

Day One 16

Welcome
to the
Alimentation
Revolution

ECONOMIC
AND SOCIAL
REPORT



BRINGING HEALTH THROUGH FOOD
TO AS MANY PEOPLE AS POSSIBLE

“ People are changing the ways they eat and drink and the values they attach to food. There is a growing expectation for integrity and transparency, and for products that are grounded in local cultures.

This is the start of a revolution in alimentation...”

Emmanuel Faber, CEO

CHAIRMAN'S MESSAGE

Franck Riboud
Chairman of Danone's Board of Directors

From the founding of BSN in 1966, Danone's story has primarily been one of disruptive strategic decisions. In 1966, three regional SMEs joined forces to create a company that would become a French and European leader in flat and container glass. In the 1970s, BSN moved from container to content, acquiring its customers Evian, Kronenbourg and Blédina—entering the world of food and beverages and opening the way to the Gervais-Danone acquisition. Then, in the early 1990s, we moved into Eastern Europe and China just as they began to open to the world, taking the first step towards our early gains in emerging markets. And finally, at the turn of the century we were the first to make the radical, deliberate decision to focus our business on a few categories of food and beverages with powerful health benefits.

These revolutions have fed into Danone's success, and each has been inspired by constant, thoughtful, open-minded attention to our industry and changing markets around the world, and by deeply held beliefs about the role of business. They would not have been possible—and would never have happened—without the support and engagement of the whole organization, from the Board of Directors and senior management, to each of our employees, who share Danone's nimble, questioning culture. Nor would they have been possible without the trust of our customers, our consumers, our suppliers, and our shareholders.

Today our commitment to keeping pace with a changing society, our culture of agility and responsibility, and the trust of the public at large are inspiring a new transformation at Danone. The coming acquisition of WhiteWave, a U.S.-based pioneer and leader in organic and plant-based foods, will be the first act of this radical new evolution.

In the past 50 years, food and beverages have made considerable progress in terms of safety, quality and availability. Today, however, they are facing serious challenges, some of which are linked to this very progress—offering variety, keeping products natural, making them affordable in emerging countries, addressing a range of public health issues, reducing environmental impact and more.

To meet these challenges, alimentation will change radically. It will need its own revolution. And at Danone, it's our responsibility to anticipate and support this momentum.

In any case, that is the deep belief of our Board of Directors, which is 100% committed to the transformation that the men and women of Danone have already begun to make.



“The way we eat and drink will change radically. It will need its own revolution.”

THE BOARD OF DIRECTORS



“The major concern continues to be having enough food for the seven billion human beings who live on our planet—but there is another vital concern, and that is quality. Which means not only paying attention to the quality of the food we eat, but knowing where it comes from, thanks to reliable traceability within a largely local system that favors short production chains. Today Danone is inspiring a genuine paradigm shift by working hand in hand with local producers and other economic stakeholders to preserve each ecosystem’s unique balance and grow local economies in the four corners of the globe.”

Clara Gaymard

“I applaud our Danone focus on the future and need to anticipate that people around the world are interested in providing healthful and tasty foods and beverages for their families. We are all aware of the important interactions among food, human health and the environment in which our foods are produced. Danone, with our broadly based concept of alimentation, will lead the way.”

Virginia A. Stallings

“In the Global North, the alimentation revolution is about consumption: meals are becoming an adventure that reflects the uniqueness and identity of each individual. As they select or exclude foods and beverages, people look beyond taste, choosing for reasons of health or religion, to save the planet or to stand up for fairness. It’s a revolution in the meaning of life.

In the Global South, the alimentation revolution is about production: the progress it is making is expected not only to eliminate malnutrition and undernutrition, but the poverty of small farmers as well. It’s a revolution in life expectancy.”

Lionel Zinsou-Derlin

1. Franck Riboud
61, Chairman of Danone’s Board of Directors

2. Emmanuel Faber
53, Chief Executive Officer and Vice Chairman of Danone’s Board of Directors

3. Benoît Potier
59, Chairman and Chief Executive Officer, Air Liquide SA

4. Serpil Timuray
47, Chief Commercial Operations and Strategy Officer of the Vodafone group

5. Gaëlle Olivier
45, Member of the Management Committee of the AXA group and Chief Executive Officer of AXA Global P&C

6. Virginia A. Stallings
66, Professor of Pediatrics, Children’s Hospital of Philadelphia

7. Jean-Michel Severino
59, Head of I&P SARL (Investisseurs & Partenaires)

8. Lionel Zinsou-Derlin
62, Vice Chairman of the Supervisory Board of PAI Partners SAS

9. Clara Gaymard
57, Co-founder of Raise

10. Jean Laurent
72, Chairman of the Board of Directors, Foncière des Régions

11. Bettina Theissig
54, Director representing Danone employees

12. Jacques-Antoine Granjon
54, Chairman and Chief Executive Officer, vente-privee.com

13. Frédéric Boutebba
49, Director representing Danone employees

14. Mouna Sepehri
54, Member of the Executive Committee, Executive Vice President of Renault SAS

15. Bruno Bonnell
58, Chairman of I-Volution

16. Isabelle Seillier
57, Head of Financial Institutions EMEA, J.P. Morgan



Gregg L. Engles*
59, Chairman and CEO of The WhiteWave Foods Company



Laurent Sacchi
52, Secretary of the Board and Executive Vice President, Chairman’s Office

*subject to the approval of the Annual Shareholders’ Meeting on April 27, 2017 (and after the completion of the WhiteWave acquisition)

Welcome to the alimentation revolution

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94 INDICATORS 2016

around us

THE ALIMENTATION REVOLUTION IS ALL



The alimentation revolution for a sustainable planet

We might have devoted this first part of our annual report to the many challenges the world will face in coming decades—the demographic crisis, the environment, public health, limited resources and many others. But we have chosen instead to focus on initiatives that give us hope. Ideas that show us that feeding 9 billion people in 2050 isn't an unachievable dream. That it's possible to make food and beverages that meet not only the nutritional challenges, but the environmental, economic and social ones as well.

With consumers paying more and more attention to what's on their plate, food has become a focal point. People want to go back to food and beverages that are synonymous with well-being, with sharing time with friends and family, with trust in the quality of what they're eating, and where and how it was made.



No other time has sparked as many opportunities or new ideas as the one we live in. People everywhere are asking questions about the food of tomorrow, and in this chapter we'll introduce you to some of the thought-leaders and trend-setters leading the way. Each in their own sphere has accepted a challenge: not to change the world, but to be a part of the change. That's what we're trying to do in our own way at Danone, harnessing the entrepreneurial spirit that goes back to our beginnings.

We can see it around us: the alimentation revolution is creating a collective movement uniting the whole chain from producer to consumer. It's an explosion of projects and ideas, highlighting new consumer trends, and enriched by its social and environmental dimensions.

Even as we step up our own efforts, working for and with local communities towards healthier, more sustainable eating and drinking, we're watching these new expectations and innovations closely and encouraging them. They're even inspiring us to form new partnerships.

These next few pages present a snapshot of the alimentation revolution: from technological solutions to new methods for farming, the examples are diverse and only the beginning of a long adventure.

"Promoting the adoption of healthier and more sustainable food, from the way it's produced to how it's enjoyed, takes us a long way toward improving the lives and living standards for millions of people around us."

Bertrand Austruy
Executive Vice President, Human Resources and General Secretary

BACK TO NATURE

Today's consumers want to know more about the products they buy: where the ingredients came from, and where they were processed. This information is all the more essential now that many consumers are growing their own food on balconies and in urban gardens, or picking their own produce on local farms. They know exactly where these ingredients came from, and they expect the same from food companies.

For Danone, that means being transparent about where our ingredients come from and how natural they are. And for milk, it means explaining where and how it was collected to show that a processed product can be natural, too.

In France **Blédina**, a range of prepared foods and desserts for young children who are ready for a more varied diet, has responded by inviting parents to visit the fields where the fruits and vegetables used in its recipes are grown.

Across Europe, farmers that partner with us have displayed their quality logos on packaging for unflavored yogurt, and some are opening their doors to consumers, allowing them to visit dairy farms and taste fresh dairy products there and then. And in Spain, some Danone production sites are hosting educational visits for children.



The not-so-secret garden

Harvesting your own vegetables in a store? It's no longer a fantasy. In Canada, the Netherlands, the United States and Germany, retailers such as Albert Heijn (photo above), Target and Métro are installing real greenhouses and indoor herb gardens where shoppers can serve themselves.

Locavores

Fresh from the farm



What makes a locavore a locavore? Consuming foods and beverages produced less than 200 km from where they live. Choosing fresh, seasonal products grown or made by efficient, sustainable, eco-friendly methods. Preferring short distribution channels, with only one middleman between producer and consumer. So, are you a locavore?

Organic

growing strong

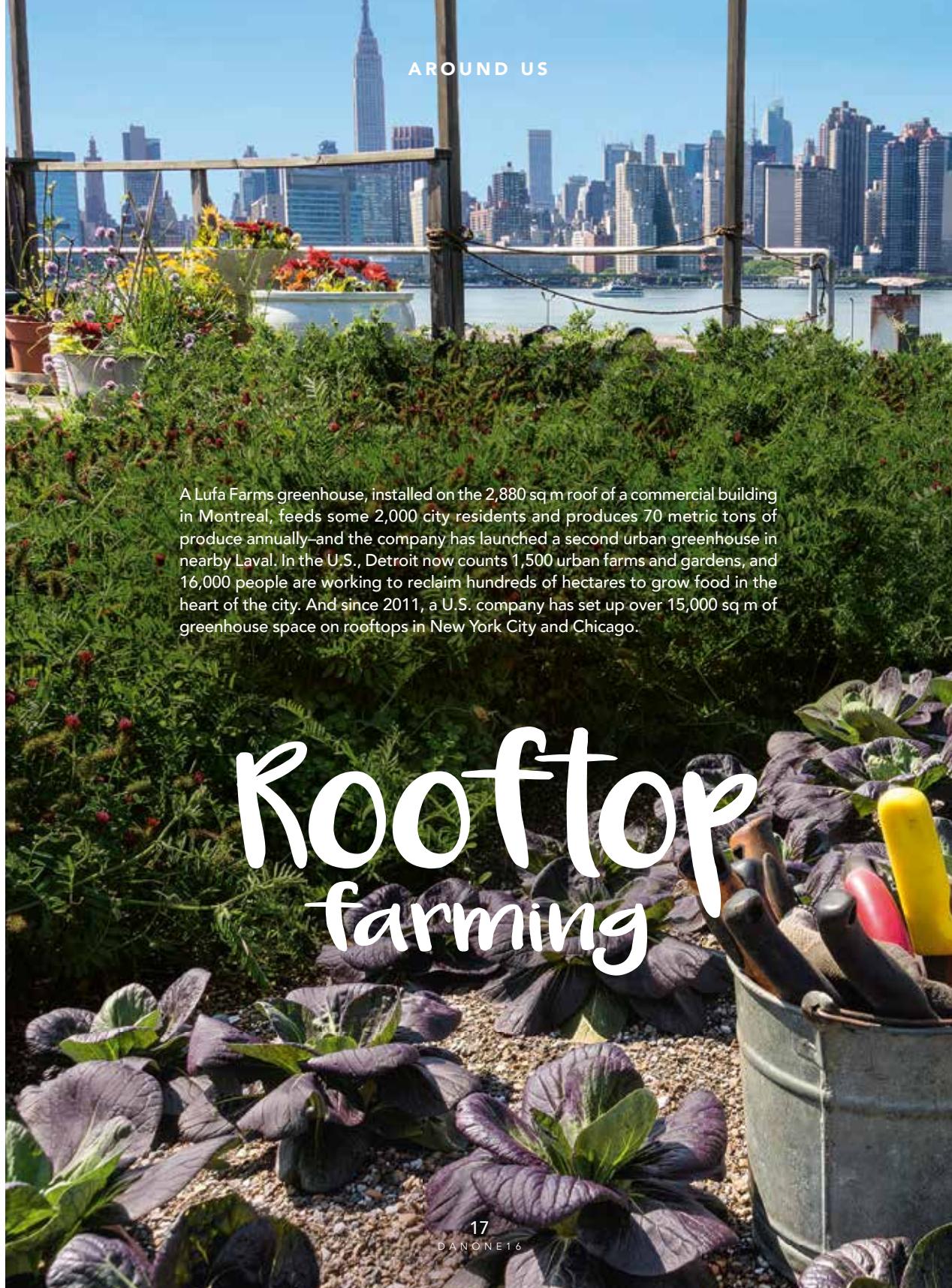


Worldwide, land under organic cultivation—certified and in conversion—has more than quadrupled in just 15 years, and the number of organic farms, now nearly 2.3 million, is nine times higher. North America and Europe consume 90% of the world's organic products: in the U.S., consumption of organic products quintupled between 2001 and 2014, and dairy products account for 15% of organic sales. In France, demand for organic products rose 20% in 2016—well in excess of available supply.

Source: Agence Bio, France's agency for organic farming, based on data from IFOAM, the International Foundation for Organic Agriculture Movement



Much of the land in Rotterdam, a city of over 1.5 million, was reclaimed from the water, and now its harbor will be home to the world's first floating farm. In this feat of engineering, over 1,200 sq m of green space will grow animal feed and house 40 cows. Milk from the innovative facility, estimated at 1,000 liters a day, will be used in local production. It's a demonstration of a circular economy, where cycles of nutrients, energy and water will be closed as much as possible, to reduce waste.



A Lufa Farms greenhouse, installed on the 2,880 sq m roof of a commercial building in Montreal, feeds some 2,000 city residents and produces 70 metric tons of produce annually—and the company has launched a second urban greenhouse in nearby Laval. In the U.S., Detroit now counts 1,500 urban farms and gardens, and 16,000 people are working to reclaim hundreds of hectares to grow food in the heart of the city. And since 2011, a U.S. company has set up over 15,000 sq m of greenhouse space on rooftops in New York City and Chicago.

TECHNOLOGY ON THE MENU

Promising new technologies are already revolutionizing daily life. More and more apps and digital platforms are designed to sell and redistribute food and beverages, and help consumers balance their diet. The food industry is using technology to connect directly with consumers, providing them with information and even asking them to evaluate products and services. And it's finding a role for scientists and researchers in the kitchen, to cook up solutions to tomorrow's challenges.

Working through Danone brands such as **evian**, **Neocate**, **Danonino** and **Aptamil**, we've developed apps and services that meet the needs of targeted groups of parents and patients, offering water delivery to your home to help with hydration, educational games that make it fun for children to learn about a balanced diet, and platforms that bring parents, patients and healthcare professionals together for information, idea-sharing and advice on medical nutrition. With today's smartphones, consumers can find the facts they need and access services that help them make informed decisions.

100%
veggie

Studies estimate that we will need to produce 50% more protein by 2050—a promising outlook for vegetable proteins, which are less resource-intensive than meat. Now, work by dozens of researchers at a California-based start-up have produced a perfect “meatless hamburger” that not only delivers the same texture, juices and flavor, but also cooks just like beef. And it's good for the environment: each quarter-pound of the so-called “Impossible Burger” saves enough water for a ten-minute shower and eliminates the greenhouse gas emissions of a 29-km drive.



8.4 billion



8.4 billion connected objects will be in use worldwide in 2017, up 33% since 2016. By 2020 that figure is expected to reach 20.4 billion, with 67% intended for the general public. They will reflect the demands of Food 3.0, giving consumers the ability to detect gluten, scan food and beverages and enjoy a balanced diet (source: Gartner).



Ding dong food

With smartphones increasingly common and GPS becoming more accurate, home meal delivery is growing fast: U.K.-based Deliveroo and its German counterpart Foodora are scrambling to catch up with U.S. rival DoorDash. By 2020, the home meal delivery market is expected to reach \$210 billion. While chefs and caterers such as PopChef and FoodChéri serve up readymade meals, MoiChef, Les Commis and other services provide ingredient kits that enable users to prepare their own gourmet meals.



THE WAR ON WASTE

Reducing food waste is critical to protecting the planet and making the most of its resources. It's why we're making food waste reduction an integral part of Danone's commitment to cut CO₂ emissions 50% by 2030. In 2014, for example, our Fresh Dairy Products division rolled out an initiative with three goals:

- Cut the cost of waste and optimize use of resources by rethinking every step in the supply chain.
- Redistribute unsold products as soon as possible, following the example of **Les 2 Vaches**, our organic brand in France, which donates surplus products to charity or re-uses them in recipes.
- Work with our whole ecosystem of suppliers, distributors and carriers to develop new solutions such as adjusting order volumes, or discounting inventory as it nears its expiration date. New packaging can also help change consumption habits, for example by offering individual portions as well as family-size products, or selling yogurt in four- and twelve-packs.

We're also continuing research that will enable us to make packaging from recycled and/or renewable materials and reduce its overall weight. Each link in the chain can help us meet our 2030 goal by reducing product waste, conserving resources and cutting our carbon emissions.



chefs at your disposal



Can you make a great meal from discarded ingredients that would otherwise end up in the trash? Chef Dan Barber thinks you can, and that's exactly what he serves at Blue Hill at Stone Barns, his restaurant in upstate New York, and at his 2017 pop-up restaurant at Selfridges in London: menus include fried skate wing cartilage with smoked whitefish head tartar sauce, salad fresh from the garbage truck, kale stem stew and charred pineapple core for dessert. Rave reviews guaranteed.

Photo: Philosopher and chef Dan Barber, creator of both restaurants, is working "to change food and farming forever."

Ugly strikes back

Non-standard fruits and vegetables, perhaps too big, too small or too misshapen to make the grade, are in vogue, prominently displayed by major retailers and sold by dedicated "ugly" produce retailers and online distribution platforms such as "Gueules Cassées⁽¹⁾." From Denmark to Western Europe to the U.S., sellers are touting ugly fruits and vegetables: spotted, slightly damaged, and otherwise out of grade, they're sold at a discount or made into chips, fruit jellies and other 100% natural treats.

(1) "Les Gueules Cassées" was developed in Europe to distribute fruits and vegetables direct to consumers for less.

Shopping cart rejects

Because inventory is hard to gauge, sellers often find themselves with a surplus of fresh foods that are likely to go bad: fruits and vegetables, prepared foods, fresh fish and more. These leftovers are too good to throw away, so stores and restaurants have begun selling them at discount prices online and giving them to non-profits for distribution to those in need. Creative solutions for preventing food waste are already available from apps such as OptiMiam, Zéro-gachis, What The Food, Partage Ton Frigo, Youmiam and Planet Ocean.

Photo: OptiMiam helps leftovers from food vendors reach those in need.



YOUNG
ENTREPRENEURS
AT THE FOREFRONT
OF THE ALIMENTATION
REVOLUTION, EACH
IN THEIR OWN WAY

**Lucie Basch**

Founder, Too Good To Go
France

*"Reinventing
the food system"*

We just wanted to stop all the waste. It doesn't make sense for store-owners to throw food away when there are people begging for food and picking through supermarket garbage. I was looking for a way to connect businesses and consumers. We developed a mobile app that can reach new customers at closing time no matter where they are—and Too Good to Go was born. It's a small contribution to reducing waste in a society with an over-abundance of food.

I think the food system should decentralize completely, restore vitality and meaning to local production, and start teaching people about seasonal eating in early childhood. I also believe in going organic: for the planet, for consumers, for everyone really. And households should make healthy eating a priority. Paying a little more for healthy foods and beverages is better than taking medicine to counteract the effects of the pesticides we've ingested all our lives.

**Jaume Biarnes**

Head chef at Alicia Foundation
Spain

*"The future of food is
in people's hands"*

The future of food will be what people want it to be. Consumers need to realize the power they have to drive the food industry: it is their day-to-day decisions in the supermarkets that shape the future of food. In order to fight against health issues (such as obesity and diabetes), unsustainable food production or food waste, it is crucial to encourage people to cook at home.

At the Alicia Foundation, we have a program dedicated to teaching kids and youngsters aged 3 to 18 how to cook. More than 200,000 children have participated in the program in the last seven years. We don't particularly promote healthy eating. We just want them to realize that cooking, and eating what you've cooked, is highly pleasurable. Then, through developing their palate and tastes, they will very naturally be looking for healthier and more sustainable foods.

**Raphaël Haumont**

Physical chemistry researcher, holder of the first Cuisine of the Future Chair at the French Center of Culinary Innovation, France

"If you want healthy, sustainable foods and beverages, physics is better than chemistry"

I hope that disruptive innovation will make the cuisine of 2030 not only healthier and more responsible, but also even tastier. It will be healthier because it's more product-centered: today we can extract flavors by applying physics and using fewer chemicals. We're working with leading French chef Thierry Marx to develop sugar-free pastry, cream-free ganache and other tasty treats. And more responsible, because in the way you cook it's absolutely essential to incorporate the concept of sustainability and a concern for the planet, which will be shared by nearly nine billion people in 2050. Finally, tastier, because food is primarily about sharing emotion and pleasure. Many of us are already realizing that we need to go back to basics: organic, seasonal products, short-channel distribution and so on.

Everyone has a part to play. Local initiatives need to join forces, with long-term vision and genuine community spirit—and that means including consumers as well as researchers and big food companies.

**Meghan Carreau**

CEO/Co-Founder TuckrBox
United States

*"Impacting the food system
through education"*

As a child, my parents sent me off to school each day with the well-meaning, but ubiquitously unbalanced American lunch of peanut butter and jelly sandwiches, a sugary juice box, and if I was really lucky, some chips. Over time, those foods took a toll on my body and both my sister and I were diagnosed with Celiac disease (gluten intolerance). It really changed the way I thought about food and the whole food system.

TuckrBox is on a mission to create a healthier generation through food and technology. We are a subscription-based meal delivery service and a food education app for kids. Children are able to build their weekly lunches on our app, which is a fun place to engage and play while learning about healthy food. Our fresh, delicious, inventive and nutritious meals are then delivered weekly. A portion of profits is dedicated to food and farm education in low-access areas. Influencing and educating children about where good food comes from and how to feed yourself well while they are young can create a lasting impact.

In their own words: prosumers

In the firm belief that diet is the key to their health and the health of the planet, today's consumers are taking personal responsibility for changing their eating and drinking habits. They want the power to choose what they eat and drink, and are gravitating towards brands in their own image.

These are just some of the findings in a study on the future of food involving 11,976 consumers in 37 countries.

BETC/Havas's Eaters Digest study shows that 70% of the world's prosumers—consumers who influence the brand choices and consumption behaviors of others—believe what they eat says a lot about who they are and has an impact on tomorrow's world.

Similarly, 77% are convinced that "unhealthful" diets aren't just a problem for individual health, but a threat to humanity in general. They're willing to change their lifestyles: nearly a quarter identify as vegetarian, vegan or pescatarian. And among these groups, a new movement of "moderates" is emerging: flexitarians, who share vegetarian and vegan concerns about the environment and fairer treatment of animals, but take a less categorical approach to their diet.

How do prosumers and consumers decide what food to buy? They start with nutritional value, then choose products based on four core criteria: ingredients, price, place of origin, and brand. Prosumers in particular constantly question product claims, trying to find as much information as they can about their food and beverages and the companies that make them.

As "organic" labels become a guarantee of quality, prosumers are also gravitating towards local foods. They want natural products, with no chemicals or processing, and increasingly they want a direct relationship with the producer as well. They believe that consuming locally is in tune with nature, and 60% prefer to buy from a local producer rather than a supermarket.

Meanwhile, the pleasure associated with food is shifting from the individual to the social sphere. The primary source of enjoyment now lies not only in sharing meals with family and friends, but on social media as well. Millennials are the new generation of foodies, eagerly posting their experiences on the Internet, sharing photos of their most beautiful meals, giving rise to new communities and creating strong social bonds around food and drink.

Moreover, young consumers are a powerful force in the alimentation revolution. They see their food choices and the way they eat as major indicators of lifestyle, the economy, employment (and particularly local employment), citizenship, and health—for individuals and for the planet.



"Food is as effective as medicine in maintaining overall health"

89%

of prosumers and 79% of mainstream consumers agree with this statement, up from 83% and 64% in 2012



"What I eat says a lot about who I am"

70%

of prosumers and 58% of mainstream consumers agree with this statement



Local

72%

of prosumers and 60% of mainstream consumers are willing to pay more for products that are grown or made locally



Connected foodies

52%

of millennials identify themselves as foodies, and 44% have published a photo of food on social media



Knowledgeable consumers

85%

of prosumers and 71% of mainstream consumers have become far more aware of the nutritional value of their food and beverages



THE ALIMENTATION REVOLUTION

energizes us

it's our revolution too

Danone's commitment to bringing health through food is as old as we are. In 1919 our founder Isaac Carasso began making yogurt to help children with intestinal infections, using cultures from the Pasteur Institute. In the 1920s he sold his first yogurts in Barcelona pharmacies before expanding into grocery stores.

For nearly a century, we've been faithful to his original purpose, selling healthy, delicious products tailored to the nutritional needs and eating habits of our consumers. Fresh Dairy Products, Waters, Early Life Nutrition and Medical Nutrition—all of our ranges share the same goal: offering innovative, top-quality products that meet the expectations of consumers at every stage of life. And while our business is about nourishing people and helping them take care of their health, we never forget that it's also about helping them live better lives and share their enjoyment with others.



Now more than ever, consumers are concerned with food. The revolution now underway is shaping how products are made and consumed, as well as our approach to preserving resources and protecting the environment.

Every day we embrace our commitment to favoring healthier eating and drinking habits through a portfolio of products that are enjoyed on a daily basis, and a broad variety of activities.

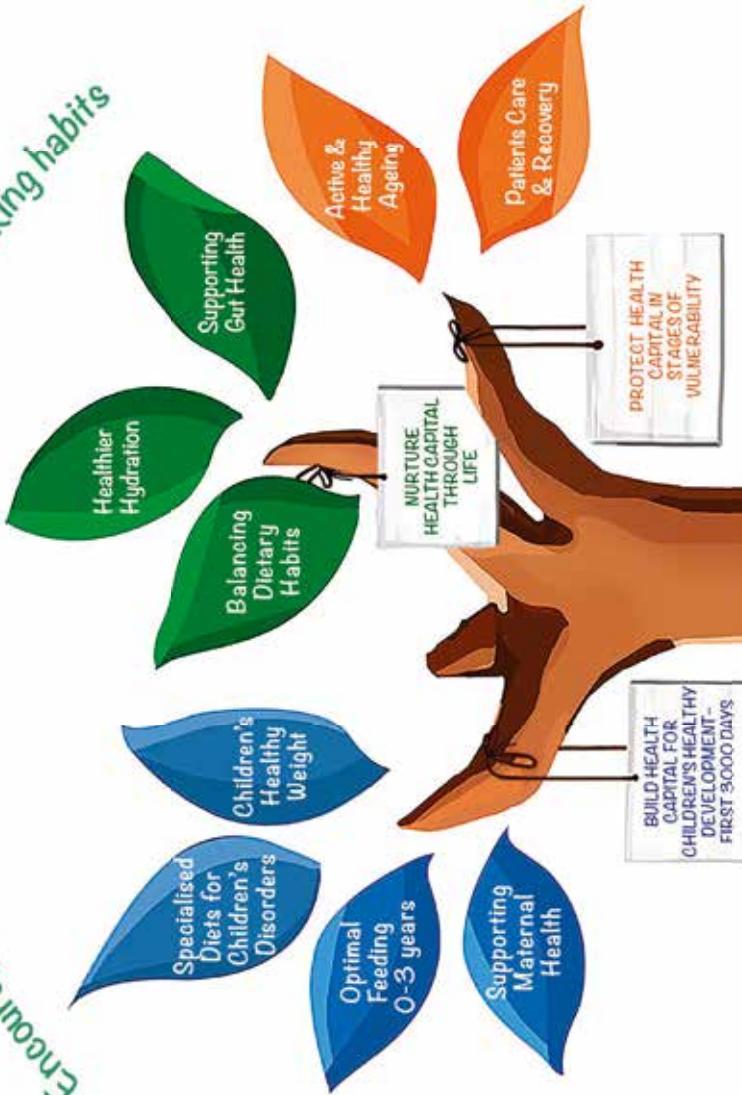
To explain our vision of alimentation we use the symbol of a tree (see next page). The leaves represent nine health priorities to which Danone contributes through its food categories and brands acting for healthier diets and lifestyles. They are clustered in three main areas of action: building health capital starting in the earliest days of life, maintaining it throughout life, and protecting it when most vulnerable.

The trunk illustrates the key role of our brands. By delivering a superior experience and offering healthier choices and solutions tailored to local needs, we can impact on a greater number of people.

Lastly, the roots show our actions aimed at addressing environmental challenges, such as fighting climate change, preserving the water cycle, fostering sustainable agriculture, and developing responsible packaging.

Alimentation

Healthier, more sustainable, eating and drinking habits



ENERGIZES US



ENERGIZES US

Impacting positively local communities

The Danone Alimentation Tree illustrates how our brands contribute to healthier eating and drinking habits, while having a positive impact on the planet.



pioneering brands

powering
the alimentation
revolution

Danone's brands are the means by which we engage in the alimentation revolution. Their legitimacy is grounded in their universal nutritional benefits, from hydration to a balanced diet.

Committed to our mission, our four business lines pay attention to all consumers, including infants, mothers-to-be, and the elderly. For example, yogurt is one of the simplest ways to take care of your health each day: it's natural, highly nutritious, and easily digestible. Water is the best form of hydration, and the only fluid the body really needs. In the first 1,000 days of life, from breastfeeding through to the introduction of appropriate new foods, nutrition is crucial in helping children grow and build health capital. And medical nutrition contributes to a longer, better life for the vulnerable, both young and old.

In addition to their indisputable nutritional value, high quality and added enjoyment, our brands have a responsibility to offer food and beverages that benefit health, communities and the planet, and in doing so meet the consumers' expectations.

In these next pages we showcase five Danone brands, representing our Divisions and the regions where we do business. Each has been designated a Manifesto Brand, with a clearly defined purpose and a roadmap. For Aqua, that means making water a source of socio-economic wealth. For Danonino, contributing to children's full development and autonomy. For Fortimel, fighting disease-related malnutrition by meeting specific dietary needs. For Aptamil, helping children grow up healthy and build health capital from their very first days. And for Phosphatine, breaking the vicious circle of anemia in Africa.

"Our ambition is to produce healthy food that is affordable, creates economic and social value, and nurtures natural ecosystems through sustainable agriculture."

Lorna Davis
Executive Vice President, Chief Manifesto Catalyst and CEO, Danone North America
(after closing of the upcoming WhiteWave transaction)

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>

A woman with dark hair tied back is shown in profile, drinking from a clear plastic bottle of Aqua water. She is wearing a light-colored, button-down shirt with a colorful beaded strap across her shoulder. The background is blurred greenery.

ENERGIZES US

AQUA

Providing
goodness and
hydration

ENERGIZES US

KEY FIGURES

No.1 producer of bottled mineral water in Indonesia, with three new plants opened in 2016

Recipient of the Living Legend Companies award in 2016, in recognition of more than 43 years of proven sustainable growth

Water access programs serving over 135,000 people

Aqua's aim is summed up as "spreading goodness to enable Indonesians for a better Indonesia." Its deep roots in Indonesian culture and society are one of its greatest strengths, and a key to understanding its status as a Manifesto Brand.

Across the archipelago, water is valued for its purity and abundance, two features that are prized in local culture. But more than a source of balance and harmony with nature, water is vital to the development of both the country and its people.

With two-thirds of the population lacking access to safe drinking water, Aqua understood the imperative. Outpacing other Indonesian brands to respond to the challenge, Aqua has become the number one natural bottled water, and also gained recognition as one of the country's "Most Meaningful Brands."

Addressing the health challenge of hydration is one of its main preoccupations. Aqua committed early on to providing access to affordable potable water in large formats. The Aqua Gallon was among the first of its kind to be distributed in Indonesia, and still represents a large percentage of sales.

Even so, while Indonesian young adults may drink a generous 1.6 liters per day, one child in four still does not drink enough water, especially in cities. As a result, Aqua is pushing for a healthy hydration revolution.

To this end, Aqua has stepped up its education and brand activation campaigns for young people. It released a communication campaign that used a light-hearted tone highlighting the rewards and pitfalls (in this case temporary loss of focus) of not being well hydrated. For younger children it

launched small bottles of mineral water in the shapes of Disney characters, which have proven a fun and effective way to encourage children to drink water.

Another one of Aqua's main priorities is the environment. Managing the water cycle is a major challenge in Indonesia, and one where the brand has been active for several years. It has developed a tool to reduce water consumption at the factory, while also aiming to return water safely to the environment, and protect the watersheds in partnership with the communities where it operates. In 2016, Aqua signed a strategic partnership with an NGO, water.org, to expand its water access program in a more sustainable way. Through this NGO, we are able to reach regions in need of water while contributing to the UN's Sustainable Development Goals.

In parallel, plastic waste management remains a challenge in Indonesia. Recognizing the opportunity to raise public awareness, Aqua is working with local partners to organize collection and recovery of packaging with the goal of collecting more plastic than it generates.



Aqua is recognized as a "Most Meaningful Brand" in Indonesia



“Our brands need to take a position on the issues that matter to their consumers, be it environmental protection, health, or gender equality. Our consistency in our positioning over the long term is what builds trust and gives us legitimacy.”

Francisco Camacho
Executive Vice President, Growth and Innovation Officer and Waters

Waters

Badoit takes famous chef on regional gastronomic tour in France

Have you ever acted like a “wet chicken?” The French expression (meaning to be scared) was one of several that inspired dishes prepared by Michelin-starred chef Thierry Marx during the Badoit Thierry Marx Tour in 2016, celebrating French regional cuisine. The chef and long-time brand ambassador returns this year as part of Badoit’s Joyfood movement.

Aquadrinks grow in Germany and beyond

Sales of Juicy, the strategically important range of Volvic aquadrinks surged in our key markets, with double-digit growth in Germany. Juicy’s “Small Victories” campaign was well-received and responsible for driving awareness and sales. We are also successfully implementing our vision of reducing sugar in all of our aquadrinks, and are on track to achieve our full sugar reduction target before 2020.

evian Baby Bay campaign makes waves

“Baby Bay” is the mythical surf spot where evian chose to set its 2016 advertising campaign. The campaign, visible across digital and traditional platforms, included a mobile app that invited users to live the 360° baby surf experience. The ad has clocked more than 80 million views.

A Źywiec Zdrój campaign called “Don’t Sweeten Your Sweethearts” was part of the brand’s well-established “Mom, Dad, I Prefer Water” educational campaign, to encourage children to drink water.

Bonafont a best-performer in Mexico

Bonafont finished 2016 as the best performer in its category in Mexico, with its healthy hydration portfolio of Natural, Levite and Juizzy achieving new sales peaks with double-digit growth. It combined new brand images, 360° campaigns, and a focus on the shopper experience to achieve the results.

THE SOURCE OF ALL LIFE

Water is the ultimate natural element. There is no healthier, simpler way to hydrate our bodies than through natural mineral water.

Danone has made every effort to ensure that its brands offer the right formats, natural goodness and health-oriented alternatives to people of all ages. Its bottles are designed for style and practicality, with formats comprising convenient multi-packs and caps for sports, travel, office and family consumption, from the compact 20-cl evian Drop to the 19-liter jugs that are so popular in South America.

Now Danone is working to encourage children to switch from sugary beverages to water. Choosing water helps limit excess calories in the diet, helping to prevent obesity, which is recognized as a gateway to non-communicable disease such as diabetes and cardiovascular disease. In Spain, for example, over one-third of children aged four to ten do not drink enough natural liquids, and sugary beverages account for 20% of what they do.

Developing healthy hydration habits from an early

age can help make a lifelong shift towards a better and healthier life. It’s why the “Drink Water, Be Healthy” campaign by EASO (European Association for the Study of Obesity) is predominately aimed at children.

The Waters division has fully embedded healthy hydration into its strategy. First, by putting waters on the market, offering still, sparkling, or naturally flavored and low-sugar aquadrinks (an alternative to sodas or sugary drinks). Second, by developing fun and enticing bottles for plain waters, specially sized and designed for kids. These bottles are shaped and transformed into the most popular super heroes and characters through their packaging, thus helping children to prefer water. Poland is just one country to have embraced the challenge of healthy hydration. A recent Źywiec Zdrój campaign called “Don’t Sweeten Your Sweethearts” aims to reduce sugar in children’s diets. It inspires parents to pay attention to what their children drink, and encourage the habit of drinking water.

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DANONE 16

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A close-up photograph of a young child's face, looking slightly to the side with a thoughtful expression. In the foreground, a colorful, cartoonish unicorn toy is partially visible, adding a playful element to the scene.

ENERGIZES US

DANONINO

Nurturing
kids'
autonomy

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DANONE 16

ENERGIZES US

DANONINO

Range of dairy products for ages 3 to 6: yogurt, yogurt drinks, fresh cheese and dairy specialties

Source of calcium and vitamin D, essential to growth and healthy bone development in children

Leading markets: Brazil, Mexico, France, Germany, Russia and Spain

Best-seller: fresh cheese by the cup

Danonino pouch: to be launched in Brazil, Mexico and Russia during 2017

It takes more than love to become a Manifesto Brand. For over 40 years Danonino—formerly Petit Gervais in France—has grown country by country, building relationships of trust based on its close connection with parents and young children. The nutritional qualities of its products and their fun, educational positioning have cemented its popularity and reputation.

Danonino has always supported parents, offering children nutritious foods and helping them develop healthy eating habits. The brand is transforming itself to focus on a child's full development—health, social, and emotional—and encouraging children to become autonomous. The idea of autonomy was reinforced in "Say Yes," its global campaign in 2016, which encouraged parents to allow their kids to explore and make their own choices from early childhood.

Nutrition is also part of Danonino's DNA. Over the past decades we have continuously cut the sugar in our products worldwide, and the brand has recently stepped up these efforts: between 2014 and today added sugar content has decreased by 24% on average, and total sugar content by 14%. The brand is now targeting new, even more ambitious sugar thresholds by 2020.

Danonino's pouch, launched in Europe in 2016, is aligned with our new nutritional standards and among the best in class in terms of sugar content. Portable and with easy-to-handle packaging, the product can be consumed for eight hours once out of

the refrigerator, encouraging children to be autonomous.

While changing the way people eat and drink might be a long-term focus, Danonino is also concerned with the world we live in today. The brand has committed to significantly increase the use of recycled materials and renewable plastic in packaging by the year 2020.



“Yogurts are an outstanding example of the alimentation revolution: they're natural, fresh, healthy and local. Through the incredibly transforming power of live ferments, yogurts pack a high concentration of essential nutrients, and are also one of the least-processed commercially made products.”

Gustavo Valle
Executive Vice President, Resources Efficiency and Dairy

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>

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DANONE 16



Oikos Triple Zero helps take Danone to the top

In the United States, where health is a driver of change in eating habits, consumption of some types of fresh dairy products is growing. This is especially true for the Oikos range, which has helped Danone vault to the top of the U.S. yogurt market. Oikos Triple Zero, the category's best-selling innovation in recent years, has strengthened Danone's position even further, with sales growth increasing twofold like-for-like compared with 2015. Oikos Triple Zero has achieved this strong growth by delivering a nutrient-dense product and focusing on expanding into protein snack moments of consumption.



Argentina 3 in 1

Yogurisimo 3 in 1 is an innovative proposal developed to satisfy the need for a complete breakfast. It's the perfect combination of 3 key elements—yogurt, fruits and cereals—for a healthy start to the day. The objective was to increase penetration among adult consumers. After four months the product has reached 60% of new households.



Changing perceptions of yogurt in Russia

In Russia, growth in the yogurt category had been constrained by the perception of yogurts as indulgent and artificial compared to traditional plain Russian dairy products. The Activia and Danone brands adopted artisanal-style packaging to reinforce the sense of naturalness, refined simplicity, and transparency regarding the process and ingredients. Results were impressive, with sales of Activia's spoonable yogurt above 20% and Danone up more than 50% in 2016.

PROMOTING A HEALTHY DIET

Yogurt contains nutrients that are essential throughout life and required on a daily basis. Its secret lies in fermentation. Just take good fresh milk, combine it with live ferments and you obtain yogurt naturally—a source of protein, calcium and vitamins with all the goodness associated, for young, old, and everyone in between.

It's been part of a way of life for diverse cultures all over the world for centuries, and for good reason. Danone's conviction is that a typical, regular serving of yogurt supports gut health through better lactose digestion and helps the development and maintenance of healthy bones. In many ways, yogurt is a nutritionally superior choice compared to many other food options.

Beyond bringing useful nutrients, yogurt is also versatile, meaning it can be both a sustainable positive daily habit and a delight for everyone in the form of a snack, a dessert, a drink or an ingredient. Yogurts are enjoyed around the world, especially in Europe, home to four of the top five countries

'Stay Strong' campaign gives Actimel a lift

Actimel relaunched in April 2016 with a global campaign and new brand platform called "Stay Strong". The global integrated campaign on TV, outdoor, PR, social and experiential media encourages consumers to face their daily challenges with positive resilience and to stay strong. In the U.K., sales grew by several percentage points from last year, consumer penetration reached the highest level in the past 3 years and brand affinity rose 8 percentage points.



for yogurt consumption (the Netherlands, France, Spain and Germany). And though growth may have slowed, per capita consumption remains 30 kg—by far the largest anywhere.

In regions where consumption is lower (which include Romania, Egypt, South Africa, Colombia and Russia), the market for Dairy—our biggest business line with 49% of sales in 2016—has enormous potential. In Russia, where Danone's international brands rub shoulders with local brands, results have been particular good for ranges that emphasize naturalness, highly valued by Russian consumers. Prostokvashino and other local brands with a natural positioning and traditional products such as kefir are generating growth, as are Actimel, Danissimo and the 2016 version of Activia in clear cups.

In the U.S., Danone is No. 1 in yogurt, with Oikos, Light & Fit, and Danimals its leading brands.



ENERGIZES US

FORTIMEL

Building on patient insights and innovations

ENERGIZES US

“In the 21st century, we will see a shift from a majority of communicable diseases to a majority of nutrition and diet-related diseases, making nutrition much more critical to our health and well-being than in the past.”

Flemming Morgan
Executive Vice President, Medical Nutrition Division
until mid-2017

For Fortimel, the alimentation revolution begins with a radical shift in perspective: putting patients, not products, at the heart of its mission. Fortimel is a medical food used as an oral nutritional supplement to fight disease-related undernourishment, for instance in patients suffering from cancer. Its recent transformation marks the transition beyond supplying a medical nutrition product to taking a holistic approach to patient care and recovery.

The approach is particularly relevant at a time when the incidence of chronic disease is increasing worldwide. There were 14 million cancer cases globally in 2012, a figure expected to increase 70% in the next 20 years⁽¹⁾. Research has shown as much as a 50% reduction in complications for cancer patients who used medical nutrition before surgery⁽²⁾, illustrating its relevance in helping to manage the global healthcare challenge of rising chronic disease.

The stakes are even higher when we consider rising healthcare costs and the burden borne by caregivers. The role of nutrition in patient care and recovery has been proven but is still underestimated, not only by patients and their families but also by healthcare professionals. Nutricia's ambition is to establish medical nutrition as an integral part of healthcare—an ambition that is carried by its brands such as Fortimel.

KEY FIGURES

The Fortimel range includes 9 products, 3 offering 8 different flavors to facilitate patient compliance with prescribed nutritional regimens

In 2016, Fortimel reduced its plastic consumption by 2,000 metric tons and cut its CO₂ emissions by 5%, in particular by compacting its packaging

Leveraging the power of digital technology is increasingly important in raising awareness about the benefits of medical nutrition. For example, an online monitoring platform in the Netherlands is supporting cancer patients by providing guidance on nutritional care and physical activity at all stages of disease and recovery. The platform, developed as part of a multi-stakeholder Danone Ecosystem Fund project, involves and empowers patients in making treatment choices. Co-developed with patient associations, academic partners and insurers, the tool is reimbursed as e-health by all health insurance companies in the Netherlands.

Patient insights are at the heart of the Manifesto Brand approach to innovation for better patient care. When research showed that volume was a barrier for patients to consume full portions of Fortimel products, the brand pioneered a new formulation enabling compact, smaller-volume products. These deliver the same nutritional density while supporting patient compliance with their prescribed nutritional regimen. As an added advantage, the new format delivered environmental benefits through reduced plastic packaging.

(1) www.who.int/mediacentre/factsheets/fs297/en/

(2) Kabata et al, Support Care Cancer, Feb 2015

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>



Fortimel
is sold in
32 countries



A MISSION FOR LIFE

Nutricia Advanced Medical Nutrition's mission is to pioneer nutritional discoveries for longer, healthier lives. This leads us to focus on research and development in specific disease areas, in close collaboration with specialist healthcare professionals. We deliver nutritional products and services that are adapted to each specific stage of a patient's journey.

Nutricia introduced a breakthrough innovation in 2016 in its pediatric nutrition business, adding to its Neocate range of amino-acid based products for the dietary management of cow's milk allergy. Neocate Syneo is the first and only hypoallergenic formula containing a unique blend of both prebiotics and probiotics, designed to help support the development of a balanced gut microbiota in infants suffering from cow's milk allergy, multiple food allergies, and related gastrointestinal conditions. The product was launched successfully in the United States in 2016, where as many as 5% of children suffer from cow's milk allergy.

In addition to its research to deliver disease-specific nutritional support, Nutricia recognizes that a positive patient experience of taste and the pleasure

of eating is important to help patients comply with their medically prescribed nutritional regimen.

For instance, persistent food allergies in children sometimes require long-term dietary management, while products need to be tasty and offer variety to ensure continued appeal. In 2016, Nutricia introduced Neocate Junior in Europe, with improved taste and an optimized nutritional profile.

Nutricia has also forged ties with the Alicia Foundation, a center for scientific and culinary research dedicated to promoting healthier eating that also focuses on cuisine adapted to the specific needs of patients using medical nutrition products. For one Catalonian hospital, the Foundation has developed meals with all the flavors of paella, a local specialty, specifically for patients suffering from swallowing difficulties (dysphagia). It is prepared using Nutilis, a thickening product from Nutricia.

ENERGIZES US Medical Nutrition



Mobile app to optimize nutritional care
Nutricia launched the Nutricalculator app in both the App Store and Google Play Store. Developed in partnership with intensivists and researchers from the VU University Medical Center in the Netherlands, the app gives nurses, dieticians and doctors in intensive care units a fast and easy means of calculating a patient's energy and protein requirements at the bedside.



1ST
and only
hypoallergenic
baby formula with
a specific pre- and
probiotics blend



A tasty option for kids
with milk allergies

Neocate Junior was introduced in Europe in 2016. Featuring improved taste, the product is intended for the dietary management of children aged over one year suffering from cow's milk allergy and multiple food allergies.

APTAMIL



Focusing on infant immunity for a stronger future

“ Early life nutrition is a cornerstone of the food revolution. It's the basis, the starting point in helping children get off to a good start in life and build their health capital for the future.”

Bridgette Heller
Executive Vice President, Early Life Nutrition and Advanced Medical Nutrition (after mid-2017)

Aptamil believes every baby is entitled to the best start in life, and the healthiest future. As with every Danone Nutricia Early Life Nutrition brand, Aptamil supports exclusive breastfeeding for the first six months of age and continued breastfeeding up to two years and beyond, combined with the safe introduction of appropriate complementary foods⁽¹⁾.

Present in 39 countries, the brand has developed a reputation as a “brand of first choice” among parents and healthcare professionals. Aptamil’s portfolio of products encompasses a full range, from expert care for the extremely vulnerable (e.g., preterm infants), to nutritious formulas with scientifically proven health benefits for young children.

One of its key areas of focus is children’s immune systems. For the first time in modern history, today’s children are likely to grow up less healthy than their parents, partly due to rises in non-communicable diseases such as obesity and diabetes.

Ensuring a strong immune system in early life can help build a baby’s resilience against future adult health issues. To this end, Aptamil has a strong

pipeline of innovations in development to continue to lead the category on immune fitness. This pipeline is based on best-in-class science and expertise, such as a hypo-allergenic formula with prebiotics for infants at risk of allergy.

The brand is also committed to sustainability, taking an approach to milk supply and packaging that is designed to minimize its impact on the environment. In more than a few ways, Aptamil is looking out for future generations.

(1)“Danone’s Commitment to Health and Nutrition in the First 1,000 Days,” July 19, 2016, available on danone.com

KEY FIGURES

Sold in 39 countries
Best-performing brand in Danone’s Early Life Nutrition division



Aptamil,
a progressive
range of milks
for ages 0 to 3



FIRST 1,000 DAYS OF CARE

The mission of Danone's Nutricia Early Life Nutrition is clear: "We make every day count, for you and your baby." The division wants to create a better future for today's children, promote and protect breastfeeding, and seek to ensure that infants and young children get the best possible nutrition in their first 1,000 days, which are crucial for lifelong health.

From conception through to 24-36 months, children live in an environment where food, home, family and cultural habits shape their development. Some children grow up in difficult environments where they do not have the best chance to become healthy and strong. Danone is responding to this challenge by committing to help create better conditions for building, maintaining and protecting infant health.

Danone Nutricia ELN has embraced the first 1,000 days as critical to the well-being of mothers-to-be and their babies. Our pledge⁽¹⁾ is to protect and promote breastfeeding through very strict marketing practices and support for breastfeeding programs.

In recent years, the division has supported young parents by encouraging them to sign up for online educational programs. From nutritional

insights to tools for monitoring performance and personalized coaching on diet, our content has been co-developed with scientists and healthcare professionals. The facts are there, but not universally known: young children need five times more iron and four times more calcium per kilo of body weight than adults. And introducing cow's milk into an infant's diet too soon, or preparing meals with too much sugar or salt, can trigger health problems and nutritional deficiencies.

To reduce the risk of vitamin D and iron deficiencies, Danone Nutricia ELN offers growing-up milks fortified with essential fatty acids, vitamins and minerals. For pregnant and breastfeeding mothers, the division offers supplements to offset depletion of their body's reserves of vitamins, iron and calcium due to the baby they are carrying. And for babies' first solid foods, sold under the Blédina label in France, Happy Baby in the U.S., Bobovita in Poland, and Mellin in Italy, Danone has a single aim: help create a brighter future for the world's babies, especially those most vulnerable.

(1) "Danone's Commitment to Health and Nutrition in the First 1,000 Days," July 19, 2016, available on danone.com

Early life nutrition



Malyutka campaign showcases ELN's high standards

In 2016, Malyutka in Russia launched a campaign to reinforce the brand perceptions of quality and trust. Central to the campaign was an online TV travel show, which highlighted the standard of Danone ELN's nutrition, production, quality and ingredients around the world. Malyutka closed the gap with a main competitor and increased its infant formula volume market share.

Indonesian campaign aims to grow great babies

In Indonesia, Nutricia's Bebelac launched its "Grow Them Great" campaign for mothers of babies over one year old. Bebelac builds on 100 years of experience to care for babies' delicate stomachs and help them grow strong. The campaign successfully turned around sales, with double-digit growth in 2016.

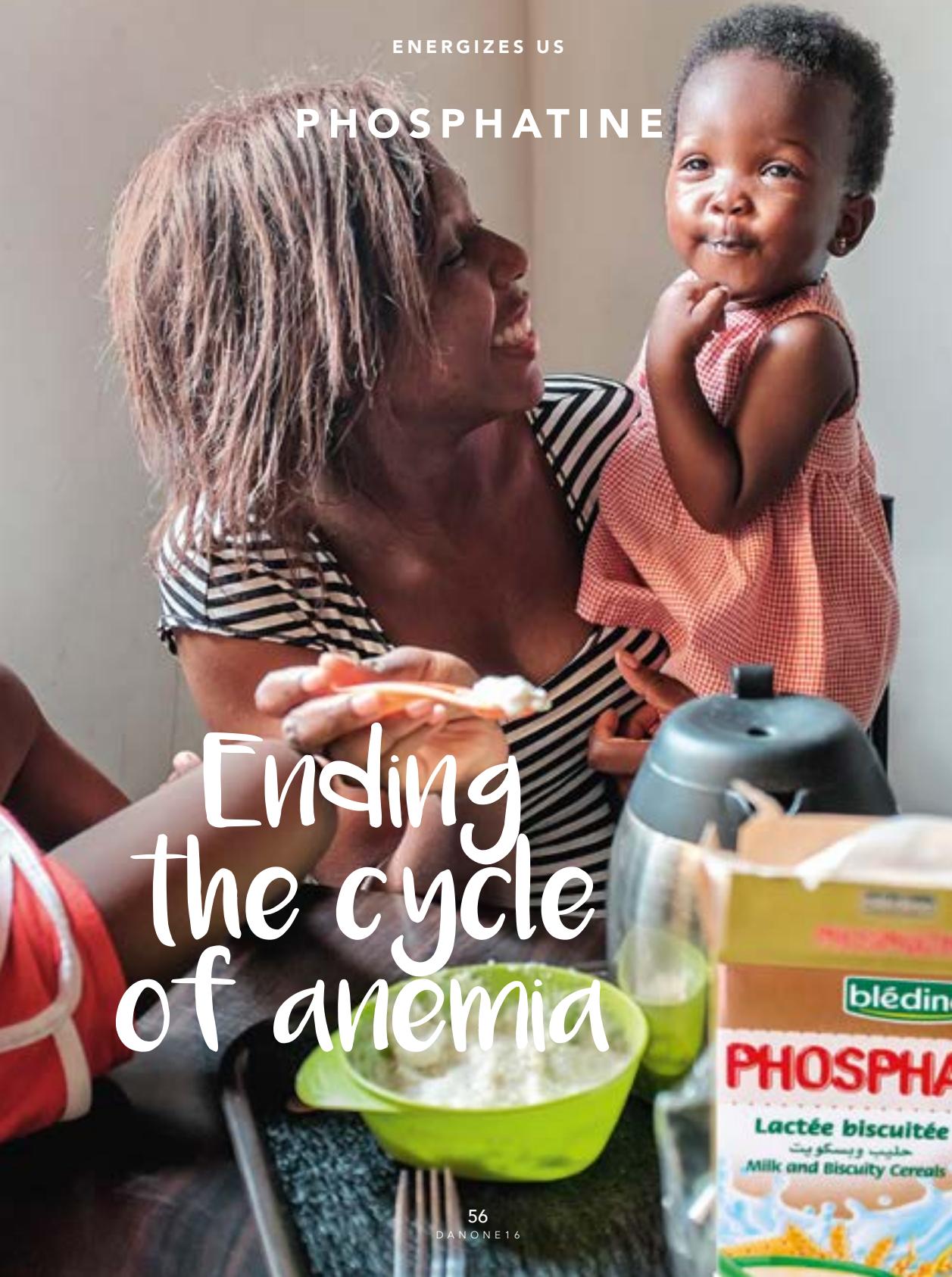


Fighting obesity with awareness in the U.K.

In October 2016, Danone Nutricia ELN helped launch the Early Years Nutrition Partnership to fight childhood obesity in the United Kingdom. Working in partnership with the Pre-school Learning Alliance and the British Nutrition Foundation, the business line set up an independent and unbranded network of nutrition professionals to make parents and daycare providers more aware of nutrition problems affecting young children.

PHOSPHATINE

Ending
the cycle
of anemia



“People want food that makes sense for their health and for the planet. They feel a need to reconnect with traditions, history, and their community. With Phosphatine, we are turning cereals, a staple part of local diets across Africa, into a high-quality food delivering health.”

Pierre-André Téresse
Executive Vice President, Access and Africa

The rise of Phosphatine as a Manifesto Brand offers a key to breaking the vicious cycle of anemia in Africa. The challenge is sizeable: 71% of African children under five are anemic, with half of these cases caused by iron deficiency. The impact on a child's physical and cognitive development is devastating, and though solutions do exist, affected groups are often unaware of them or unable to afford them.

Phosphatine is well positioned to be a part of the solution. The brand's instant cereals are fortified with enough iron to meet 70% of a child's daily requirements. They are adapted to local eating habits, and among the least expensive cereals in the market. Moreover, the brand is backing sales with awareness-raising campaigns and partnering with health professionals to help the public understand key childhood nutrition issues.

But to have a real impact, Phosphatine needs to move into high gear. The goal is to trigger a virtuous cycle by cutting costs and with them prices, in order to expand the brand's markets. This is the strategy of a Manifesto Brand that has clearly

identified its mission: from public health challenges, to consumer expectations and its own path to growth.

To succeed, the brand is identifying the grains that best meet the nutritional needs of African children, whether sorghum, millet or corn, and securing reliable sources of quality supplies. At the same time, Phosphatine is stepping up its nutrition information programs, working with health professionals to reach local communities.

KEY FIGURES

A range of instant cereals, eaten with or without milk, with fruit, biscuits or honey
Fortified with iron, to deliver 70% of a child's daily requirement
Available in Cameroon, Côte d'Ivoire, Gabon and the Republic of the Congo

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>



Just one serving of iron-enriched Phosphatine provides 70% of a child's daily requirement



ENERGIZES US

Africa

ENERGIZES US



A CONTINENT OF NATIONAL MARKETS

Danone began in Africa with a foothold in Morocco in 1953, and is present in 40 countries today. From the start the company preferred joint ventures and strategic acquisitions with prominent local players to creating new entities from the ground up.

Around 80% of Danone's sales in Africa are driven by dairy products, which have risen six-fold since 2008. Most of these must support limited refrigeration infrastructure, with South Africa one of the first countries to develop long shelf-life yogurts at the end of the 1990s.

Each of the countries where Danone operates has its own business and social environment. And while Danone distributes its global brands Activia,

Danette, Danonino, DanUp, Danao and more, these are sold alongside local brands including Mayo, UltraMel, YoJelly, Fan Milk, Brookside, and Halayeb.

In Early Life Nutrition, Danone sells not only Phosphatine but also Blédina, Bebelac, Aptamil and Milupa. All of these brands are working to achieve the same reliable fundamentals—from securing local dairy supplies and distribution networks, to creating safe, tasty, high-quality products, without compromising on quality standards or food safety.

In 2016, Danone Africa grew a steady 2.8% compared with 2015, and the division now counts over 13,000 employees.

80%

of Danone's sales in Africa are Fresh Dairy Products



Egyptian dairy acquisition

Danone acquired Egyptian group Halayeb for dairy products. Halayeb specializes in cheese, one of the most important and dynamic segments in Egypt's dairy sector.

Stepping up in Western Africa

The company turned its minority interest in Fan Milk International into a majority shareholding, increasing its presence in Ghana, Nigeria and French-speaking Africa.

Yogurt drinks lead growth

There was positive growth in our drinks portfolio, with all yogurt drinks up 12.6%, led by Assiri in Morocco with 17.5%.



Business Innovation Hits the Accelerator

Constant innovation is a key to Danone's growth and the success of our alimentation revolution. So how can we find continuous sources of inspiration and ideas? In 2016, we started two initiatives, the Manifesto Innovation Accelerator and Danone Manifesto Ventures, purpose-built to cultivate ideas and propel innovation around the company and beyond.

Start-up mindset, a smart approach

Inspired by how startups think and work, the Manifesto Innovation Accelerator is akin to a corporate accelerator, driving projects inside the company that support the Manifesto or alimentation revolution.

Working fast and experimenting on the go, the Manifesto Innovation Accelerator team identifies ways to boost collaboration and leverage strengths between company divisions while bringing Danone into new categories.

The team itself is small and agile, comprising a range of backgrounds from project leaders and business designers to technology leaders. Together they work on four streams of activity: "Screen," "Accelerate," "Connect" and "Spread."

"Screen" is about keeping ahead of the curve in market intelligence on food, consumer and other themes relevant to the alimentation revolution. By attending startup events, monitoring industry news and social media, analyzing big data, or other means, the aim is to identify emerging trends and ideas and keep pace with where the consumer is going.

The "Accelerate" stream turns these into innovative business models, managing projects as if they were startups. Our pipeline includes projects to address active and healthy aging, use connected refrigerators to balance dietary habits, and offer seaweed as a protein alternative.

Next we "Connect," which entails working with external partners and friends. To develop a virtual reality experience with a health education message, for example, we sought out companies that were already engaged in VR in the medical field.

Last but not least we "Spread," sharing information around Danone about our learnings and external partners to spur us to think and act in new ways. In doing so, the Manifesto Innovation Accelerator accelerates Danone's contribution to the alimentation revolution.

Investing in disruption

Danone Manifesto Ventures is an investment unit with a mission to partner with entrepreneurs who share the principles of our Manifesto. By making direct, early investments in innovative food and beverage companies with high-potential brands, concepts, technologies or categories, we support them into their next stage of development.

We have created a dedicated team of six professionals based in New York, and a \$150 million fund to be deployed in the next three to five years, in companies based in the U.S. and Europe. Categories that are core or adjacent to Danone's are a natural focus for the team, but we are also considering new categories as well as food-tech, agri-tech and other technologies that could transform Danone.

For instance, in the summer of 2016, a small-scale revolution took place when Danone purchased 40% of Michel et Augustin, a French cookie, juice, and yogurt company recognized for its start-up spirit, offbeat image, and delicious products.

The advantages of Danone Manifesto Ventures flow both ways. Young companies gain from Danone's support system and expertise in healthy and sustainable food, while Danone benefits from exposure to new brands, new talent, new ideas, and the famous entrepreneurial spirit of innovation.

To make the most of this mutual learning, our plan is to connect Danoners with teams in our portfolio companies (like Michel et Augustin), in combined activities such as innovation best practice sessions, networking events, and learning expeditions.

Investing in disruptive companies is a new way to associate with partners in the alimentation revolution, and potentially build new brands and bring Manifesto ideas into being.

www.danoneventures.com

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>



DANONE, MICHEL ET AUGUSTIN:

love at first bite

The two troublemakers,
Michel de Rovira and
Augustin Paluel-Marmont

Last year, Danone Manifesto Ventures invested in Michel et Augustin, an innovative French food company known for its delicious cookies, yogurts and desserts, started by two childhood friends in 2004. Danone now holds a minority interest in this young company. We spoke with co-founder Augustin Paluel-Marmont about the partnership.

ENERGIZES US

WHAT LED TO YOUR PARTNERSHIP WITH DANONE?

Ever since our beginning 12 years ago in a tiny kitchen in my little apartment near Montmartre (Paris), we have wanted to spread French pastry know-how throughout the world, and put taste and quality ingredients at the heart of how urban consumers think about food. In 2015 we wanted to move into high gear and started thinking about how to accelerate our expansion overseas (as we had a pretty solid foundation in France) and about possible partnerships. We then had a meeting with Emmanuel Faber, which went great. You could say it was love at first sight!

WHY LOVE AT FIRST SIGHT?

Danone is a company based on its people, and people are at the heart of our adventure, too. A business is simply a reflection of the men and women who are a part of it. Beyond that, both companies are focused on quality in food. And we saw Danone had the capacity to help us spread our brand around the world. We recognized ourselves in their philosophy—authentic, transparent, equating food with pleasure, using real ingredients and quality recipes. They are also committed to work with and for local communities, which is very important to us.

HOW WILL THE "TROUBLEMAKERS OF TASTE," AS YOU CALL YOURSELVES, FIT IN WITH A TOP 40 COMPANY?

Internally we call Danone our older brother. They give us advice; we can ask them for help, and they give us a hand. But they don't impose their views or order us around. They inspire us, and they help us grow. The only thing that has really changed is that they have representatives on our board. Basically, it's a partnership. We remain independent in the way we manage our operations, and we continue to be a tribe of troublemakers. We have our older brother to help us, but it also works the other way around: we share our entrepreneurial and innovative spirit, our resourcefulness, our agility. It's a win-win partnership.

HOW DO YOU WORK WITH DANONE MANIFESTO VENTURES?

Danone Manifesto Ventures is on our side to transform the partnership with Danone from theory into action and it has already started making a few joint projects possible. For example, we put together a project called "The Fresh Revolution" in the U.S., with the idea that Danone can help us launch a range of fresh desserts. We had a kickoff meeting with Danone who will support us with expertise in manufacturing, R&D, and marketing. We spent a day at the Banana Farm (our offices) in Brooklyn, tasting our products together, then went to White Plains to understand Danone's capabilities, in order to create the best fresh products to launch under our brand in North America. On the sales side, we're working closely with Danone Waters of America and Dannon to explore areas of collaboration that can accelerate our growth in the U.S. For instance, it's thanks to Dannon that our products are now available on Fresh Direct (a market-leading online grocer) in New York.

WHAT ARE YOUR MAIN EXPECTATIONS FROM DANONE?

The reason we wanted this partnership with Danone is to accelerate our expansion around the world. We have teams in five countries—Belgium, Switzerland, the U.K., the U.S., and France, and we're present in 20. We're counting on Danone to help us succeed in North America. It hasn't been easy, but so far it's going well. And with Danone we can go a lot faster than we could alone. Once we've succeeded in spreading French pastry-making know-how in the U.S., we can move on to other countries.

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>

Six Danone Stories

Around the world



**Ksenia
Maslennikova**

Project Leader



**Natalia
Gelstein**

Moscow City Unit Project Director



MOSCOW CITY UNIT

Understanding cities and their people

“The Danone City Unit pilot program in Moscow was developed in response to an essential question: how could we grow our business in large cities where more and more people live, and income and innovation are concentrated?

The task for the team was to become better acquainted with their city, listening to residents and their needs, recognizing upcoming trends, and identifying a ‘city purpose’ in line with our company’s mission. By focusing our attention on the city itself, we’re finding new and innovative ways to market, distribute and sell our products.

In Moscow, our ambition is to become a vital player and partner in the city, making lives easier for Muscovites by understanding their nutritional needs and

offering solutions. The Moscow City Unit team has focused on the most relevant community for our business, namely local mothers. For Moscow moms it can be hard to find reliable sources of information on subjects such as healthy child nutritional habits. The team is developing a plan to engage moms and, with their help, build a community. One of the projects is Baby Stores, which has optimized its point-of-sale execution leading to growth for our Téma brand.

The secret to the project’s success has been the collaboration between Danone’s four Moscow divisions to develop transversal responses to identified needs. Growth among these city divisions is three times faster than for Danone in Russia overall.”





Eric Soubiran
Europe Milk Director

Europe Milk Director



Europe

MILK SOURCING

Developing relationships of trust with dairy farmers

"When it comes to the milk used in our products, assuring quality and traceability is essential. To do so, we have to cultivate stable, trusting relationships with our dairy farmers.

In Europe, our Fresh Dairy Products division chooses to work directly with farmers, reflecting our commitment to building strong, meaningful ties to local communities. In fact to keep Danone production plants supplied, our teams work with over 4,000 farmers in six European countries, sometimes with the same family over several generations.

To create enduring relationships with our partners, we've made the reduction of price volatility a core tenet of trust. Over the last three years we've

developed a new model for working together that gives farms more economic stability, keeps the dairy industry competitive over the long term, and meets our environmental and social commitments. And because production costs are factored into our purchase price, farmers have the security they need to make investments, while Danone is assured of the quality and reliability we need. Almost 40% of our dairy volumes in Europe are covered by this model.

This continued dialog with our farmers also gives us the opportunity to address core issues affecting the European dairy industry as a whole. Each of our collection areas has adopted a strategic issue, addressing it with a specific project.

In 2016, our Spanish subsidiary launched a project with Compassion in World Farming (CIWF), an international organization dedicated to improving animal welfare. In partnership with CIWF, Danone Spain has revamped standards and audits, setting a high bar for the humane treatment of dairy animals.

In Belgium, Danone employees are working to limit quantities of farm effluent by developing innovative technologies that treat nitrogen compounds, reuse liquid manure, and more.

In Germany, where consumers are concerned about GMOs and deforestation, we're encouraging local animal feed solutions.

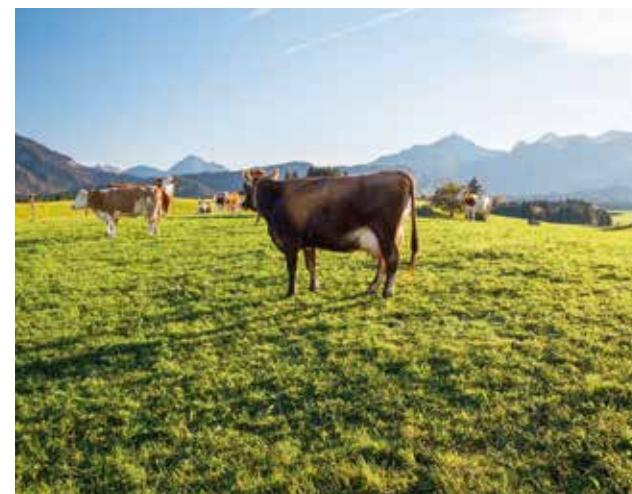
In France, which accounts for a large share of the milk we collect in Europe, we've launched a pilot project designed to shrink our carbon footprint. This new effort is

part of the French Dairy Interbranch Organization's low-carbon farm initiative, which promotes better farming practices and other measures to help French dairy farms achieve a 20% reduction in greenhouse gas emissions per liter of milk produced by 2025. The joint project was launched in 2016, and in March 2017 an

agreement was signed at the International Agricultural Show in Paris. And in Romania, Danone is supporting subsistence farmers through Chance for All, a Danone Ecosystem Fund project designed to help them get their operations on a more professional, economically

sustainable footing, and meet the highest European quality standards. As a result, more than 150 Romanian farm families are now supplying milk to our plant in Bucharest, and preparations for the next stage of the project are already underway.

Though we've launched these pilot projects at country level, we plan to replicate them on a broader scale. We'll build on their successes to map out our future milk production footprint, harmonize best practices in Europe, and cement Danone's relationship with the dairy industry."



Danone collects milk from over 4,000 farmers in Europe





Karyanto Wibowo

Head of Sustainable Development,
Danone Indonesia

Indonesia



ORISA

Going organic to improve health and the economy

"In Indonesia, Danone is supporting the launch of a new brand of organic rice, Orisa. The project has been a success for both farmers and the community, preventing water contamination, bolstering local incomes through our Aqua Home Service, and promoting healthy lifestyles.



Ernawati Gurusinga, owner of Aqua Home Service Ernaqua

Orisa came into being when a local university found that the farming methods of rice-growers upstream of our Cianjur bottling plant may pose long-term risks to our water resources. To reduce this possibility, Danone helped farmers shift to organic, more sustainable, farming methods. We also helped set up Hipoci, a community cooperative where farmers support each other in adopting new practices, which have flow-on advantages such as higher rice production, lower crop costs, and increased yield.

Yet even with farmers eager to adopt organic practices, an important step was missing: they needed a way to bring their new rice to market. To solve this problem we brought our local Aqua Home Service network into the equation.

Our Aqua Ladies were already meeting basic daily needs by distributing Aqua brand water, rice and cooking gas directly to consumers. Adding organic rice to their offer gave them a chance to boost their own income while promoting healthier food and lifestyles in their community.

In the countryside around the Cianjur plant, nearly 180 acres have been converted to organic farming, while 451 farmers grow Orisa rice, which they sell through a network of 345 Aqua Home Service vendors in three Indonesian cities.

Given the promising results, we are working to replicate the project's success. We've rolled out a similar program near our Wonosobo plant in the Central Java province and will do the same in five more regions. Our aim is to sell 1,200 tons of Orisa rice through our 1,000-strong Aqua Home Service salesforce by 2020."



Edouard Spicher

CEO, Fan Milk International



Nigeria

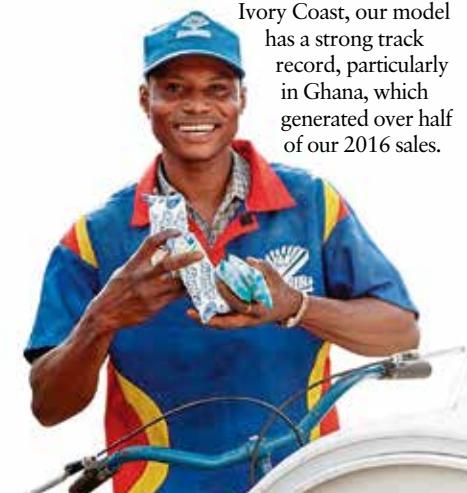
FAN MILK

Tapping hidden opportunities in Nigeria

"Fan Milk in West Africa has 50 years' experience selling fresh and frozen dairy and juice products.

But we do it our way: consumers don't come to us, we go to them. Around 80% of sales are made directly in the street by vendors with bicycles or pushcarts equipped with chilled boxes.

Present in Ghana, Nigeria, Togo, Benin, Burkina Faso and the Ivory Coast, our model has a strong track record, particularly in Ghana, which generated over half of our 2016 sales.



The experience in Nigeria, however, was different. By early 2015, we had to face reality: the model wasn't working. We looked at our entire value chain, from plant to vendors, identifying gaps and steps we could take to revive our business. We optimized our production facilities, boosting yields and simultaneously taking greater control over our cold chain. We reworked the supply plan for our distribution centers, finding better ways to cover Nigeria's vast expanse, four times greater than the United Kingdom and home to 170 million people. We also revisited the maintenance cycle for our distribution trucks to maintain optimum refrigeration, and streamlined delivery routes to ensure better customer service every day.

Finally, we had to correct imbalances in our network and our equipment. In 2015, we had five times more equipment in Accra, the capital of Ghana, than in Nigeria's capital city of Lagos, even though Lagos has a much larger population! In 2016, we recruited new agents, nearly tripling their number from 450 to 1,200, and we doubled our distribution equipment, which grew to a total of 14,000 bicycles and pushcarts. Furthermore, everyone benefited from our improved maintenance system, which we had identified as a drag on performance. Thanks to the engagement and perseverance of our team, the effort paid off: we reported double digit growth in Nigeria in 2016.

We're now exploring many other ways to improve our operational efficiency so that we can take advantage of all of Nigeria's hidden opportunities."



**Ana
Guerello**

Nature & Social Innovation Project Manager



Argentina

CARTONEROS

Developing professional recyclers

"In Argentina, the Cartoneros program aims to support and consolidate the development of the country's recycling industry, while improving working and living conditions for waste-pickers."



Thanks to the program, 1,500 people have obtained a professional status

The country's recycling industry is still largely unstructured. Thousands of waste-pickers work under difficult conditions to collect recyclable materials, which they sell at very low prices, often without society noticing their contribution. The work is hard and tedious, and most waste-pickers struggle to make enough to live on.

Under the Danone Ecosystem Fund umbrella and led by Aguas Danone Argentina and its partner Avina, Cartoneros was co-created and supported by a network of public and private partners. Thanks to the program's efforts, including four cooperatives in Buenos Aires province and one in Mendoza, 1,500 workers now have a professional status, paying taxes and benefitting from social security. They have access to better resources and equipment,

as well as training sessions. Moreover, a materials recovery plant has been built in the Mendoza province, and is the first of its kind to hire waste-pickers from the formal sector.

One of the Cartoneros program's key objectives is to work towards a closed-loop recycling system, transforming waste (namely PET, the plastic our bottles are made of) into a valuable resource. We now recycle around 80 tons of PET each month, and provide Aguas Danone Argentina with 35% of its requirement of socially responsible rPET—our mid-term aim is to reach 100%. Aguas Danone Argentina's team communicates regularly about Cartoneros' achievements through ad campaigns, bottle packaging and more. This helps us engage our customers in the challenge of improving recycling in Argentina, while strengthening our socially responsible brand image."



**Vincent
Crasnier**

PMO Dannon Pledge Implementation



DANNON PLEDGE

A commitment to sustainable agriculture in the U.S.

"In April 2016 we announced an unprecedented, multi-year commitment to our U.S. consumers, suppliers, and the environment—the Dannon* pledge on sustainable agriculture, naturality and transparency."

The pledge was made possible thanks to very close relationships cultivated with farmers and partners over the years.

As part of the pledge, working with dairy farmers and other partners (such as Green America and the Validus certification) we are pursuing strategies for water and soil management through agronomic science, biodiversity, reduced carbon emissions and energy use, as well as ensuring the well-being of cows that supply our milk.

We encourage farming practices that improve soil health, such as crop rotation.

Animal welfare is key to sustainable agriculture, which is why we require our farming partners to obtain third-party certification for their practices. More than 90% of our milk now comes from farms that are Validus-certified, attesting to animal care and food safety standards.

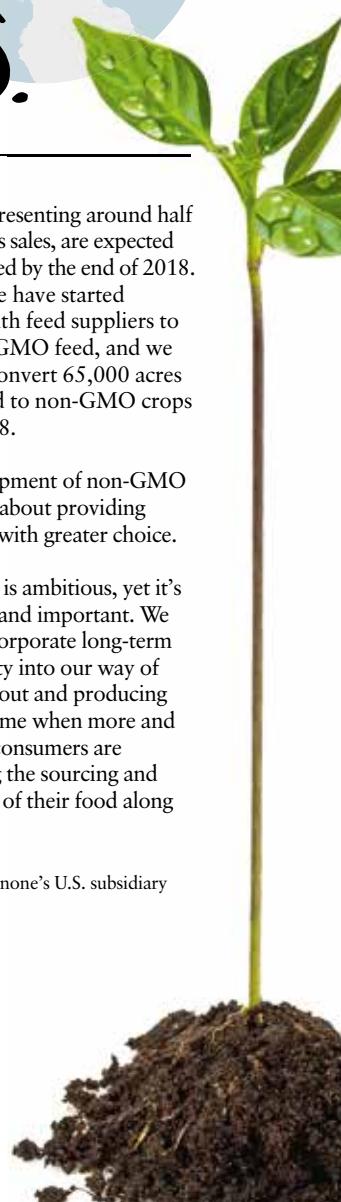
We have also decided to use fewer, more natural, non-synthetic ingredients such as non-GMO sugars and starches. Products from our three flagship brands (Dannon, Oikos and Danimals) will evolve toward the use of fewer ingredients, which are more natural, not synthetic and non-GMO (including feed). These three

brands, representing around half of Dannon's sales, are expected to be certified by the end of 2018. In 2017, we have started working with feed suppliers to plant non-GMO feed, and we expect to convert 65,000 acres of farmland to non-GMO crops by late 2018.

Our development of non-GMO products is about providing consumers with greater choice.

Our pledge is ambitious, yet it's also timely and important. We want to incorporate long-term sustainability into our way of thinking about and producing food, at a time when more and more U.S. consumers are questioning the sourcing and production of their food along the chain."

*Dannon: Danone's U.S. subsidiary





inspires us

THE ALIMENTATION REVOLUTION

DANONE
Open Manifesto
OPEN MANIFESTO FORUM #1

2016 reviewed by Emmanuel Faber

2016 was a year of significant progress towards our 2020 goals of strong, sustainable, profitable growth. Over the past two years we've strengthened the resilience and profitability of our growth model. Last year, our sales⁽¹⁾ growth of 2.9% and a 70 bps increase in margin led to a very strong 9.3% rise in earnings per share. I consider this a very solid foundation for the future. Moreover, Danone has consolidated its leading positions in healthy diet categories that are among the fastest-growing in the world, underpinned by long-term consumer trends for better, more nutritious and sustainable eating and drinking habits.



Emmanuel Faber, Danone CEO

How did your different business lines perform?

Overall, 2016 was a year of robust performance. The Waters division reported sales up 2.9%⁽¹⁾, supported by strong category dynamics related to consumers switching to healthier hydration options and a constant focus on brand innovation and activation. Europe generated solid growth throughout the year and did particularly well in the fourth quarter, supported by strong sales execution and a successful innovation plan at the end of the year—the launch of Volvic Mascots for kids in Europe, and the new Volvic Juicy sugar-reduced range in the U.K. On YouTube, evian was the top performing French brand. Its evian “Baby Bay” campaign was a particular success, with more than 80 million views worldwide. The ALMA⁽²⁾ region (excluding China) also generated a strong performance in 2016, supported by various growth platforms such as Indonesia and Mexico. In China, it is important that we continue to focus on

protecting our market share through targeted investments aimed at securing our future growth while protecting the profitability of Mizone. Excluding China, the Waters division's overall performance was at mid- to high-single digits. The Fresh Dairy Products division reported sales up 2%⁽¹⁾, reflecting an acceleration in growth in the CIS and North America regions. In the CIS, Danone demonstrated the resilience of our business model in a difficult economic environment. By enhancing our brand portfolio's

Danone has consolidated its leading positions in healthy diet categories that are among the fastest-growing in the world, supported by long-term consumer trends for better, more nutritious and sustainable eating and drinking habits.

value through mix management, as well as the strength of our brands, we have generated solid sales growth. In North America, we reinforced our leadership through successful brand innovation and activation. In Europe, Dairy sales trends have been impacted by Activia's performance, [...](#)

The Medical Nutrition business performed especially well, with over 7% growth⁽¹⁾ spread evenly across geographical areas.

... which came in below expectations, as well as deteriorated market conditions in some countries like Spain. But we are reworking our local execution plans for Activia, and teams have already started to implement them country by country. The ALMA⁽²⁾ region generated strong growth, despite a fall in volume in Latin America, in a difficult economic context with high inflation and fragile consumer spending.

Early Life Nutrition sales rose by 3.5%⁽¹⁾. We are one of the global leaders in the early life nutrition business and by far the leader in Europe with around 50% market share. This takes into account a decline in indirect sales in China due to a fast-changing regulatory environment inducing some volatility. However, we are developing a new direct distribution model there, and our initiatives to ensure a growing presence and visibility in specialized stores and direct e-commerce led to a very strong rise in 2016 local sales.

The Medical Nutrition business performed especially well, with more than 7%⁽¹⁾ growth, spread evenly across geographical areas. In Europe, Danone reported growth above mid-single digits, driven by solid gains in the United Kingdom and Benelux. We also saw further strong expansion in China and Brazil. All segments helped fuel this performance, with pediatric and adult ranges delivering solid growth supported notably by the contribution of our leading brands Neocate, Nutrison and Fortimel.

Which regions performed the best?

North America is a major growth market for us in all four categories. The Fresh Dairy Products business is solid, despite a more competitive market, thanks to strong fundamentals. In the U.S., we plan to maintain our lead in the yogurt category, with shelf space continuing to grow: it was 12% last year. Within the past two years, bottled water consumption in the U.S. surpassed carbonated soft drinks for the first time, which is excellent news. The premium segment where evian operates is actually growing twice as fast as the mainstream segments of still water, and evian became a market leader in premium waters, growing 50% in 2016. In medical nutrition, where Nutricia is a leading player,

we've built a focused portfolio addressing pediatric allergies and metabolic disorders. We are also developing a 100% organic platform for Early Life Nutrition, since organic food continues to over-perform in the baby food category. Happy Family was the fastest-growing baby food brand in 2016, with 30% growth. In Russia, it was the third year in a row that Danone demonstrated the resilience of its business model and the strength of its brands, despite a difficult economic environment where inflation has been a factor. Since 2011, when we acquired Unimilk in Russia, we have raised our margin from a very low level and it is now approximately in line with the Dairy division margin. And the ALMA⁽²⁾ region, aside from China, generated a strong performance in 2016, notably in Indonesia and Mexico.

+70
bps like-for-like
recurring operating margin



Why did you decide to acquire WhiteWave?

Our two companies make an ideal combination for strengthening the Danone 2020 plan, and for bringing health through food to as many people as possible. The missions of the two companies are very similar. We align in our ambition to support consumers who opt for more sustainable and healthier eating and drinking habits. Like Danone, WhiteWave has focused on assembling a portfolio of incredible brands. And our portfolios are most complementary, especially when it comes to offering consumers the choice between dairy and plant-based food and beverages. This is a major asset, as there are more and more "flexitarians" who are looking for different food options on different occasions.

We will double the size of our business in North America and become a top-15 food and beverage company in the U.S. We will also be able to take advantage of significant synergies and combine our world-class research on dairy and plant-based fermentation to take the sustainability of both of our companies to the next level. We will reduce our agricultural impact and improve the nutritional density of our global portfolio.

We can leverage the power of these two leaders in dairy and plant-based products to create the food of the future, for the consumers of today.

Danone created an Africa division two years ago. What's your outlook for this market?

In many ways Africa is the continent of the future. I'm thrilled that we created a dedicated strategic business unit to address this opportunity. Through partnerships and acquisitions we have assembled a great portfolio of businesses. I also expect Danone to develop a specific inclusive business approach in Africa, which will be the epicenter for Danone Communities to continue to develop innovative market-based solutions for social businesses to fight malnutrition and bring water access.

Danone and WhiteWave's portfolios offer consumers the choice between dairy and plant-based food and beverages. This is a major asset, as there are more and more "flexitarians" who are looking for different food options on different occasions.

You announced in January 2017 that you were strengthening regional leadership. Why?

The food industry has been able to drive down the cost of calories over the past 50 years by globalizing supply chains and standardizing offerings. But I think this is coming to an end. The human population is growing, and there are systemic risks in the reliance of the global food system on only half a dozen plant species to cover 80 percent of our needs. A diversity of diets, cultures, and traditions is something that ...

+9.3%

recurring earnings
per share like-for-like

... needs to be fostered. This necessitates closer proximity to local markets, trends and consumers.

As such, two years ago we created a backbone of 30 regional clusters and have now aligned our category organizations. Going forward, it will enable our Executive Committee to delegate significant decision-making powers to a new regional business leadership team, composed of all our regional business vice presidents. This team will be the best point of leverage, closer to consumers and realities on the ground.

I'd like Danone to be a catalyst of this alimentation revolution, a change agent, and one with substantial impact. For me, success beyond 2020 would mean the alimentation revolution being a thriving community of food and beverage entrepreneurs with Danone a recognized partner and leader.

You also changed the Executive Committee structure. What will be the benefits?

The delegation of power allows me to reduce my direct team of Executive Committee members from 12 to 8, so we'll have a much closer, tighter, cost- and time-effective team. Each member now has a larger scope, combining a business and/or functional role.

At the same time, we are creating two important new functions, which will support our mid-term growth transformation agenda by focusing on efficiency. The first role concerns the resource efficiency function, establishing an agenda for efficient resource use in the short, mid, and long term. This structure will fuel the second function, which integrates growth and innovation, from R&D through to marketing, sales and digital.

Aside from a new organization, you also introduced PROTEIN, a new efficiency program. Could you explain your vision?

Both the new organization and PROTEIN are part of a comprehensive, company-wide strategy to maximize efficiency in the short, mid and long term. PROTEIN is about generating 1 billion euros in savings by 2020. It is entirely focused on our indirect spend, i.e., goods and services that

are not going into the product, but are about the way we all work together, travel, buy transportation, logistics, media, professional services and so on. We will make disciplined choices in how we buy, spend, and work and we will consider how best to re-invest part of

those savings into relevant growth projects to fuel our strategy and mission.

But efficiency is not just about the short term. In addition to PROTEIN, our new function and organization of procurement will ensure we also address the mid term. Our Strategic Resources Cycle organization will continue to be an essential element of our long-term transformation.



A company is an organization that is created with a purpose. And that purpose, in one way or another, is to serve society. Everything starts and ends with people.

You are calling for an alimentation revolution. How do you define this, and how does Danone fit into this movement?

We believe that eating and drinking well contributes to better health, and we want to promote eating and drinking practices that nourish the health of individuals as well as the planet. Consumers have different expectations of brands today: they have a desire for more transparency and want to be able to trust them.

I'd like Danone to be a catalyst of this alimentation revolution, a change agent, and one with substantial impact. For me, success beyond 2020 would mean the alimentation revolution being a thriving community of food and beverage entrepreneurs with Danone a recognized partner and leader. As for some of the concrete steps we're taking, we are increasing the number of choices we offer our consumers through initiatives such as the Dannon pledge on sustainable agriculture, naturality and transparency in the U.S., and offering more choices about the use of GMOs—while also enhancing transparency with clear information on the labels of products containing them.

Meanwhile, our partnership with B-Lab underscores our long-standing commitment to business success and social progress, and is a clear move towards enhancing the transparency of our actions.

In 2016, you said the biggest global economic challenge is social justice. What did you mean by that?

I think that allowing for globalization without purpose leads to a concentration of wealth and a growing number of inequalities. For me, social justice means giving people an equal chance to participate in the community and making broader society available to all.

A company is an organization that is created with a purpose. And that purpose, in one way or another, is to serve society. Everything starts and ends with

people. Every day, a company employs and works with hundreds of thousands of people who are part of its ecosystem, and addresses hundreds of millions of consumers. If at any time we do not fulfill the needs of these consumers, they will stop buying

our brands and go somewhere else. The same goes for our employees, and farmers, if we do not deal with them in a manner that is consistent and fair. And so the role of a business is one of balancing the needs of all of its constituencies in the short, mid and long term. At Danone we have this dual commitment to business success and social progress, which has long been the unique DNA of our company.

What are your expectations for 2017?

2017 is going to be a year of major transformation for Danone. We are opening a whole new chapter with the expected acquisition of WhiteWave, merging our U.S.-based operations to create what will be the biggest public benefit corporation in the world.

As we enter the next stage of our journey towards our 2020 goals, with the new efficiency management and integrated growth and innovation process that we've just deployed, I have no doubt that we are going to create the best possible conditions to fuel our model of strong, sustainable, profitable growth, and be able to deliver consistent EPS growth.

(1) 2016 results: on a like-for-like basis

(2) Latin America, Africa, Middle East, Asia Pacific

“There is only one earth. We only live once”

Antoine Riboud
Marseille speech, 1972

These words, spoken by Antoine Riboud 45 years ago in a seminal speech to French business leaders in Marseille, would make Danone unique among French multinationals. His message was visionary, and its penetrating insights still resonate today. Consider another excerpt: "This [economic] growth causes harm, both individual and collective. It has often sacrificed the environment and working conditions to economic efficiency. Which is why it is challenged and sometimes even rejected as the ultimate purpose of the industrial age. [...] Continuing to ignore this—continuing to trust in the laws of fate—will lead us inevitably to revolution."

Today that revolution is well underway, led by a growing number who realize that they have a responsibility to change our food system. It also has strong support from consumers, who now see what they eat and drink as central to their concerns about the environment, as well as their health and well-being. Among their

questions, they want to know what they're eating, and they demand transparency, asking companies what goes on behind their brands. They want to know where the ingredients come from, and how they are grown. And in response to this changing demand, supply is being transformed. More and more, every time we eat and drink we make a choice—we can vote for the world we want to live in.

Danone has joined this alimentation revolution. Every day, we work to bring health through food to as many people as possible, using our products and services to encourage healthier, more sustainable eating habits in local communities. We've described our vision of alimentation in our Manifesto. We know that we can't make this revolution happen alone. Backed by the energy of our employees, we're eager to work with as many partners as possible, to step up the pace of our efforts and ultimately show that healthier eating and drinking can drive economic and social

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>



We're now finalizing an ambitious strategic plan that, in the spirit of our dual commitment, integrates our business, economic and social goals into a single growth agenda stretching to 2030. Why 2030? Because it gives us time to make the necessary transformations, to rally and show the impact we're making. But also because we're joining the broader agenda established by the United Nations in 2015 when it adopted its 2030 Sustainable Development Goals.

Between now and summer 2017 we will finalize our nine goals to be achieved by 2030. These are grouped into three broad categories:

- a model for superior, sustainable and profitable growth, independently recognized by outside parties as fair and responsible
- strong, engaged brands showing each of our consumer communities that we are committed to delivering better health for people and the planet





INSPIRES US

INSPIRES US

EXECUTIVE COMMITTEE

From left to right

Flemming Morgan
Executive Vice President, Advanced Medical Nutrition until mid-2017

Pierre-André Térisse
Executive Vice President, Access and Africa

Cécile Cabanis
Executive Vice President, Chief Financial Officer, Strategy and Information Systems

Lorna Davis
Executive Vice President, Chief Manifesto Catalyst and CEO Danone North America (after the closing of the upcoming WhiteWave transaction)

Gustavo Valle
Executive Vice President, Resources Efficiency and Dairy

Emmanuel Faber
Chief Executive Officer

Francisco Camacho
Executive Vice President, Growth and Innovation Officer and Waters

Bridgette Heller
Executive Vice President, Early Life Nutrition and Advanced Medical Nutrition (after mid-2017)

Bertrand Austruy
Executive Vice President, Human Resources and General Secretary



100,000 people,
one common
purpose

We embrace communities of people all over the world—in the U.S., Indonesia, Mexico, Argentina, France, the Czech Republic, Russia and more. We're a team of 100,000 people passionate about what we do every day to deliver products that are healthier for the planet and healthier for us all.

INCLUSIVE DIVERSITY IN ACTION

At Danone we are creating and living in an inclusive and diverse environment, one which can drive our growth as a business, as teams, as members of communities and as individuals.

Through inclusiveness we create the environment in which individuals feel that they can bring their authentic selves to the organization; where their different views, perspectives and talents are embraced.

For us, diversity is vital to have a truly positive impact on breakthrough thinking and working well together for superior results. It's why in 2016, in line with our Manifesto, we decided to enhance our efforts and enlarge our definition of diversity with a concept called inclusive diversity.

Our inclusive diversity declaration encourages employees to celebrate people's differences in an environment where they feel free to express themselves. We focus on all types of diversity, from the tangible—gender, age, race, nationality—to the intangible, such as the different ways people think, and their beliefs.

We also want to embrace the local culture in each of the countries where we operate. In this way we can create connections to consumers and employees, develop innovative solutions to their needs, and better contribute to local communities. In 2016, led by the HR teams, we launched inclusive diversity workshops at a local level in Indonesia and France, with one-day workshops attended by managers from different areas and backgrounds to help them develop their people, professionally and personally.

In 2017 new inclusive diversity campaigns are kicking off. We are placing a special focus on recruitment and talent reviews, studying how our teams can improve their cultural understanding of communities, and we are building up engagement, including an internal #BeInclusive community.

Research shows that companies that successfully embrace diversity have

2.3

times higher cash flow, and are

1.7

times more likely to be innovation leaders in their industry
(source: Bersin by Deloitte)

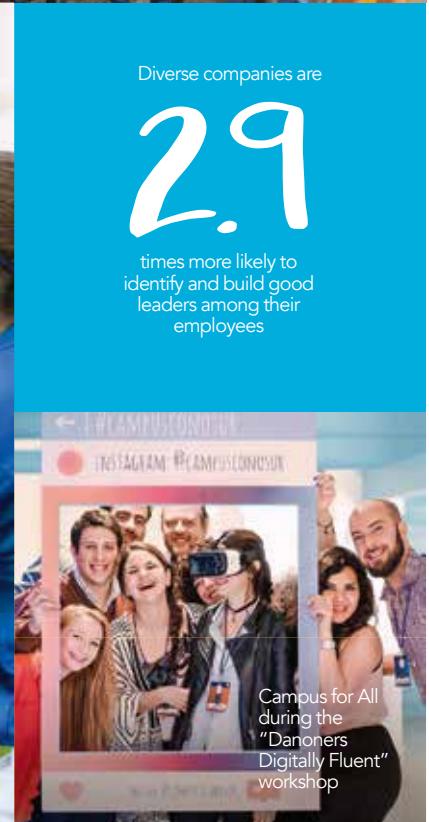
Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>



Danone Day in the Netherlands



In 2016, Danone Nations Cup was open to young women for the first time



2.9

times more likely to identify and build good leaders among their employees

Campus for All during the "Danone Digitally Fluent" workshop

HeForShe:

UN honors Danone's commitment to gender equality

HeForShe, a solidarity movement for gender equality launched by the United Nations has rapidly captured the attention of companies and countries. Created to fight discrimination and violence, the campaign shines a spotlight on a key social issue affecting both men and women.

For gender equality to be achieved men need to speak up too, breaking taboos, rejecting stereotypes, and otherwise getting involved. This conviction has a powerful resonance for Veranita Yosephine, Sales Development Director for Aqua in Indonesia. "This is a country of 250 million, with a patriarchal culture that is still strong," she says.

Danone's first HeForShe community was created in Indonesia in July 2015. Thanks to support from three mentors—Ditmar Koster, Worldwide Vice President Integration and Value Creation Europe; Gustavo

Hildenbrand, General Manager at Early Life Nutrition Indonesia; and Dariusz Kucz, Vice President at Early Life Nutrition Asia Pacific—the project team has brought all four Danone divisions in Indonesia into the campaign.

49%

of Danone managers, directors and executives are female

These men and women are responsible for creating better opportunities for women through mentoring programs, management training and career development advice. Danone's Indonesian subsidiaries have also signed the UN Women's Empowerment Principles.

The success of HeForShe in Indonesia received global attention in September 2016 when the UN recognized 50 young Indonesian women including Danone's 24-year-old Lupita Ardhyaningrum and 26-year-old Indah Tri Novita for their commitment to the campaign at a ceremony in New York. The women had submitted winning entries in a video contest, documenting their personal efforts to promote empowerment for Indonesian women. Impressively, Lupita was one of only five young women to take the stage during the event, where she talked about her HeForShe experience at Danone.

The future of HeForShe looks bright with the campaign taking off around the world. As of 2017 Danone has also launched the initiative in France, Brazil and the Netherlands, with Danoners getting involved to raise awareness of gender equality among their peers and organize mentoring programs. More countries will soon follow suit. In March 2017, Danone CEO Emmanuel Faber was named by UN Women as one of five HeForShe Thematic Champions, a title given to people



Lorna Davis and Anne Hathaway support HeForShe at the UN Women ceremony (March 8, 2017)

and organizations that promote gender equality around the world. "As a global company involving so many diverse communities across the planet, we commit to provide equal opportunities to every woman and man, wherever they live and work in the world," he said. "This is a matter of social justice, which is a condition for sustained market economy development."

The title was given in recognition for Danone's parental leave policy unveiled in March 2017. At a ceremony in the presence of actor Anne Hathaway, the UN's Under-Secretary-General and UN Women Executive Director Phumzile Mlambo-Ngcuka hailed the policy: "With its 1000-day parental policy, providing 18 weeks of gender-neutral paid parental leave, Danone has carefully crafted commitments that will allow its staff to build societies of greater flexibility and equality."



In September 2016, Danone's Lupita Ardhyaningrum, Indah Tri Novita and Ditmar Koster at a ceremony in New York

21%

of executives are female

INDIVIDUAL TALENTS, COLLECTIVE STRENGTH

In a company of 100,000 employees, helping individuals discover their special skills, develop their strengths, and make the most of their talents on the job can have a powerful collective impact. The Talent 4 All program has these ambitions in its sights.

The program aims to boost performance through increasing the contributions of every employee. Specifically, it is designed to support two groups: production site employees and sales representatives, who together comprise a large part of our number worldwide.

Launched in 2015, the program entered a building phase in 2016. Our first area of action has been to nurture an open and collaborative environment and explore new ways of working. At industrial sites, for example, we designed and trialed an initiative to encourage employees to express their individuality by making “shopfloor contributions.” As part of a pilot in Poland, we held an event where 600 site employees were brought together and asked to suggest solutions to concrete problems they faced every day, with hundreds of ideas forthcoming.

On-the-job learning and development is the second area of action. Whether through innovative digital tools to enhance e-learning for production sites, or mentoring from a fellow Danoner, our

aim is to make Danone into a living school where employees develop themselves and teach those around them, creating a virtuous cycle.

The third area is career development. We are helping production line employees and sales supervisors to identify and leverage talent within their own teams. Through a program called “I Lead,” they take an active role in proposing tailored development plans for exceptional team members.

In 2017, we have entered the implementation phase, and have selected six locations to focus on before a full rollout in 2020. Thanks to Talent 4 All, we will be able to build upon Danone’s culture while ensuring that our industrial site employees and sales representatives can realize their potential.

85,870

employees participated
in at least one training
course in 2016



WORKPLACE BY FACEBOOK: AN XXL DIGITAL TRANSFORMATION

In October 2016, Danone became one of the world’s first multinationals to adopt Workplace by Facebook. It’s since become our internal social network of choice.

Facilitating communication between people, teams and countries, the new collaborative platform has a major advantage for Danone employees: it’s just as easy to use and navigate as the Facebook they know.

Workplace by Facebook encourages collaboration within a team or around a project, promotes dialog and experience-sharing, and helps employees learn more about life at Danone. It’s accessible to Danoners around the world—whether on the road, in offices, meeting rooms, or on mobile devices.

In just four months, some 30,000 users have created accounts, and word of the benefits is spreading fast. Many employees have formed their own Workplace working groups, such as the Actimel Global Team with 100 members, or the Excellence in Execution group, dedicated to sharing inspirations on how to best showcase brands, with 700 members.

A symbol of our digital transformation, the rollout of Workplace goes hand in hand with the “Danoners Digitally Fluent” project that is rethinking working methods within the company, and providing new collaborative tools that can be accessed from inside the company, and outside as well.

Campus for All:

the values we share

We've launched key initiatives to ensure our training programs reach all Danone employees, and the flagship is "Campus for All."

Special events designed to spark energy and creativity, Campus for All provides a unique training and networking experience for groups of several hundred to several thousand. Over three to five days, employees meet up and immerse themselves in Danone's culture, sharing ideas about the commitments in our Manifesto.

The format can be adapted to each country, with events ranging from in-person seminars to digital training modules and plenary sessions with external experts. Some sessions are relayed live to other locations, and may be held in multiple venues, including Danone industrial sites and warehouses. In all, nearly 170 Danone sites have hosted activities in order to advance a common priority—develop skills that best meet the challenges of each market.

The first Campus for All events, in Indonesia and Mexico in 2015, were so successful that in 2016 the program was expanded: Indonesia and Mexico again, plus Argentina, North America, Malaysia, China and India.

Mexico's 2016 Campus for All was geared around three commitments: engage every employee in our Manifesto, vision and mission; collaborate to reach our 2020 goals; and encourage employees to take responsibility for their own development.

Consult our Manifesto:
<http://www.danone.com/en/for-all/our-mission-in-action/our-manifesto/>



“Following these two sessions, the synergies between teams have multiplied across all categories and divisions. We have a tangible sense that our local priorities and Danone's company-wide goals are better understood, and inevitably that means they are more present in everyone's daily activities. Moreover, everyone has shown a much higher level of engagement, which the organizers naturally see as a wonderful outcome.”

Dolores Paxote
 Learning Head – Americas

170

Danone sites have hosted Campus for All activities to develop the skills that best meet the challenges of local markets

“The campus events are a terrific way to get inspired and understand the company better. Our sales teams are closer to our consumers and the reality on the ground than anyone else, so it makes a lot of sense to support their personal development and help them learn more about Danone and our business goals.”

Monica Huang
 CBS Learning Team Head
 Head of Danone Academy China

“The Campus events are a cornerstone of Danone's drive to become more collaborative, agile, and willing to learn—a company that offers all employees places where they can express themselves and share ideas.”

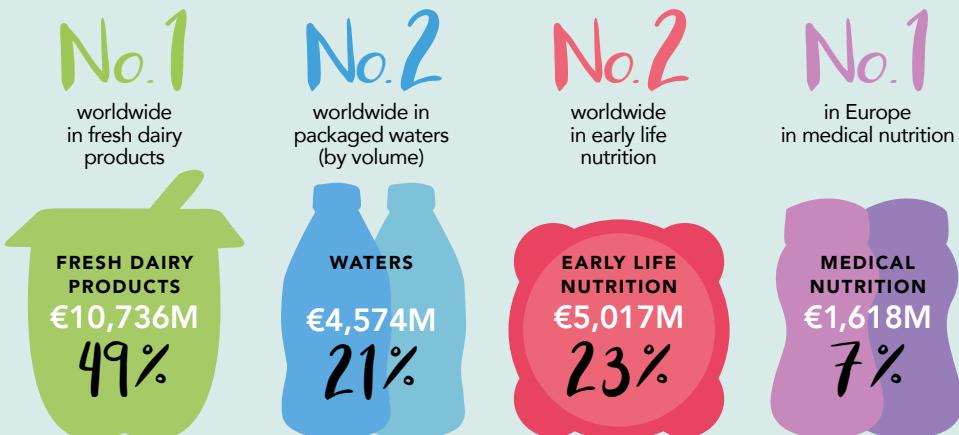
Thierry Bonetto
 Director of Learning and Development

2016

RESULTS

ACROSS OUR FOUR DIVISIONS,
DANONE PRIMARILY FOCUSES ON PRODUCT
CATEGORIES DEDICATED TO HEALTH
AND WELL-BEING

SALES BY BUSINESS LINE (€ MILLION)



SALES BY REGION



(1) Latin America, Africa, Middle East, Asia Pacific (2) United States and Canada



Cécile Cabanis
Executive Vice
President, Chief
Financial Officer,
Strategy and
Information Systems

“Danone’s 2016 performance and results reflect key progress in rebalancing our business model over the past two years, through more agile and disciplined resource allocation.

Quarter by quarter, amid increased volatility and slower growth, we’ve worked to make our model more efficient, with greater focus on the use and allocation of resources, ensuring the right balance between short, mid and long term, and avoiding tactical initiatives for the short term. The result is that we’ve secured an EPS like-for-like rise of over 9%, thanks to a significant increase in operating margin.

Moving at the right pace is our key priority, starting by strengthening our model for profitable, more resilient growth, before accelerating. The right pace and balance between growth and improved margin will ensure a safe journey towards our 2020 ambition.”

TOP 10 MARKETS IN 2016 (% OF SALES)



€21,944M
NET SALES
Growth of +2.9% (like-for-like)

€3.10

Recurring earnings
per share (EPS)
(+9.3% like-for-like)

€1,786M

Free cash-flow,
excluding exceptional
items (+16.8%)

€1.70

Dividend per share
(+6.3% over 2015)

Fresh Dairy Products

The Fresh Dairy Products division reported sales up 2.0%⁽¹⁾ in 2016.

This illustrated a global improvement despite variation from one market to another.

This performance mainly reflects an acceleration in growth in the CIS and North

America region⁽²⁾:

- In the United States, Danone generated solid growth throughout the year benefiting from solid momentum, thanks to successful innovation and investments behind its brands.

- In the CIS, Danone demonstrated the resilience of its business model for the third consecutive year, in a difficult economic environment.

In Europe, sales trends have been impacted by aggravated market conditions in some countries like Spain and Activia's performance below expectations. Given

the ambition of the transformation, this turnaround will take time. Local execution plans are being reworked and teams have already started to implement them country by country.

The ALMA⁽³⁾ region generated strong growth in 2016.

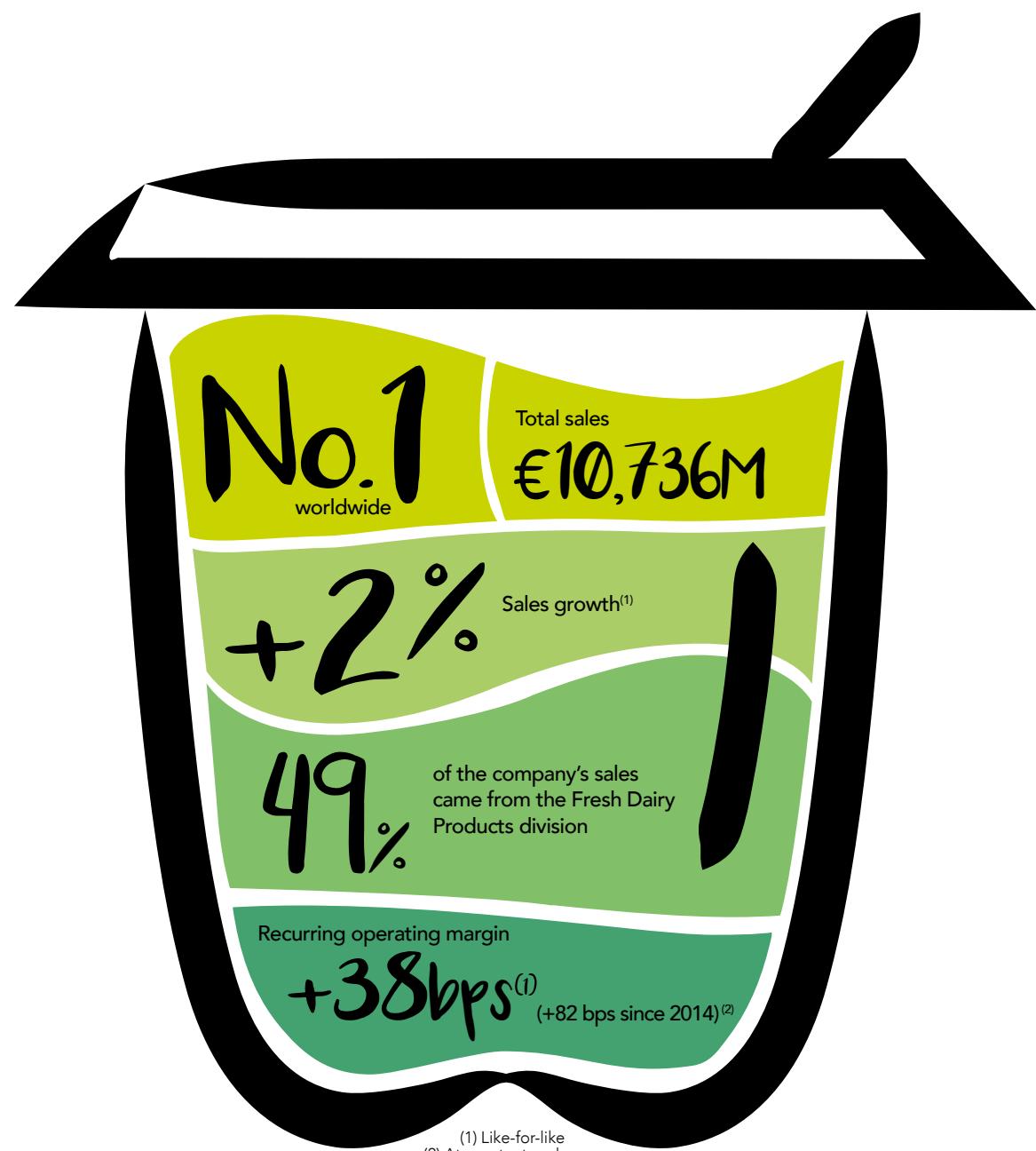
TOP 3 BRANDS

that contributed most to the division's growth in 2016:

1. OIKOS
2. YOGURISIMO
3. DANIMALS



(1) Like-for-like (2) United States, Canada
(3) Latin America, Africa, Middle East, Asia Pacific



Waters

The Waters division reported sales up 2.9%⁽¹⁾ in 2016.

This solid performance was supported by strong category dynamics related to consumers' switch to healthier hydration options and a constant focus on brand

innovation and activation.

- Europe generated solid growth throughout the year and did particularly well in the fourth quarter, supported by successful innovations.
- In China, Mizone sales were down in 2016, impacted by

• The ALMA⁽²⁾ region (excluding China) also generated a strong performance in 2016, supported by various growth platforms such as Indonesia and Mexico.



TOP 3 BRANDS

that contributed most to the division's growth in 2016:

1. AQUA
2. BONAFONT
3. EVIAN

TOP 3 COUNTRIES

that contributed most to the division's growth in 2016:

1. INDONESIA
2. MEXICO
3. ARGENTINA

(1) Like-for-like (2) Latin America, Africa, Middle East, Asia Pacific



(1) Like-for-like

Early Life Nutrition

The Early Life Nutrition division reported sales up 3.5%⁽¹⁾ in 2016.

This performance includes a decline in "indirect" sales to China. Excluding these, division growth remained strong at mid-single digit growth.

- In Europe (excluding "indirect" sales to China),

sales from domestic demand were flat, reflecting some contrasted performances: solid growth in the United Kingdom, Germany and Benelux and more difficult markets in France, Italy and Turkey.

- At the same time, growth in the ALMA⁽²⁾ region (excluding China) is

remained very strong, benefiting from dynamic markets such as Brazil and Australia.

- In China, the transition of the overall indirect channel induced by a fast-changing regulatory environment led to further stock adjustments by traders. At the same time, Danone is

successfully developing its direct distribution model in China. All the initiatives implemented throughout the year to ensure its growing presence and visibility in specialized stores and direct e-commerce have led to another strong rise in 2016 local sales.

TOP 3 BRANDS

that contributed most to the division's growth in 2016:

1. APTAMIL
2. DUMEX
3. NUTRILON



TOP 3 COUNTRIES

that contributed most to the division's growth in 2016:

1. AUSTRALIA
2. CHINA
3. BRAZIL

(1) Like-for-like (2) Latin America, Africa, Middle East, Asia Pacific



(1) Like-for-like

Medical Nutrition

The Medical Nutrition division reported sales up 7.4%⁽¹⁾ in 2016.

The growth was balanced evenly across the division's geographical areas.

- In Europe, Danone reported growth above mid-single digits,
- driven by solid gains in the United Kingdom and Benelux.

- The ALMA⁽²⁾ region reported growth in the low teens, benefiting from further strong expansion in China and Brazil. All segments helped fuel this overall performance, with pediatric and adult ranges delivering solid growth supported by the contribution of its blockbusters Nutrison, Neocate and Fortimel.

TOP 3 BRANDS

that contributed most to the division's growth in 2016:

1. NUTRISON
2. NEOCATE
3. FORTIMEL

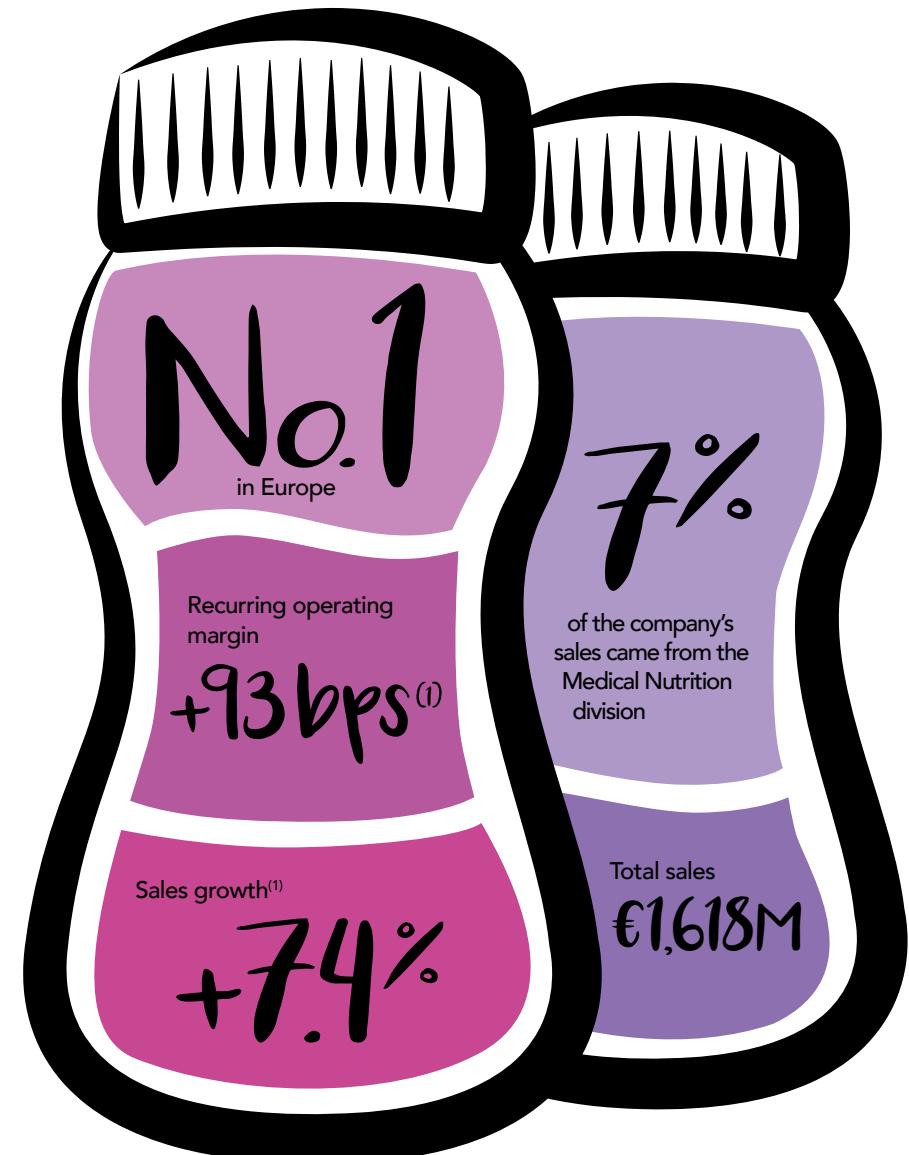


TOP 3 COUNTRIES

that contributed most to the division's growth in 2016:

1. CHINA
2. NETHERLANDS
3. TURKEY

(1) Like-for-like (2) Latin America, Africa, Middle East, Asia Pacific



(1) Like-for-like

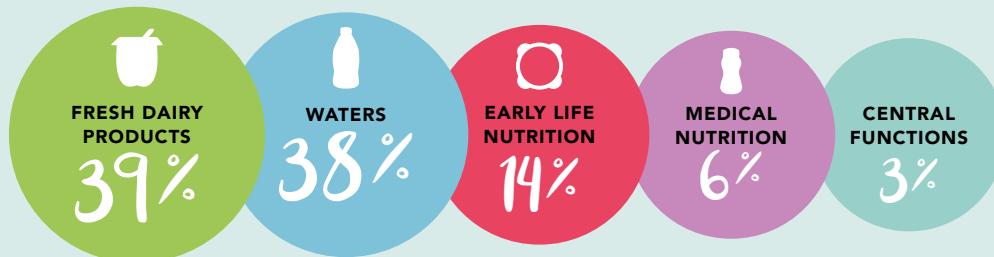
Social

RESULTS

WORKFORCE BY REGION

**99,187**total number
of employees in
56 countries**85,870**employees who participated
in at least one training
course in 2016**2,336,262**hours of training
provided

WORKFORCE BY BUSINESS LINE



Environmental

RESULTS

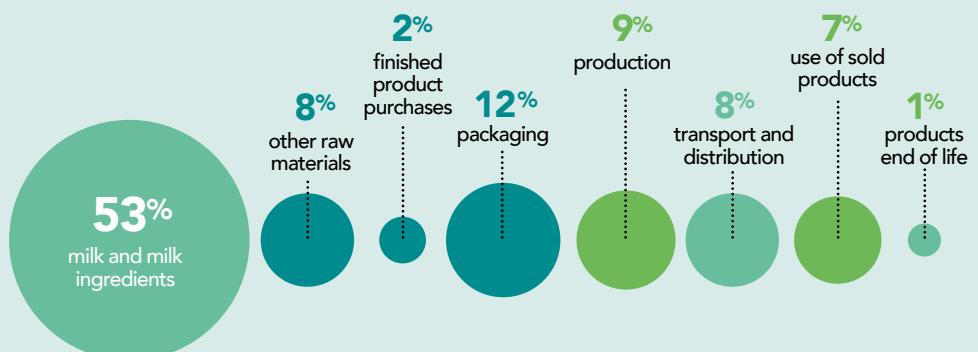
Reduction in carbon
intensity under
Danone's direct
responsibility between
2008 and 2016**-50.1%**Waste recovery
rate (all types of
waste)**83.1%**Reduction in energy
consumption intensity
in plants (in kWh
per ton of product
between 2000 and
2016)**-50.9%**Reduction in water
intensity related to
production process
(m³ per ton of product
between 2000 and
2016)**-47.3%**

INTENSITY OF GREENHOUSE GAS EMISSIONS BY ORGANIZATION

Intensity of greenhouse
gas emissions from
plants (in kg of CO₂
equivalent/ton
of product)

2015

2016

43.7**39.7**TOTAL GREENHOUSE GAS EMISSIONS OVER
THE PRODUCT LIFE CYCLE

“... A revolution
where consumers
want to trust brands
and understand
how they contribute
to a better world.”

Emmanuel Faber, CEO



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