRITION CO LTD AS	Denmark
DANONE DAIRY FARM SAE	Egypt
DANONE EGYPT SAE	Egypt
NUTRICIA EGYPT SERVICES LLC	Egypt
DANONE FINLAND OY	Finland
NUTRICIA BABY OY	Finland
NUTRICIA MEDICAL OY	Finland
BLEDINA	France
COMPAGNIE GERVAIS DANONE	France
DAN INVESTMENTS	France
DANONE BABY AND MEDICAL HOLDING	France
DANONE CORPORATE FINANCE SERVICES	France
DANONE DAIRY ASIA	France
DANONE NUTRICIA AFRICA & OVERSEAS	France
DANONE PRODUITS FRAIS FRANCE	France
DANONE RESEARCH	France
EVIAN RESORT	France
FERMINVEST	France
HOLDING INTERNATIONALE DE BOISSONS	France
ID LOGISTICS FRANCE 4	France

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
NUTRICIA NUTRITION CLINIQUE SAS	France
PRODUITS LAITIERS FRAIS ESPAGNE	France
PRODUITS LAITIERS FRAIS EST EUROPE	France
PRODUITS LAITIERS FRAIS SUD EUROPE	France
SOCIETE ANONYME DES EAUX MINERALES D'EVIAN	France
SOCIETE DES EAUX DE VOLVIC	France
STEP ST JUST	France
STONYFIELD FRANCE	France
MILUPA GMBH	Germany
NUTRICIA GMBH	Germany
DANONE GMBH	Germany
DANONE PENSIONS MANAGEMENT GMBH	Germany
DANONE WATERS DEUTSCHLAND GMBH	Germany
NUTRICIA DEUTSCHLAND GMBH	Germany
NUTRICIA GRUNDSTÜCKSVERWALTUNGS GMBH	Germany
FAN MILK LTD [a]	Ghana
DANONE GALAKTOKOMIKA PROIONTA	Greece
NUMIL HELLAS SA	Greece
DANONE DE GUATEMALA SA	Guatemala
CHINA MENGNIU DAIRY COMPANY LIMITED	Hong Kong
COFCO DAIRY INVESTMENTS LIMITED	Hong Kong
DANONE NUTRICIA EARLY LIFE NUTRITION (HONG KONG) LIMITED	Hong Kong
NUTRICIA (ASIA PACIFIC) LIMITED	Hong Kong
NUTRICIA CLINICAL (HONG KONG) LIMITED	Hong Kong
PROMINENT ACHIEVER LIMITED	Hong Kong
DANONE KFT	Hungary
NUMIL HUNGARY KFT	Hungary
DANONE FOOD & BEVERAGES INDIA PRIVATE LTD	India
DANONE INDIA PRIVATE LTD	India
DANONE NARANG BEVERAGES PRIVATE LTD	India
NARANG DANONE ACCESS PRIVATE LTD	India
NUTRICIA INTERNATIONAL PRIVATE LTD	India
YAKULT DANONE INDIA PVT LTD	India
PT AQUA GOLDEN MISSISSIPPI	Indonesia
PT DANONE INDONESIA	Indonesia
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia
PT NUTRICIA MEDICAL NUTRITION	Indonesia
PT SARIHUSADA GENERASI MAHARDHIKA	Indonesia
PT SUGIZINDO	Indonesia
PT TIRTA INVESTAMA	Indonesia
PT TIRTA SIBAYAKINDO	Indonesia
PT WINDU INTI EXPO	Indonesia

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
AL SAFI DANONE FOR DAIRY PRODUCTION AND DISTRIBUTION LLC [a]	Iraq
DAMAVAND MINERAL WATER CO	Iran
DANONE SAHAR	Iran
MASHHAD MILK POWDER INDUSTRIES CO	Iran
DANONE LTD	Ireland
GLENISK	Ireland
NUTRICIA INFANT NUTRITION LTD	Ireland
NUTRICIA IRELAND LTD	Ireland
NUTRICIA MEDICAL IRELAND LTD	Ireland
STONYFIELD EUROPE LTD	Ireland
STRAUSS HEALTH LTD	Israel
DANONE SPA	Italy
MELLIN SPA	Italy
NUTRICIA ITALIA SPA	Italy
DANONE NUTRICIA COTE D'IVOIRE SA	Ivory Coast
FAN MILK COTE D'IVOIRE SA [a]	Ivory Coast
DANONE JAPAN	Japan
DANONE WATERS OF JAPAN CO	Japan
YAKULT HONSHA CO LTD	Japan
DANONE	Kazakhstan
DANONE BERKUT LLP	Kazakhstan
NUTRICIA KAZAKHSTAN LLP	Kazakhstan
TOO UNIMILK KAZAKHSTAN	Kazakhstan
BROOKSIDE AFRICA LIMITED	Kenya
BROOKSIDE DAIRY LIMITED [a]	Kenya
SIA NUTRICIA	Latvia
UAB NUTRICIA BALTICS	Lithuania
DANONE RE	Luxembourg
PLF LICENSING SARL	Luxembourg
ICE MIDCO LIMITED SA	Luxembourg
DANONE DUMEX (MALAYSIA) SDN BHD	Malaysia
DANONE INFORMATION SERVICES ASIA PACIFIC SDN BHD	Malaysia
INC CONTRACT MANUFACTURERS SDN BHD	Malaysia
AGUAS EMBOTELLADAS LOS PINOS	Mexico
AGUAS PURIFICADAS NATURALES	Mexico
BONAFONT GARRAFONES Y SERVICIOS	Mexico
BONAFONT SA DE CV	Mexico
COMPANIA GENERAL DE AGUAS S DE RL DE CV	Mexico
DANONE BABY NUTRITION MEXICO SA DE CV	Mexico
DANONE DE MEXICO	Mexico
DANONE HOLDING DE MEXICO	Mexico
DANONE MEDICAL NUTRITION MEXICO SA DE CV	Mexico

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
DERIVADOS LACTEOS FLN-DDM SA DE CV	Mexico
DISTRIBUIDORA SEMILLA SAPI DE CV	Mexico
ENVASABON S DE RL DE CV	Mexico
ENVASADORA AUGUABON S DE RL DE CV	Mexico
ENVASADORA DE AGUAS EN MEXICO	Mexico
ENVASADORA LA SUPREMA, SA DE CV	Mexico
GRUPO CUZCO INTERNATIONAL S DE RL DE CV	Mexico
LIQUIMEX SA DE CV	Mexico
NOMISER SA DE CV	Mexico
ORGANIZACIÓN DE AGUAS DE MÉXICO SA DE CV	Mexico
AGRIGENE	Morocco
CENTRALE LAITIÈRE	Morocco
FROMAGERIE DES DOUKKALA	Morocco
LAITPLUS	Morocco
LES TEXTILES	Morocco
SOCIETE DU THERMALISME MAROCAIN (SOTHERMA)	Morocco
DANONE MOZAMBIQUE LIMITADA	Mozambique
DAN TRADE BV	Netherlands
DANONE BABY AND MEDICAL NUTRITION BV	Netherlands
DANONE BABY AND MEDICAL NUTRITION NEDERLAND BV	Netherlands
DANONE CIS HOLDINGS BV	Netherlands
DANONE FINANCE NETHERLANDS BV	Netherlands
DANONE MEDICAL NUTRITION HOLDING BV	Netherlands
DANONE MEDICAL NUTRITION INTERNATIONAL BV	Netherlands
DANONE NEDERLAND BV	Netherlands
DANONE TRADING ELN BV	Netherlands
DANONE TRADING MEDICAL BV	Netherlands
HELDINVEST BV	Netherlands
INFANT NUTRITION MANAGEMENT 1 BV	Netherlands
INFANT NUTRITION MANAGEMENT 2 BV	Netherlands
INFANT NUTRITION MANAGEMENT 3 BV	Netherlands
NUTRICIA CUIJK BV	Netherlands
NUTRICIA EXPORT BV	Netherlands
NUTRICIA INTERNATIONAL BV	Netherlands
NUTRICIA MEDICAL DEVICES BV	Netherlands
NUTRICIA NEDERLAND BV	Netherlands
NUTRICIA POLAND BV	Netherlands
NUTRICIA RESEARCH BV	Netherlands
NV NUTRICIA	Netherlands
SORGENTE BV	Netherlands
SORGENTE HOLDING BV	Netherlands
TOECA INTERNATIONAL COMPANY BV	Netherlands

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
DANONE NUTRICIA NZ LTD	New Zealand
NUTRICIA LTD	New Zealand
NUTRITIONAL CAN MANUFACTURERS LTD	New Zealand
NUTRITIONAL PACKERS LTD	New Zealand
ABEBA ADEWARA VENTURES LTD [a]	Nigeria
FAN MILK PLC [a]	Nigeria
NUTRICIA NORGE AS	Norway
NUTRICIA PAKISTAN (PRIVATE) LIMITED	Pakistan
DANONE PARAGUAY SA	Paraguay
DANONE UNIVERSAL ROBINA BEVERAGES INC	Philippines
DUMEX PHILIPPINES INC	Philippines
EAC DISTRIBUTORS INC	Philippines
EAC PHILIPPINES INC	Philippines
DANONE SP ZOO	Poland
NUTRICIA POLSKA SP ZOO	Poland
NUTRICIA ZAKLADY PRODUKCYNE SP ZOO	Poland
NUTRIMED SP ZOO	Poland
WOMIR SPA	Poland
ZYWIEC ZDROJ SA	Poland
DANONE PORTUGAL SA	Portugal
MILUPA COMERCIAL SA	Portugal
NUTRICIA ADVANCED MEDICAL NUTRITION UNIPESSOAL LDA	Portugal
DANONE SRL	Romania
NDL FRIGO LOGISTICS SRL	Romania
NUTRICIA EARLY LIFE NUTRITION ROMANIA SRL	Romania
CJSC EDELWEISS-M	Russia
CJSC TIKHORETSKY	Russia
DANONE INDUSTRIA LLC	Russia
DANONE TRADE LLC	Russia
DANONE VOLGA	Russia
LLC MASLENITSA	Russia
LLC UNIMILK	Russia
LLC UNIMILK INVEST	Russia
LLC URAL BABY FOOD	Russia
LLC VERBILOVOSKOYE	Russia
NDL HOLDING RUSSIA BV	Russia
ND LOGISTICS FRESH LLC	Russia
NUTRICIA ADVANCED LLC	Russia
NUTRICIA LLC	Russia
OJSC EKATERINBURGSKIY GORODSKOY MOLOCHNY ZAVOD N 1	Russia
OJSC ISTRA - NUTRICIA BABY FOODS	Russia
OJSC KEMEROVSKY MOLOCHNIY KOMBINAT	Russia

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
OJSC KINGISEPPSKIY MOLOCHNIY KOMBINAT	Russia
OJSC MASLODELNY KOMBINAT CHANOVSKY	Russia
OJSC MK SARANSKY	Russia
OJSC STARITSKY SYR	Russia
OJSC TVERMOLOKO	Russia
OJSC UNIMILK COMPANY	Russia
DANONE EL SALVADOR SA DE CV	Salvador
ALSAFI DANONE COMPANY LIMITED	Saudi Arabia
DANONE BABY NUTRITION OPERATIONS KSA	Saudi Arabia
ND LOGISTICS LLC [a]	Saudi Arabia
DANONE ADRIATIC DOO	Serbia
DANONE ASIA BABY NUTRITION PTE LTD	Singapore
DANONE ASIA PACIFIC HOLDINGS PTE LTD	Singapore
DANONE ASIA PACIFIC MANUFACTURING PTE LTD	Singapore
DANONE ASIA PTE LTD	Singapore
DANONE DAIRY INVESTMENTS INDONESIA	Singapore
DANONE PROBIOTICS PTE LTD	Singapore
DANONE SINGAPORE HOLDINGS PTE LTD	Singapore
DANONE WATERS CHINA HOLDING PTE LTD	Singapore
MYEN PTE LTD	Singapore
PTNIS HOLDING SINGAPORE PTE LTD	Singapore
PTSH HOLDING SINGAPORE PTE LTD	Singapore
DANONE SPOL SRO	Slovakia
NUTRICIA SPOL SRO	Slovakia
DANONE SOUTHERN AFRICA PTY LTD	South Africa
IDL FRESH SOUTH AFRICA PTY LTD	South Africa
MAYO DAIRY (PROPRIETARY) LTD	South Africa
NUTRICIA SOUTHERN AFRICA PTY LTD	South Africa
DANONE PULMUONE COMPANY LIMITED	South Korea
AGUAS FONT VELLA Y LANJARON SA	Spain
BAGLEY LATINO AMERICA SA	Spain
DAIRY LATAM SL	Spain
DANONE SA	Spain
ILTESA - INDUSTRIAS LACTEAS DE CANARIAS SA	Spain
NUMIL NUTRICIÓN SRL	Spain
NUTRICIA SRL	Spain
PRODUITS LAITIERS FRAIS IBERIA SL	Spain
WATER LATAM SL	Spain
DANONE AB	Sweden
NUTRICIA NORDICA AB	Sweden
OSTERLENMEJERIET	Sweden
PRO VIVA AB	Sweden

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
DANONE AG	Switzerland
DANONE FINANCIAL SERVICES SA	Switzerland
EVIAN-VOLVIC SUISSE SA	Switzerland
NUTRICIA SA	Switzerland
BROOKSIDE DAIRY TANZANIA LTD [a]	Tanzania
BJC DANONE DAIRY CO	Thailand
DANONE DAIRY THAILAND	Thailand
DUMEX LTD	Thailand
FAN MILK TOGO SA [a]	Togo
SOCIETE DE COMMERCE ET DE GESTION (SOCOGES)	Tunisia
SOCIETE TUNISIENNE DES INDUSTRIES ALIMENTAIRES (STIAL)	Tunisia
DANONE HAYAT IÇECEK VE GIDA SA	Turkey
DANONE TIKVESLI GIDA VE TAS	Turkey
NUMIL GIDA ÜRÜNLERI AS	Turkey
SIRMAGRUP IÇECEK AS	Turkey
BROOKSIDE DAIRY UGANDA LTD [a]	Uganda
DANONE LLC	Ukraine
DANONE DNIPRO LLC	Ukraine
LLC UNIMILK (UKRAINE)	Ukraine
LLCFI NUTRICIA UKRAINE	Ukraine
PJSC GALAKTON	Ukraine
PJSC KREMENCHUG DAIRY PLANT	Ukraine
ALC HOLDING 1 LIMITED [a]	United Arab Emirates
DANONE BABY NUTRITION MIDDLE EAST HOLDING LIMITED	United Arab Emirates
NUTRICIA MIDDLE EAST DMCC	United Arab Emirates
DANONE LTD	United Kingdom
NUTRICIA LTD	United Kingdom
COMPLAN FOODS LIMTED	United Kingdom
DANONE FINANCING UK LTD	United Kingdom
DANONE HOLDINGS (UK)	United Kingdom
DANONE WATERS (UK & IRELAND) LTD	United Kingdom
NUTRICIA (COW & GATE, MILUPA) HOLDINGS LTD	United Kingdom
SCIENTIFIC HOSPITAL SUPPLIES (UK) LTD	United Kingdom
SCIENTIFIC HOSPITAL SUPPLIES HOLDINGS LTD	United Kingdom
SHS INTERNATIONAL LTD	United Kingdom
UK HOLDINGS CAP (COMMONWEALTH, ASIA AND PACIFIC) LTD	United Kingdom
DANONE DAIRY HOLDINGS INC	United States
DANONE FOODS INC	United States
DANONE NORTH AMERICA LLC	United States
DANONE WATER HOLDINGS LLC	United States
DANONE WATERS OF AMERICA INC	United States
DANONE-NUTRICIA EARLY LIFE NUTRITION INC	United States

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Name	Country
DANNON PR INC	United States
HAPPY FAMILY HOLDING COMPANY	United States
HEALTHY FOOD HOLDINGS INC	United States
HF OFFICE LLC	United States
NL YOGURT INC	United States
NURTURE INC	United States
NUTRICIA NORTH AMERICA INC	United States
STONYFIELD FARM INC	United States
SWIRL HOLDING CORPORATION	United States
THE DANNON COMPANY INC	United States
THE YOCRUNCH COMPANY LLC	United States
THE YOFARM COMPANY INC	United States
THE YOGURT CULTURE COMPANY LLC	United States
YOCREAM INTERNATIONAL INC	United States
YOCREAM OREGON LLC	United States
YOGURT HOLDINGS II INC	United States
YOHO II IP SUB	United States
COMPANIA SALUS SA	Uruguay
FORT MASIS SA	Uruguay
DANONE VIETNAM COMPANY LTD	Vietnam
YAKULT VIETNAM CO LTD	Vietnam

(a) Company not directly held by the Group but subsidiary of a company consolidated using the equity method.

Design and realization by
Claire Faÿ and Caroline Pauchant
with Luce Théry, Hind Mellah, Adrien Labbe and Violaine Aurias

Printed on the presses of Snel
Z.I. des Hauts-Sarts – zone 3 – rue Fond des Fourches 21 – 4041 Vottem – Herstal – Belgium
March 2015

LEARN MORE:

ECONOMIC AND SOCIAL REPORT
ON WWW.DANONE.COM

SUSTAINABILITY REPORT
ON WWW.DANONE.COM

REGISTRATION DOCUMENT
ON WWW.FINANCE.DANONE.COM

FOCUS WEB 2014
ON WWW.DANONE.COM

DANONE
15, RUE DU HELDER - 75439 PARIS CEDEX 09
VISITORS:
17, BOULEVARD HAUSSMANN - 75009 PARIS
TEL. +33 1 44 35 20 20
INVESTORS RELATIONS:
TEL. +33 1 44 35 20 76
FREE SHAREHOLDERS NUMBER:
0 800 320 323 (free from land lines in continental France)
OR +33 1 58 16 71 75
(from foreign countries)
FINANCIAL INFORMATION:
WWW.FINANCE.DANONE.COM
AND WWW.DANONE.COM

DANONE