

DANONE 15

REGISTRATION DOCUMENT

ANNUAL
FINANCIAL
REPORT

Design and production
The design and production have been performed by
Caroline Pauchant and Claire Faÿ
with Luce Théry, Hind Mellah, Adrien Labbe and Violaine Aurias.

Paper
This document has been printed on paper Cocoon Silk 100% recycled and certified:
•FSC® Recycled (N° FSC-C021878);
• European Ecolabel (N° FR/011/003); and
•PCF: Process Chlorine Free.
No substances classified as carcinogenic, mutagenic or reprotoxic (CMR) are used as raw materials.

Using this 100% recycled paper rather than a non-recycled paper reduces the environmental impact (source: www.arjowigginsgraphic.com) of this Registration Document paper version by:
•1 kg of landfill;
•34 litres of water;
•2 kWh of energy;
•2 kg of wood.

The paper manufacturer, Arjowiggins Graphic complies with new REACH (Registration, Evaluation, Authorization and Restriction of Chemical Substances) European Community Regulation, created to improve protection of human health and the environment from the risks that can be posed by chemicals as well as the promotion of alternative test methods, free circulation of substances and enhancing competitiveness and innovation.

The paper manufacturing plant is certified:
•ISO 9001 (Quality Management Standard);
•ISO 14001 (Environmental Management Standard);
•OHSAS 18001 (Health and Safety Management Standard);
•ISO 50001 (Energy Management Standard).

Printing
This document has been printed on the presses of Snel, Z.I. des Hauts-Sarts – zone 3 – 21, rue Fond des Fourches – 4041 Vottem – Herstal – Belgium which uses vegetable-based inks and solvent-free glue and, which has the following certifications:
•FSC® (Forest Stewardship Council);
•PEFC®(Programme for the Endorsement of Forest Certification Schemes chain-of-custody certified); and
•IMPRIM'VERT®.

If you have finished with this document and no longer wish to retain it, please pass it on to other interested readers or dispose of it in your recycled paper waste.
Thank you!

CONTENTS

1 INFORMATION ABOUT THE ISSUER AND INFORMATION ON THE REGISTRATION DOCUMENT 5

1.1 Information about the issuer 6
1.2 Information about the Registration Document 7
1.3 Person responsible for the Registration Document 9

2 OVERVIEW OF ACTIVITIES, RISK FACTORS 11

2.1 History 12
2.2 Presentation of Danone 13
2.3 Strategic growth areas 15
2.4 Description and strategy of the Divisions 16
2.5 Other elements related to Danone's activity and organization 18
2.6 Simplified organizational chart as of December 31, 2015 22
2.7 Risk factors 24

3 DANONE'S BUSINESS HIGHLIGHTS IN 2015 AND OUTLOOK FOR 2016 45

3.1 Business highlights in 2015 46
3.2 Consolidated net income review 50
3.3 Free cash flow 59
3.4 Balance sheet and financial security review 61
3.5 Outlook for 2016 66
3.6 Financial indicators not defined by IFRS 67
3.7 Documents available to the public 68

4 FINANCIAL STATEMENTS 71

4.1 Consolidated financial statements and Notes to the consolidated financial statements 72
4.2 Financial statements of Danone SA, the Danone parent company 144
4.3 Fees to the Statutory auditors and members of their network 166
4.4 Information originating from third parties, expert opinions and declarations of interest 167

5 SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY 169

5.1 Danone social, societal and environmental approach 170
5.2 Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law 173
5.3 Funds sponsored by Danone 200

6 CORPORATE GOVERNANCE 207

6.1 Governance bodies 208
6.2 Positions and responsibilities of the Directors and Nominees to the Board of Directors 232
6.3 Compensation and benefits of corporate officers and governance bodies 252
6.4 Internal control and risk management 290
6.5 Statutory auditors' special report on related party agreements and commitments 297

7 SHARE CAPITAL AND SHARE OWNERSHIP 305

7.1 Company's share capital 306
7.2 Treasury shares and DANONE call options held by the Company and its subsidiaries 307
7.3 Authorization to issue securities that give access to the share capital 310
7.4 Financial instruments not representing capital 312
7.5 Dividends paid by the Company 312
7.6 Voting rights, crossing of thresholds 313
7.7 Share ownership structure as of December 31, 2015 and significant changes over the last three fiscal years 315
7.8 Market for the Company's shares 318
7.9 Factors that might have an impact in the event of a public tender offer 319
7.10 Change of control 321

8 COMBINED SHAREHOLDERS' MEETING OF APRIL 28, 2016 323

8.1 Shareholders' Meetings 324
8.2 Draft resolutions presented at the Shareholders' Meeting 325
8.3 Comments on the resolutions of the Shareholders' Meeting 330
8.4 Special report of the Statutory auditors to the Shareholders' Meeting 345

Appendix 347

Cross-reference tables 348
List of subsidiaries 353

DANONE Manifesto

BY WRITING A MANIFESTO, WE REINFORCE OUR DUAL COMMITMENT TO BUSINESS SUCCESS AND SOCIAL PROGRESS AND, HEREBY, ACHNOWLEDGE THAT WE CANNOT WORK FOR HEALTHIER CHOICES AND LIFESTYLES WITHOUT CARING ABOUT THE HEALTH AND WELLNESS OF OUR COMMUNITIES. THIS MANIFESTO EMBODIES OUR COMMITMENT TO BUILD AN ALIMENTATION REVOLUTION FOR THE HEALTH OF DANONE, THE HEALTH OF OUR PLANET AND OUR WHOLE ECOSYSTEM, THE HEALTH OF CURRENT AND FUTURE GENERATIONS…

OUR CONVICTIONS

At Danone, we believe that...

GOOD HEALTH IS EVERYTHING TO ALL OF US

Good health is a state of general well-being. It involves the mind as well as the body, and emotion as well as sensation.

FOOD IS HEALTH'S MOST SIGNIFICANT PARTNER

Healthy eating is an essential part of life, to build and to maintain our well-being. From the earliest times, all over the world, people have always understood this.

HEALTH CANNOT LIVE LONG WITHOUT PLEASURE

Without appetite and delight, no-one would eat or keep eating well. Pleasure in food is a precondition of every healthy lifestyle.

FOOD IS THE WARMTH BEHIND EVERY CULTURE

Healthy eating is an idea that goes beyond nutritional needs and appetites. Its richness is a part of every culture - always different and always special - and worth taking the time to understand..

THE WEALTH OF NATIONS GROWS FROM A HEALTHY PLANET

Everything we eat depends on the earth that it grows in or feeds on. As gardeners of this planet, we have a duty of care to manage its resources responsibly and sustainably.

RESEARCH IS OUR BEST ALLY

Food is more than nature. It is the outcome of human endeavour, combining technological progress with deeper understanding of its value and its potential..

PREPARING FOR TOMORROW IS THE BUSINESS OF TODAY

New ways can and will be found, to better serve this generation and the next, and to bring healthy, affordable food and safe water to the greatest number, across the world.

MISSION IN ACTION

At Danone, we stand for...

FOR HEALTH AND WELL-BEING

We will stand next to our employees and our consumers in their quest for good health, by encouraging diets and lifestyles that will bring the most benefit in people's lives.

WITH THE BEST WE CAN DO, ALWAYS

We will stand by all our products and services, with pride, as a guarantee of their quality and integrity - whatever a consumer may choose, and wherever they may choose it.

FOR EVERY INDIVIDUAL, AT EVERY AGE, WITH PLEASURE

We will stand for the widest range of products and services to feed the needs and wishes of every person at every key stage of life, encouraging balanced nutritional habits or delivering specific health benefits.

FOR YOUR HOME, NOT SOMEONE ELSE'S

We will stand up for the principle that every culture has the right to preserve its own way of eating and living well, by offering products inspired and developed out of local needs and ideas.

FOR OUR PLANET AND ITS LIVING HERITAGE

We will stand together for a healthy planet and devote all our energies to protect and preserve the abundance of life and the variety of nature, in all its forms and ecosystems.

FOR WHAT IS INVENTED AND WHAT STILL NEEDS TO BE INVENTED

We will always respect our obligation to prepare the future through new, sustainable ways to provide healthy food and access to safe water for all, by bonding with communities and stakeholders. We will keep our place at the forefront of these efforts.

NOT ALONE, BUT WITH PARTNERS AND FRIENDS

We will stand firmly by our belief that it is better to walk together than apart, by engaging always with more consumers and more communities, in our common quest to find better health through better food, for the greatest number.

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

2015

REGISTRATION DOCUMENT

ANNUAL FINANCIAL REPORT

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

AUTORITÉ DES MARCHÉS FINANCIERS
AMF

The French language version of this Registration Document (Document de Référence) was filed with the French financial markets authority (Autorité des Marchés Financiers, or AMF) on March 17, 2016, pursuant to Article 212-13 of its general regulations. This Registration Document may be used in support of a financial transaction if supplemented by a Securities prospectus (Note d'opération) authorized by the AMF. This Registration Document was prepared by the issuer and its signatories are liable for its contents.

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

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

"Bringing health through food to as many people as possible"



"With organic growth of +4.4% and trading operating margin up +17 basis points like-for-like, our results are very solid and perfectly aligned with our objectives. They confirm that we have taken this mission to a new level, paving the way for strong, profitable and sustainable growth by 2020.

We have moved toward an optimal combination of more agility and discipline in our resource allocation and decision processes.

Our choices in 2015 delivered these solid results, which came from the combination of our businesses in both developed and emerging markets across all four of our categories.

In 2016, in a global context that remains volatile, Danone will continue to invest behind its brands and will mark a further important step to develop a balanced model of strong, profitable and sustainable growth."

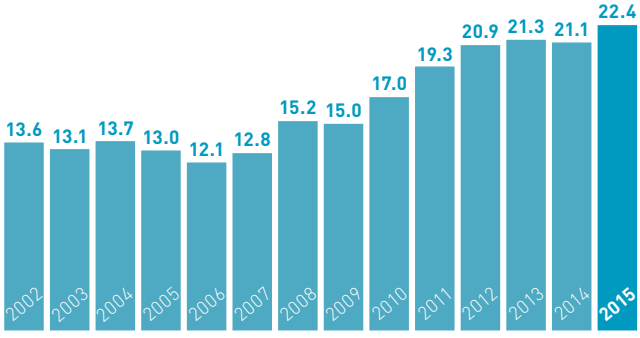
Emmanuel FABER, Danone Chief Executive Officer

+4.4%
2015 like-for-like Sales growth

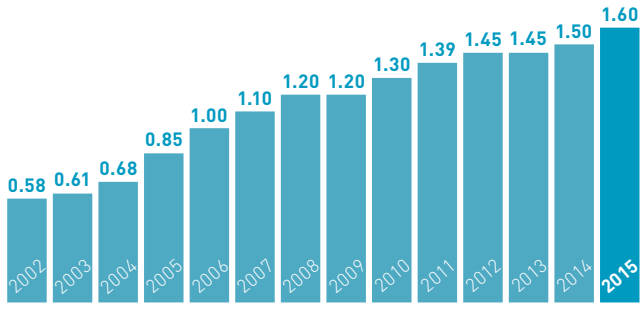
+17 bps
2015 like-for-like Trading operating margin growth

+8.4%
2015 recurring EPS growth at constant exchange rates

Sales
(in € billions)



Dividend
(in € per share)

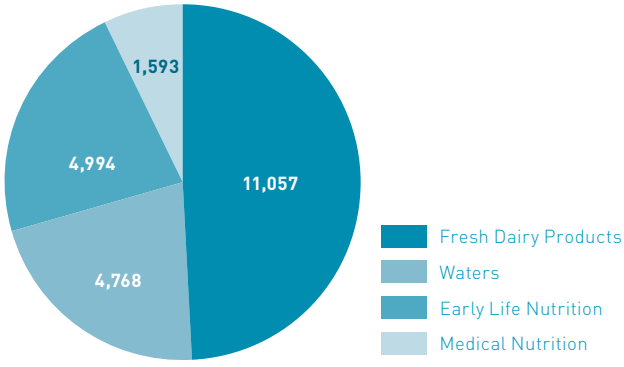


- 99,781 employees
- Reduction of carbon intensity[a] of 46.4% from 2008 to 2015
- Reduction of water intensity of 5% in 2015
- Ranked in leading social responsibility indexes: Dow Jones Sustainability Index, Vigeo, Ethibel Sustainability Index

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

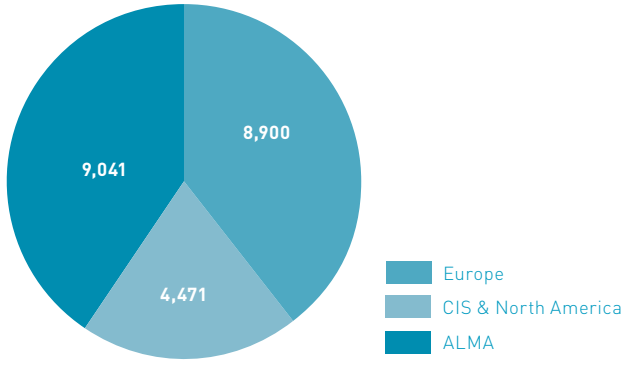
Sales by Division

(in € millions)



Sales by geographical area

(in € millions)



Key Financial Figures	2013	2014	2015
Sales [a]	**21,298**	**21,144**	**22,412**
Like-for-like growth [b]	+4.8%	+4.7%	+4.4%
Trading operating income [a] [b]	**2,809**	**2,662**	**2,892**
Trading operating margin [b]	**13.19 %**	**12.59 %**	**12.91%**
Like-for-like growth [b]	-81 bps	-12 bps	+17 bps
Net income [a]	**1,550**	**1,253**	**1,398**
Recurring EPS [b] [c]	**2.78**	**2.62**	**2.93**
EPS [c]	**2.42**	**1.88**	**2.10**
Free cash-flow excluding exceptional items [a] [b]	**1,549**	**1,401**	**1,529**

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

1.1 INFORMATION ABOUT THE ISSUER 6
Legal name and trade name 6
Registration number in the Register of commerce and companies 6
Date of start of activity and term of the Company 6
Registered office 6
Legal form and applicable law 6
Corporate purpose 6
Statutory auditors 6

1.2 INFORMATION ABOUT THE REGISTRATION DOCUMENT 7
Selected financial information 7
References and definitions 7
Incorporation by reference 8

1.3 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT 9
Person responsible for the Registration Document 9
Statement by the person responsible for the Registration Document 9

1 Information about the issuer and information on the Registration Document

1.1 INFORMATION ABOUT THE ISSUER

Legal name and trade name

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

Registration number in the Register of commerce and companies

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

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

Date of start of activity and term of the Company

The Company business activities started on January 1, 1908. The Extraordinary Shareholders' Meeting of April 25, 2013 extended the term of the Company to April 25, 2112.

Registered office

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

Legal form and applicable law

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

Corporate purpose

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

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

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

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

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

Statutory auditors

Principal Statutory auditors

Ernst & Young et Autres

Member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*

Tour First, 1, place des Saisons

TSA 14444

92037 Paris-La Défense Cedex

Represented by Gilles COHEN and Pierre-Henri PAGNON

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

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

PricewaterhouseCoopers Audit

Member of the *Compagnie Régionale des Commissaires aux comptes de Versailles*

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

Represented by Anik CHAUMARTIN and Philippe VOGT

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

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

Substitute Statutory auditors

Auditex

Tour First, 1, place des Saisons

TSA 14444

92037 Paris-La Défense Cedex

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

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

Yves NICOLAS

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

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

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

1.2 INFORMATION ABOUT THE REGISTRATION DOCUMENT

Selected financial information

The financial information presented in section Key figures is extracted from section 3 *Danone's business highlights in 2015 and outlook for 2016* and from Danone's consolidated financial statements for fiscal year 2015 prepared in accordance with International Financial Reporting Standards (IFRS).

Consolidated financial statements and Notes to the consolidated financial statements for fiscal year 2015 are presented in section 4.1 *Consolidated financial statements and Notes to the consolidated financial statements*.

References and definitions

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

ALMA	All references herein to the "ALMA" region refer to the Asia/Pacific, Latin America, Middle East and Africa region;
CIS	Commonwealth of Independent States;
Company	All references herein to the "Company", the "Group" or "Danone" refer to the Company and its consolidated subsidiaries;
Consolidated financial statements, Notes to the consolidated financial statements	All references herein to consolidated financial statements and Notes to the consolidated financial statements refer to consolidated financial statements for 2015 fiscal year;
DANONE call options	All references herein to DANONE call options refer to DANONE share purchase options subscribed by the Company to hedge certain stock-option plans described in section 7.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries;*
Danone's market shares and positions	All references herein to Danone's market shares or market positions are derived from third-party market studies and databases provided in particular by Nielsen, IRI, Euromonitor and Canadean institutes;
Division	All references herein to "Division" or "Divisions" refer to one or all of Danone's Fresh Dairy Products, Waters, Early Life Nutrition and Medical Nutrition businesses;
Early Life Nutrition	All references herein to "Early Life Nutrition" and the early life nutrition business or market refer to baby formula (infant milk formula, follow-on milk, growing up milks), milk- and fruit-based desserts, cereals, jars of baby food and ready-made baby food;
Emerging countries	All references herein to "emerging countries" refer to countries other than mature countries where Danone is present;
Europe	Europe excl. CIS and including Turkey:
Fresh Dairy Products	All references herein to "Fresh Dairy Products" and the fresh dairy products business or market refer to processed dairy products and exclude cream and butter;

GPS (Group performance shares)	All references herein to GPS (Group performance shares) refer to Company shares subject to performance conditions granted to certain employees and corporate officers described in section 6.3 *Compensation and benefits of corporate officers and governance bodies;*
GPU (Group performance units)	All references herein to GPU (Group performance units) refer to multi-annual variable compensation described in section 6.3 *Compensation and benefits of corporate officers and governance bodies*;
Group	All references herein to the "Group", the "Company" or "Danone" refer to the Company and its consolidated subsidiaries;
Markets	All references herein to "markets" for products in particular, or to market shares, refer to markets for packaged products and exclude products that may be otherwise marketed or sold;
Market shares and market positions	Data pertaining to market shares and market positions are based on the value of sales;
Mature countries	All references herein to "mature countries" refer to Western Europe (particularly France and Southern Europe, including Spain, Italy and Portugal), North America, Japan, Australia and New Zealand;
Medical Nutrition	All references herein to "Medical Nutrition" and the medical nutrition business or market refer to adult or pediatric clinical nutrition products to be taken orally or through a tube in the event of malnutrition related to illness or other causes;
North America	All references herein to the "North America" region refer to the United States and Canada;
Put options granted to non-controlling interests	All references herein to "put options granted to non-controlling interests" refer to put options granted by Danone to certain non-controlling shareholders on all or part of their equity investment in certain consolidated subsidiaries described in section 3.4 *Balance sheet and financial security review*;
Registration Document	All references herein to the "Registration Document" refer to Danone's Registration Document;
Sales	All references herein to "Sales" refer to the consolidated net sales of Danone;
Stock-options	All references herein to stock-options refer to options to purchase DANONE shares granted to certain employees and corporate officers described in section 6.3 *Compensation and benefits for corporate officers and governance bodies*;
Value of GPS (Group performance shares) and stock-options	All references herein to the value of GPS and stock-options refer to the fair value of those shares and options calculated as of grant date in accordance with IFRS 2.
Waters	All references herein to "Waters" and the waters business or market refer to bottled water, water sold in large containers (jugs), and water sold in small containers (cups).

Incorporation by reference

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

- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2013 on pages 67 to 138 of the Registration Document filed with the AMF on March 21, 2014 under filing number D. 14-0186;
- the annual financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2013 on pages 139 to 158 of the Registration Document filed with the AMF on March 21, 2014;
- the selected financial information, the Group's management report and all non-financial information pertaining to the fiscal year ended December 31, 2013 on pages 2 to 3 and 39 to 61 of the Registration Document filed with the AMF on March 21, 2014;
- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2014 on pages 73 to 152 of the Registration Document filed with the AMF on March 19, 2015 under filing number D. 15-0176;
- the annual financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2014 on pages 153 to 173 of the Registration Document filed with the AMF on March 19, 2015;
- the selected financial information, the Group's management report and all non-financial information pertaining to the fiscal year ended December 31, 2014 on pages 2 to 3 and 41 to 64 of the Registration Document filed with the AMF on March 19, 2015.

1.3 PERSON RESPONSIBLE FOR THE REGISTRATION DOCUMENT

Person responsible for the Registration Document

Emmanuel FABER

Chief Executive Officer

Danone

Statement by the person responsible for the Registration Document

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

Paris, March 16, 2016

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

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

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

Chief Executive Officer

Emmanuel FABER

2.1 HISTORY 12
Company roots: from glass to food 12
1973-1990: European expansion 12
1990-1996: global ambitions 12
1996-2007: refocus on health food 12
2007-2014: acceleration of international development 12
Since 2014: toward strong, profitable and sustainable growth 12

2.2 PRESENTATION OF DANONE 13
Activities 13
Principal markets 13

2.3 STRATEGIC GROWTH AREAS 15
Alimentation 15
A new approach to managing strategic resource cycles 15
People and the organization 16
Towards a strong, profitable and sustainable growth by 2020 16

2.4 DESCRIPTION AND STRATEGY OF THE DIVISIONS 16
Fresh Dairy Products 16
Waters 17
Early Life Nutrition 17
Medical Nutrition 17

2.5 OTHER ELEMENTS RELATED TO DANONE'S ACTIVITY AND ORGANIZATION 18
Distribution 18
Competition 18
Research and Development 19
Plants and equipment 20
Raw materials purchasing 21
Social and environmental responsibility 22
Financial risk management 22

2.6 SIMPLIFIED ORGANIZATIONAL CHART AS OF DECEMBER 31, 2015 22
Parent company Danone 22
Consolidated subsidiaries 22
Main fully consolidated but not fully owned companies 23
Main publicly traded companies 23

2.7 RISK FACTORS 24
Risk identification and control policy 24
Principal risk factors 24
Description of principal risk factors 25
Insurance and risk coverage 42

2

Overview of activities, risk factors

2.1 HISTORY

Company roots: from glass to food

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

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

1973-1990: European expansion

During the 1970s and 1980s, after selling off its flat glass operations, the BSN group focused its growth on food and beverages, primarily in Western Europe. In particular, this expansion included the acquisition of breweries, Générale Biscuit, a French holding company that owned LU and other European biscuit brands, the biscuit subsidiaries of Nabisco, Inc. and also Galbani, Italy's leading cheese maker. BSN group became the third-largest diversified food and beverage company in Europe, and the largest in France, Italy, and Spain.

1990-1996: global ambitions

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

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

1996-2007: refocus on health food

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

In 2006, Danone formalized its mission of "bringing health through food to as many people as possible," and the following year it completed a 10-year period of refocusing its operations on the health food sector. Indeed, in 2007 Danone sold nearly all of its Biscuits and Cereal Products business and acquired Numico, which enabled it to add Early Life Nutrition and Medical Nutrition activities to its portfolio.

2007-2014: acceleration of international development

In order to pursue its international development strategy around its four business lines, Danone acquired the Unimilk group's companies in Russia in 2010 and the Wockhardt group's nutrition activities in India in 2012. In 2013, the Company forged a strategic alliance with Mengniu, the Chinese fresh dairy products market leader, to accelerate the growth of this product category in China. In 2014, an agreement was signed calling for this alliance to be extended to the infant formula category through Danone's acquisition of a stake in Yashili, a Mengniu subsidiary. Since 2013, Danone has also accelerated its development on the African continent, notably with the acquisition of a controlling interest in Centrale Danone in Morocco and equity interests in Fan Milk in West Africa and Brookside in Kenya.

Since 2014: toward strong, profitable and sustainable growth

In 2014 Danone marked a turning point, changing its governance structure and launching its transformational "Danone 2020" plan, which ambition is to generate strong, profitable and sustainable growth by 2020. In order to reinforce the Company's economic and social impact, Danone also created its "Manifesto," the cornerstone of the "Danone 2020" plan.

2.2 PRESENTATION OF DANONE

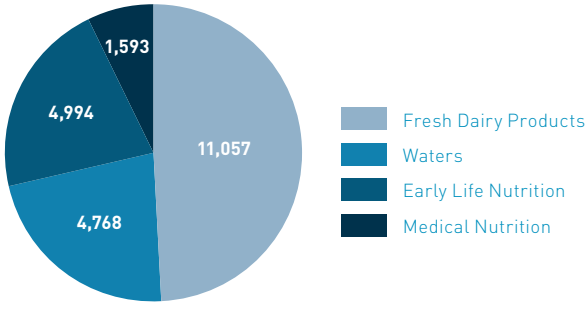
Activities

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

- the Fresh Dairy Products Division (production and distribution of yogurts, fermented dairy products and other specialties of fresh dairy products) accounted for 50% of Company sales in 2015;
- the Waters Division (production and distribution of packaged natural, flavored and vitamin-enriched water) represented 21% of Company sales in 2015;
- the Early Life Nutrition Division (production and distribution of specialized food for babies and young children to complement breast-feeding) accounted for 22% of Company sales in 2015;
- the Medical Nutrition Division (production and distribution of specialized food for people afflicted with certain illnesses or frail elderly people) made up 7% of Company sales in 2015.

Consolidated sales by Division

(in € millions)



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

Danone enjoys, in value, the following leadership positions: No. 1 worldwide for fresh dairy products, No. 3 worldwide for packaged waters, No. 2 worldwide for early life nutrition and No. 1 in Europe for medical nutrition.

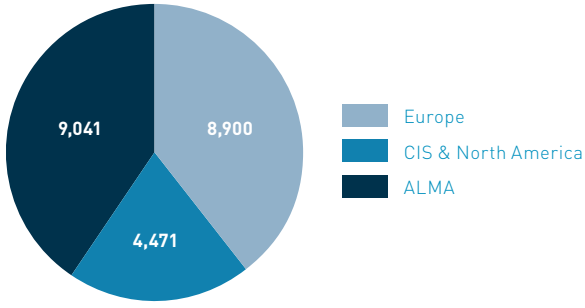
Principal markets

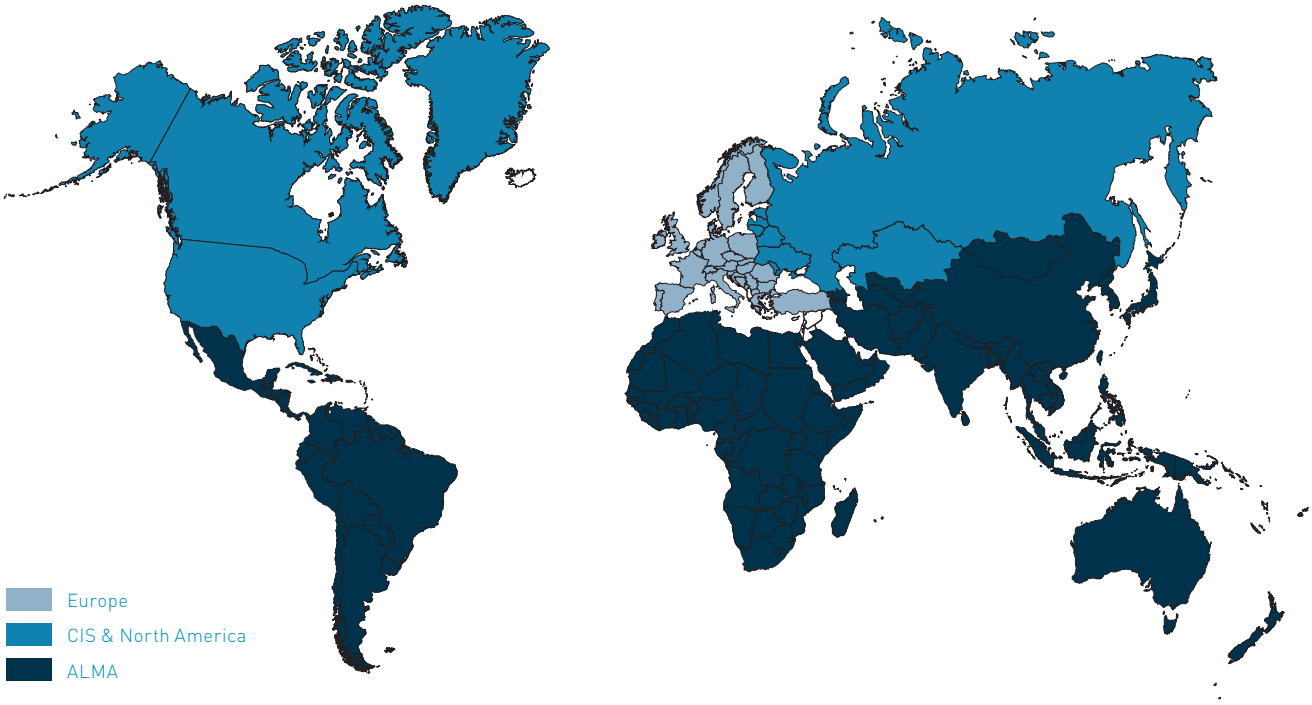
The Company is present in all of the regions of the world:

- Europe, accounted for 40% of the Company sales in 2015, with contributions from all four Divisions. The leading countries in this region include France, the United Kingdom and Spain;
- the CIS & North America zone represented 20% of the Company sales in 2015 thanks to the strong performance of the Fresh Dairy Products Division in these markets;
- the ALMA zone – which combines the activities in the Asia/Pacific region, Latin America, Africa and the Middle East – represented 40% of the Company sales in 2015:
  - in the Asia/Pacific region, China and Indonesia lead the way thanks to robust sales in the Waters and Early Life Nutrition Divisions;
  - in Latin America, Argentina, Mexico and Brazil are the main contributors for the Company's four Divisions;
  - in the Africa and Middle East regions, Morocco and South Africa are the largest markets, focused mainly on fresh dairy products. The Early Life Nutrition Division is also growing rapidly in this zone through an export model.

Consolidated sales by geographical area

(in € millions)





Top 10 countries in terms of sales

Year ended December 31

	2015
United States	11%
France	10%
China	7%
Russia	7%
United Kingdom	6%
Indonesia	6%
Argentina	6%
Mexico	5%
Spain	5%
Germany	4%

The evolution of this ranking compared to last year should be read taking currency fluctuations into account, especially their high volatility on emerging markets.

Top 10 customers

In 2015, Danone's top 10 customers worldwide (of which five are French) accounted for approximately 18% of its consolidated sales; the top five customers represented approximately 12% of its consolidated sales.

2.3 STRATEGIC GROWTH AREAS

True to its mission of "bringing health through food to as many people as possible," Danone reaffirmed and translated this mission into a Manifesto.

This Manifesto is the core of the transformational "Danone 2020" five-year plan, which focuses on three main streams:

- Alimentation: encourage healthier eating behaviors;
- Strategic resources: strengthen Danone's ability to protect and optimize our essential resources—water, milk and plastic— and secure its license to operate in a cycle-oriented way;
- People and the organization: the goal is tap into the full range of talent at Danone to give its corporate architecture more solidity and more relevance for today's world.

Alimentation

Danone does not limit its mission to simply satisfying nutritional needs. It also includes a cultural, social, emotional and physiological dimension linked to local eating habits in each region around the world. Danone has chosen to provide food that takes into account each community's own way of life while using pleasure as means to get people to adopt and maintain healthy eating behaviors. The idea is therefore not to focus exclusively on the sale of food products but to adopt a broader vision and promote dietary practices by offering a superior product and services experience as well as a healthy alternative that is adapted to the communities while still retaining the goal of building, fueling and protecting health capital.

In that context, demographic trends and the major nutrition challenges generate new growth opportunities for Danone. A balanced diet is in fact a genuine challenge in a world where 25% of the world's population suffers from malnutrition and 10% of adults are obese. In this context, each of Danone's businesses – Fresh Dairy Products, Waters, Early Life Nutrition and Medical Nutrition – contribute to this mission and play a role in the profitable and sustainable growth strategy that Danone has set. Danone is thus developing its activities in all of the world's regions, notably in emerging countries. They constitute a key lever for Danone to successfully carry out its mission while ensuring its long-term growth. In 2015, emerging countries accounted for 52% of the Company's sales.

To implement its strategy, Danone relies first on major growth markets in which it enjoys strong positions such as Indonesia, China, Russia, the United States, Mexico and Brazil. In these countries, the Company continues to develop the consumption of its product categories, especially through innovation.

Danone is also pursuing its expansion in new countries in order to develop new sources of growth. Since 2013, Danone has accelerated its growth in Africa, with the increase of its majority stake in Centrale Danone (Fresh Dairy Products, Morocco) and the purchase of an equity interest in Fan Milk (Fresh Dairy Products, West Africa) and Brookside (Fresh Dairy Products, East Africa). Danone's goal is to take advantage of all of the growth opportunities Africa has to offer in the near and medium term.

With a presence in more than 130 markets, Danone is committed to developing and optimizing its organizational model to make the most of its global size while providing strong support to local businesses. In the near term, Danone's priority is to strengthen its various supply, distribution, manufacturing base and quality control platforms and to fuel future growth by relying in particular on its ability to innovate. Innovation plays a key role in the implementation of this strategy in order to adapt the products and distribution to the local conditions and consumption patterns.

A new approach to managing strategic resource cycles

Danone has decided to focus increasingly on the upstream segment of its activity (environmental management, raw materials supply, manufacturing processes and logistics), not only to optimize costs but also to create a lever for value creation and differentiate Danone from the competition.

Thus one key stream of the transformational "Danone 2020" plan is a new approach for managing strategic resources (milk, water and plastic). For Danone, these resources are essential not just from an economic standpoint but also an environmental and social standpoint. Danone's key raw materials come from nature and must therefore be protected by creating shared value for ecosystems and communities where Danone operates. These resources are therefore managed as cycles in order to ensure their long-term viability, limit their volatility and, lastly, gain a true competitive advantage.

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

People and the organization

As part of its transformational "Danone 2020" plan, Danone has adopted a new administrative organization that is more robust and, more importantly, better adapted to an environment that will remain politically and financially complex, unstable and fragmented. Danone has therefore launched several initiatives in order to enhance its efficiency, expertise and flexibility, notably **One Danone** and **Beyond Budget** projects.

- **One Danone**: this project seeks to make a lasting and positive contribution to the success of Danone and its employees. Its objective is to build a solid framework for Danone that supports its unique spirit and culture. Danone's goal is to make a bigger impact and improve its consistency and efficiency by sharing and strengthening its expertise and using resources across business lines to an even greater extent. These efforts will support the development of its activities, while the Company remains close to its markets. On the one hand, Danone needs to optimize its organizational entities by pooling certain support functions, and on the other it needs to invest in key functions, which are essential to ensure the long-term viability of Danone's model;
- along with One Danone, Danone has also reviewed how it steers its performance, time frames and activity cycles in its **Beyond Budget** initiative. This initiative marks a radical shift in how Danone plans to allocate resources going forward. Danone is thus replacing the traditional budget process with a rolling forecast, *i.e.* a dynamic forecasting process based on new forecasts determined at the end of each quarter with the aim to strengthen discipline, flexibility, agility and the organization's precision in terms of resource allocation.

Towards a strong, profitable and sustainable growth by 2020

Danone's ambition is to generate strong, profitable, sustainable growth by 2020, meaning a growth greater or equal to 5% including the following dynamics:

- between +3% and +5% for the Fresh Dairy Products Division;
- between +7% and +10% for the Waters and Early Life Nutrition Divisions;
- between +6% and +8% for the Medical Nutrition Division.

Danone also commits to a yearly margin increase to which the main lever is the structural recovery of the Fresh Dairy Products Division margin. Danone anticipates an improvement of the Fresh Dairy Products Division margin of more than 200 bps between 2015 and 2020 compared to 2014 with like-for-like exchange rates.

2.4 DESCRIPTION AND STRATEGY OF THE DIVISIONS

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

Fresh Dairy Products

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

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

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

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

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

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

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

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

Waters

The Waters Division comprises the natural waters business along with *Aquadrinks* (waters flavored and vitamin-enriched with natural fruit juice extracts, fruit juice and vitamins).

The Division has international brands such as *evian*, *Volvic* and *Badoit* and very strong local brands: *Aqua* in Indonesia, *Mizone* in China, *Bonafont* in Mexico, *Villavicencio* and *Villa del Sur* in Argentina, *Fontvella* and *Lanjarón* in Spain and *Zywiec Zdroj* in Poland.

The Division's strategy is based primarily on the development of bottled water and *Aquadrinks* consumption, notably through the following measures:

- promotion of hydration-related health benefits: Danone is establishing initiatives to promote healthier hydration through partnerships with public health authorities and scientists and by communicating directly with consumers in order to inspire healthier hydration practices. In particular, the Company runs the "Hydration for Health" scientific platform. For the past seven years, 150 scientists and public health authority researchers from around the world have met annually to share and promote the advances in the area of hydration science and its positive effect on health;
- long-term management and environmental protection of water resources: Danone strives to preserve the unique quality and sustainable nature of its natural waters products by strengthening the protection of its springs and respecting the water cycle. Danone is also committed to getting all socio-economic players involved through associations and partnerships that promote the development of non-polluting activities and the establishment of agricultural practices that do less harm to the environment around the catchment areas;
- the development of a line of light and natural beverages, alternatives to sodas and other sweetened beverages. The challenge is to facilitate the adoption of healthier hydration practices for consumers of sweetened beverages. Many of the Company's water brands also come in flavored versions or mixed with fruit juice, *i.e. Aquadrinks;*
- packaging innovation: in order to reduce its environmental impact, the Division has substantially reduced the weight of its bottles over many years and uses new packaging materials such as ones made from plant-based or recycled materials.

Early Life Nutrition

The Early Life Nutrition Division focuses on the first 1,000 days of the child, *i.e.* from the first day of pregnancy until age 2. The Division's activity consists of specialized foods for babies and young children to complement breast-feeding while always complying with the World Health Organization (WHO) Code and local laws. It also offers products and services to pregnant women and nursing mothers.

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

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

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

- demonstrate the relevance of this category of Early Life Nutrition brands as an answer to the specific needs of pregnant women, nursing mothers, babies and young children by raising awareness among parents, opinion leaders and healthcare professionals about the importance of nutrition during the first 1,000 days;
- associate health and flavor as two indivisible qualities in baby food. The Early Life Nutrition Division is very active in research on taste acquisition in the youngest children and prepares products offering a wide range of flavors, in close collaboration with sensory experts;
- determine local nutritional needs, notably in the new regions where the Division is growing by studying local dietary practices as well as the state of nutrition in order to provide answers to local public health challenges in accordance with the requirements of health authorities and local associations.

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

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

Medical Nutrition

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

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

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

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

2.5 OTHER ELEMENTS RELATED TO DANONE'S ACTIVITY AND ORGANIZATION

Distribution

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

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

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

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

Major retail chains

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

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

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

Traditional market outlets

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

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

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

Specialized distribution channels of hospitals, clinics and pharmacies

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

Competition

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

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

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

Research and Development

Presentation of Danone's Research and Development

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

The Research and Development strategy focuses on four main innovation areas:

- progress: building bridges between science and food to contribute to the health of people of all ages, from the youngest to the oldest;
- reliability: committing to the nutritional quality of the products and managing natural resources sustainably;
- cultures: staying connected to eating practices, integrating cultural differences and local needs and encouraging healthier dietary practices within communities;
- well-being: promoting Danone's product categories to support daily health and well-being for all. Danone therefore conducts nutrition research, educates and trains health professionals on diet-related matters and contributes toward improved dietary practices for the consumers through educational and informational campaigns.

The R&D strategy is based on a unique approach to nutrition. This approach involves stakeholders who are concerned by the public health challenges in the countries where Danone operates.

Research and Development organization

The Research and Development function at Danone Nutricia Research has approximately 1,500 employees spread in the following locations:

- two international research centers: Danone Research Centre Daniel Carasso (Palaiseau, France) and Nutricia Research (Utrecht, the Netherlands);
- five specialized centers:
  - Danone Research Packaging in Evian, France,
  - Nutricia Research Singapore, in Singapore,
  - Danone Research Fresh Dairy Technological Expertise, in Madrid, Spain,
  - Danone Research Fresh Dairy Technological Expertise, in Chekhov, Russia,
  - Dumex Research, in Shanghai, China.
- local teams in 55 Danone subsidiaries.

Scientific collaborations

In their research, the Research and Development teams regularly work with external partners such as universities and public research centers. For example:

- Danone benefits from the expertise of external scientific committees on strategic topics such as cultures, including ones with probiotic potential, or water;
- Danone maintains permanent contact with the scientific community to better understand health and nutrition issues. This collaborative scientific approach allows us to the pooling of investments, resources and skills. This ongoing dialogue with scientists and researcher's supports two of the commitments made by Danone in its Food Nutrition Health Charter. This Charter formalizes Danone's strategy in the nutrition and health area and is consistent with the main orientations set by health authorities in many countries;
- as part of its contribution to nutrition research, Danone created the Danone Institutes (non-profit entities) to help strengthen the understanding of the links between food, nutrition and health. As of end-2015, 16 Danone institutes are established worldwide. Their initiatives cover everything from support for scientific research to information and training for health professionals, to educational programs for children and the general public.

Danone's Research and Development innovation areas

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

Progress: bridging life science and nutrition

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

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

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

To develop fermented dairy products that have an impact on the human body's balance and homeostasis, Danone uses various approaches, including applying its extensive collection of lactic acid bacteria and selecting the top-performing ones depending on the desired physiological and clinical effects.

For all the work in these areas, the Research and Development teams use the latest techniques in genomics, cellular and molecular biology, cytometry and robotics. They design and set up clinical studies based on international standards and utilize the latest statistical analysis methods. They also collaborate with other internationally-recognized, high-level scientific partners such as INRA (French National Institute for Agricultural Research) in Paris, Harvard Medical School in Boston (United States), the *Institut Pasteur* (Pasteur Institute) in Paris and University College of Cork in Ireland. Furthermore, to further develop these research areas, Danone sponsors conferences with these institutions in order to share the latest findings to the international scientific community.

Reliability: committing to nutritional quality and resource preservation

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

- strive to reach nutritional targets defined by nutrient, product category and consumer group. These targets were redefined in 2015 for all three Divisions: Fresh Dairy Products, Early Life Nutrition and Waters (Aquadrinks);
- develop products that constitute an alternative, with nutritional and taste qualities exceeding those of other market products or categories that might be chosen in a given consumption situation.

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

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

Cultures: embracing local eating and drinking habits

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

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

As mentioned above, understanding local challenges surrounding nutrition and food as well as major challenges pertaining to public health and involving food are also key to Danone's strategy. This enables Danone to develop products that are relevant and more closely adapted to local market conditions. To that end, Danone drafted a "Nutriplanet" map of nutrition and public health that identifies food deficiencies and excesses in specific countries and allows Danone to adapt its product recipes accordingly. Today, Nutriplanet has been completed in over 50 countries and is a resource for research published in scientific journals.

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

Well-being: promoting Danone's product categories

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

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

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

Plants and equipment

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

Danone has production facilities around the world in its principal markets. As of December 31, 2015, Danone had 194 production sites (see section 5.2 *Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law*).

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

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

Production during the year and main production sites

Year ended December 31, 2015

		Division's largest sites [a]	
	Production [b]	Location	Division's share of production [b]
Fresh Dairy Products	7 million tons	Mexico, Brazil	11%
Waters	26 billion liters	France, Indonesia	12%
Early Life Nutrition	1 million tons	Ireland	16%
Medical Nutrition	210 million liters	Netherlands	49%

(a) The two largest sites for the Fresh Dairy Products and Waters Divisions, and the single largest site for the Early Life Nutrition and Medical Nutrition Divisions.
(b) For the year.

Raw materials purchasing

Danone's raw materials needs consist mainly of:

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

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

These upstream activities are now managed as cycles in order to ensure their sustainability, limit their volatility and gain a genuine competitive advantage:

- regarding the milk cycle, the goal is to ensure a sustainable long-term supply, continue to improve competitiveness and reduce the dependency on this raw material by optimizing the use of all milk components thanks to new technologies and the pooling of needs among the various business divisions, notably Fresh Dairy Products and Early Life Nutrition;
- as for the plastics cycle, the main challenge is to develop new, 100%-recyclable materials, give second life to plastic packaging that will be distributed in the market, increase the share of recycled PET from 10% to 25% in several countries and ultimately produce bottles made from second-generation, 100% bioplastics;
- lastly, Danone's main challenge at the heart of the water cycle remains protecting its springs.

The price trends of major raw materials may affect the structure of Danone's results. In that context, the Company manages raw materials cost volatility through the following measures:

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

Social and environmental responsibility

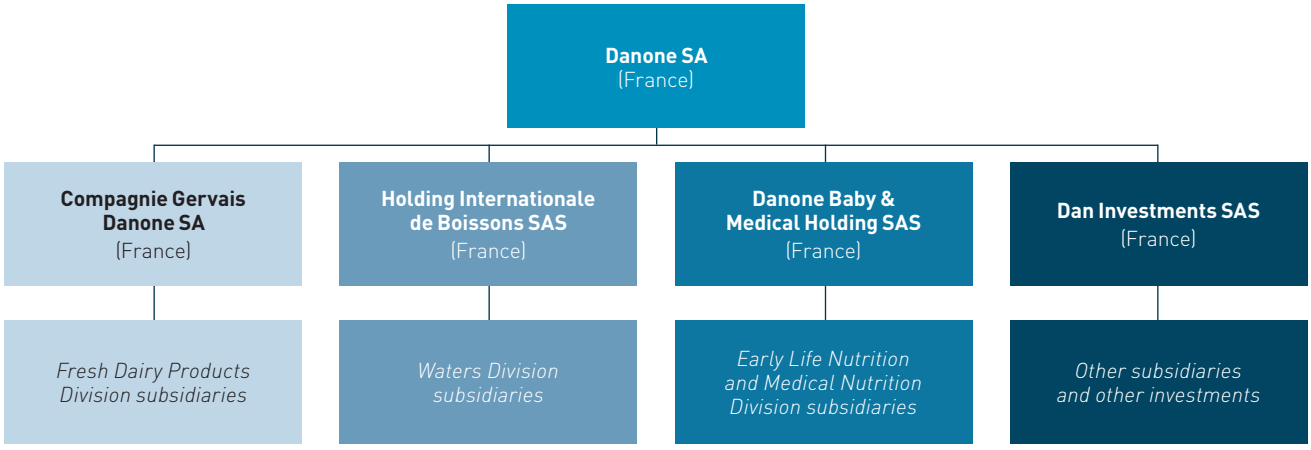
See sections 5.1 *Danone's social, societal and environmental responsibility approach*, 5.2 *Information concerning Danone's social, societal and environmental responsibility in compliance with the Grenelle II law*, and 5.3 *Funds sponsored by Danone*.

Financial risk management

See section 2.7 *Risk factors*.

2.6 SIMPLIFIED ORGANIZATIONAL CHART AS OF DECEMBER 31, 2015

The following simplified organizational chart presents the structure of Danone's overall legal organization. Some subsidiaries may nevertheless have a different parent company.



Parent company Danone

Danone SA is the parent company of the Danone group. The company has mainly a role of (i) holding directly or indirectly companies of the Group, and (ii) coordination of the main functions and activities, with an average number of employees of 798 in 2015.

Consolidated subsidiaries

The lists, by Division, of the 20 largest, fully consolidated subsidiaries in terms of net sales are presented in Note 17 of the Notes to the consolidated financial statements.

The list of Danone's consolidated subsidiaries by country is presented in the Appendix to this Registration Document.

Main fully consolidated but not fully owned companies

Ownership of non-controlling interests as of December 31

(in percentage)	Division	Country	Listing market [a]	2014	2015
Danone-Unimilk group [b]	Fresh Dairy Products	CIS		49.1%	29.1%
Danone Spain [c]	Fresh Dairy Products	Spain		23.1%	7.6%
Centrale Danone [d]	Fresh Dairy Products	Morocco	Casablanca	9.1%	4.1%

(a) If the company is listed.
(b) As of December 31, 2015, the non-controlling interests in that group's parent company have three representatives on the Board of Directors of the company (out of a total of seven directors).
(c) As of December 31, 2015, the non-controlling interests of the company have one representative on the Board of Directors of the company (out of a total of four directors).
(d) Since 2014, non-controlling interests of the company no longer have a representative on the Board of Directors of the company.

Each of these companies operates Danone's fresh dairy products activities in a given country or group of countries. Most of the non-controlling shareholders of each of these companies held put options on their interest as of December 31, 2014, with the majority of these options exercised in 2015 as described in section 3.4 *Balance sheet and financial security review* in the section on *Liabilities related to put options granted to non-controlling interests*.

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

Main publicly traded companies

As of December 31, 2015

	Division	Country	Listing market
Centrale Danone[a]	Fresh Dairy Products	Morocco	Casablanca
China Mengniu Dairy[b]	Fresh Dairy Products	China	Hong Kong
Yakult Honsha[b]	Fresh Dairy Products	Japan	Tokyo
Yashili[b]	Early Life Nutrition	China	Hong Kong

(a) Fully consolidated company.
(b) Investments in associates.

2.7 RISK FACTORS

Risk identification and control policy

As any other company Danone is facing external and internal risks which can affect the targets' achievement. The main risks Danone is exposed to as of the date of this Registration Document are described in the following part.

Danone maintains an active risk identification and management policy aimed at protecting and developing its assets and reputation, the achievement of its targets and objectives, and protecting the interests of its shareholders, employees, consumers, customers, suppliers, the environment and its other stakeholders without guaranteeing the total absence of risks.

This risk identification and management policy is described in the Chairman's report on internal control and risk management in section 6.4 *Internal control and risk management*.

Principal risk factors

Summary of principal risk factors to which Danone believes it is exposed as of the date of this Registration Document

Risks associated with Danone's image and reputation	Risks associated with product quality Risks associated with health and the positioning of certain products Other general risks associated with Danone's image and reputation
Operational risks associated with Danone's business sector	Raw materials: price volatility and availability Concentration of distribution, customer default Competition Geopolitical environment Economic situation in Danone's principal markets Weather conditions and seasonal trends
Operational risks specific to Danone's activity and organization	Concentration of purchases of certain products and services with a limited number of suppliers Danone's position in certain markets Innovation and consumer taste Human resources and staff Human resources and restructuring Information systems Internal control deficiency Insurance coverage deficiency
Risks associated with external growth	Company acquisitions Partnerships Unfavorable business performance and business forecasts and impact on intangible asset impairment tests and Investments in associates
Legal and regulatory risks	Intellectual property Ethical and non-compliance risks Environmental regulations Other regulations
Natural, industrial and environmental risks	Natural and industrial risks Environmental risks Consumer choices, preferences or environmental preferences
Financial market risks	Financial market risks Currency risk related to operating activities Currency risk related to financing activities Financial statements translation into euros Liquidity Interest rates Counterparty, credit Company shares Other companies' shares

These risk factors are described hereafter.

Other risks

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

Description of principal risk factors

Risks associated with Danone's image and reputation

Danone's good reputation and the quality image of its brands and products are essential to its success. They may be affected at any time.

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Risks associated with product quality	
Its activity exposes Danone to the risk – known or merely perceived, anticipated or alleged – of product contamination or that its products are harmful. This quality risk may arise through the actual or alleged existence of (i) chemical and microbiological contaminants (even in infinitesimal amounts) in raw materials and packaging, (ii) cross-contamination with allergens, and (iii) non-compliance with the safety measures of finished products when they leave the factory and throughout the distribution chain. These actual or alleged contamination risks could also potentially occur (i) upstream from Danone's activity (with suppliers or while being transported by suppliers), and (ii) downstream from its activity (by clients or distributors or during the transportation phase by its distributors). The materialization of such a risk could have multiple consequences: • Danone's sales and results related to these products could be severely affected; • this impact could then extend beyond just the products involved to include other products of the same brand; • given media coverage and the development of social networks, this impact could also spread to other geographic areas than the ones initially involved; • the combined impacts could therefore have a significant adverse effect on Danone's overall sales and results; • in addition to the immediate financial impact, the reputation of Danone, its brands and products as well as its quality image could be adversely affected over the long term, thereby exacerbating the financial risk for Danone.	Danone's priority is to avoid any contamination risk. To that end, Danone applies an uncompromising food quality and security policy, which is implemented through a quality organization at both central and local levels and makes it possible to achieve the targeted level of food quality and security. The Company has established measures and procedures to limit the contamination risk, in particular through the implementation of multiple controls on the production lines and throughout the distribution chain as well as regular audits of its sites: • the risk of product contamination is classified into four categories (microbiological, chemical, physical and allergic) and depends on the nature of the products; • it is controlled at each stage of the production and selling cycle: at the time of the purchase and delivery of raw materials, the production process, the packaging of products, the storage and delivery of finished products to distributors and food retailers, the storage and shelving of finished products at the final sales points. Danone has also prepared and implemented a procedure at each subsidiary that organizes (i) measures for halting production and withdrawing or even recalling products in certain cases, together with the relevant institutions, and (ii) systematic, in-depth controls and inquiries to determine whether Danone has liability exposure.

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT

Risks associated with health and the positioning of certain products

In the event that certain of Danone's products (including recipes/formulas or certain active ingredients) presented as having nutritional or health benefits or positioning proved to be harmful in the short or long term or had no health effects, then Danone's activities, results and reputation could be adversely affected to an even greater extent since Danone's strategy is based on the development of products with a strong nutrition/health component.

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

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

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

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

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

Other general risks associated with Danone's image and reputation

In addition to the aforementioned risks linked to its products, Danone is exposed to criticisms of all types and origin, whether well-founded or not and whether in good or bad faith, that could affect its image and reputation. Danone may therefore face negative publicity that could result from a risk situation, or even a simple allegation, concerning its activities, its brands or its practices in commercial affairs or its societal responsibilities toward its suppliers. The media publicity of such criticisms, whether they are founded or not, is facilitated by the introduction of new technologies and the development of social networks, which can amplify the impact considerably.

Such events could adversely affect Danone's image and have repercussions on sales, activities, results and growth prospects.

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

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

Operational risks associated with Danone's business sector

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Raw materials: price volatility and availability Danone's principal raw material needs consist primarily of: • materials needed to produce food and beverage products, primarily milk and fruits ("food raw materials"); • materials needed for packaging its products, primarily plastics and cardboard ("packaging"); • energy supplies. They account for only a limited portion of Danone's purchases. Variations in supply and demand at global or regional levels, weather conditions, government controls, regulatory changes and geopolitical events (changes in production methods, trade saturation, etc.) could substantially impact the price and availability of (i) raw materials, and (ii) materials needed to package certain Danone products, which could have an adverse effect on its results. In particular, a potential increase in the prices of these raw materials (especially milk) and other materials may not be passed on, either in full or in part, in the sales price of Danone's products, notably in countries whose economic environment has deteriorated, which could have a significant adverse effect on Danone's activities and results.	In the context of high raw materials price volatility and to limit its impact on Danone's activity and results to the greatest extent possible, Danone manages this cost inflation through actions described in section 2.5 *Other elements related to Danone's activity and organization*. Danone's supply policy and exposure to principal raw materials risks, including milk, are described in Note 5.7 of the Notes to the consolidated financial statements.
Concentration of distribution, customer default While the end customers of Danone products are individual consumers, Danone sells its products mainly to major retail and grocery chains. Overall, the distribution market has become increasingly concentrated globally and locally. A continuation of the trend to concentrate distribution at the global level along with the emergence of key players at the local level would result in a smaller number of customers for Danone companies and could lead to retailers demanding better terms. This could affect the operating margin of these companies and therefore of Danone, change their market shares and/or represent a counterparty risk in the event of a default by a major customer, and consequently have a significant adverse effect on Danone's activities and results. In addition, certain subsidiaries of the Early Life Nutrition and Medical Nutrition Divisions also have commercial relations with public and quasi-public organizations, health insurance and supplementary health insurance companies, as well as hospitals, which sometimes impose long payment terms. It is possible that some of these organizations would collaborate and issue joint tenders, which could have a significant negative impact on the results of the respective Divisions.	The presence of Danone brands in different types of distribution channels helps to mitigate the potential negative impact of the concentration risk. The risk associated with the default of a given customer is limited thanks to Danone's international development. The relative share of Danone sales generated with its leading international customers in 2015 is described in Note 5.4 of the Notes to the consolidated financial statements. Danone has also taken measures that help to reduce this risk, in particular action programs related to the trade policy towards key customer accounts (see section 2.5 *Other elements related to the Danone's activity and organization*) and Credit Committees or their equivalent established in certain subsidiaries. As of December 31, 2015, Danone's exposure to unpaid trade receivables not yet depreciated was limited (see Note 5.4 of the Notes to the consolidated financial statements).

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT

Competition

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

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

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

Danone is thus facing national and international competitors, which are described in section 2.5 *Other elements related to Danone's activity and organization* related to Competition. This competition could lead Danone to increase its advertising and promotional expenditures, reduce its prices in order to defend its market shares or prevent it from raising its prices in order to overcome cost increases, which could have a significant adverse effect on Danone's strategy and results.

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

Geopolitical environment

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

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

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

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

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

However, Danone cannot guarantee that its results will not be significantly affected by a disruption in economic, political or regulatory conditions or by a crisis in some of the countries where it is present.

Sales by geographic region and Danone's top 10 countries in terms of sales are presented in section 2.2 *Presentation of Danone*.

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT

Economic situation in Danone's principal markets

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

Aside from the currency risks discussed hereafter, in periods of slowing economic growth and/or deficit and public debt reductions that may occur in some countries, Danone may have to contend with the following phenomena:

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

These changes could have a negative impact on Danone's activities and results.

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

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

Danone's international growth results in a geographical distribution that diversifies and, to a lesser extent, limits the concentration of risk to economic conditions for a given country. Danone also relies on (i) its reporting system to monitor its activity and the potential impact of economic conditions in countries where it is present, and (ii) its organization to take the necessary measures (adaptation of Danone's activity, its organization and, if necessary, restructuring plans).

Weather conditions and seasonal cycles

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

Weather conditions can also have an impact on the prices and the availability of certain raw materials, and as a result on Danone. This risk is described in the section above *Raw material: price volatility and availability*.

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

Operational risks specific to Danone's activity and organization

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Concentration of purchases of certain products and services with a limited number of suppliers Danone depends on a limited number of outside suppliers for (i) the delivery of certain goods in particular raw materials (for example the ferments used in the Fresh Dairy Products Division or powdered milk for the Early Life Nutrition Division in some Asian countries), and (ii) certain services (in particular sub-contracted services or information technology services). If some of these suppliers were not able to provide Danone with the quantities and qualities of products or goods that it needs under the conditions set forth, or if the suppliers were not able to provide services in the required time period, Danone's activities and results could be materially adversely affected.	In order to limit this risk, Danone selects and then monitors and supervises its key suppliers. It also prepares and implements procedures designed to secure its supplies and services as well as business continuity plans designating alternative suppliers.
Danone's position in certain markets Danone is market leader in some of its markets. As a consequence, the Company may be accused by third parties of abusing a dominant position in these markets and/or of engaging in anti-competitive practices. More generally, competition law provisions apply to Danone's companies in the vast majority of countries where Danone does business. Actual or alleged violations of competition law could affect Danone's reputation, and possibly result in investigations by competition authorities in countries where Danone is present, legal proceedings or even criminal and/or significant financial penalties. This could have an adverse effect on Danone's activities and results.	In its Compliance department, Danone has put together a specialized team of competition law experts who are responsible for developing and deploying a competition law policy for the Group's entities. Meanwhile, the Company has developed an international network of competition law specialists within the legal function to monitor this risk. Danone also pays close attention to this matter and seeks to limit the corresponding risk, mainly by communicating and promoting the Business Conduct Principles and Code of Conduct dedicated to the sales functions, and Danone has integrated these rules and best practices into its Danone Way approach in order to ensure that they are communicated and followed. Further information is available in sections 5.1 *Danone social, societal and environmental approach*, 5.2 *Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law*, and 6.4 *Internal control and risk management*.
Innovation and consumer taste Danone's activities are subject to trends in the tastes and preferences of consumers. If Danone cannot predict, identify, and interpret trends in the tastes and dietary habits of consumers, its sales and results could be adversely affected.	Danone has developed a broad portfolio of product lines that allows it to offer a wide variety of products to respond to different consumption needs and situations. In addition Danone strives to foster ongoing dialogue with its consumers by adapting to new ways of communications and consumer patterns.

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT

Human resources and staff

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

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

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

Human resources and restructuring

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

These decisions may be poorly understood and received by both employees and local stakeholders (local elected officials, governmental authorities, etc.) and could affect Danone's employee relations. result in labor disputes, which could include, in particular, work stoppages, strikes or other disruptions that, along with the financial impacts, could adversely affect the Danone's reputation, activities and results.

Moreover, mobilizing Danone's management and staff to successfully implement these restructuring projects and, more generally, the Company transformation projects could affect their availability and focus on the Company's business and its operational projects, which could have a negative impact on its activities and results. This is particularly the case of the One Danone transformational project approved by Danone in 2014 and implemented starting in 2015.

Lastly, this risk could exacerbate the risk associated with attracting and retaining people with the necessary skills and talents described in the above section Human resources and staff.

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

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

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

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Information systems	
Danone is increasingly dependent upon common infrastructures and information technology applications for all its business activities. The main risks are related to the availability of information technology services and the confidentiality and integrity of data. Any failure of these infrastructures, applications or data communication networks, any interruption linked to the failure of security of data centers or networks as well as any accidental or intentional loss of data and any use of data by third parties, could block or slow down production or sales, delay or taint certain decisions and, more generally, have an adverse effect on Danone's activities and results. In addition, most of the former Numico subsidiaries, as well as the more recently acquired Unimilk group's companies, rely on different information systems, specific to certain subsidiaries, which may increase the complexity of the monitoring and management of these risks by Danone.	Danone's policy is to consolidate data centers. In particular, Danone's central applications are hosted in a highly-secured data center managed by IBM. In addition, Danone is developing and implementing specific information systems (Themis, Artemis, etc.) in its subsidiaries to optimize and streamline information technology investment while promoting global synergies and reducing risks. The former Numico and Unimilk subsidiaries are gradually benefitting from the implementation of Themis, Danone's integrated information system.
Internal control deficiency	
The risk of an internal control deficiency is mainly associated with (i) reliability of financial information, (ii) compliance with the applicable laws, regulations and internal policies, and (iii) efficiency and effectiveness of internal processes, including those related to the protection of the Company's assets. If Danone's internal control systems were to experience deficiencies or prove to be inadequate, particularly in the area of fraud, the quality of its financial information, the ability of its executives to take the correct decisions and, more generally, its results, could be adversely affected.	Danone has implemented an internal control system, which is described in section 6.4 *Internal control and risk management*. Regardless of how adequate it may be, this system can only provide reasonable assurance and not an absolute guarantee with respect to the achievement of the company's objectives, given the limitations inherent in any control process. While Danone cannot fully exclude the risk of an internal control failure, the performance level and widespread deployment of its five internal control components (Control environment, Risk identification and assessment, Control activities, Information and communication, and Continuous monitoring) reduce Danone's exposure to this risk (see section 6.4 *Internal control and risk management*). Similarly, Danone cannot exclude all risks associated with fraud. However, the risk profile of its activities and the existence of a widely disseminated anti-fraud program that covers all aspects for reducing the risk of fraud or the potential impact of any fraud (awareness, prevention, detection, investigation, penalty, reporting and continuous improvements of the internal control system) (see section 6.4 *Internal control and risk management*) limit Danone's exposure to this risk.
Insurance coverage deficiency	
Danone's insurance coverage could be insufficient and/or Danone could be unable to renew its insurance programs on acceptable terms, which could have an adverse effect on its financial situation and results.	See section *Insurance and risk coverage* hereafter.

Risks associated with external growth

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Acquisition of companies Danone's strategy consists in holding leading positions in each of the markets in which it operates. Given the context of continued concentration in the food and beverage industry, this strategy involves the pursuit of growth opportunities through joint-ventures or acquisitions, as was the case with the Unimilk transaction in Russia and in other countries with YoCream (Fresh Dairy Products, United States), Wockhardt (Early Life Nutrition and Medical Nutrition, India), Centrale Danone (Fresh Dairy Products, Morocco), etc. Given the competitive landscape in particular, Danone may not be able to carry out transactions under consideration for its development or external growth, which could have a significant adverse impact on the implementation of its strategy. In addition, acquisitions may have an adverse effect on the Company's results and activities if the Company does not successfully integrate the acquired companies, provide the necessary resources and/or achieve all of the expected synergies and cost savings. Finally, during the integration phase, acquisitions may generate risks associated with the historical entities and practices, which, in the case of major acquisitions, could adversely affect Danone's activities, results and reputation.	For each acquisition, Danone prepares an integration program and provides the resources necessary for its implementation. The 2010 acquisition of the Unimilk group's companies, for example, (the companies now known as Danone Russia, Danone Ukraine, Danone Belarus and Danone Kazakhstan) had been subject to an integration plan and had since been integrated into Danone's internal control system.
Partnerships The relationships with Danone's partners in certain entities are governed by contracts or documents that may provide for certain decisions to be made either with the agreement of the partners or without the agreement of Danone. Such restrictions could make it difficult to carry out Danone's strategy in these entities, which could have an adverse effect on Danone's activities. More generally, other difficulties could be encountered with joint-venture partners, notably differences over strategy, development or operational management of these joint-ventures and could adversely affect Danone's activities and results. In addition, some agreements signed with partners may include call or put options on the stake held by Danone or the partner, which, if they are exercised, could have a significant impact on Danone's activities.	Danone carefully reviews the drafting of shareholders' agreements and ensures the implementation and maintenance of adequate governance with its partners. Regarding call and put options, their implementation is linked to Danone's acquisition strategy and in case they are exercised they are monitored in order to anticipate the operational or financial impacts and for options which can be exercised by Danone, to decide whether they should be exercised or not.

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Unfavorable business performance and business forecasts and impact on intangible asset impairment tests and investments in associates In connection with acquisitions involving groups or companies that are fully consolidated or consolidated using the equity method, a significant amount of the acquisition price could be allocated to goodwill and to acquired brands with an indefinite useful life. Specifically, a significant portion of the acquisition price in connection with the Numico acquisition in 2007 (Early Life Nutrition and Medical Nutrition) was allocated to goodwill and acquired brands with an indefinite useful life, and the same was true, albeit to a lesser extent, in connection with the acquisitions of (i) the Unimilk group companies in 2010 (Fresh Dairy Products, mainly Russia and Ukraine), and (ii) Centrale Laitiere in 2013 (Fresh Dairy Products, Morocco). Acquired goodwill and indefinite useful life brands are not amortized. As with Investments in associates, they are subject to an impairment test at least once a year and whenever events or circumstances indicate that a reduction in value may have occurred. An unfavorable change in business activity, business activity forecasts and assumptions used in the projection of cash-flows for the purpose of the impairment tests, in particular with respect to the goodwill and brands of the Early Life Nutrition and Medical Nutrition Divisions arising from the Numico acquisition, could result in the recognition of impairment charges, which could then have significant adverse effects on Danone's results. As for Investments in associates whose shares are listed, a significant or extended decrease in their stock price could also result in impairment charges that could adversely affect Danone's results.	Danone draws up assumptions and business activity forecasts. Each year, it prepares a strategic plan and an annual budget for each subsidiary, analyzes them and, when deemed necessary, draws up suitable action plans. The principal intangible assets and monitoring of their value are described in Note 9 of the Notes to the consolidated financial statements. The principal Investments in associates and the monitoring of their value are described in Note 4 of the Notes to the consolidated financial statements.

Legal and regulatory risks

IDENTIFICATION OF THE RISK	RISK MONITORING AND MANAGEMENT
Intellectual property Danone owns rights to brand names, registered designs and patterns, copyrights and domain names throughout the world. Intellectual property represents a significant portion of Danone's net assets. The territorial extent of the protection depends on the significance of the products and activities concerned. The protection is global for products intended for the international arena, and local or regional for other products. Danone also owns patents, licenses, proprietary recipes and substantial expertise related to its products and packaging, as well as to their manufacturing processes. Finally, Danone has established licensing agreements with its subsidiaries and partners that use these intellectual property rights. Danone cannot be certain that third parties will not attempt to infringe on its intellectual property rights. Moreover, Danone's potential recourse to intellectual property rights protection varies by country. The degree of protection may be different, as may be Danone's implementation of a defense strategy. If Danone was unable to protect its intellectual property rights against such infringement or misuse, its results and growth could be negatively affected, as could its reputation.	In order to monitor its assets and ensure the protection, management and defense of its rights in a coherent and optimal manner, Danone has drawn up an "Intellectual Property" charter. Danone regularly contacts each of its subsidiaries in order to update its intellectual property rights portfolio and thereby protect and defend, to the best of its ability, the brand names, graphic design, forms, packaging, advertisements, websites, etc. that are used by the Company. Danone also takes all appropriate legal measures, notably through actions for infringement and/or unfair competition, to protect and defend its intellectual property rights at both international and local level. Danone is continuing its efforts to develop awareness among staff with access to and/or in possession of sensitive and/or confidential information and provides updates to employees on best practices with a view to limiting this risk, notably as regards the use of information systems and social networks.

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

Ethical and non-compliance risks

Ethics are a fundamental value for Danone, including consumers' perceptions of its brands and products and of the Company's communications. In that sense, Danone places great emphasis on respect for ethical values and integrity. In addition, certain Danone products belong to food categories subject to regulation (early life nutrition and medical nutrition) for which respect for ethical values and integrity is of even greater importance.

Behaviors contrary to ethical principles or violation of applicable laws and regulations, in particular situations involving non-compliance with food standards, product ingredient regulations or, more generally, anti-fraud or corruption measures by Danone, its partners, agents, employees or any other person acting on its behalf, could engender consumer mistrust toward Danone's products, expose Danone to criminal or civil liabilities and could have adverse effects on Danone's results and reputation.

Danone has established the Business Conduct Principles, an ethical code that applies to all Danone employees and formalizes Danone's commitment to integrity and compliance with applicable legal requirements. It sets demanding compliance rules as well as action and conduct principles applicable to employees for Danone activities in all countries where Danone does business.

Ethics and compliance are part of the mission of the Audit Committee and Social Responsibility Committee, which ensure the application of ethical rules defined by Danone. Most notably, the Social Responsibility Committee is kept informed on a periodic basis of complaints received through the whistleblower system.

Since 2010, a welcome booklet (Danone Inside Pack) has been given to new employees to remind them of the Business Conduct Principles and the ethical alert number

Environmental regulations

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

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

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

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

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

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

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

These various initiatives along with the measures taken in 2015 are described in section 5.2 *Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law*. No major provision for contingencies and charges related to the environment has been recognized in the consolidated balance sheet as of December 31, 2015.

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT

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

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

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

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

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

Other regulations

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

More particularly, Danone's activities are subject to numerous laws and regulations that are always changing and becoming increasingly restrictive, relating, in particular, to:

- the protection of health and food safety, consumer protection, nutrition and claims about the health benefits of products marketed by Danone, the reimbursement of certain products of the medical nutrition activity and Danone's advertising and promotional activities. Any change in these laws or regulations, any decision by an authority regarding these laws or regulations or any other event that would challenge the nutritional or health claims related to certain products could have a significant impact on Danone's activities, increase its costs, reduce consumer demand and possibly result in litigation;

Danone's international development limits the concentration of the risk of more restrictive regulations for a given country.

Furthermore, Danone has developed a legal organization at the local (subsidiaries) and central levels. The Company and its subsidiaries, assisted by their legal departments and/or external legal advisors, take steps to ensure that they comply, at all times, with applicable laws and regulations. In addition, Danone developed and implemented internal policies and procedures relating to compliance detailed in section 6.4 *Internal control and risk management*. In order to ensure that such measures are commonly practiced at Danone, the Company has integrated compliance into its quality approach and internal control system. Lastly, with respect to risk monitoring and management due to changes in accounting regulations, see Note 1.2 of the Notes to the consolidated financial statements.

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

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
• tax: Danone is subject to income tax as well as various other expenses, taxes and duties related to its activity, the repatriation of dividends, social security contributions, etc. Any change in tax regulations through increases in existing taxes or the establishment of new taxes involving in particular tax rates, transfer prices, dividends, social security contributions, special tax plans or tax exemption rules could adversely affect Danone's results. As described in the above section related to *Economic situation in Danone's principal markets*, efforts from some countries to reduce their indebtedness could lead to increases in existing taxes or the creation of new taxes, which could adversely affect Danone's results; • accounting: the consolidated financial statements of Danone and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The standards and interpretations applied to prepare these consolidated financial statements are also consistent with IFRS as determined by the International Accounting Standards Board (IASB). Standards, amendments and interpretations that may be prepared and/or become applicable could have an adverse impact on Danone's consolidated financial statements. Finally, Danone is involved, or could be involved, in litigation associated with its normal course of business. This litigation may result in criminal and/or civil consequences (including financial consequences) on Danone. Should the result of such litigation be unfavorable for Danone, this could adversely affect Danone's financial situation and its image or reputation. Danone's exposure to actual or potential major litigation, if applicable, is presented in Note 14.2 of the Notes to the consolidated financial statements.	

Natural, industrial and environmental risks

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Natural and industrial risks Danone's geographic expansion sometimes leads it to be present in regions exposed to natural risks, notably seismic. Natural disasters could therefore (i) cause damage to persons, property or the environment, and (ii) directly affect Danone or its consumers or the regions where it is present and potentially have a negative impact on the Group's activities, financial situation and image. Like any industrial activity, Danone's sites are exposed to various risks: fire, explosion, equipment failure, security systems failure or human error in equipment operation or works management. Such events could cause damage to persons, property or the environment and possibly have a negative impact on Danone's activities, financial situation and image.	For its new site development projects, Danone conducts a risk exposure analysis for such risks in order to choose the site with the least possible exposure. If, however, the site chosen (or the existing site in the case of an expansion) is exposed to these risks, the building construction and equipment installation take into account recommendations from prevention/protection experts to limit the potential impacts of these natural risks. In order to reduce, if not eliminate, these risks and their potential impact, Danone has decided to elevate personal safety and industrial plant and environmental protection to core values of its policy. These values are "measured" through various programs with ambitious targets and action plans monitored by Danone departments, notably the Divisions' industrial departments. Moreover, Danone's insurance policy also helps to reduce the potential financial impact from a natural disaster (see section hereafter).

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Environmental risks	
Environmental risks are mainly water pollution (essentially organic and biodegradable pollution), environmental risks related to (i) cooling installations (ammonia and other cooling liquids), (ii) the storage of raw materials or products for the cleaning and disinfection of the plants (acid and alkaline products), especially when these plants are located in residential areas, and (iii) wastewater treatment. In the event that Danone is exposed to potential environmental liability as a result of a significant accident or pollution, its results and reputation could be adversely affected.	Danone prepares and implements actions, procedures, tools and policies aimed at (i) preventing and reducing these risks, (ii) measuring and controlling Danone's impact and implementing action plans when necessary, and (iii) preparing and making public Danone's positions, including for example a "Forest impact study" and a "paper/cardboard packaging and deforestation study" to address the risks related to these challenges. These various initiatives as well as the measures taken in 2015 are described in section 5.2 *Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law.*
Consumer choices, preferences, or environmental preferences	
Consumers' purchasing preferences, notably in the most developed countries, are increasingly influenced by environmental concerns (in particular (i) greenhouse gas emissions, mainly methane emissions by cows producing the milk used by Danone, and (ii) the preservation of water resources), and such preferences are at times supported by NGOs (Non-Governmental Organizations). Distributors also pay increasing attention to communications with consumers (in particular the labeling of the products' carbon footprint). If Danone is unable to anticipate changing consumer preferences, in particular through the implementation of measures to (i) reduce and (ii) disclose environmental impacts, its activities, results and reputation could be negatively affected.	Danone undertakes continuous efforts to reinforce its societal and environmental commitment and to improve the management of its business activities throughout the entire product life cycle, notably through its Nature strategy. Danone's Nature strategy, its implementation and achievements in 2015 are described in section 5.2 *Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law.*

Financial market risks

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Financial market risks As part of its normal business, the Group is exposed to financial risks, especially foreign currency, financing and liquidity, interest rate, counterparty, securities-related and commodity risks.	The Company's policy consists of (i) minimizing and managing the impact that its exposure to financial market risks could have on its results and, to a lesser extent, on its balance sheet, (ii) monitoring and managing such exposure centrally, (iii) whenever the regulatory and monetary frameworks so allow, executing the financial transactions locally or centrally, and (iv) using derivative instruments only for the purpose of economic hedging. Through its Financing and Treasury Department, which is part of the Company Finance Department, Danone possesses the expertise and tools (trading room, front and back office software) to act on different financial markets following the standards generally implemented by first-tier companies. In addition, the Internal Control and Internal Audit Departments review the organization and procedures applied. Lastly, a monthly financing and treasury report is sent to the Company Finance Department, enabling it to monitor the decisions taken to implement the previously approved management strategies.
Currency risk related to operating activities Danone mainly operates on a local basis and consequently in the currency of the country in which it is operating, thereby incurring no foreign exchange risk. However, the location of some of Danone's production units may result in inter-company billings in foreign currencies. This applies particularly to the Early Life Nutrition and Medical Nutrition Divisions and, to a lesser extent, to the Fresh Dairy Products Division. Similarly, some raw materials are billed or indexed in foreign currencies, in particular as regards the Waters and Fresh Dairy Products Divisions. Lastly, Danone is also developing some export activities. The sales and operating margin of some subsidiaries are therefore exposed to fluctuations of foreign exchange rates against their functional currency.	Pursuant to its operational currency risk hedging policy, Danone's residual exposure after hedging was significantly reduced during the year (see Note 5.7 of the Notes to the consolidated financial statements).
Currency risk related to financing activities In conducting its risk centralization policy, Danone manages multi-currency financings and liquidities. Consequently, fluctuations in exchange rates of foreign currencies against the euro may have an impact on Danone's consolidated income statement and balance sheet.	Pursuant to its financial currency risk hedging policy, Danone's residual exposure after hedging is not material (see Note 10.7 of the Notes to the consolidated financial statements).
Financial statements translation into euros When translating Danone subsidiaries' financial statements denominated in foreign currencies into euros, the currency fluctuations against the euro may have an impact on the consolidated income statement and the carrying amount in the consolidated balance sheet of assets and liabilities denominated in currencies other than euro.	The impacts of changes in exchange rates on Danone's sales and trading operating income are described in section 3.2 *Consolidated net income review*. Also, Danone's top 10 countries in terms of sales are presented in section 2.2 *Presentation of Danone*. With respect to currency translation risk, Danone has established a policy for monitoring and hedging the net position of certain subsidiaries, with regular assessments of risks and opportunities to use hedging instruments.

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT

Liquidity

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

Danone may, however, take on additional debt to finance external growth transactions or, occasionally to manage its cash cycle, particularly when dividends are paid to the Company's shareholders.

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

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

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

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

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

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

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

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

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

RISK IDENTIFICATION	RISK MONITORING AND MANAGEMENT
Interest rates Danone is exposed to interest rate risk on its financial liabilities as well as its cash and cash equivalents. Through its interest-bearing debt, for example, Danone is exposed to the risk of interest rate fluctuations that affect the amount of its financial expense. In addition, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, interest rate fluctuations may have an impact on Danone's consolidated results and consolidated equity.	Danone has established a policy for monitoring and managing interest rate risk aimed at limiting the volatility of its financial result through the use of hedging instruments.
Counterparty, credit Danone is exposed to counterparty risk, especially on banking counterparties, as part of its financial risk management activities. As part of its normal activities, Danone has financial institutions as counterparties, mainly to manage its cash and foreign exchange rate and interest rate risks. The failure of these counterparties to comply with one or more of their commitments could adversely affect Danone's financial situation.	Danone's banking policy aims to reduce its risks by focusing on the quality of counterparty credit and by applying limits for each counterparty. Danone's exposure to these risks is described in the Note 5.4 and 12.6 of the Notes to the consolidated financial statements.
DANONE shares Pursuant to its share buyback policy and the authorizations granted by the Shareholders' Meeting, the Company may choose to repurchase its own shares. Any fluctuations in the price of the Company's treasury shares repurchased in this manner have no impact on Danone's results. Any decrease in the Company's share price could, however, have an impact on the potential amount paid out in shares in connection with the financing of acquisitions.	
Other company shares Danone holds stakes in listed companies. Any significant and/or prolonged decline in the prices of these companies' shares could have an adverse impact on Danone's results.	Danone has established a monitoring policy for this risk. Danone's exposure to these risks is described in the Notes 11.2 and 12.7 of the Notes to the consolidated financial statements.

Insurance and risk coverage

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

Insurance programs for property damage, business interruption and commercial general liability risk are negotiated at the Company level for all subsidiaries, with leading international insurers. The "all risks except" policies are based on the broadest guarantees available on the market, coupled with deductibles of varying amounts, which are relatively low compared to those extended to groups of comparable size to reflect the autonomous management of the subsidiaries. The guarantee limits are set on the basis of worst case scenarios and on insurance market availability. These programs were renewed on January 1, 2015 for a term of two years; the total cost of these programs was approximately €28.7 million in 2015.

Insurance programs for "traditional" risks, which require local management, such as coverage of vehicle fleets, merchandise transportation guarantees, work-related accidents (in countries in which these accidents are covered by private insurance), and insurance specific to some countries, are negotiated and managed in accordance with local practices and regulations, within the framework of precise directives provided and controlled by the Company. Total premiums came to approximately €20 million in 2015.

Lastly, insurance programs for potentially significant special risks, which require centralized management, such as the liability of the Company's corporate officers, fraudulent acts, and assorted risks (product recalls, credit risk, environmental risk, etc.) are negotiated according to market availability, on the basis of scenarios estimating the probable impact of any claims. The total cost of this category of coverage amounted to approximately €4 million in 2015.

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

3.1 BUSINESS HIGHLIGHTS IN 2015 46
Highlights of 2015 46
Other business activities in 2015 47

3.2 CONSOLIDATED NET INCOME REVIEW 50
Sales 50
Trading operating income and trading operating margin 54
Net financial income (expense) 56
Tax rate 56
Recurring net income – Group share and recurring EPS 56
Dividend for the 2015 fiscal year 58

3.3 FREE CASH FLOW 59
Free cash flow 59
Consolidated statement of cash flows 60

3.4 BALANCE SHEET AND FINANCIAL SECURITY REVIEW 61
Simplified consolidated balance sheet 61
Financing structure and financial security 61
Liabilities related to put options granted to non-controlling interests 63
Net debt and net financial debt 64
Shareholder's equity 65
Off-balance sheet commitments 65

3.5 OUTLOOK FOR 2016 66
Material change in financial or trading position 66
Financial outlook for 2016 66

3.6 FINANCIAL INDICATORS NOT DEFINED BY IFRS 67

3.7 DOCUMENTS AVAILABLE TO THE PUBLIC 68

3

Danone's business highlights in 2015 and outlook for 2016

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

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

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

- *like-for-like changes in sales, trading operating income, trading operating margin, recurring net income and recurring EPS;*
- *trading operating income;*
- *trading operating margin;*
- *recurring net income;*
- *recurring income tax rate;*
- *recurring EPS;*
- *free cash flow;*
- *free cash flow excluding exceptional items;*
- *net financial debt.*

Danone also uses references that are defined in section 1.2 Information about the Registration Document related to References and definitions.

3.1 BUSINESS HIGHLIGHTS IN 2015

Highlights of 2015

Highlights were detailed in the main press releases issued by Danone during 2015.

- on January 7, 2015, Danone announced the successful launch of a €1.3 billion dual-tranche bond issue in euros: a tranche of 5-year floating rate notes of €550 million and a tranche of 10-year fixed rate bonds of €750 million;
- on March 16, 2015, Danone announced the appointment of Lorna DAVIS and Pascal DE PETRINI to the Executive Committee to shape the "Danone 2020" initiative, respectively as Chief Manifesto Catalyst and Executive Vice-President Strategic Resource Cycles;
- on June 1, 2015, Danone announced the result of the option to receive the 2014 dividend payment in shares;
- on November 2, 2015, Danone announced that it has entered into a worldwide food safety partnership with Mérieux NutriSciences;
- on November 9, 2015, Danone announced that it has committed to a new climate policy targeting zero net carbon emissions within its full scope, i.e. direct and shared scope of responsibility;
- on November 23, 2015, Danone announced the successful launch of a €750 million bond issue in euros;
- on December 2, 2015, Danone announced, following the press release issued on July 24, 2015 announcing the conclusion of a preliminary agreement with Yashili and Mengniu, the execution of a final sale agreement of Dumex in China to Yashili, for a total €150 million;
- on December 2, 2015, Danone announced that it has invested €240 million in new facility to capitalize on growing demand for its Early Life Nutrition brands;
- on December 4, 2015, Danone announced an innovative strategic partnership with Veolia focusing on the water cycle, waste management, sustainable agriculture and energy efficiency, to meet the challenge of climate change;
- on December 17, 2015, Danone announced an open source cooperation agreement with B Lab that aims to accelerate the process for large, publicly listed multinationals to become certified as B Corp.

Other business activities in 2015

Acquisitions, disposal of Company shares

Main changes in fully consolidated companies

				Ownership as of December 31	
(in percentage)	**Division**	**Country**	**Transaction date [a]**	**2014**	**2015**
Main companies consolidated for the first time during 2015					
Fan Milk group's companies	Fresh Dairy Products	West Africa	December	49.0%	49.0%
Main consolidated companies with change in ownership percentage					
Danone-Unimilk group	Fresh Dairy Products	CIS	December	50.9%	70.9%
Danone Spain	Fresh Dairy Products	Spain	February/March	76.9%	92.4%
Centrale Danone [b]	Fresh Dairy Products	Morocco	December	90.9%	95.9%
Main companies that are no longer fully consolidated as of December 31					
–					

(a) Month of the fiscal year.
(b) Formerly Centrale Laitière. The company has been renamed Centrale Danone in 2015.

Main changes in investments in associates

				Ownership as of December 31	
(in percentage)	**Division**	**Country**	**Transaction date [a]**	**2014**	**2015**
Main companies accounted for using the equity method for the first time during 2015					
Yashili	Early Life Nutrition	China	February	–	25.0%
Main associates with change in ownership percentage					
–				–	–
Main companies no longer accounted for using the equity method as of December 31					
Fan Milk group's companies [b]	Fresh Dairy Products	West Africa	December	49.0%	49.0%

(a) Month of the fiscal year.
(b) Companies fully consolidated since December 2015 in application of IFRS10, *Consolidated financial statements*.

Reduction of carbon footprint

Danone products depend on natural ecosystems. This being the case, it is in the company's best interest to make care for the environment an integral part of its business activities.

Since carbon footprint is a global indicator that reflects a wide range of environmental criteria, Danone has for the past several years been committed to reducing the carbon intensity (grams of CO2 per kilo of product sold) of its products very significantly. As a result of action plans deployed to this end, the Company effectively decoupled business growth and CO2 emissions by reducing its carbon intensity by -46% based on constant scope of consolidation and on emissions under the direct responsibility of Danone (packaging, industrial activities, logistics and end-of-life) from 2008 to 2015.

In November 2015, as part of the COP21 of the United Nations, Danone took these efforts further by adopting a new climate policy that targets zero net carbon emissions within both its direct scope of responsibility (production, packaging, logistics, end of life) and the full scope of areas where it shares responsibility, especially in agriculture. This new climate policy aims to achieve zero net carbon emissions in the long term, starting with a 50% reduction in carbon intensity between 2015 and 2030, and to accelerate Danone's carbon positive initiatives. The Company has also committed to start reducing its full scope emissions in absolute terms before 2025. Consistent with this commitment, the *evian* brand will be the first to achieve zero net carbon in 2020.

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

Social and societal responsibility

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

Governance

Acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors, meeting on February 22, 2016, approved draft resolutions that will be submitted to the Annual General Meeting on April 28, 2016 proposing that shareholders renew the appointments of two Directors—Franck RIBOUD, Chairman, and Emmanuel FABER, CEO—whose current terms are expiring.

The Board also proposed that shareholders approve the appointment of Clara GAYMARD as an Independent Director as recommended under the AFEP-MEDEF governance code.

See also section 6.1 *Governance bodies.*

Research and Development

Fresh Dairy Products

In 2015, the Fresh Dairy Products Division continued its research activities on the impact of yogurt consumption on diet and health, which was confirmed by independent studies by academic researchers covering, in particular:

- the link between yogurt consumption and better weight management among adults in Russia;
- overweight and obese people in Canada who consume yogurt regularly and have a better cardiometabolic risk profile;
- the complementarity of yogurt and fruit consumption to reduce metabolic risk factors among adults in Spain.

In 2015, the Division also continued its research on understanding intestinal flora, its changes and the impact of diet and probiotics on its richness, in collaboration with scientific institutions such as the INRA (French National Institute for Agricultural Research) in Paris, Harvard Medical School in Boston, USA, the Institut Pasteur in Paris and University College in Cork, Ireland.

Finally, the Division pursued its innovation project mainly with:

- the extension of the Greek-style yogurt product line in Japan and Oikos Triple Zero in the United States;
- the re-launch of the *Gervais* brand in France, Activia set-style yogurt in Russia and a fat-free with less than 99 calorie *SER* stirred yogurt in Argentina;
- the launch of Actimel Provital in Spain (multivitamins and ginseng).

Waters

In 2015, the Waters Division's Research and Development department, in line with its strategy to develop innovative solutions to promote healthier hydration for consumers, pursued its efforts in aquadrinks and packaging:

- the aquadrinks product lines saw the addition of new varieties and new packaging formats under existing brands as well as the extension of the carbonated aquadrinks lines in the UK and Poland.
- in terms of packaging, Danone is continuing to develop a 100% plant-based plastic bottle used for various carbonated formulas. It is also pursuing the development of innovative formats, particularly with the launch in Spain of a playful bottle under the Font Vella brand to encourage children to drink water, which garnered two awards at the Global Bottled Water Awards 2015. Lastly, to improve the convenience of the Volvic packaging and pack, Danone broke new ground with the launch of an easy-to-open grip bottle in a pack that is easier to carry.

Danone also continued to conduct scientific research on the health benefits of water and to collaborate with scientific partners EASO (European Association for the Study of Obesity) and ISN (International Society of Nephrology). All of these innovative findings were presented in July 2015 at the seventh annual H4H ("Hydration For Health") symposium with a special focus on children's hydration. In 2015, Danone released some of the results of this research with the publication of:

- the first worldwide database of water intakes, i.e. the amount of water consumed by the population of 15 countries, in the European Journal of Nutrition;
- a summary of its research on the consumption of fluids ("Fluid Intakes" study) in the European Journal of Nutrition.

Danone has also developed awareness programs on the benefits of water aimed at children, particularly in Indonesia in partnership with the Ministry of Health (by including the urine color chart in children's health notebooks).

Early Life Nutrition

The Group has pursued its research on diet in the first 1,000 days of life, particularly in the following areas:

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

To that end, Danone Nutricia Research works closely with a global network of collaborators – from opinion leaders in a specific area to healthcare professionals, scientists and policymakers. The strength of this network enables the development of adapted products that are nutritionally optimal for each stage of the first 1,000 days of life.

In 2015, the research teams at Danone Nutricia Research launched research projects in the fields of immune development, gut development and metabolism of infants and young children. In addition, the nutrition research teams continued their investigations to identify local nutritional issues and eating habits of young children and pregnant women, and launched a research project to define the role of growing-up milk in young children's dietary intake of iron and vitamin D.

Medical Nutrition

The Medical Nutrition Division's Research and Development department strives to develop products whose nutritional benefits help people live longer, healthier lives. In particular, Danone's teams focus on memory and brain health, frailty and muscle health among the elderly, and allergies and immune health starting in the early stages of life. A clinical study program was developed with external partners to evaluate various products effectiveness. In 2015, Danone published the results of several studies, including the study on age-related loss of muscle mass, strength and function (PROVIDE) which was published in the *Journal of the American Medical Directors Association* (JAMDA).

To improve the patient experience, Danone has also conducted research on optimizing taste and offering more variety in products such as Souvenaid® (for patients with Alzheimer's disease), Anamix® (for patients with inborn metabolism disorder) and Compact (for patients suffering from malnutrition).

Legal arbitration proceedings

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

Proceedings related to the false safety alert issued by Fonterra with respect to certain ingredients supplied to Danone in Asia in 2013

See Note 6.2 of the Notes to the consolidated financial statements.

Proceedings related to the decision of the Spanish National Authority for Markets and Competition

See Note 6.5 of the Notes to the consolidated financial statements.

Other proceedings

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

Major contracts and related party transactions

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

As of December 31, 2015, financial liabilities related to these options totaled €862 million and are classified as financial debt.

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

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

3.2 CONSOLIDATED NET INCOME REVIEW

Year ended December 31

(in € millions unless otherwise indicated)	2014	2015	Change as reported	Change Like-for-like
Sales	21,144	22,412	+6.0%	+4.4%
Trading operating income [a]	2,662	2,892	+8.7%	+5.7%
Trading operating margin [a]	12.59%	12.91%	+32 bps	+17 bps
Recurring net income – Group share [a]	1,561	1,791	+14.7%	+9.1%
Net income – Group share	1,119	1,282	+14.6%	+7.4%
Recurring EPS *(in €)* [a]	2.62	2.93	+12.0%	+6.5%
EPS *(in €)*	1.88	2.10	+11.9%	
Free cash flow excluding exceptional items [a]	1,401	1,529	+9.2%	

(a) See definition section 3.6 *Financial indicators not defined by IFRS*.

Sales

Consolidated sales

Consolidated sales stood at €22,412 million in 2015, up +6.0% from the figures reported in 2014. Excluding the impact of changes in the basis for comparison (i.e. exchange rates and scope of consolidation) sales were up +4.4%. This organic growth reflects a +0.9% rise in volume and a +3.5% rise in value.

The +2.0% exchange-rate effect reflects favorable trends in currencies including the US dollar, the Chinese Yuan and the British Pound.

The -0.4% impact of the change in scope of consolidation results primarily from the deconsolidation in July 2014 of Fresh Dairy Products operations in China, and the sale in December 2014 of the Fresh Dairy Products business in Indonesia.

Sales by Division

Year ended December 31

(in € millions except percentage)	2014	2015	Change [a]	Volume growth [a]
Fresh Dairy Products	11,129	11,057	+0.6%	-3.0%
Waters	4,186	4,768	+7.1%	+5.1%
Early Life Nutrition	4,397	4,994	+9.8%	+4.7%
Medical Nutrition	1,432	1,593	+7.5%	+4.7%
Total	**21,144**	**22,412**	**+4.4%**	**+0.9%**

(a) Like-for-like.

Fresh Dairy Products

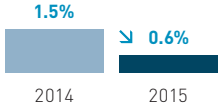
Sales

The Fresh Dairy Products Division recorded sales of €11,057 million in 2015, up +0.6% on a like-for-like basis. This growth resulted from the combined impacts of a -3.0% decline in volume and a +3.6% increase in value. There was thus a gradual improvement despite variations from one market to another.

Like-for-like volume growth



Like-for-like sales growth



Main Markets

In Europe, the Division pursued a concerted effort to gradually steer its business back to profitable structural growth. Sales trends have confirmed a recovery in the second semester including, in particular, a sequential improvement in volumes, supported by the favorable basis of comparison signaling the end of PRGM (Profitable Revenue Growth Management).

In the United States, Danone has been consolidating its leading position driven by portfolio development and by targeted investments backing brands as well as continuing to leverage channel dynamics. Recent new products, *Oikos Triple Zero* in the Greek yogurt segment, *Danimals Squeezable* pouch or *Light&Fit Shake* have substantially contributed to this growth re-acceleration.

In the CIS, with consumer demand still sluggish, sales have resisted. Danone has continued to enhance its portfolio through higher prices and a positive mix effect, once again offsetting the significant decline in volumes in low value-added segments.

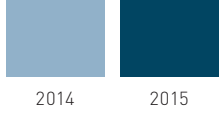
Finally, the ALMA region reported a marked rise in sales reflecting contrasting performances with positive results in Argentina, Mexico and Japan, and a slowdown in Brazil in a very volatile economy.

Waters

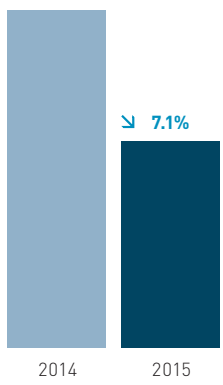
Sales

The Waters Division recorded a strong performance in 2015, with sales up +7.1% on a like-for-like basis to €4,768 million. This growth reflected the combined impact of a +5.1% increase in volume and +2.0% price mix effect.

Like-for-like volume growth



Like-for-like sales growth



Main markets

The Division's performance is contrasted with, first, strong growth for the Division as a whole, excluding China, and second, Danone's transitioning of the *Mizone* brand in China which started in the third quarter of 2015.

In Europe, these positive results reflect strong performances for both *evian* and *Volvic* brands that continue to benefit from the raft of initiatives deployed to enhance their organization, portfolio structure, distribution and innovation.

The ALMA region (excluding China) also turned in a robust performance which was driven by *Aqua* in Indonesia and strong sales growth in Latin America (including Argentina and Mexico). Momentum came from the fast-moving aquadrink segment and from continued growth in plain waters.

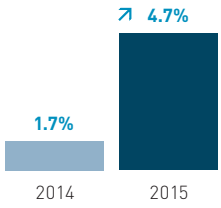
In Chinese environment where the category consumption has slowdown, Danone has continued since the third quarter of 2015 to adjust inventories of *Mizone* to meet these shifting market trends and to support *Mizone*'s medium and long-term growth potential. A gradual return to a normalized growth pattern is expected in the second half of 2016.

Early Life Nutrition

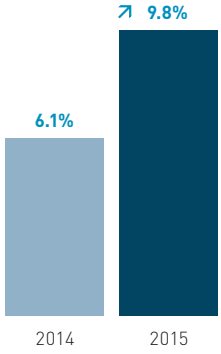
Sales

The Early Life Nutrition Division recorded sales of €4,994 million in 2015, up +9.8% on a like-for-like basis. This increase resulted from +4.7% growth in volume and a +5.1% value increase.

Like-for-like volume growth



Like-for-like sales growth



Main markets

Europe has realized a very good performance driven by the success of international brands exported to China, including *Aptamil* and *Nutrilon*.

In China, Danone pushed ahead with efforts to build a sustainable model of growth by continuing to invest in the *Aptamil* and *Nutrilon* brands, and by forging a structure for its local internet offering using a direct distribution model, while developing sales through specialized stores.

Sales trends for the *Dumex* brand (China) are down compared with 2014. Dumex's future tie-up with Yashili will let Danone take part in the creation of a platform of strong local brands in a market that holds very significant potential.

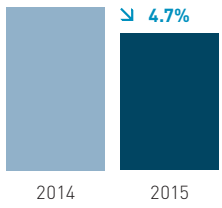
Finally, the Division businesses in the rest of the world have remained upbeat, with double-digit growth in sales in both Latin America and Africa.

Medical Nutrition

Sales

The Medical Nutrition Division recorded an excellent performance in 2015, with sales rising by +7.5% on a like-for-like basis to €1,593 million. This growth consisted of a +4.7% increase in volume and a price mix effect of +2.8%.

Like-for-like volume growth



Like-for-like sales growth



Main markets

The Division turned in solid performances in all geographical areas, in particular in ALMA, driven by growth in Brazil and China, and in Europe, with very good performances in the United Kingdom, the Benelux and Germany.

All segments contributed to growth all year long, with the pediatric range (*Neocate* and *Nutrini*) and *Nutrison* brand within the adult range doing particularly well.

Sales by geographical area

Year ended December 31

(in € millions except percentage)	2014	2015	Like-for-like change	Volume growth like-for-like	Sales breakdown by geographical area in 2014	Sales breakdown by geographical area in 2015
Europe	8,522	8,900	+3.0%	+1.0%	40%	40%
CIS & North America [a]	4,525	4,471	+2.6%	-3.8%	21%	20%
ALMA [b]	8,097	9,041	+6.7%	+2.8%	38%	40%
Total	**21,144**	**22,412**	**+4.4%**	**+0.9%**	**100%**	**100%**

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

Europe

Europe recorded sales of €8,900 million in 2015, up +3.0% on a like-for-like basis. This performance reflects a sequential improvement of trends in the Fresh Dairy Products Division, a strong growth of the Waters Division and an increasing success of international brands through exports to China within the Early Life Nutrition Division.

CIS & North America

The CIS & North America zone recorded sales of €4,471 million in 2015, up +2.6% on a like-for-like basis with two different market dynamics.

In the United States, Fresh Dairy Products growth has gathered pace over the end of the year, driven by targeted investments backing brands and by the category's return to growth.

In the CIS, sales have hold up despite the persistently unstable environment. As part of its portfolio enhancement drive, the Fresh Dairy Products Division once again carefully managed sales trends in its various product ranges and reaped the benefits of price increases and a very positive product mix. This has offset the important decrease of volumes of traditional products.

ALMA

The ALMA region generated sales of €9,041 million in 2015, up +6.7% on a like-for-like basis. This robust growth relied on different pillars of growth that has allowed absorbing the effect of Danone's transitioning of the *Mizone* brand in China.

Sales by quarter

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	
(in € millions)	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015
By Division										
Fresh Dairy Products	2,809	2,807	2,831	2,857	2,796	2,711	2,693	2,682	11,129	11,057
Waters	895	1,065	1,179	1,438	1,169	1,312	944	953	4,186	4,768
Early Life Nutrition	1,029	1,220	1,042	1,225	1,084	1,217	1,241	1,332	4,397	4,994
Medical Nutrition	328	380	354	401	366	400	384	413	1,432	1,593
By geographical area										
Europe	2,053	2,156	2,208	2,290	2,156	2,286	2,105	2,167	8,522	8,900
CIS & North America [a]	1,154	1,108	1,176	1,197	1,153	1,102	1,042	1,064	4,525	4,471
ALMA [b]	1,854	2,207	2,022	2,434	2,107	2,252	2,114	2,147	8,097	9,041
Total	**5,061**	**5,471**	**5,406**	**5,921**	**5,416**	**5,641**	**5,261**	**5,379**	**21,144**	**22,412**

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

	First quarter 2015		Second quarter 2015		Third quarter 2015		Fourth quarter 2015		Total 2015	
(in percentage)	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change	Reported change	Like-for-like change
By Division										
Fresh Dairy Products	-0.1%	+0.2%	+0.9%	-1.1%	-3.0%	+0.6%	-0.4%	+2.6%	-0.6%	+0.6%
Waters	+18.9%	+8.6%	+22.0%	+10.2%	+12.3%	+6.8%	+1.0%	+1.9%	+13.9%	+7.1%
Early Life Nutrition	+18.5%	+11.6%	+17.6%	+11.1%	+12.3%	+10.9%	+7.3%	+6.0%	+13.6%	+9.8%
Medical Nutrition	+15.8%	+9.1%	+13.3%	+7.1%	+9.1%	+6.9%	+7.6%	+6.8%	+11.3%	+7.5%
By geographical area										
Europe	+5.0%	+2.9%	+3.7%	+1.8%	+6.1%	+5.1%	+3.0%	+2.3%	+4.4%	+3.0%
CIS & North America [a]	-4.0%	+2.8%	+1.8%	+0.4%	-4.4%	+3.2%	+2.1%	+4.2%	-1.2%	+2.6%
ALMA [b]	+19.0%	+8.0%	+20.4%	+9.4%	+6.9%	+4.7%	+1.6%	+4.7%	+11.7%	+6.7%
Total	**+8.1%**	**+4.8%**	**+9.5%**	**+4.5%**	**+4.2%**	**+4.6%**	**+2.2%**	**+3.6%**	**+6.0%**	**+4.4%**

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

Trading operating income and trading operating margin

Consolidated trading operating income and trading operating margin

Trading operating income totaled €2,892 million in 2015, compared with €2,662 million in 2014.

Danone's trading operating margin stood at 12.91%, up +32 bps as reported, reflecting a:

- +17 bps rise like-for-like;
- +6 bps rise due to changes in the scope of consolidation that included deconsolidation of some Fresh Dairy Products operations in China and Indonesia;
- +9 bps rise due to trends in exchange rates.

2015 saw an increasingly volatile and complex environment in a number of geographical areas. In this context, Danone demonstrated its capacity to adjust its profitable growth model in line with its roadmap and 2020 ambition of strong, profitable and sustainable growth.

Cost of goods sold totaled €11,212 million in 2015 (€11,056 million in 2014), or 50.0% of consolidated sales (52.3% in 2014). This favorable evolution reflects in particularly the deflationary trend of milk and milk ingredients based prices as well as cost optimization of raw materials.

As per 2015 roadmap, Danone has significantly stepped up its amounts spent on marketing and sales compared with 2014, especially in the Fresh Dairy Products Division and the Waters Division.

Selling expense was €5,677 million in 2015 (€5,209 million in 2014), or 25.3% of consolidated sales (24.6% in 2014).

General and administrative expense was €1,944 million in 2015 (€1,743 million in 2014), or 8.7% of consolidated sales (8.2% in 2014).

Research and Development costs totaled €307 million in 2015 (€272 million in 2014), or 1.4% of consolidated sales (1.3% in 2014) (see section 3.1 *Business highlights in 2015*).

Other operating income and expenses stood at € (682) million, reflecting in particular an impairment loss for the *Dumex* brand and for certain *Dumex* assets (€337 million), as well as expenses related to Danone's cost reduction and organizational adaptation plan in Europe.

Trading operating income and trading operating margin by Division

Year ended December 31

(in € millions except percentage and bps)	Trading operating income		Trading operating margin		Like-for-like change
	2014	2015	2014	2015	
Fresh Dairy Products	1,033	1,100	9.28%	9.95%	+24 bps
Waters	539	542	12.88%	11.37%	-192 bps
Early Life Nutrition	828	965	18.83%	19.32%	+142 bps
Medical Nutrition	262	286	18.28%	17.95%	+1 bp
Total	**2,662**	**2,892**	**12.59%**	**12.91%**	**+17 bps**

The Fresh Dairy Products Division's trading operating margin was 9.95% in 2015, up +24 bps on a like-for-like basis. Against a backdrop of favorable price trends in raw materials, Danone pursued structural efforts to enhance the value of its brand portfolio and optimize the cost base, while stepping up investment in its brands, thus mobilizing all growth drivers and making its equation for profitable growth sustainable in 2016.

The Waters Division's trading operating margin was 11.37% in 2015, down -192 bps on a like-for-like basis, strongly impacted by Danone's transitioning of the *Mizone* brand in China.

The Early Life Nutrition's trading operating margin was 19.32% in 2015, up +142 bps on a like-for-like basis, benefiting from the success of international infant formula brands exported to China and a favorable milk context.

The Medical Nutrition Division's trading operating margin was 17.95% in 2015, slightly up +1 bp on a like-for-like basis relative to 2014. This stability reflects the continued geographical expansion and growth in innovative brands of the Division. This level of profitability is accretive for Danone and contributes to long-term value creation.

Trading operating income and trading operating margin by geographical area

Year ended December 31

(in € millions except percentage and bps)	Trading operating income		Trading operating margin		Like-for-like change
	2014	2015	2014	2015	
Europe	1,336	1,536	15.67%	17.26%	+168 bps
CIS & North America [a]	387	388	8.56%	8.67%	-19 bps
ALMA [b]	939	969	11.60%	10.71%	-120 bps
Total	**2,662**	**2,892**	**12.59%**	**12.91%**	**+17 bps**

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

The trading operating margin of Europe was 17.26% in 2015, up +168 bps on a like-for-like basis. The region's profitability benefited from the success of international infant formula brands exported to China as well as the strong margin improvement of the Fresh Dairy Products Division.

The trading operating margin of the CIS & North America zone was 8.67% in 2015, down -19 bps on a like-for-like basis illustrating a marked contrast between the two markets: protection of the profitability equation in the CIS and investments' acceleration in North America in the Fresh Dairy Products and Early Life Nutrition Divisions.

The trading operating margin of the ALMA zone was 10.71% in 2015, down -120 bps on a like-for-like basis. This decline reflected, in particular, Danone's transitioning of the *Mizone* brand in China as well as the negative impact of the Dumex situation in China.

Net financial income (expense)

Market risks exposure and management policy

See section 2.7 *Risk factors*.

Net financial income (expense)

Year ended December 31

(in € millions)	**2014**	**2015**
Interest income on cash, cash equivalents and short term investments	94	122
Interest expense on financial debt	(274)	(274)
Cost of net financial debt	**(179)**	**(152)**
Other financial income	5	1
Other financial expense	(137)	(134)
Other financial income or expense	**(132)**	**(133)**
Net financial income (expense)	**(312)**	**(285)**

Cost of net financial debt

In 2015, the cost of net financial debt was € (152) million (€ (179) million in 2014).

The cost of net debt declined despite a rise in the amount of net financial debt from 2014. This decline was linked in particular to lower interest rates and the benefits of bond issuances that enabled Danone to extend the average maturity of its debt at favorable market conditions.

Other financial income (expense)

In 2015, Other financial income and expense was € (133) million, stable compared with 2014 (€ (132) million in 2014).

Tax rate

The underlying tax rate for the full year was 31.3% in 2015, up +0.8 point from 2014. This increase is due primarily to the depreciation of deferred tax assets booked in the first half with respect to losses carried forward by Dumex in China. This tax rate excludes the non-current items and the tax income and expense pertaining to these items (see table hereafter).

Moreover, when including the non-recurring items, Danone's effective tax rate was 32.5% in 2015 (32.6% in 2014) and the differential with the legal tax rate in France in 2015 and 2014 is provided in Note 8 of the Notes to the consolidated financial statements.

Recurring net income – Group share and recurring EPS

The net income amounted to €1,398 million in 2015 (€1,253 million in 2014). The net income – Group share amounted to €1,282 million in 2015 (€1,119 million in 2014).

Share of profit of associates

The positive change in net income from associates reflects acquisitions made in 2014 and 2015 and improvements in net income for some of them. Moreover, the 2014 figure included non-recurring expenses relating to the impairment of certain interests in associates, which created a favorable basis for comparison.

Recurring net income – Group share

Recurring net income – Group Share stood at €1,791 million in 2015, up +9.1% like-for-like, and up +14.7% as reported compared with 2014.Recurring EPS stood at €2.93, up +6.5% like-for-like and up +12.0% as reported compared with 2014.

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

Year ended December 31

	2014			2015		
(in € millions except percentage)	**Recurring**	**Non-recurring**	**Total**	**Recurring**	**Non-recurring**	**Total**
Trading operating income	**2,662**		**2,662**	**2,892**		**2,892**
Other operating income and expense		(511)	(511)		(682)	(682)
Operating income	**2,662**	**(511)**	**2,151**	**2,892**	**(682)**	**2,210**
Cost of net debt	(179)		(179)	(152)		(152)
Other financial income and expense	(129)	(3)	(132)	(129)	(4)	(133)
Income before taxes	**2,353**	**(514)**	**1,839**	**2,611**	**(686)**	**1,925**
Income tax	(716)	117	(599)	(818)	193	(626)
Effective tax rate	30.5%		32.6%	31.3%		32.5%
Net income from fully consolidated companies	**1,637**	**(397)**	**1,239**	**1,792**	**(493)**	**1,299**
Net income from associates	66	(52)	14	123	(25)	99
Net income	**1,703**	**(450)**	**1,253**	**1,915**	**(518)**	**1,398**
• Group share	1,561	(442)	1,119	1,791	(508)	1,282
• Non-controlling interests	142	(7)	134	125	(9)	115

Transition from EPS to Recurring EPS

Year ended December 31

	2014		2015	
	Recurring	**Total**	**Recurring**	**Total**
Net Income – Group share *(in € millions)*	1,561	1,119	1,791	1,282
Number of shares				
• Before dilution	594,472,798	594,472,798	609,647,527	609,647,527
• After dilution	595,536,328	595,536,328	610,155,241	610,155,241
EPS *(in €)*				
• Before dilution	2.63	1.88	2.94	2.10
• After dilution	2.62	1.88	2.93	2.10

Additional information on consolidated income statement: transition from reported to like-for-like figures

	Previous period	Period under review	Reported change	of which impact of changes in scope of consolidation	Including impact of fluctuations in exchange rates: Total	of which treatment of over-inflation	of which other impact of fluctuations in exchange rates	Like-for-like growth
Sales *(in € millions except percentage)*								
2014	21,298	21,144	(0.7)%	0.1%	(5.5)%	*0.4%*	*(5.9)%*	4.7%
2015	21,144	22,412	6.0%	(0.4)%	2.0%	*0.3%*	*1.7%*	4.4%
Trading operating margin								
2014	13.19%	12.59%	-60 bps	-20 bps	-28 bps	*-20 bps*	*-8 bps*	-12 bps
2015	12.59%	12.91%	+32 bps	+6 bps	+9 bps	*-1 bp*	*+10 bps*	+17 bps
Recurring EPS *(in € except percentage)*								
2014	2.78	2.62	(5.7)%	(0.3)%	(7.8)%	*(1.7)%*	*(6.1)%*	2.5%
2015	2.62	2.93	12.0%	1.9%	3.5%	*0.3%*	*3.2%*	6.5%

Dividend for the 2015 fiscal year

At the Annual General Meeting on Thursday, April 28, 2016, Danone's Board of Directors will ask shareholders to approve distribution of a €1.60 dividend per share in cash in respect of the 2015 fiscal year, up +6.7% from 2014. This dividend reflects the confidence of both the Board and management in the Company's scope for growth in profit.

Assuming this proposal is approved, the ex-dividend date will be Thursday, May 5, 2016. Dividend will be payable on Monday, May 9, 2016.

3.3 FREE CASH FLOW

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

Free cash flow stood at €1,468 million in 2015, including €61 million (net of tax) in outlays linked to the Company's cost-reduction and adaptation plan in Europe.

Free cash flow excluding exceptional items thus came to €1,529 million (6.8% of sales), up +9.2% from 2014, buoyed by the rise in sales and in trading operating margin, and by favorable exchange-rate effects. This will fund Danone's roadmap for growth.

Capital expenditure for 2015 came to €937 million, or 4.2% of sales.

Free cash flow

Transition from operating cash flow to free cash flow

	Year ended December 31	
(in € millions)	**2014**	**2015**
Cash flow from operating activities	**2,189**	**2,369**
Capital expenditure	(984)	(937)
Disposal of tangible assets	67	31
Transaction fees related to business combinations [a]	6	5
Earn-outs related to business combinations [b]	–	–
Free cash flow	**1,277**	**1,468**
Cash flows related to plan to generate savings and adapt organization in Europe [c]	123	61
Free cash flow excluding exceptional elements	**1,401**	**1,529**

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

Consolidated statement of cash flows

	Year ended December 31	
(in € millions)	**2014**	**2015**
Net income	**1,253**	**1,398**
Share of profit of associates net of dividends received	4	(58)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	956	1,217
Increases in (reversals of) provisions	43	148
Change in deferred taxes	(94)	(179)
(Gains) losses on disposal of property, plant and equipment and financial investments	(8)	29
Expense relating to stock-options and Group performance shares	19	27
Cost of net financial debt	179	152
Net interest paid	(212)	(182)
Net change in interest income (expense)	(33)	(30)
Other components with no cash impact	19	1
Other net cash outflows	(6)	–
Cash flows provided by operating activities, before changes in net working capital	**2,154**	**2,552**
(Increase) decrease in inventories	(105)	(66)
(Increase) decrease in trade receivables	(96)	(418)
Increase (decrease) in trade payables	184	174
Change in other receivables and payables	52	128
Change in working capital requirements	35	(182)
Cash flows provided by (used in) operating activities	**2,189**	**2,369**
Capital expenditure [a]	(984)	(937)
Proceeds from disposal of property, plant and equipment [a]	67	31
Net cash outflows on purchases of subsidiaries and financial investments [b]	(1,070)	(596)
Net cash inflows on disposal of subsidiaries and financial investments [b]	34	2
(Increase) decrease in long-term loans and other long-term financial assets	(14)	(19)
Cash flows provided by (used in) investment activities	**(1,966)**	**(1,519)**
Increase in issued capital and additional paid-in capital	33	39
Purchases of treasury shares (net of disposals) and of DANONE call options [c]	13	198
Dividends paid to Danone shareholders	(307)	(314)
Buyout of non-controlling interests	(363)	(1,929)
Dividends paid	(110)	(97)
Contribution from non-controlling interests to capital increases	1	(3)
Transactions with non-controlling interests	(471)	(2,029)
Net cash flows on hedging derivatives [d]	(4)	22
Bonds issued or raised during the period	150	2,049
Bonds repaid during the period	(618)	(603)
Increase (decrease) in other current and non-current financial debt	312	(101)
Increase (decrease) in short term investments	535	(242)
Cash flows provided by (used in) financing activities	**(357)**	**(982)**
Effect of exchange rate and other changes [e]	45	(228)
Increase (decrease) in cash and cash equivalents	**(89)**	**(361)**
Cash and cash equivalents at beginning of period	**969**	**880**
Cash and cash equivalents at end of period	**880**	**519**
Supplemental disclosures		
Payments during the year of income tax	(601)	(804)

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.
(b) Acquisition/disposal of companies' shares. In the case of fully-consolidated companies, this comprises cash as of the acquisition/disposal date.
(c) DANONE call options acquired by the Company.
(d) Derivative instruments used to manage net debt.
(e) Effect of reclassification with no impact on net debt.

3.4 BALANCE SHEET AND FINANCIAL SECURITY REVIEW

Simplified consolidated balance sheet

As of December 31

(in € millions except percentage)	2014	2015
Non-current assets	24,272	24,715
Current assets	7,476	7,998
Total assets	**31,747**	**32,712**
Equity – Group share	**11,696**	**12,606**
Non-controlling interests	49	63
Net debt	7,764	7,799
Net financial debt	5,206	6,937
Gearing based on net debt	66%	62%
Gearing based on net financial debt	45%	55%

Financing structure and financial security

Liquidity risk exposure and management policy

See section 2.7 *Risk factors relating to Market risks.*

In particular Danone manages its liquidity risk and its financing at Company level.

Financing situation and liquidity risk

Main financing transactions in 2015

Year ended December 31

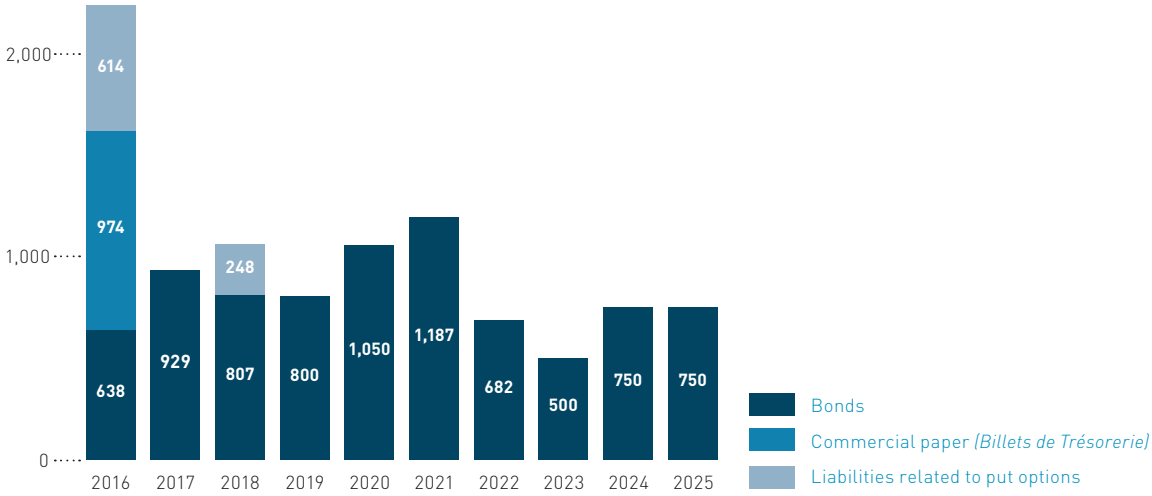
			2015
	Currency	Nominal *(in millions of currency)*	Maturity
New financing			
Euro bond issue under the EMTN program	EUR	550	2020
Euro bond issue under the EMTN program	EUR	750	2025
Euro bond issue under the EMTN program	EUR	750	2024
Repayment			
Euro bond issue under the EMTN program	EUR	604	2015

Main financial debt repayment schedule

It consists in financing managed at Company level.

Projected cash outflows related to the contractual repayment of the principal amount and based on the assumption of non-renewal

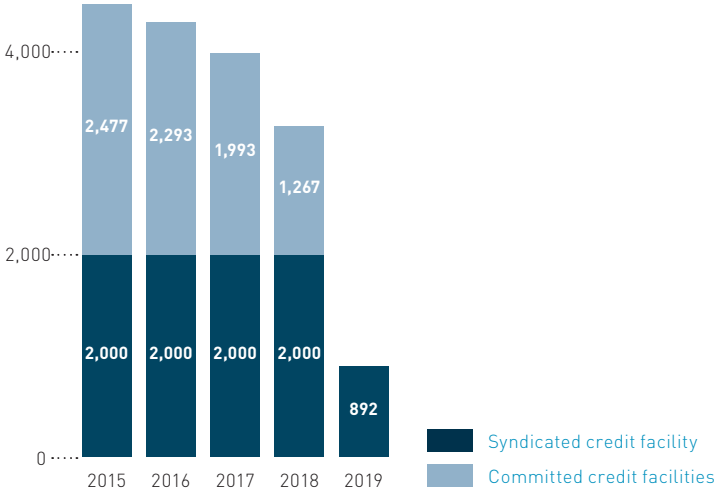
(in € millions)



Sources of financing available at any time

The sources of financing available at any time implemented by Danone consist mainly of available committed credit facilities and a syndicated credit facility carried by the Company.

(in € millions)



Company's rating

As of December 31

	2014		2015	
	Moody's	Standard and Poor's	Moody's	Standard and Poor's
Short term rating [a]				
Rating	–	A-2	–	A-2
Long term rating [b] [c]				
Rating	Baa1 [c]	A-	Baa1 [c]	A-
Outlook	Stable	Negative [d]	Stable	Negative [d]

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

Liabilities related to put options granted to non-controlling interests

General principles

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

Main characteristics

As of December 31

	2014			2015				
(in € millions)	Current	Non-current	Total	Current	Non-current	Total	Start of exercise period	Price calculation formula
Danone Spain	794	236	1,030	234	–	234	At any time	Average earnings multiple over several years
Danone–Unimilk group	912	–	912	–	–	–	2014	Earnings multiple
Other [a]	503	113	616	380	248	628	Since 2015	
Total	**2,209**	**349**	**2,558**	**614**	**248**	**862**		

(a) Several put options with an individual amount less than or equal to €200 million on the 31st December, 2015.

Change during the period

(in € millions)	2014	2015
As of January 1	3,244	2,558
New options and options recognized previously in accordance with IAS 39	–	207
Options exercised [a]	(341)	(1,851)
Changes in the present value of the option strike price of outstanding options	(345)	(52)
As of December 31	**2,558**	**862**

(a) Carrying amount on the balance sheet date of the preceding fiscal year.

See also Note 3.6 of the Notes to the consolidated financial statements.

Net debt and net financial debt

Net debt

As of December 31

(in € millions)	2014	2015
Non-current financial debt	6,598	8,087
Current financial debt	4,544	2,991
Short term investments	(2,317)	(2,514)
Cash and cash equivalents	(880)	(519)
Derivatives – assets – Non-current	(153)	(125)
Derivatives – assets – Current	(28)	(120)
Net debt	**7,764**	**7,799**

Change in net debt in 2015

Danone's net debt was stable compared with 2014 at €7,799 million on December 31, 2015. This includes €862 million in put options granted to minority shareholders, down €1,696 million from December 31, 2014.

Transition from net debt to net financial debt

As of December 31

(in € millions)	2014	2015
Net debt	**7,764**	**7,799**
Liabilities related to put options granted to non-controlling interests – Non-current	(349)	(248)
Liabilities related to put options granted to non-controlling interests – Current	(2,209)	(614)
Financial debt excluded from net debt	**(2,558)**	**(862)**
Net financial debt	**5,206**	**6,937**

Shareholder's equity

Change in shareholder's equity – Group share

(in € millions)	2014	2015
As of January 1	**10,694**	**11,696**
Net income	1,119	1,282
Other comprehensive income	(323)	146
Dividends paid[a]	(307)	(317)
Cumulative translation adjustments	52	325
Other	462	(526)
As of December 31	**11,696**	**12,606**

(a) Impact on the Group share of the equity, the impact of the dividends paid on the consolidated equity amounting to € (411) million in 2015 (€ (418) million in 2014) and corresponding to the portion paid in cash, the portion paid in shares having no impact on equity.

Off-balance sheet commitments

Commitments given as of December 31, 2015 relating to operating activities

		Amount of financial flows for the year				
(in € millions)	**Total**	**2016**	**2017**	**2018**	**2019**	**2020 and after**
Commitments to purchase goods and services [a]	(3,452)	(1,904)	(680)	(338)	(255)	(275)
Capital expenditure commitments	(198)	(179)	(9)	(10)	–	–
Operating lease commitments	(767)	(208)	(142)	(106)	(82)	(229)
Guarantees and pledges given	(284)	(234)	(2)	(12)	(1)	(35)
Other	(35)	(24)	(7)	(3)	(1)	–
Total	**(4,738)**	**(2,548)**	**(841)**	**(469)**	**(340)**	**(539)**

(a) Commitments mainly related to milk, dairy ingredients and other food raw materials purchase.

3.5 OUTLOOK FOR 2016

Material change in financial or trading position

The Company and its subsidiaries overall have not experienced any material changes in their financial or trading position since the close of the 2015 fiscal year.

Financial outlook for 2016

After delivering profitable growth in 2015, Danone will pursue its journey to meet its ambition for 2020, which calls for strong, profitable and sustainable growth.

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

In 2016, Danone also anticipates upward trends in the cost of its main strategic raw materials. Against this backdrop, it will continue to strengthen its model through a range of initiatives aimed at offsetting inflation and limiting its exposure to volatility.

Milk prices are thus expected to edge up, with variations from one geographical area to the next:

- lower prices in Europe and the United States in the first half, with a possible rebound in the second half of the year, and
- steady price increases in emerging countries all year long, particularly in the CIS.

Regarding its other raw materials, including plastics, sugar and fruits, Danone anticipates overall inflation in which the recent deterioration in emerging market currencies is an important factor.

In this context, Danone will continue its transformation toward an increasingly balanced model, which makes perfect execution of its roadmap for growth and discipline in allocating resources its top priorities.

As a result, Danone's 2016 targets include:

- sales growth within a range of +3% to +5% (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*);
- solid improvement of trading operating margin (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*);

Danone will also focus on increasing the free cash flow (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*), without setting a short-term target.

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

3.6 FINANCIAL INDICATORS NOT DEFINED BY IFRS

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

- like-for-like changes in sales, trading operating income, trading operating margin, recurring net income and recurring EPS;
- trading operating income;
- trading operating margin;
- recurring net income;
- recurring income tax rate;
- recurring EPS;
- free cash flow;
- free cash flow excluding exceptional items;
- net financial debt.

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

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

Like-for-like changes in Sales, Trading operating income, Trading operating margin, Recurring net income and recurring EPS reflect Danone's organic performance and essentially exclude the impact of:

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

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

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

Trading operating margin is defined as Trading operating income over Net sales ratio.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share in the Total Recurring net income. Total Recurring net income measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include capital gains and losses on disposals and impairments of Investments in associates and in other non-fully-consolidated entities and tax income and expenses related to non-recurring income and expenses. Such income and expenses excluded from Net income are defined as Total Non-recurring net income and expenses.

Recurring income tax rate measures the income tax rate related to Danone's recurring performance and corresponds to the ratio Tax income and expenses related to recurring income and expenses over Total Recurring net income.

Recurring EPS (or Recurring net income – Group Share, per share after dilution) is defined as Recurring net income over Diluted number of shares ratio.

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

Free cash flow excluding exceptional items represents free cash flow before cash flows related to initiatives deployed within the framework of the plan to generate savings and adapt Danone's organization in Europe.

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

3.7 DOCUMENTS AVAILABLE TO THE PUBLIC

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

4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS 72

Consolidated financial statements **72**

Notes to the consolidated financial statements **79**

Statutory auditors' report on the consolidated financial statements **142**

4.2 FINANCIAL STATEMENTS OF DANONE SA, THE DANONE PARENT COMPANY 144

Financial statements of Danone SA **144**

Notes to the financial statements of the parent company Danone **146**

Statutory auditors' report on the financial statements of the parent company Danone **164**

4.3 FEES TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK 166

4.4 INFORMATION ORIGINATING FROM THIRD PARTIES, EXPERT OPINIONS AND DECLARATIONS OF INTEREST 167

4 Financial statements

4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated income statement and earnings per share

Year ended December 31

(in € millions except earnings per share in €)	Notes	2014	2015
Net sales	5.1 to 5.2	**21,144**	**22,412**
Cost of goods sold		(11,056)	(11,212)
Selling expense		(5,209)	(5,677)
General and administrative expense		(1,743)	(1,944)
Research and Development expense		(272)	(307)
Other income (expense)	5.3	(202)	(380)
Trading operating income		**2,662**	**2,892**
Other operating income (expense)	6.1	(511)	(682)
Operating income		**2,151**	**2,210**
Interest income		94	122
Interest expense		(274)	(274)
Cost of net debt	10.6	(179)	(152)
Other financial income	11.3	5	1
Other financial expense	11.3	(137)	(134)
Income before tax		**1,839**	**1,925**
Income tax expense	8.1	(599)	(626)
Net income from fully consolidated companies		**1,239**	**1,299**
Share of profit of associates	4.8	14	99
Net income		**1,253**	**1,398**
Net income – Group share		**1,119**	**1,282**
Net income – Non-controlling interests		134	115
Net income – Group share, per share	13.4	**1.88**	**2.10**
Net income – Group share, per share after dilution	13.4	**1.88**	**2.10**

Consolidated statement of comprehensive income

Year ended December 31

(in € millions)	2014	2015
Net income – Group share	**1,119**	**1,282**
Translation adjustments	177	67
Cash-flow-hedge derivatives		
Gross unrealized gains and losses	(120)	121
Tax effects	5	(13)
Available-for-sale financial assets		
Gross unrealized gains and losses	(71)	(10)
Amount recycled to profit or loss in the current year	–	–
Tax effects	(1)	8
Other comprehensive income, net of tax	3	–
Items that may be subsequently recycled to profit or loss	**(7)**	**173**
Actuarial gains and losses on retirement commitments		
Gross gains and losses	(203)	58
Tax effects	64	(19)
Items not subsequently recyclable to profit or loss	**(138)**	**40**
Total comprehensive income – Group share	**973**	**1,495**
Total comprehensive income – Non-controlling interests	77	91
Total comprehensive income	**1,051**	**1,586**

Consolidated balance sheet

As of December 31

(in € millions)	Notes	**2014**	**2015**
Assets			
Goodwill		11,582	11,653
Brands		4,337	3,833
Other intangible assets		315	292
Intangible assets	9.1 to 9.3	16,234	15,779
Property, plant and equipment	5.5	4,582	4,752
Investments in associates	4.1 to 4.8	2,146	2,882
Investments in other non-consolidated companies		92	70
Long-term loans and other long-term financial assets		228	204
Other financial investments	11.1, 11.2	320	274
Derivatives – assets [(a)]	12.4, 12.5	153	125
Deferred taxes	8.2	836	902
Non-current assets		**24,272**	**24,715**
Inventories	5.4	1,340	1,374
Trade receivables	5.4	1,900	2,230
Other receivables	5.4	974	1,029
Short-term loans		30	40
Derivatives – assets [(a)]	12.4, 12.5	28	120
Short-term investments	10.4	2,317	2,514
Cash and cash equivalents		880	519
Assets held for sale	6.2	8	171
Current assets		**7,476**	**7,998**
Total assets		**31,747**	**32,712**

(a) Derivative instruments used to manage net debt. As regards the position as of December 31, 2014, the current portion was presented under the non-current heading in the financial statements for the year ended December 31, 2014 and was reclassified in the financial statements for the year ended December 31, 2015.

		As of December 31	
(in € millions)	Notes	**2014**	**2015**
Equity and liabilities			
Share capital		161	164
Additional paid-in capital		3,505	4,132
Retained earnings		11,817	11,454
Cumulative translation adjustments		(1,501)	(1,177)
Accumulated other comprehensive income		(427)	(260)
Treasury shares and DANONE call options [(a)]	13.2	(1,859)	(1,707)
Equity – Group share		**11,696**	**12,606**
Non-controlling interests	3.1 to 3.6	49	63
Consolidated equity		**11,745**	**12,669**
Financing	10.1 to 10.3	6,238	7,835
Derivatives – liabilities [(b)]	12.4, 12.5	11	4
Liabilities related to put options granted to non-controlling interests	3.6	349	248
Non-current financial debt		6,598	8,087
Provisions for retirement obligations and other long-term benefits	7.3	818	793
Deferred taxes	8.2	1,225	1,126
Other non-current provisions and liabilities	14.2	737	834
Non-current liabilities		**9,377**	**10,841**
Financing	10.1 to 10.3	2,332	2,374
Derivatives – liabilities [(b)]	12.4, 12.5	3	3
Liabilities related to put options granted to non-controlling interests	3.6	2,209	614
Current financial debt		4,544	2,991
Trade payables	5.4	3,334	3,334
Other current liabilities	5.4	2,741	2,859
Liabilities directly associated with assets held for sale	6.2	6	18
Current liabilities		**10,625**	**9,202**
Total equity and liabilities		31,747	32,712

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

Consolidated statement of cash flows

		Year ended December 31	
(in € millions)	Notes	**2014**	**2015**
Net income		**1,253**	**1,398**
Share of profit of associates net of dividends received	4.8	4	(58)
Depreciation, amortization and impairment of property, plant and equipment and intangible assets	5.5, 9.2, 9.3	956	1,217
Increases in (reversals of) provisions	14.2	43	148
Change in deferred taxes	8.2	(94)	(179)
(Gains) losses on disposal of property, plant and equipment and financial investments		(8)	29
Expense relating to stock-options and Group performance shares	7.4	19	27
Cost of net financial debt	10.6	179	152
Net interest paid		(212)	(182)
Net change in interest income (expense)		(33)	(30)
Other components with no cash impact		19	1
Other net cash outflows		(6)	–
Cash flows provided by operating activities, before changes in net working capital		**2,154**	**2,552**
(Increase) decrease in inventories		(105)	(66)
(Increase) decrease in trade receivables		(96)	(418)
Increase (decrease) in trade payables		184	174
Change in other receivables and payables		52	128
Change in working capital requirements	5.4	35	(182)
Cash flows provided by (used in) operating activities		**2,189**	**2,369**
Capital expenditure [a]	5.5	(984)	(937)
Proceeds from disposal of property, plant and equipment [a]	5.5	67	31
Net cash outflows on purchases of subsidiaries and financial investments [b]	4.4	(1,070)	(596)
Net cash inflows on disposal of subsidiaries and financial investments [b]		34	2
(Increase) decrease in long-term loans and other long-term financial assets		(14)	(19)
Cash flows provided by (used in) investment activities		**(1,966)**	**(1,519)**
Increase in issued capital and additional paid-in capital		33	39
Purchases of treasury shares (net of disposals) and of DANONE call options [c] [c]	13.2	13	198
Dividends paid to Danone shareholders	13.5	(307)	(314)
Buyout of non-controlling interests	3.1 to 3.6	(363)	(1,929)
Dividends paid		(110)	(97)
Contribution from non-controlling interests to capital increases		1	(3)
Transactions with non-controlling interests		(471)	(2,029)
Net cash flows on hedging derivatives [d]	12.4, 12.5	(4)	22
Bonds issued or raised during the period	10.3	150	2,049
Bonds repaid during the period	10.3	(618)	(603)
Increase (decrease) in other current and non-current financial debt	10.3	312	(101)
Increase (decrease) in short term investments	10.4	535	(242)
Cash flows provided by (used in) financing activities		**(357)**	**(982)**
Effect of exchange rate and other changes [e]		45	(228)
Increase (decrease) in cash and cash equivalents		**(89)**	**(361)**
Cash and cash equivalents at beginning of period		**969**	**880**
Cash and cash equivalents at end of period		**880**	**519**
Supplemental disclosures			
Payments during the year of income tax		(601)	(804)

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.
(b) Acquisition/disposal of companies' shares. In the case of fully-consolidated companies, this comprises cash and cash equivalent as of the acquisition/disposal date.
(c) DANONE call options acquired by the Company.
(d) Derivative instruments used to manage net debt.
(e) Effect of reclassification with no impact on net debt.

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

Consolidated statement of changes in equity

			Movements during the period									
(in € millions)	Notes	As of January 1, 2014	Other comprehensive income	Capital increase	Decrease in issued capital	Other transactions involving treasury shares and DANONE call options [a]	Counterpart entry to expense relating to Group performance shares and stock-options [b]	Dividends paid in shares	Dividends paid in cash	Other transactions with non-controlling interests	Other changes	As of December 31, 2014
Share capital		**158**						3				**161**
Additional paid-in capital		**2,930**		33				541				**3,505**
Retained earnings		**11,153**	1,119				19	(544)	(307)	290	88	**11,817**
Cumulative translation adjustments		**(1,553)**	177								(126)	**(1,501)**
Unrealized gains and losses related to cash flow hedging derivatives, net of tax		**(29)**	(115)								35	**(109)**
Unrealized gains and losses related to available-for-sale financial assets, net of tax	11	**149**	(73)								(31)	**45**
Other comprehensive income, net of tax		**2**	3								(5)	**–**
Actuarial gains and losses on retirement commitments not recyclable to profit or loss, net of tax	7	**(245)**	(138)								20	**(363)**
Other comprehensive income		**(123)**	**(323)**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**19**	**(427)**
Treasury shares and DANONE call options	13	**(1,871)**				13						**(1,859)**
Equity – Group share		**10,694**	**973**	**33**	**–**	**13**	**19**	**–**	**(307)**	**290**	**(18)**	**11,696**
Non-controlling interests		**35**	77	1	–	–	–	–	(110)	37	8	**49**
Consolidated equity		**10,729**	**1,051**	**35**	**–**	**13**	**19**	**–**	**(418)**	**327**	**(10)**	**11,745**

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

			Movements during the period									
(in € millions)	Notes	As of January 1, 2015	Other comprehensive income	Capital increase	Decrease in issued capital	Other transactions involving treasury shares and DANONE call options [a]	Counterpart entry to expense relating to Group performance shares and stock-options [b]	Dividends paid in shares	Dividends paid in cash	Other transactions with non-controlling interests	Other changes	As of December 31, 2015
Share capital		**161**						3				**164**
Additional paid-in capital		**3,505**		39				588				**4,132**
Retained earnings		**11,817**	1,282			21	27	(591)	(317)	(457)	(328)	**11,454**
Cumulative translation adjustments		**(1,501)**	67							(1)	259	**(1,177)**
Unrealized gains and losses related to cash flow hedging derivatives, net of tax		**(109)**	108								21	**21**
Unrealized gains and losses related to available-for-sale financial assets, net of tax	11	**45**	(2)							(1)	(1)	**42**
Other comprehensive income, net of tax												**–**
Actuarial gains and losses on retirement commitments not recyclable to profit or loss, net of tax	7	**(363)**	40									**(323)**
Other comprehensive income		**(427)**	**146**	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**21**	**(261)**
Treasury shares and DANONE call options	13	**(1,859)**				157				(5)		**(1,707)**
Equity – Group share		**11,696**	**1,495**	**39**	**–**	**178**	**27**	**–**	**(317)**	**(464)**	**(48)**	**12,606**
Non-controlling interests		**49**	91	–	–	–	–	–	(95)	(2)	20	**63**
Consolidated equity		**11,745**	**1,586**	**39**	**–**	**178**	**27**	**–**	**(411)**	**(466)**	**(28)**	**12,669**

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

Notes to the consolidated financial statements

TABLE OF CONTENTS

NOTE 1. ACCOUNTING PRINCIPLES 81
Note 1.1. Basis for preparation 81
Note 1.2. Accounting framework applied 81

NOTE 2.FULLY CONSOLIDATED COMPANIES 82
Note 2.1. Accounting principles 82
Note 2.2. Main changes during the period 82
Note 2.3. Main fully consolidated companies 83
Note 2.4. Accounting for acquisitions resulting in control being obtained in 2015 83
Note 2.5. Finalization in 2015 of the accounting for the acquisitions resulting in control being obtained carried out in 2014 84
Note 2.6. Liabilities/assets linked to earn-outs related to acquisitions resulting in control being obtained 84

NOTE 3. NON-CONTROLLING INTERESTS AND RELATED LIABILITIES 84
Note 3.1. Accounting principles 84
Note 3.2. Main companies in terms of net income and consolidated net assets, fully consolidated but not fully-owned 85
Note 3.3. Transactions relating to non-controlling interests in the Danone-Unimilk group (Fresh Dairy Products, CIS) 85
Note 3.4. Transactions relating to non-controlling interests in Danone Spain (Fresh Dairy Products, Spain) 85
Note 3.5. Transactions relating to non-controlling interests in Centrale Danone (Fresh Dairy Products, Morocco) 86
Note 3.6. Liabilities related to put options granted to non-controlling interests 86

NOTE 4. ASSOCIATES 87
Note 4.1. Accounting principles 87
Note 4.2. Main associates in terms of net income and consolidated net assets 88
Note 4.3. Main changes during the period 88
Note 4.4. Mengniu (Fresh Dairy Products, China) and Yashili (Medical Nutrition, China) 89
Note 4.5. Yakult (Fresh Dairy Products, Japan) 91
Note 4.6. Carrying amount and change during the period 92
Note 4.7. Impairment review of Investments in associates other than Mengniu and Yashili 92
Note 4.8. Share of profit of associates 92

NOTE 5. INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES 93
Note 5.1. Accounting principles 93
Note 5.2. Operating segments 93
Note 5.3. Other components of trading operating income 95
Note 5.4. Working capital 95
Note 5.5. Property, plant and equipment and capital expenditure 97
Note 5.6. Off-balance sheet commitments relating to operating activities 99
Note 5.7. Financial risks associated with operating activities 100

NOTE 6.EVENTS AND TRANSACTIONS OUTSIDE THE GROUP'S ORDINARY ACTIVITIES 101
Note 6.1. Other operating income (expense) 101
Note 6.2. Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia in 2013 102
Note 6.3. Savings and adaptation plan for the Group's organizations in Europe 104
Note 6.4. Danone 2020 transformational plan 104
Note 6.5. Notification by the Spanish National Commission for Markets and Competition 105

NOTE 7. NUMBER OF EMPLOYEES, PERSONNEL COSTS AND EMPLOYEE BENEFITS 105
Note 7.1. Number of employees at fully consolidated companies 105
Note 7.2. Personnel costs of fully consolidated companies 105
Note 7.3. Retirement obligations and other long-term benefits 106
Note 7.4. Group performance shares and stock-options granted to certain employees and corporate officers 110
Note 7.5. Company Savings Plan 111

NOTE 8. INCOME TAX 112
Note 8.1. Income tax 112
Note 8.2. Deferred taxes 113
Note 8.3. Tax loss carryforwards 114

NOTE 9. INTANGIBLE ASSETS 114
Note 9.1. Accounting principles 114
Note 9.2. Carrying amount and change during the period 115
Note 9.3. Impairment review 116

NOTE 10. FINANCING AND FINANCIAL SECURITY, NET DEBT AND COST OF NET DEBT 119
Note 10.1. Accounting principles 119
Note 10.2. Liquidity risk and management policy 119
Note 10.3. Group's financing and financial security situation managed at the Company level and changes during the period 120
Note 10.4. Short-term investments 123
Note 10.5. Net debt 123
Note 10.6. Cost of net debt 124
Note 10.7. Financial risks associated with the financing activity 124

NOTE 11. OTHER FINANCIAL INVESTMENTS, OTHER FINANCIAL INCOME (EXPENSE) 125
Note 11.1. Accounting principles 125
Note 11.2. Other financial investments 126
Note 11.3. Other financial income and other financial expense 126

NOTE 12. ORGANIZATION OF FINANCIAL RISKS AND DERIVATIVES MANAGEMENT 126
Note 12.1. Organization of financial risks management 126
Note 12.2. Accounting principles 127
Note 12.3. Derivatives used to hedge operational currency risk 127
Note 12.4. Derivatives used to hedge currency and translation risk on net assets 129
Note 12.5. Derivatives used to hedge interest rate risk 130
Note 12.6. Counterparty risk 131
Note 12.7. Securities risk 131
Note 12.8. Reconciliation of the consolidated balance sheet by class and accounting category 132

NOTE 13. DANONE SHARES, DIVIDEND, EARNINGS PER SHARE 133
Note 13.1. Accounting principles 133
Note 13.2. Transactions and changes involving DANONE shares 133
Note 13.3 Outstanding DANONE shares 134
Note 13.4. Earnings per share – Group share 134
Note 13.5. Dividend 135

NOTE 14. OTHER NON-CURRENT PROVISIONS AND LIABILITIES AND LEGAL AND ARBITRATION PROCEEDINGS 136
Note 14.1. Accounting principles 136
Note 14.2. Carrying amount and change during the period 136
Note 14.3. Legal and arbitration proceedings 136

NOTE 15. RELATED PARTY TRANSACTIONS 137
Note 15.1. Accounting principles 137
Note 15.2. Transactions with associates 137
Note 15.3. Compensation and benefits granted to members of the Executive Committee and Board of Directors 137
Note 15.4. Related party agreements 137

NOTE 16. SUBSEQUENT EVENTS 137

NOTE 17. LIST OF SUBSIDIARIES AS OF DECEMBER 31, 2015 138
Note 17.1. Fully consolidated holding companies and financial companies held directly by the Company 138
Note 17.2. Main fully consolidated companies of the Fresh Dairy Products Division 138
Note 17.3. Main fully consolidated companies of the Waters Division 139
Note 17.4. Main fully consolidated companies of the Early Life Nutrition Division 140
Note 17.5. Main fully consolidated companies in the Medical Nutrition Division 141
Note 17.6. Main investments in associates 141

NOTE 1. ACCOUNTING PRINCIPLES

Note 1.1. Basis for preparation

The consolidated financial statements of Danone (the "Company"), its subsidiaries and associates (together, the "Group") as of and for the year ended December 31, 2015 were approved by Danone's Board of Directors on February 22, 2016 and will be submitted for approval to the Shareholders' Meeting on April 28, 2016.

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

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

	Notes
Measurement of intangible assets	9.3
Measurement of investments in associates	4.1, 4.4, 4.7
Measurement of deferred tax assets	8.3
Recognition of liabilities related to put options granted to non-controlling interests	1.2, 3.1, 3.6
Determination of the amount of provisions for risks and charges	14.1, 14.2, 14.3
Determination of the amount of rebates, trade supports and other deductions relating to agreements with customers	5.1

These assumptions, estimates and appraisals are made on the basis of available information and conditions at the end of the financial period presented. Actual amounts may differ from those estimates, particularly in a climate of economic and financial volatility.

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

Note 1.2. Accounting framework applied

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

Main standards, amendments and interpretations whose application is mandatory as of January 1, 2015

- IFRIC 21, *Levies*;

This interpretation does not have a material impact on the consolidated financial statements for the year ended December 31, 2015.

Main standards, amendments and interpretations published by the IASB whose application is not mandatory within the European Union as of January 1, 2015

The Group did not exercise the option to apply these standards, amendments and interpretations in advance to the consolidated financial statements for the year ended December 31, 2015 and does not expect them to have a material impact on its results and financial position.

Main standards, amendments and interpretations published by the IASB but not yet adopted by the European Union

- IFRS 15, *Revenue from Contracts with Customers*;
- IFRS 16, *Leases*;
- IFRS 9, *Financial Instruments*.

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

Other standards

The Group is closely monitoring the economic conditions that could, in 2016, result in Argentina being qualified as a hyperinflationary economy, with the result that IAS 29 *Financial Reporting in Hyperinflationary Economies* would become applicable. This standard would require the balance sheets and net income of the subsidiaries concerned to be (i) restated to reflect the changes in the general purchasing power of the local currency by using official inflation rate indices applicable at the end of the reporting period, and (ii) translated into euros at the exchange rate ruling at the end of the reporting period.

Other IASB and IFRIC projects

The Group is also closely monitoring the work of the IASB and the IFRIC, which could lead to a revision of the treatment of put options granted to non-controlling interests

NOTE 2.FULLY CONSOLIDATED COMPANIES

Note 2.1. Accounting principles

Fully consolidated companies

The Group fully consolidates all subsidiaries over which it has the ability to exercise exclusive control, whether directly or indirectly. Exclusive control over an investee is assessed (i) by the power the Group has over said investee, (ii) whether it is exposed, or has rights, to variable returns from its relationship with the investee, and (iii) whether it uses its power over the investee to affect the amount of the Group's returns.

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

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

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

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

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

Note 2.2. Main changes during the period

2015 fiscal year

					Ownership as of December 31	
(in percentage)	Notes	**Division**	**Country**	**Transaction date [a]**	**2014**	**2015**
Main companies consolidated for the first time during 2015						
Fan Milk group's companies		Fresh Dairy Products	West Africa	December	49.0%	49.0%
Main consolidated companies with change in ownership percentage						
Danone-Unimilk group	3.3	Fresh Dairy Products	CIS	December	50.9%	70.9%
Danone Spain	3.4	Fresh Dairy Products	Spain	February/ March	76.9%	92.4%
Centrale Danone [b]	3.5	Fresh Dairy Products	Morocco	December	90.9%	95.9%
Main companies no longer fully consolidated as of December 31						
–						

(a) Month of the 2015 fiscal year.
(b) Formerly Centrale Laitière. The company was renamed Centrale Danone in 2015.

As regards the Fan Milk group, accounted for as an associate as of December 31, 2014, its companies have been fully consolidated since December 2015 pursuant to IFRS 10, *Consolidated Financial Statements*, since the Group has had the contractual right to exercise exclusive control over them since that date. Consequently, the put option relating to the 51% stake in the Fan Milk group not yet held by Danone has, since that date, been recognized on the basis of the present value of its exercise price and is presented under the heading Liabilities relating to non-controlling interests as of December 31, 2015. Indeed, as of December 31, 2014, since Fan Milk was then treated as an associate, the option was recognized at its fair market value, pursuant to IAS 39, *Financial Instruments: Recognition and Measurement*.

2014 fiscal year

Ownership as of December 31

(in percentage)	Notes	Division	Country	Transaction date [a]	2013	2014
Main companies consolidated for the first time during 2014						
Infant formula production and packaging companies [b]		Early Life Nutrition	New Zealand	July	–	100.0%
Main consolidated companies with change in ownership percentage						
Centrale Danone	3.5	Fresh Dairy Products	Morocco	November	68.7%	90.9%
Main companies no longer fully consolidated as of December 31						
Group's fresh dairy products companies in China [c]	4.4	Fresh Dairy Products	China	July	100.0%	20.0%
Group's fresh dairy products companies in Indonesia		Fresh Dairy Products	Indonesia	December	100.0%	–

(a) Month of the 2014 fiscal year.
(b) NEW ZEALAND CAN AUCKLAND LTD, which produces and packages drinks, notably infant formula. The company has been renamed DANONE NUTRICIA NZ LTD.
(c) DANONE DAIRY BEIJING and DANONE DAIRY SHANGHAI CO LTD. Danone has since 2014 owned 20% of the new group formed together with the Mengniu group's fresh dairy products companies.

Note 2.3. Main fully consolidated companies

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

Note 2.4. Accounting for acquisitions resulting in control being obtained in 2015

The business combinations carried out in 2015 have been accounted for on a provisional basis since the amounts allocated to the acquired identifiable assets and liabilities and to goodwill may be adjusted during a period of one year from the respective date of each of these combinations. They comprise acquisitions resulting in control being obtained as well as the acquisition of control of Fan Milk, which did not involve any share purchase (see Note 2.2 of the Notes to the consolidated financial statements).

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

The main characteristics of these other acquisitions carried out in 2015 are as follows:

- the entities actually acquired were paid for in cash;
- none of them is subject to a contingent payment (earn-out) but one of them is subject to put options granted to non-controlling interests;
- the acquisition-related expenses incurred during the period totaled €4 million before taxes and have been expensed in the consolidated income statement under Other operating income (expense).

They did not have a material impact on the items of the consolidated income statement for the year ended December 31, 2015 and would not have had a material impact if they had been calculated on a full-year basis.

Purchase price allocation

As of the acquisition date

(in € millions)	2015
Fair value of net assets (at 100%) [a]	75
Net assets attributable to non-controlling interests [b]	(27)
Partial goodwill [c] [d]	94
Fair value, at the date control is acquired, of the consideration paid or to be paid to the sellers	**142**

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

Note 2.5. Finalization in 2015 of the accounting for the acquisitions resulting in control being obtained carried out in 2014

In 2015, the Group finalized the accounting treatment of the business combinations that took place during 2014. This did not result in a material adjustment to the purchase price allocation in the consolidated financial statements for 2015 as compared with the consolidated financial statements for 2014.

Purchase price allocation

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

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

Note 2.6. Liabilities/assets linked to earn-outs related to acquisitions resulting in control being obtained

	As of December 31	
(in € millions)	**2014**	**2015**
Total liabilities (assets) [a]	–	–

(a) Comprises all earn-outs related to acquisitions resulting in control being obtained, *i.e.* related to transactions carried out in 2014, 2015 and during earlier fiscal years.

NOTE 3. NON-CONTROLLING INTERESTS AND RELATED LIABILITIES

Note 3.1. Accounting principles

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

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

Liabilities related to put options granted to non-controlling interests

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

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

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

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

Ownership percentage of non-controlling interests as of December 31

(in percentage)	Notes	Division	Country	Listing market [a]	2014	2015
Danone-Unimilk group [b]	3.3	Fresh Dairy Products	CIS		49.1%	29.1%
Danone Spain [c]	3.4	Fresh Dairy Products	Spain		23.1%	7.6%
Centrale Danone [d]	3.5	Fresh Dairy Products	Morocco	Casablanca	9.1%	4.1%

(a) If the company is listed.
(b) As of December 31, 2015, the non-controlling interests in that group's parent company had three representatives on the company's board of directors (out of a total of seven).
(c) As of December 31, 2015, the non-controlling interests in the company had one representative on the company's board of directors (out of a total of four).
(d) Since 2014, the non-controlling interests no longer have a representative on the company's board of directors.

Each of these companies operates the Group's Fresh Dairy Products activities in a given country or group of countries.

As of December 31, 2015, the Group's main commitments towards the minority shareholders concern current debt, that either constitutes borrowings or relates to put options on their residual interest, and described hereafter.

Lastly, in 2015 as in 2014, the non-controlling interests' share in these companies did not exceed 5% of the Group's net sales or assets and liabilities (excluding liabilities related to put options), which is deemed to be not material.

Note 3.3. Transactions relating to non-controlling interests in the Danone-Unimilk group (Fresh Dairy Products, CIS)

Some minority shareholders in the Danone-Unimilk group exercised their put option representing 42.0% of the company's share capital, In respect of 22% the exercise is subject to the approval of the competition authorities. Following this transaction, Danone will own 92.9% of the group.

As of December 31, 2015, Danone held 70.9% of the share capital of the Danone-Unimilk group and had recognized a liability of €284 million in current financial debt, corresponding to the amount that it will still have to pay to the minority shareholders if the acquisition, by Danone, of the remaining 22% interest is approved.

The transaction was approved and finalized in January 2016.

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

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

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

Transactions during 2015

The arbitration panels petitioned by these holders of put options issued their rulings in December 2014 and February 2015. Following these decisions, in early 2015 the Group purchased in exchange for cash 2,581,030 shares in Danone Spain. For the shares subject to put options, the Group paid an amount below the carrying value as of December 31, 2014 of the related liabilities, the difference between the price paid and said carrying value having been recognized in the Group's share of the consolidated equity. The Group also acquired shares that were not the subject of put options. The shares purchased through this transaction represent in total approximately 15.7% of Danone Spain's share capital, thereby bringing the Group's overall equity interest in the company to 92.4% as of December 31, 2015.

In addition, since the settlement terms of put options representing 7.3% of Danone Spain's share capital had been amended, the related debt is now classified within current financial debt.

Transactions during 2014

In 2014, the Group did not carry out any transactions relating to Danone Spain's non-controlling interests.

Note 3.5. Transactions relating to non-controlling interests in Centrale Danone (Fresh Dairy Products, Morocco)

Background to the investment

Danone acquired control of Centrale Laitière in February 2013, by increasing its interest from 29.2% to 67.0% on that date. The Group subsequently acquired additional holdings to reach an ownership percentage of 90.9% as of December 31, 2014. Minority shareholders with a put option in respect of their interest had a 5% stake as of that date.

Transactions during 2015

The company was renamed Centrale Danone in 2015.

In addition, the minority shareholders holding a put option over their interest exercised their option in 2015, increasing the Group's interest to 95.9% and making mandatory the submission of a squeeze out proposal in respect of all of the shares making up Centrale Danone's free float, *i.e.* in respect of 4.1% of its share capital and voting rights.

The transaction was approved by the stock exchange authorities in Casablanca in 2015 and will be carried out in February 2016 for a repurchase amount of €43.5 million (at the EUR/MAD exchange rate as of December 31, 2015).

As of December 31, 2015, the Group, since it was obliged to purchase the shares tendered by the minority shareholders to the squeeze-out, recognized a current debt of €43.5 million, presented under the heading Liabilities related to put options granted to non-controlling interests.

Note 3.6. Liabilities related to put options granted to non-controlling interests

Main changes during 2015

Exercises

The options exercised in 2015 related mainly to the Danone-Unimilk group (see Note 3.3 of the Notes to the consolidated financial statements), Danone Spain (see Note 3.4 of the Notes to the consolidated financial statements) and Centrale Danone (see Note 3.5 of the Notes to the consolidated financial statements).

The main impacts on the 2015 consolidated financial statements were as follows:

- 1,851 million decrease in the financial liabilities in respect of the put options granted to non-controlling interests;
- €335 million adverse impact on the Group's share of the consolidated equity related to changes in the exercise price of the options since December 31, 2014;
- €1,919 million of cash flows from financing activities representing the portion settled in cash in 2015, presented on the Transactions with non-controlling interests line in the Consolidated statement of cash flows and explaining the major portion of the €1,929 million of flows relating to purchases of non-controlling interests during the 2015 fiscal year;
- €284 million increase in the current financial debt in respect of the portion remaining to be paid in 2016.

New options

The options recognized for the first time in 2015 related mainly to Fan Milk (see Note 2.2 of the Notes to the consolidated financial statements) and Centrale Danone (see Note 3.5 of the Notes to the consolidated financial statements).

The main impacts of these options on the 2015 consolidated financial statements were as follows:

- €207 million increase in the financial liabilities related to put options granted to non-controlling interests;
- €150 million adverse impact on the Group's share of the equity corresponding to the difference between the present value of the options' exercise price and the carrying amount of the non-controlling interests, most of which relate to Fan Milk.

Main changes during 2014

Exercises

The options exercised in 2014 related mainly to Centrale Danone (see Note 3.5 of the Notes to the consolidated financial statements).

The main impacts of these exercises on the 2014 consolidated financial statements were as follows:

- €341 million decrease in the financial liabilities in respect of the put options granted to non-controlling interests;
- €10 million adverse impact on the Group's share of the consolidated equity related to changes in the exercise price of the options since December 31, 2013;
- €341 million of financing flows presented on the Transactions with non-controlling interests line in the Consolidated statement of cash flows.

Change in the carrying amount

(in € millions)	2014	2015
As of January 1	3,244	2,558
New options and options recognized previously in accordance with IAS 39	–	207
Options exercised [a]	(341)	(1,851)
Changes in the present value of the option strike price of outstanding options	(345)	(52)
As of December 31	**2,558**	**862**

(a) Carrying amount on the balance sheet date of the preceding fiscal year.

Main characteristics

As of December 31

		2014			2015				
(in € millions)	Notes	Current	Non-current	Total	Current	Non-current	Total	Start of exercise period	Price calculation formula
Danone Spain	3.4	794	236	1,030	234	–	234	At any time	Average earnings multiple over several years
Danone-Unimilk group	3.3	912	–	912	–	–	–	2014	Earnings multiple with floor price
Other [a]		503	113	616	380	248	628	As from 2015	
Total		**2,209**	**349**	**2,558**	**614**	**248**	**862**		

(a) Several put options with an individual amount less than or equal to €200 million as of December 31, 2015.

NOTE 4. ASSOCIATES

Note 4.1. Accounting principles

Accounting treatment

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

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

The main components of Net income of associates are:

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

Impairment review

- The Group reviews the measurement of its investments in associates when events or circumstances indicate that impairment is likely to have occurred. With regard to listed shares, a significant or prolonged fall in their stock price below their historical stock price constitutes an indication of impairment.
- An impairment provision is recognized within Share of profit of associates when the recoverable amount of the investment falls below its carrying amount. This impairment provision may be reversed if the recoverable amount subsequently exceeds the carrying amount, up to the limit of the share of the equity held by the Group.

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

As of December 31

			2014		2015	
(in € million, except percentage)	**Division**	**Country**	**Listing market [a]**	**Ownership**	**Ownership**	**Market capitalization [a] [b]**
Mengniu [c]	Fresh Dairy Products	China	Hong Kong	9.9%	9.9%	5,873
Yashili [d]	Early Life Nutrition	China	Hong Kong	–	25.0%	1,085
Yakult [e]	Fresh Dairy Products	Japan	Tokyo	21.3%	21.3%	7,999

(a) If the company is listed.
(b) The amount disclosed is 100% of the company's market capitalization.
(c) INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD.
(d) YASHILI INTERNATIONAL HOLDINGS LTD.
(e) YAKULT HONSHA CO LTD.

The Group acquired its stake in Mengniu and Yashili on the one hand and Yakult on the other hand under the terms of broader agreements, the main aim of which was operational collaboration and the development of regional categories and markets.

In 2015, these companies accounted for more than 73% in total of Investments in associates (other investments in associates did not, individually, account for more than 10% of the total). In addition, none of these companies accounted for more than 5% of the net income or consolidated net assets.

Note 4.3. Main changes during the period

2015 fiscal year

Ownership as of December 31

(in percentage)	Notes	**Division**	**Country**	**Transaction date [a]**	**2014**	**2015**
Main companies accounted for using the equity method for the first time during 2015						
Yashili	4.4	Early Life Nutrition	China	February	–	25.0%
Main associates with change in ownership percentage						
–						
Main companies no longer accounted for using the equity method as of December 31						
Fan Milk group companies [b]	2.2	Fresh Dairy Products	West Africa	December	49.0%	49.0%

(a) Month of the 2015 fiscal year.
(b) Companies fully consolidated since December 2015 pursuant to IFRS10, *Consolidated Financial Statements*.

2014 fiscal year

					Ownership as of December 31	
(in percentage)	Notes	Division	Country	Transaction date [a]	2013	2014
Main companies accounted for using the equity method for the first time during 2014						
Mengniu [b]	4.4	Fresh Dairy Products	China	January	4.0%	9.9%
Danone group's and Mengniu group's fresh dairy products companies in China [c]	4.4	Fresh Dairy Products	China	July	–	20.0%
Brookside [d]		Fresh Dairy Products	Kenya	July	–	40.0%
Main associates with change in ownership percentage						
Yakult [e]		Fresh Dairy Products	Japan	January	20.0%	21.3%
Main companies no longer accounted for using the equity method as of December 31						
–						

(a) Month of the 2014 fiscal year.
(b) INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD. This company was recognized within Investments in other non-consolidated companies in 2013.
(c) INNER MONGOLIA MENGNIU DANONE DAIRY CO LTD.
(d) BROOKSIDE AFRICA LIMITED.
(e) YAKULT HONSHA CO LTD.

Note 4.4. Mengniu (Fresh Dairy Products, China) and Yashili (Medical Nutrition, China)

Background to the acquisition of these equity interests

On May 20, 2013, Danone announced that the Group had signed agreements with COFCO and Mengniu to join forces to accelerate the development of fresh dairy products in China. Under the terms of these agreements, Danone became a strategic shareholder in Mengniu and a joint venture for the production and sale of fresh dairy products in China was established by the pooling of the respective assets of the two companies. Danone owns 20% and Mengniu 80% of the new joint venture.

On October 31, 2014, Danone, Mengniu and Yashili announced the extension of their strategic alliance into infant milk formula in China through the signing of an agreement allowing Danone to take part in a private placement by Yashili totaling around €437 million on that date, corresponding to HKD 3.70 per share and representing 25.0% of Yashili's share capital.

On February 12, 2015, the Group took part in Yashili's private placement. The price per share paid was the price set under the terms of this agreement, which represented a total amount of €499 million on that date. As a result of this transaction, Danone held a 25.0% stake in Yashili and became its second-largest shareholder behind Mengniu, which had a 51% stake. Under the terms of this agreement, Danone has recommended a candidate to serve as Yashili's Chief Executive Officer.

Lastly, on July 24, 2015, Danone announced it had entered into a preliminary agreement with Mengniu and Yashili with a view, on the one hand, to merge Dumex in China with Yashili, thereby building a strong local infant milk formula brand platform, and, on the other hand, to increase its shareholding in Mengniu. The final agreement for the sale of Dumex in China to Yashili was signed on December 1, 2015. The sale price was €150 million and the agreement is subject to the approval of the competent authorities and Yashili's shareholders. The impacts of this agreement on the 2015 consolidated financial statements are described in Note 6.2 of the Notes to the consolidated financial statements.

Mengniu (Fresh Dairy Products, China)

Accounting treatment of the investment

This investment, which is a strategic investment for the Group, is recognized under Investments in associates, since the Group has significant influence over the financial and operating policies of the Mengniu group as (i) a strategic shareholder in the Mengniu group pursuant to the agreements with COFCO, (ii) its participation in Mengniu's governance, and (iii) the Group's operating involvement in Mengniu's fresh dairy products activities.

Main financial information

	2014		2015
(in € millions)	Financial statements for the half-year ended June 30	Financial statements for the year ended December 31	Financial statements for the half-year ended June 30
Non-current assets [a]	3,136	3,549	3,971
Current assets [a]	2,324	2,698	3,252
Equity [a]	2,742	3,250	3,782
Non-current liabilities [a]	809	1,093	1,183
Current liabilities [a]	1,910	1,904	2,258
Sales [a]	3,056	6,111	3,683
Net income [a]	145	329	206
Other comprehensive income [a]	21	17	(15)

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

Measurement review as of December 31, 2015
The Group noted a significant fall in the share price of the Mengniu group as compared with the average purchase price paid by the Group for its shareholding. This resulted from a financial performance in 2015 that was below expectations and the general decline in the Chinese stock market, said decline constituting an indication of impairment.

As of December 31, 2015, the carrying amount of the Group's stake in Mengniu (€843 million) was the subject of an impairment test based on cash flow forecasts.

The assumptions used as regards the discount rate and long-term growth rate were 9.2% and 3.0% respectively.

Since the value in use calculated on these bases was higher than the stake's carrying amount, no impairment provision was recognized as of December 31, 2015. The sensitivity analysis on the key assumptions involved in the calculation of this value in use, taken individually, gives the following results:

- a 200 bps fall, applied each year to the assumptions concerning growth in net sales over five years, would not result in the recognition of an impairment provision;
- a 100 bps fall, applied each year to the assumptions concerning trading operating margin over five years, would not result in the recognition of an impairment provision;
- a 100 bps fall in the long-term growth rate would not result in the recognition of an impairment provision;
- a 100 bps increase in the discount rate would not result in the recognition of an impairment provision.

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

Yashili (Medical Nutrition, China)

This shareholding, acquired under the terms of its strategic agreement with Mengniu, is recognized within Investments in associates. As of December 31, 2015, Danone held 25% of Yashili's share capital, had significant influence over its operating policies and was involved in its governance, in particular through its right to appoint a member of the board of directors and it proposed the candidate for appointment as Chief Executive Officer. Consequently, its shareholding is recognized within investments in associates.

Measurement review as of December 31, 2015
The Group noted a significant fall in Yashili's share price as compared with the average purchase price paid by the Group for its shareholding. This resulted from a financial performance in 2015 that was below expectations and the general decline in the Chinese stock market, said decline constituting an indication of impairment.

As of December 31, 2015, the carrying amount of the Group's stake in Yashili (€502 million) was the subject of an impairment test based on cash flow forecasts.

The forecasts used reflected the results expected from strategic changes decided on by Yashili management and implemented gradually since the end of 2015, *i.e.* dynamic sales growth during the period from 2016 to 2020 and a significant increase in profitability. In addition, the assumptions used as regards the discount rate and long-term growth rate were 10.2% and 3.0% respectively.

Since the value in use calculated on these bases corresponded to the stake's carrying amount, no impairment provision was recognized as of December 31, 2015. The sensitivity analysis on the key assumptions involved in the calculation of this value in use, taken individually, gives the following results:

- a 500 bps fall, applied each year to the assumptions concerning growth in net sales over eight years, would result in the recognition of a €127 million impairment provision;
- a 200 bps fall, applied each year to the assumptions concerning trading operating margin over eight years, would result in the recognition of a €88 million impairment provision;
- a 100 bps fall in the long-term growth rate would result in the recognition of a €41 million impairment provision;
- a 100 bps increase in the discount rate would result in the recognition of a €66 million impairment provision.

Note 4.5. Yakult (Fresh Dairy Products, Japan)

Main characteristics of the investment

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

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

As of December 31, 2015, Danone had 21.3% of the voting rights and two representatives on the company's board. Consequently, its shareholding is recognized within Investments in associates.

It should be noted that, as Yakult's fiscal year closing date is March 31, the amounts prepared for Group consolidation purposes as of December 31 are estimated on the basis of the most recent financial statements published for each fiscal year (interim financial statements for the six months ended September 30, 2014 for 2014 and interim financial statements for the six months ended September 30, 2015 for 2015).

Main financial information

	2014		2015	
(in € millions)	**Financial statements for the year ended March 30**	**Financial statements for the half-year ended September 30**	**Financial statements for the year ended March 30**	**Financial statements for the half-year ended September 30**
Non-current assets [a]	2,165	2,319	2,740	2,676
Current assets [a]	1,483	1,565	1,752	1,717
Equity [a]	2,163	2,336	2,809	2,785
Non-current liabilities [a]	721	695	786	731
Current liabilities [a]	765	853	897	877
Sales [a]	2,488	1,293	2,750	1,442
Net income [a]	192	103	228	147
Other comprehensive income [a]	193	(15)	179	(10)

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

Carrying amount

	As of December 31	
(in € millions)	**2014**	**2015**
Carrying amount	634	780

Note 4.6. Carrying amount and change during the period

		2014			2015		
(in € millions)	Notes	**Net goodwill**	**Group's share in net assets and net income**	**Total**	**Net goodwill**	**Group's share in net assets and net income**	**Total**
As of January 1		**389**	**644**	**1,033**	**1,024**	**1,123**	**2,146**
Acquisitions, influence acquired during the year and capital increase	2.2, 4.3, 4.4	636	421	1,057	280	185	465
Disposals and losses of influence during the year	4.3	–	–	–	(55)	(29)	(84)
Share of profit of associates before impact of disposals, revaluation and other		–	76	76	–	126	126
Dividends paid		–	(19)	(19)	–	(40)	(40)
Translation adjustments		53	–	53	65	105	171
Impairment	4.7	(54)	–	(54)	–	–	–
Adjustment relating to the 2014 acquisitions		–	–	–	101	(3)	98
As of December 31		**1,024**	**1,123**	**2,146**	**1,414**	**1,468**	**2,882**

Note 4.7. Impairment review of Investments in associates other than Mengniu and Yashili

Measurement review as of December 31, 2015

As a result of the impairment review of other investments in associates, the Group did not recognize any impairment provisions.

Measurement review as of December 31, 2014

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

Note 4.8. Share of profit of associates

		Year ended December 31	
(in € millions)	Notes	**2014**	**2015**
Share of profits of associates before gains (losses) on disposal, revaluation and other		76	126
Impairment charges	4.7	(54)	–
Gains (losses) on disposals, revaluation and other [(a)]	2.2	(8)	(28)
Total		**14**	**99**

(a) Comprised the withholding tax applied to the dividends paid by Yakult.

The positive change in Share of profits of associates between 2014 and 2015 reflects the acquisitions during 2014 and 2015 and the improvement in the profits generated by some associates.

NOTE 5. INFORMATION CONCERNING THE GROUP'S OPERATING ACTIVITIES

Note 5.1. Accounting principles

Net sales

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

Sales are stated net of trade discounts and customer rebates, as well as net of costs relating to trade support and listing or linked to occasional promotional actions invoiced by customers. These amounts are estimated when net sales are recognized, on the basis of agreements with the concerned customers.

Cost of goods sold

The cost of goods sold mainly comprises industrial costs (including raw material costs, depreciation of industrial assets and overheads dedicated to production activity) and certain logistics and transport costs.

Selling expense

The selling expenses mainly comprise marketing spends and consumer promotions as well as sales force overheads.

General and administrative expense

The general and administrative expenses mainly comprise other overheads and administrative costs.

Research and development expense

Development costs are generally expensed as incurred due to the very short time between the date on which technical feasibility is demonstrated and the date on which the products are launched.

Certain development costs are recognized under assets in the consolidated balance sheet (see Note 9 of the Notes to the consolidated financial statements).

Note 5.2. Operating segments

General principles

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

- the Fresh Dairy Products Division (production and distribution of yogurts, fermented dairy products and other fresh dairy specialties);
- the Waters Division (production and distribution of packaged natural, flavored and vitamin-enriched water);
- the Early Life Nutrition Division (production and distribution of specialized food for babies and young children to complement breast-feeding);
- the Medical Nutrition Division (production and distribution of specialized food for people afflicted with certain illnesses or frail elderly people).

The key indicators reviewed and used internally by the Group's primary operational decision-makers (the Chief Executive Officer, Emmanuel FABER and the Chief Financial Officer, Cécile CABANIS) to assess operational performance are:

- net sales;
- trading operating income;
- trading operating margin, which is defined as the trading operating income over net sales ratio;
- free cash-flow, which represents cash flows provided or used by operating activities less capital expenditure net of disposals and, in connection with Revised IFRS 3, excluding (i) acquisition costs related to business combinations, and (ii) cash flows related to earn-outs related to business combinations and paid subsequently to the acquisition date;
- free cash-flow excluding exceptional items, an indicator published by the Group since the first half of 2013, in connection with its plan to generate savings and adapt its organizations in Europe corresponding to free cash-flow before cash flows related to initiatives that may be taken by the Group in connection with the plan;
- net financial debt, which represents the interest-bearing portion of net debt. It corresponds to Current and non-current financial debt, excluding Liabilities related to put options granted to non-controlling interests and net of Short-term investments, Cash and cash equivalents and Derivatives – assets.

Among the key indicators reviewed and used internally by the Group's primary operational decision-makers, only Net sales, Trading operating income and Trading operating margin are monitored by Division, the other indicators being monitored at the Group level. The primary operational decision-makers monitor the four Divisions: it should be noted that the Group has not carried out a reorganization of its operating segments.

Information by Division

Year ended December 31

	Net sales [a]		Trading operating income		Trading operating margin	
(in € millions, except percentage)	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Fresh Dairy Products	11,129	11,057	1,033	1,100	9.3%	9.9%
Waters	4,186	4,768	539	542	12.9%	11.4%
Early Life Nutrition	4,397	4,994	828	965	18.8%	19.3%
Medical Nutrition	1,432	1,593	262	286	18.3%	17.9%
Group total	**21,144**	**22,412**	**2,662**	**2,892**	**12.6%**	**12.9%**

(a) Net sales to third parties.

Information by geographical area

Net sales, Trading operating income and Trading operating margin

Year ended December 31

	Net sales [a]		Trading operating income		Trading operating margin	
(in € millions, except percentage)	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Europe [b]	8,522	8,900	1,336	1,536	15.7%	17.3%
CIS & North America [c]	4,525	4,471	387	388	8.6%	8.7%
ALMA [d]	8,097	9,041	939	969	11.6%	10.7%
Group total	**21,144**	**22,412**	**2,662**	**2,892**	**12.6%**	**12.9%**

(a) Net sales to third parties.
(b) Including €2,204 million of net sales generated in France in 2015 (€2,010 million in 2014).
(c) North America = United States and Canada.
(d) Asia-Pacific/Latin America/Middle-East/Africa.

Top ten countries contributing to consolidated net sales

Year ended December 31

(in percentage)	**2014**	**2015**
United States	9%	11%
France	10%	10%
China	7%	7%
Russia	9%	7%
United Kingdom	5%	6%
Indonesia	5%	6%
Argentina	4%	6%
Mexico	5%	5%
Spain	5%	5%
Germany	4%	4%

Non-current assets: property, plant and equipment and intangible assets

	As of December 31	
(in € millions)	**2014**	**2015**
Europe	10,208	10,621
Of which France's share	*1,857*	*1,931*
CIS & North America [a]	2,779	2,731
ALMA [b]	7,830	7,178
Group total	**20,817**	**20,531**

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

Note 5.3. Other components of trading operating income

Other income (expense)

		Year ended December 31	
(in € millions)	Notes	**2014**	**2015**
Employee benefits [a]	7.2, 7.3	(141)	(165)
Various taxes [b]		(54)	(81)
Restructuring costs [c]		(19)	(73)
Capital gains on disposal of property, plant and equipment and intangible assets		27	4
Other [d]		(16)	(64)
Total		**(202)**	**(380)**

(a) Employee profit-sharing, Group performance shares and stock options, defined benefit retirement plans and other employee benefits.
(b) Comprises mainly sales taxes.
(c) Excluding restructurings implemented in connection with the plan for savings and adaptation of the Group's organizations in Europe, the Danone 2020 transformational plan and the Group's activities in Argentina.
(d) Comprises mainly exchange differences, impairments, provisions for doubtful receivables and several other components.

Note 5.4. Working capital

Accounting principles

Inventories
Inventories and work-in-progress are recognized at the lower of cost and net realizable value. Cost is determined using the weighted average cost method.

Trade receivables
Trade receivables are recognized at their nominal value. Impairment provisions are recognized when their recovery appears uncertain. The methods used for determining such provisions are based mainly on a historical analysis of overdue payments.

The fair value of Trade receivables is considered to be equivalent to their carrying amount due to the high degree of liquidity of these items.

Transactions in foreign currencies
When they are not hedged, transactions denominated in foreign currencies are translated using the exchange rate prevailing on the date of the transaction. At period-end, trade receivables and trade payables denominated in foreign currencies are translated using exchange rates on that date. Foreign exchange gains and losses arising from transactions in foreign currencies are recognized under the heading Other income (expense) in the consolidated income statement.

When transactions denominated in foreign currencies are hedged, the hedging impact is recognized in the same item as the hedged element. As a result, all such transactions are recognized at the hedged spot rate, swap points being recognized under the heading Other financial income (expense).

Carrying amount

	As of December 31	
(in € millions except percentage)	**2014**	**2015**
Goods purchased for resale	77	93
Raw materials and supplies	562	601
Semi-finished goods and work-in-progress	95	98
Finished goods	655	645
Non-refundable containers	50	44
Impairment provisions	(99)	(108)
Inventories, net	1,340	1,374
Trade receivables	1,930	2,266
Notes receivable	38	40
Impairment provisions	(68)	(76)
Trade receivables, net	1,900	2,230
State and local authorities	486	564
Social security bodies and non-operating receivables	206	219
Prepaid expenses	109	89
Derivatives – assets [a]	86	70
Other	87	75
Total other current assets	974	1,029
Total current assets	**4,214**	**4,632**
Trade payables	(3,334)	(3,334)
Year-end rebates payable to customers	(926)	(1,049)
Personnel costs, including social security charges	(584)	(659)
Taxes payable	(303)	(249)
State and local authorities	(199)	(192)
Refundable containers	(94)	(107)
Customer deposits	(68)	(56)
Derivatives – liabilities [a]	(169)	(33)
Prepayments from customers	(3)	(5)
Other	(395)	(510)
Total other current liabilities	(2,741)	(2,859)
Total current liabilities	**(6,075)**	**(6,193)**
Working capital	**(1,861)**	**(1,561)**
As a percentage of consolidated sales	8.8%	7.0%

(a) Fair value of derivatives other than derivative instruments used to manage net debt, in particular, instruments to hedge operational currency risk, most of which are implemented over a horizon of less than one year.

Credit risk on trade receivables

Credit risk exposure

Credit risk represents the risk of financial loss for the Group if a customer or counterparty should fail to meet its contractual payment obligations. The customer payment term is generally 30 days and the Group's main customers are essentially in the mass retail sector where credit risk is considered low.

Due to the number of customers located in diverse geographical areas and the fact that its main customers are in the mass retail sector and despite the current economic situation, the Group believes that it is neither exposed to significant credit risk, nor dependent on any single customer.

Sales to the Group's largest customers and overdue receivables for which no impairment provision has been recognized

	Year ended December 31	
(in percentage)	**2014**	**2015**
Portion of sales made to the Group's largest customers		
Group's largest customer	4.3%	4.2%
Group's five largest customers	13%	12%
Group's ten largest customers	19%	18%
Portion of overdue trade receivables for which no impairment provision has been recognized [a]	**4.1%**	**4.3%**

(a) More than 30 days overdue.

Trade receivables derecognized in connection with the non-recourse factoring programs

	As of December 31	
(in € millions)	**2014**	**2015**
Total trade receivables derecognized in connection with the non-recourse factoring program [a]	257	111

(a) These relate to several Group subsidiaries that use non-recourse factoring programs (with transfer of risks and benefits).

Reverse factoring programs

The Group uses reverse factoring programs in the normal course of its business. These programs are implemented without major changes to payment terms and are used only for approved invoices and payments made in accordance with the terms and conditions of the invoice (in particular the payment term). The amounts to be paid *via* these programs are recognized within operating liabilities under the Trade payables heading until paid by Danone, which has the effect of clearing the commitment. Several of the Group's subsidiaries in various parts of the world are involved in these programs, none of which is individually material.

Note 5.5. Property, plant and equipment and capital expenditure

Accounting principles

Property, plant and equipment acquired by the Group are recognized at cost of acquisition or at construction cost.

Assets used by the Group under finance leases are recognized as Property, plant and equipment in the consolidated balance sheet, when, in substance, the terms of the lease transfer to the Group essentially all of the risks and rewards associated with the ownership of the asset. The asset is recognized for an amount that corresponds to the lower of fair value and the discounted value of future lease payments. The assessment of the level of risks and rewards transferred is based on an analysis of the lease agreement. The financial debt associated with the leased asset is recognized as a liability in the consolidated balance sheet under Financial debt.

Interest on borrowings to finance the construction of property, plant and equipment until their operational start date is considered to be an integral part of the cost price of the property, plant and equipment, provided that the criteria of IAS 23, *Borrowing Costs* are met.

Depreciation

Depreciation of property, plant and equipment is calculated on a straight-line basis over the estimated useful lives as follows:

- buildings: 15 to 40 years;
- equipment, furniture and fixtures: 5 to 20 years;
- other: 3 to 10 years.

The depreciation charges in respect of property, plant and equipment are allocated to various headings in the income statement on the basis of the nature and utilization of the assets concerned.

Refundable containers

Refundable containers (including, in particular, jugs in the Waters Division) are recognized at cost. They are depreciated on a straight-line basis, based on available statistics for each Group entity, over the shorter of the following lengths of time:

- physical useful life, taking into account the internal and external breakage rates and wear and tear;
- commercial useful life, taking into account planned or likely modifications of containers.

When the amount of the refund changes, the liability for deposits received is measured based on the new amount.

Carrying amount and change during the period

	2014				2015			
(in € millions)	Land and buildings	Machinery and equipment	Others and assets in progress	Total	Land and buildings	Machinery and equipment	Others and assets in progress	Total
Gross amount								
As of January 1	**2,281**	**5,502**	**1,708**	**9,491**	**2,443**	**5,787**	**1,762**	**9,992**
Capital expenditure [a]	87	145	689	921	60	137	672	869
Disposals	(55)	(194)	(88)	(338)	(45)	(203)	(98)	(346)
Reclassification of assets held for sale	–	6	(1)	5	(60)	(24)	(8)	(92)
Changes in consolidation scope	24	(1)	(2)	21	35	35	13	84
Translation adjustments	(15)	(28)	(15)	(57)	(1)	(104)	(42)	(147)
Other [b]	121	358	(529)	(50)	109	364	(382)	92
As of December 31	**2,443**	**5,787**	**1,762**	**9,992**	**2,541**	**5,994**	**1,917**	**10,452**
Depreciation								
As of January 1	**(997)**	**(3,472)**	**(688)**	**(5,156)**	**(1,018)**	**(3,539)**	**(852)**	**(5,410)**
Depreciation charges and impairment	(101)	(398)	(141)	(640)	(115)	(461)	(126)	(703)
Disposals	41	162	77	280	35	167	85	287
Reclassification of assets held for sale	1	3	–	4	45	23	8	75
Changes in consolidation scope	1	16	–	17	(1)	(3)	(1)	(4)
Translation adjustments	1	18	(8)	11	(6)	54	16	64
Other	36	132	(93)	74	2	22	(34)	(10)
As of December 31	**(1,018)**	**(3,539)**	**(852)**	**(5,410)**	**(1,058)**	**(3,737)**	**(904)**	**(5,700)**
Carrying amount								
As of December 31	**1,425**	**2,248**	**910**	**4,582**	**1,483**	**2,257**	**1,013**	**4,752**
Including assets in progress			*565*	*565*			*668*	*668*

(a) Excluding property, plant and equipment acquired under finance leases and presented under the Other heading.
(b) Comprises mainly property, plant and equipment acquired under finance leases.

Impairment review of property, plant and equipment

Property, plant and equipment are reviewed for impairment when events or circumstances indicate that the recoverable amount of the asset (or group of assets to which it belongs) may be impaired:

- the recoverable amount corresponds to the higher of the market value and value in use;
- value in use is estimated on the basis of the discounted cash flows that the asset (or group of assets to which it belongs) is expected to generate over its estimated useful life in the conditions of use determined by the Group;
- market value corresponds to the estimated net selling price that could be obtained by the Group in an arm's length transaction.

An impairment provision is recognized when the recoverable amount of the asset proves to be lower than its carrying amount.

Capital expenditure during the period

	Year ended December 31	
(in € millions, except percentage)	**2014**	**2015**
Related cash flows	(984)	(937)
As a percentage of sales	*4.7%*	*4.2%*

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

Commitments given in 2015

		Amount of financial flows for the year				
(in € millions)	**Total**	**2016**	**2017**	**2018**	**2019**	**2020 and after**
Commitments to purchase goods and services [a]	(3,452)	(1,904)	(680)	(338)	(255)	(275)
Capital expenditure commitments	(198)	(179)	(9)	(10)	–	–
Operating lease commitments	(767)	(208)	(142)	(106)	(82)	(229)
Guarantees and pledges given	(284)	(234)	(2)	(12)	(1)	(35)
Other	(35)	(24)	(7)	(3)	(1)	–
Total	**(4,738)**	**(2,548)**	**(841)**	**(469)**	**(340)**	**(539)**

(a) Commitments relating mainly to purchases of milk, dairy ingredients and other food raw materials.

Commitments given in 2014

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

Other commitments

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business, notably as a result of guarantees given on disposals since 1997. In some cases, damages and interest are sought. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

Note 5.7. Financial risks associated with operating activities

The Group's financial risk policy and its organization are described in Note 12.1 of the Notes to the consolidated financial statements.

Foreign exchange risk

Due to its international presence, the Group could be exposed to foreign exchange rate fluctuations in the context of its operating activities.

Risk identification

The Group mainly operates on a local basis and consequently in the currency of the country in which it is operating, thereby incurring no currency risk. However, the location of some of the Group's production units may result in intercompany billings in foreign currencies. This applies particularly to the Early Life Nutrition and Medical Nutrition Divisions and, to a lesser extent, to the Fresh Dairy Products Division. Similarly, some raw materials are billed or indexed in foreign currencies, in particular as regards the Waters and Fresh Dairy Products Divisions. Lastly, the Group is also developing some export activities. The sales and operating margin of some subsidiaries are therefore exposed to fluctuations of foreign exchange rates against their functional currency.

Risk monitoring and management

Pursuant to its financial currency risk hedging policy, the Group's residual exposure (after hedging) is not material.

As of December 31, 2015, the main hedged currencies in terms of value included the British pound, U.S. dollar, Mexican peso, Brazilian real, Australian dollar and Russian ruble (see Note 12.3 of the Notes to the consolidated financial statements).

Commodities risk

Danone's raw materials needs consist mainly of:

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

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

These upstream activities are now managed as cycles in order to ensure their sustainability, limit their volatility and gain a genuine competitive advantage:

- Regarding the milk cycle, the goal is to ensure a sustainable long-term supply, continue to improve competitiveness and reduce the dependency on this raw material by optimizing the use of all milk components thanks to new technologies and the pooling of needs among the various business divisions, notably Fresh Dairy Products and Early Life Nutrition.
- As for the plastics cycle, the main challenge is to develop new, 100%-recyclable materials, give second life to plastic packaging that will be distributed in the market, increase the share of recycled PET from 10% to 25% in several countries and ultimately produce bottles made from second-generation, 100% bioplastics.
- Lastly, Danone's main challenge at the heart of the water cycle remains protecting its springs.

The price trends of major raw materials may affect the structure of Danone's results. In that context, the Company manages raw materials cost volatility through the following measures:

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

Sensitivity of net income to changes in prices of the two main categories of raw materials purchased by the Group

Year ended December 31

	2014	2015
(in € millions)	**Gain (loss)**	**Gain (loss)**
Increase of 5%		
Liquid milk, milk powder and other milk-based ingredients	(191)	(166)
Plastics, including PET	(77)	(78)
Decrease of 5%		
Liquid milk, milk powder and other milk-based ingredients	191	166
Plastics, including PET	77	78

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

Note 6.1. Other operating income (expense)

Accounting principles

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

Other operating income (expense) in 2015

In 2015, the net Other operating expense of €(682) million consisted mainly of expenses, including:

(in € millions)	Notes	**Related costs**
Impairment of the *Dumex* brand and its property, plant and equipment	6.2	(337)
Impairment of several intangible assets of the Fresh Dairy Products, Waters and Early Life Nutrition Divisions	9.3	(127)
Danone 2020 transformational plan	6.4	(77)
Plan for savings and adaptation of the Group's organizations in Europe	6.3	(54)
Restructuring of the Group's activities in Argentina as a result of the economic climate		(29)
Fine notified by the Spanish National Commission on Markets and Competition	6.5	(23)

Other operating income (expense) in 2014

In 2014, the net Other operating expense of €(511) million consisted mainly of expenses, including:

(in € millions)	Notes	**Related costs**
Impairment of the *Dumex* brand	6.2	(249)
Plan for savings and adaptation of the Group's organizations in Europe	6.3	(160)
Restructuring of the Group's activities in Argentina as a result of the economic climate		(26)
Capital losses on company disposals		(21)
Unimilk integration expenses (Fresh Dairy Products, mainly Russia and Ukraine)		(14)

Note 6.2. Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia in 2013

False alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia in 2013

Following a statement by the New Zealand government and Fonterra on August 2, 2013 warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with *Clostridium botulinum* bacteria, the Group recalled selected infant formula products from sale in eight markets (New Zealand, Singapore, Malaysia, China, Hong Kong, Vietnam, Cambodia and Thailand) of this region as a precautionary measure. The alert was lifted on August 28 when New Zealand's Ministry for Primary Industries (MPI) concluded after several weeks of tests that there was no *Clostridium botulinum* in any of the batches concerned.

None of the many tests conducted by the Group, both before and after this critical period, showed any contamination whatsoever of its products with *Clostridium botulinum*. Danone's food safety management system is among the most demanding and effective in the world and includes rigorous testing of all of its products. But because Danone makes consumer safety an absolute priority, its teams nonetheless quickly and efficiently deployed recall procedures.

On January 8, 2014, the Group also announced its decision to terminate its existing supply contract with Fonterra and make any further collaboration contingent on a commitment by its supplier to full transparency and compliance with the cutting-edge food safety procedures applied to all products supplied to Danone.

Impact on Early Life Nutrition Division's sales in Asia

The Early Life Nutrition Division's sales, notably those under the *Dumex* brand, were seriously affected by these recalls. Action plans have been gradually deployed as from the second half of 2014 to restore sales in affected markets, via the relaunch of the *Dumex* brand and the introduction of innovative products.

As of December 31, 2014, the Group could determine the early effects of these initiatives, which were as follows:

- in China, activity has gradually recovered but ended the year at a level significantly below pre-crisis levels;
- in the other countries concerned, which now generate more than 50% of the sales generated under the *Dumex* brand, the level of activity is equivalent to pre-crisis levels.

Early in the second quarter of 2015, the Group noted that the situation concerning the *Dumex* brand in China had once again worsened, mainly due to the acceleration (i) of internet sales to the detriment of the retail distribution networks, which are the sole means of distribution of *Dumex* products, and (ii) imported super-premium product ranges, from which Danone benefits significantly through the success of *Nutrilon* and *Aptamil* (blue house) but which are still detrimental to *Dumex*.

In order to bolster its early life nutrition activity in China, the Group decided to rely on both the success of its international brands and on the strength of its partnership with Mengniu and Yashili. Therefore, Danone entered into a sales agreement with Yashili with regard to *Dumex*'s activities in China, in the amount of €150 million. The agreement was signed on December 1, 2015, and is subject to the approval of the competent authorities and Yashili's shareholders.

Impacts on the consolidated financial statements

Accounting principles

Assets held for sale and their related liabilities

The groups that Danone intends to sell are classified as held for sale when their value will be recovered mainly through their sale, which is considered to be highly probable within the next 12 months, rather than though their use.

The related assets and liabilities are measured at the lower of their carrying amount and their fair value less costs to sell and they are presented on separate lines in the consolidated balance sheet of the period during which the decision to sell has been taken. The consolidated balance sheets of earlier periods are not restated.

2014 fiscal year

As of December 31, 2014, the review of the recoverable amount of the *Dumex* brand based on the principles described in Note 9.3 of the Notes to the consolidated financial statements for the year ended December 31, 2014 resulted in a €249 million impairment provision in respect of the *Dumex* brand recognized in Other operating income (expense).

2015 fiscal year

Following the sales agreement, the Group, thinking the sale would take place during the next 12 months, classified the assets and liabilities related to the Dumex activity in China as held for sale, which resulted in:

- a portion of the goodwill of the Early Life Nutrition Asia CGU being allocated to Dumex China, pro rata to their recoverable amount, (*i.e.* €71 million);
- the assets being remeasured on the basis of the lower of the carrying amount and the fair value in accordance with the terms of the agreement less costs to sell and therefore an impairment provision being booked in respect of the property, plant and equipment and the *Dumex* brand in China relative to the year ended December 31, 2014, recognized under the Other operating income (expense) heading for the year;
- the recognition of an impairment provision in respect of all of the deferred tax assets recognized by Dumex in China during earlier years;
- the related assets and liabilities being presented respectively in Assets held for sale and Liabilities directly associated with assets classified as held for sale in the consolidated balance sheet as of December 31, 2015. This concerns mainly goodwill and brands totaling €155 million.

Summary of the impacts on the consolidated income statement

Year ended December 31

	2014		2015	
(in € millions)	**Other operating income (expense) [a]**	**Tax**	**Other operating income (expense) [a]**	**Tax**
Impairment of the *Dumex* brand	(249)	55	(318)	70
Impairment of property, plant and equipment	–	–	(19)	–
Impairment of deferred tax assets [b]	–	–	–	(42)
Total	**(249)**	**55**	**(337)**	**28**

(a) Since this was a major crisis affecting the Group's early life nutrition activity, the related costs have been recognized under the Other operating income (expense) heading.

(b) Including €12 million relating to costs recognized in Other operating income (expense).

Legal and arbitration proceedings

Danone has reviewed its recourse and compensation options and decided to initiate proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring all facts to light and to obtain compensation for the harm it has suffered.

Proceedings are in progress.

Note 6.3. Savings and adaptation plan for the Group's organizations in Europe

Since 2010, the lasting downturn in the economy and consumer trends in Europe have resulted in a significant decrease in sales in this part of the world. Despite signs of a gradual increase in volumes, the Fresh Dairy Products Division in Europe has experienced a decrease in its global activity and overcapacity in the region.

On December 13, 2012, Danone announced the preparation of a cost reduction and adaptation plan to win back its competitive edge in order to address a lasting downturn in the economy and the consumer trends in Europe. On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe.

In addition to this project to reorganize its structure, in order to address the overcapacity in Europe, on June 11, 2014, Danone announced the planned closure of its sites in Casale Cremasco (Italy), Hagenow (Germany) and Budapest (Hungary), these three countries having been particularly badly affected by the drop in sales. The planned closure of these three plants and the gradual reallocation of volumes to Belgium, Poland, Germany and France should enable the Fresh Dairy Products Division to improve the use of its production facilities and its competitiveness in Europe.

Costs relating to this plan mainly comprise (i) costs of employee-related measures (measures with respect to mobility, redundancy and support for departing employees), (ii) impairment losses in respect of property, plant and equipment and intangible assets, and (iii) other reorganization costs (notably compensation for early termination of contracts and consulting fees). As this plan consists in a strategic restructuring, the costs incurred directly in connection to the plan are accounted for as Other operating income (expense). Costs recognized consist in costs (i) paid (ii) incurred or (iii) provisioned. Provisions are recognized based on the Group's best estimate as of the closing date of the costs to be incurred in connection with these measures, given the information then available to the Group.

Cash flows related to initiatives that may be taken by the Group to deploy this plan are presented in Cash flows provided by (used in) operating activities in the consolidated statement of cash flows.

Costs and cash flows relating to this plan

	Year ended December 31	
(in € millions)	**2014**	**2015**
Costs		
Employee-related measures	(75)	(8)
Impairment of intangible assets and property, plant and equipment	(11)	(5)
Other reorganization costs	(74)	(41)
Total	**(160)**	**(54)**
Of which, provisions as of December 31	*58*	*34*
Cash flows net of taxes	**(123)**	**(61)**

(a) Including a tax saving calculated on the basis of the applicable tax rate in the respective countries.

Note 6.4. Danone 2020 transformational plan

In order to generate strong, profitable and sustainable growth between now and 2020, Danone has launched its "Danone 2020" transformational plan. 2015 was a preparatory year which enabled the foundations to be laid for the Group's transformation.

In 2015, the expenses relating to this plan concerned mainly (i) the costs of employee-related measures (measures with respect to internal mobility, redundancy and support for departing employees) and (ii) other reorganization costs (notably compensation for the early termination of property leases and consulting fees).

As this plan consists in a strategic restructuring, costs incurred directly in connection with the plan are recognized as Other operating income (expense). Costs recognized consist of costs paid, incurred or provisioned.

Costs relating to this plan

	Year ended December 31	
(in € millions)	**2014**	**2015**
Employee-related measures	–	(47)
Other reorganization costs	–	(30)
Total	**–**	**(77)**
Of which, provisions as of December 31	–	*47*

Note 6.5. Notification by the Spanish National Commission for Markets and Competition

The main stakeholders in the fresh dairy products sector in Spain, including Danone, have been fined by the Spanish National Commission for Markets and Competition (CNMC) for having shared information with competitors on prices and on business strategy. Danone is assembling the necessary documentation to lodge an appeal.

A provision has been recognized in respect of the full amount of the fine (€23 million) and the corresponding expense has been recognized in Other operating income (expense) in the consolidated financial statements for the year ended December 31, 2015. No amount was paid in 2015.

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

Note 7.1. Number of employees at fully consolidated companies

As of December 31

	2014	2015
Total number of employees	**99,927**	**99,781**
By geographical area		
France	9%	9%
Rest of Europe	28%	28%
China	10%	10%
Rest of Asia-Pacific	18%	18%
North and South America	27%	27%
Africa and Middle East	9%	9%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	42%	40%
Waters	38%	39%
Early Life Nutrition	12%	14%
Medical Nutrition	7%	6%
Corporate functions	1%	2%
Total	**100%**	**100%**

Note 7.2. Personnel costs of fully consolidated companies

Year ended December 31

(in € millions)	2014	2015
Salaries and social security charges [a]	(2,971)	(3,385)
Retirement obligations – defined benefit plans [b]	(26)	(34)
Expenses relating to Group performance shares and stock-options	(19)	(21)

(a) Salaries after social security charges. Also comprises the contributions in respect of defined contribution retirement plans.
(b) Service cost.

Note 7.3. Retirement obligations and other long-term benefits

General principles

The Group contributes to employee retirement benefit plans in accordance with the laws and usual practices of countries where its subsidiaries operate. As a result of contributions paid under such plans to private or state sponsored pension funds, the Group has no actuarial liability in that respect.

The Group also has contractual obligations for supplementary retirement plans, severance pay, retirement indemnities and personal protection plans. The related actuarial commitments are taken into account either through the payment of contributions to independently-managed funds responsible for their service and the fund administration, or through provisions.

Accounting principles

Defined contribution retirement plans

Contributions due under defined contribution plans are expensed as incurred. These expenses are allocated to different headings in the consolidated income statement.

Defined benefit retirement plans

The Group's obligations relating to defined benefit retirement plans are calculated using the projected unit credit method and by taking into account several actuarial assumptions, including employee turnover, salary increases and employees' expected active lives.

The carrying amounts of these plans on the consolidated balance sheet correspond to the actuarial value of the obligations, as defined above, less the fair value of the plan assets (retirement funds to which the Group contributes, for example). They are presented under the heading Provisions for retirement and other long-term benefits.

In addition, the expected return on plan assets is measured on the basis of the discount rate used to estimate the actuarial value of retirement commitments.

Actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations net of the assets (including the difference between the expected return and the actual return on plan assets) are fully recognized within Other comprehensive income.

The recognized costs and income of defined benefit plans correspond mainly to:

- the cost of services provided during the year and of prior services (where relevant) recognized within Trading operating income;
- the accretion of the present value of the obligations, net of the expected return on plan assets, recognized within Other financial income (expense).

Other long-term benefits

Other long-term benefits may be granted by certain Group companies to their employees, such as personal protection coverage and long-service awards. The Group's obligations in respect of these benefits are determined by applying a similar method to that used to determine the obligations relating to post-employment defined benefit plans.

The amounts recognized in the balance sheet in respect of these plans correspond to the present value of the obligations, as detailed above. They are presented under the heading Provisions for retirement and other long-term benefits.

The actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions used to calculate obligations are recognized in full within Trading operating income of the fiscal year in which they are incurred.

Defined benefit plans

Provisions for retirement and other long-term benefits

	As of December 31	
(in € millions)	**2014**	**2015**
Defined benefit retirement plans	796	769
Other long-term benefits	21	25
Total	**818**	**794**

Defined benefit retirement plans and other post-employment benefits

Carrying amount of gross obligations

	As of December 31	
(in percentage)	**2014**	**2015**
Retirement plan for senior managers	37%	33%
Other	15%	16%
France	51%	49%
Germany	14%	14%
United States	6%	7%
United Kingdom	5%	6%
Indonesia	7%	7%
Ireland	6%	6%
Other [(a)]	10%	11%
Total	**100%**	**100%**

(a) Several countries, none of which represent more than 5% of the Group's gross obligations.

Group's principal obligation

The Group's principal defined benefit retirement plan obligations involve the Retirement plan for senior managers in France. This retirement plan established in 1976 as part of a governmental initiative to help companies retain senior managers, was closed to any new beneficiaries as of December 31, 2003. Approximately 125 Danone executives who hold the status of senior executive are eligible, under certain conditions (in particular seniority and continuing employment conditions) for a defined benefit retirement plan. As a reminder, in 2009, more than 210 executives were still covered by this plan.

General principles

This plan provides for a pension based on years of service and the amount of final salary, under the condition that the beneficiary is still in Danone's employment at the time of retirement. The pension:

- is paid after deducting certain pensions corresponding:
  - with respect to a first category of senior executives, to the full amount of retirement benefits they acquired over the course of their professional career;
  - with respect to a second category of senior executives, to the full amount of retirement benefits that they acquired due to the implementation of a Company non-contributory supplementary retirement plan;
- and may reach a maximum of 65% of final salaries.

In the event of leaving Danone before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, the plan benefits are preserved, subject to the beneficiary not taking any salaried position in the future.

Other obligations

Most of the other retirement plans introduced by the Group relate only to one particular subsidiary in one particular country. Consequently, the Group is required to manage several different plans in a given country. None is material.

Carrying amount of provisions (gross obligations net of plan assets)

As of December 31

	2014			2015		
(in € millions)	**Retirement plan for senior managers**	**Other plans**	**Total**	**Retirement plan for senior managers**	**Other plans**	**Total**
Vested rights with projected salaries	468	803	1,272	418	836	1,255
Fair value of plan assets	(172)	(302)	(475)	(165)	(321)	(486)
Vested rights net of fair value of plan assets	**296**	**501**	**796**	**254**	**515**	**769**
Impact of ceiling on assets	–	–	–	–	–	–
Obligations for which provisions have been recorded on the balance sheet	**296**	**501**	**796**	**254**	**515**	**769**

In addition, the total amount of contributions/benefits to be paid out in 2016 in connection with these plans is estimated at €39 million.

Actuarial assumptions

Methodology

The Group defines the actuarial assumptions by country and/or subsidiary.

The discount rates used in 2015 were obtained on the basis of investment grade (AA rating) bond yields of private issuers for durations equivalent to that of the commitment in the corresponding monetary areas. The level of quality used is assessed on the basis of the rating obtained from the leading financial rating agencies. In the case of illiquid markets, the discount rate is determined using government bonds of equivalent maturity to the term of the assessed plans. In 2014, this was notably the case in respect of Indonesia.

Retirement plan for senior managers

Main actuarial assumptions

Year ended December 31

	Retirement plan for senior managers	
(as a percentage, except for ages in number of years)	**2014**	**2015**
Discount rate	2.2%	2.4%
Expected return on plan assets	2.2%	2.4%
Salary growth rate	3.0%	3.0%
Retirement age	60-65	60-66

Sensitivity analysis to the key assumption: the discount rate

Year ended December 31

	Retirement plan for senior managers	
	2014	**2015**
(in € millions)	**Increase (decrease)**	**Increase (decrease)**
50 bps increase	(41)	(39)
50 bps decrease	45	44

Changes in carrying amounts of provisions

(in € millions)	Defined benefit obligation	Fair value of plan assets	Unrecognized past service costs	Net accrued obligation
As of January 1, 2014	**997**	**(431)**	**–**	**566**
Service cost	26	–	–	26
Interest cost	38	–	–	38
Expected return on plan assets		(16)	–	(16)
Other	(2)	–	–	(2)
Expense for the year	62	(16)	–	47
Payments made to retirees	(43)	24	–	(19)
Contributions to plan assets	–	(16)	–	(16)
Changes in demographic assumptions	6	–	–	6
Changes in economic assumptions	204	–	–	204
Experience effects	25	(24)	–	–
Actuarial gains and losses	234	(24)	–	210
Translation adjustments	21	(11)	–	10
Other	–	–	–	(1)
As of December 31, 2014	**1,272**	**(475)**	**–**	**796**

(in € millions)	Defined benefit obligation	Fair value of plan assets	Unrecognized past service costs	Net accrued obligation
As of January 1, 2015	**1,272**	**(475)**	**–**	**796**
Service cost	34	–	–	34
Interest cost	37	–	–	37
Expected return on plan assets	–	(13)	–	(13)
Other	(4)	–	–	(4)
Expense for the year	66	(13)	–	54
Payments made to retirees	(44)	27	–	(18)
Contributions to plan assets	–	(13)	–	(13)
Changes in demographic assumptions	(26)	–	–	(26)
Changes in economic assumptions	(41)	–	–	(41)
Experience effects	15	(3)	–	12
Actuarial gains and losses	(52)	(3)	–	(55)
Translation adjustments	12	(9)	–	3
Other	1	–	–	1
As of December 31, 2015	**1,255**	**(486)**	**–**	**769**

Defined benefit plan assets
The investment policy for plan assets depends, for each company, on the employees' age structure and the expected return on the various asset classes.

Plan assets of retirement plan for senior managers

As of December 31

	Retirement plan for senior managers	
(in € millions, except percentage)	**2014**	**2015**
Fair value of plan assets	**(172)**	**(165)**
Main class of plan assets		
Bonds [a] [b]	98%	98%
Equities [b]	–	–
Real estate and other asset classes [b]	2%	2%

(a) These assets are diversified, and in particular exposure to individual sovereign credit risk is limited.
(b) Do not include any financial instruments issued by the Group

Defined contribution plans
Contributions paid as part of defined contribution plans are recognized under Trading operating income.

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

Group policy
The Group has awarded long-term variable compensation in the form of Group performance shares since 2010 and awarded such compensation in the form of stock-options until 2010. Around 1,300 directors and senior executives worldwide, as well as the corporate officers, have benefitted from these arrangements.

General principles applicable to Group performance shares and termination of the stock-options program
The Group's long-term variable compensation takes the form of Group performance shares (Company shares subject to performance conditions). Group performance shares were introduced in 2010 by the Shareholders' Meeting held on April 22, 2010 to replace the stock-option program that was consequently closed.

Group performance shares (GPS) are shares in the Company that are subject to performance conditions, set by the Shareholders' Meeting for each plan. In the case of all outstanding plans, the performance conditions are based on aspects of the Company's performance. The GPS are also subject to continuing employment conditions. The vesting period is three or four years depending on the plan.

General principles applicable to stock-options
Stock-options are options to purchase shares in the Company that were granted to certain employees and corporate officers up until the Combined Shareholders' Meeting of April 22, 2010. No stock-options have been granted since then and since the end of 2013, all stock-options are exercisable: the last plans expire in 2017.

Group performance shares and stock-options in effect

Year ended December 31

(number of shares)	**2014**	**2015**
Group performance shares		
As of January 1	**2,488,418**	**1,950,995**
Shares granted during the year	778,371	645,372
Shares that lapsed or were cancelled during the year	(810,867)	(141,003)
Shares delivered during the year	(504,927)	(467,657)
As of December 31	**1,950,995**	**1,987,707**
Stock-options		
As of January 1	**7,177,600**	**5,688,697**
Options that lapsed or were cancelled during the year	(195,922)	(201,173)
Options exercised during the year	(1,292,981)	(4,142,353)
As of December 31 [a]	**5,688,697**	**1,345,171**

(a) As of December 31, 2015 and December 31, 2014, all options can be exercised and most are in the money.

Accounting treatment of Group performance shares and stock-options

Accounting principles

The benefits relating to stock-options and Group performance shares granted to certain employees and corporate officers are written off as an expense on the Other income (expense) item of the consolidated income statement. The corresponding entry to this charge is an equivalent increase in consolidated equity on the Retained earnings item of the consolidated balance sheet. The charge corresponds to the fair value, determined on the grant date, of the stock-options and Group performance shares granted.

The fair value of the stock-options is determined using the Black & Scholes valuation model, based on assumptions determined by management. The corresponding charge is expensed over the vesting period (*i.e.* 2 to 4 years).

The fair value of Group performance shares is calculated on the basis of assumptions made by the Group's management. The corresponding charge is spread over the vesting period (either 3 or 4 years). To the extent that performance conditions are based on internal performance, charges recognized in respect of shares that lapse due to the failure to achieve said performance conditions are written back in the income statement for the period in which it is probable they will lapse.

They are taken into account in calculating the dilution as described in Note 13.4 of the Notes to the consolidated financial statements.

Valuation

	Year ended December 31	
(in € per share except number of shares)	**2014**	**2015**
Number of shares granted during the year	778,371	645,372
Fair value of Group performance shares granted during the year [a]	50.3	56.5
Average DANONE share price during the year	54.3	60.7

(a) Fair value as of the grant date.

Expense related to Group performance shares and stock-options

	Year ended December 31	
(in € millions)	**2014**	**2015**
Group performance shares	(19)	(21)
Stock-options [a]	–	–
Total expense	**(19)**	**(21)**

(a) As of December 31, 2014 and December 31, 2015, all options can be exercised and therefore no longer result in expense recognition

Note 7.5. Company Savings Plan

General and accounting principles

Employees of the Group's French entities can, on an annual basis, subscribe a capital increase in the Company through a Company Savings Plan. The purchase price of the shares corresponds to 80% of the average DANONE share price over the 20 days preceding the meeting of the Board of Directors that approves the plan.

The benefit granted to the employees is calculated based on the fair value of the shares on the grant date. The fair value is calculated after taking into account the five-year holding period on these shares and the market parameters applicable to employees, in particular the borrowing rate.

The corresponding charge is recorded under Other income (expense) for the year at the time of the capital increase.

Capital increase reserved for employees as part of the Company Savings Plan

In 2015, under the terms of the Company Savings Plan, the Group implemented a capital increase involving 838,052 new shares issued at a price of €47.11 per share.

NOTE 8. INCOME TAX

Note 8.1. Income tax

Income before tax and tax expense

	Year ended December 31	
(in € millions except tax rate in percentage)	**2014**	**2015**
Income before tax	**1,839**	**1,925**
Current tax (expense) income	(693)	(805)
Deferred tax (expense) income	94	179
Current and deferred tax (expense) income	**(599)**	**(626)**
Effective tax rate	32.6%	32.5%
Amount (paid) received during the year	(601)	(804)

Tax rate and tax systems

French tax system
Danone forms a tax group with most of its French subsidiaries in which it owns, directly or indirectly, more than 95% of the share capital, enabling taxable profits and losses to be offset subject to certain limits and conditions.

The statutory tax rate for companies with sales exceeding €250 million was raised to 38% in 2013 following a temporary increase in the surtax on corporate income from 5% to 10.7%. This measure is applicable for two years, *i.e.* until 2015. Nevertheless, the current and deferred tax rates of these companies was maintained at 34.43% since the tax loss carryforwards are expected to be recovered beyond this two-year period.

Other tax systems
Similar tax grouping arrangements exist in other countries, in particular in the United States, the Netherlands, the United Kingdom, Germany and Spain.

Effective tax rate

In 2015, the Group effective tax rate was 32.5%, relatively stable in comparison with 2014.

As is the case with the Group's business activity (see breakdown of sales by country in Note 5.2 of the Notes to the consolidated financial statements), the Group's current and deferred tax expense is also relatively well distributed across several countries, with no single dominant country.

Difference between effective tax rate and 34.43% statutory tax rate in France

		Year ended December 31	
(in percentage)	Notes	**2014**	**2015**
Statutory tax rate in France		34.4%	34.4%
Differences between French and foreign tax rates [a]		(12.4)%	(12.3)%
Tax on dividends and royalties [b]		4.1%	3.6%
Permanent differences		3.0%	2.2%
Tax loss carryforwards [c]	6.2, 8.3	1.0%	4.2%
Tax adjustments and unallocated taxes [d]		3.0%	1.6%
Impact of capital gains and losses on disposal and asset impairment		0.3%	(0.2)%
Other differences		(0.8)%	(1.0)%
Effective income tax rate		**32.6%**	**32.5%**

(a) Various countries, none of which generates a significant difference with the French tax rate.
(b) Includes the contribution of costs and expenses and withholding taxes on dividends and royalties and the impact of the 3% dividends tax.
(c) In 2015, includes the impacts of deferred tax asset impairment on Dumex's activity in China.
(d) In 2015 as in 2014, corresponds mainly to tax adjustments, unallocated taxes and net changes in provisions for tax risks, partially offset by the favorable change in tax rates.

Note 8.2. Deferred taxes

Accounting principles

Deferred taxes are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for the cases specified in IAS 12, *Income Taxes*. Deferred taxes are calculated using the liability method, applying the last enacted income tax rates expected to be applicable when the temporary differences will be reversed.

In addition, temporary differences are reflected in the consolidated financial statements as deferred tax assets or liabilities systematically in the case of associates and on the basis of the most likely scenario as regards the reversal of the differences, *i.e.* distribution of reserves or disposal of the entity concerned, in the case of fully-consolidated subsidiaries.

Deferred tax assets and liabilities are offset, when the tax entity has a legal right to offset.

Lastly, the Company and its subsidiaries may be subject to tax audits. A provision is recognized in the consolidated financial statements whenever it is probable that a tax reassessment will be made.

Carrying amount

As of December 31

(in € millions)	2014	2015
Breakdown by type of deferred tax		
Property, plant and equipment and intangible assets	(1,326)	(1,185)
Tax loss carryforwards [a]	533	516
Provisions for retirement and other long-term benefits	227	220
Employee profit-sharing provisions	20	17
Restructuring provisions	17	17
Other	139	190
Net deferred taxes	**(389)**	**(224)**
Deferred tax assets	836	902
Deferred tax liabilities	(1,225)	(1,126)
Net deferred taxes	**(389)**	**(224)**

(a) See section hereafter related to Tax loss carryforwards.

Change during the period

(in € millions)	2014	2015
As of January 1	**(556)**	**(389)**
Changes recognized in Other comprehensive income	104	(16)
Changes recognized in profit or loss	95	179
Changes in consolidation scope [a]	1	(3)
Other	(32)	5
As of December 31	**(389)**	**(224)**

(a) See Note 2.2 of the Notes to the consolidated financial statements.

Note 8.3. Tax loss carryforwards

Accounting principles

Deferred tax assets relating to tax loss carryforwards and temporary differences are recognized in the consolidated balance sheet when it is more likely than not that these taxes will be recovered. At each closing, the Group reviews the unused tax losses and the amount of deferred tax assets recognized on the balance sheet. In some countries in which losses can be carried forward indefinitely, the Group takes into consideration long-term recovery horizons when justified in light of forecast taxable profits.

Carrying amount

As of December 31

(in € millions)	2014	2015
Tax losses – recognized portion		
Recognized tax loss carryforwards [a] [b]	1,630	1,569
Tax savings [c]	533	516
Tax losses – unrecognized portion		
Tax loss carryforwards and tax credits not yet used [a]	403	480
Potential tax savings	107	130

(a) Basis amount.
(b) In 2015, they mainly come from the French consolidated tax group. The decrease relative to 2014 was mainly due to impairment of tax assets related to Dumex.
(c) Corresponds to deferred tax assets based on tax loss carryforwards.

Consumption horizon

Most of the tax losses as of December 31, 2015 can be carried forward indefinitely and have a probable consumption horizon of more than five years.

NOTE 9. INTANGIBLE ASSETS

Note 9.1. Accounting principles

Goodwill

When control of a company is acquired, the fair value of the consideration given to the seller is allocated to the acquired identified assets and the liabilities and contingent liabilities assumed, which are measured at fair value. The difference between the consideration given to the seller and the Group's share of the fair value of the acquired identified assets and the liabilities and contingent liabilities assumed represents goodwill. When the option of recognizing non-controlling interests at fair value is applied, a corresponding premium is allocated to goodwill. Goodwill is recognized in the consolidated balance sheet as an asset under the heading Goodwill.

Goodwill arising from the acquisition of a foreign entity is recognized in the functional currency of the entity acquired and translated at the exchange rates prevailing on the closing date.

Goodwill is not amortized but is tested for impairment at least annually.

For the purposes of impairment testing, goodwill is allocated to the Cash generating units (CGU) or groups of CGUs most likely to benefit from the synergies of the business combination and to the lowest level at which goodwill is monitored by the Group. The CGUs correspond to subsidiaries or groups of subsidiaries that are included in the same Division and that generate cash flows largely independent from those generated by other CGUs.

Brands with indefinite useful lives

Acquired brands that are distinguishable, having a significant value, are supported by advertising expense and have indefinite useful lives are recorded under the heading Brands in the consolidated balance sheet. The valuation of these brands is generally determined with the assistance of valuation specialists, taking into account various factors, including brand awareness and their contribution to earnings. These brands, which are legally protected, are not amortized but are tested for impairment annually or more frequently if signs of impairment exist (see hereafter).

Other brands

Other acquired brands that are deemed to have finite useful lives are presented under the heading Brands in the consolidated balance sheet. They are amortized on a straight-line basis over their estimated useful lives, which do not exceed 60 years. The amortization charges in respect of brands with finite useful lives are allocated to various headings in the income statement on the basis of the nature and utilization of the brands concerned.

Development costs

Development costs are only recognized under assets in the consolidated balance sheet if all the recognition criteria set by IAS 38, *Intangible Assets* are met before the products are launched on the market. They are amortized over the term of their legal protection granted to the Group as from the date the corresponding products are launched on the market.

Development costs are generally expensed as incurred (see Note 5.1 of the Notes to the consolidated financial statements).

Technologies, development costs and other intangible assets

The following elements are recognized in the balance sheet under the heading Other intangible assets:

- acquired technologies, which are generally valued with the assistance of specialized consultants and amortized over the average duration of the patents;
- acquired development costs meeting the criteria for the recognition of an intangible asset in accordance with IAS 38, *Intangible Assets* (see above);
- other acquired intangible assets are recognized at their acquisition cost. They are amortized on a straight line basis over their estimated economic lives, which do not exceed 40 years.

The amortization charges in respect of these assets are allocated to various headings in the income statement on the basis of their nature and utilization.

Note 9.2. Carrying amount and change during the period

		2014				2015			
(in € millions)	Notes	**Goodwill**	**Brands[a]**	**Other intangible assets**	**Total**	**Goodwill**	**Brands[a]**	**Other intangible assets**	**Total**
Gross value									
As of January 1		**11,474**	**4,517**	**850**	**16,841**	**11,582**	**4,351**	**842**	**16,775**
Capital expenditure		–	–	42	42	–	–	43	43
Disposals		–	–	(30)	(30)	–	–	(33)	(33)
Reclassification of assets held for sale	6.2	–	–	–	–	(72)	(83)	–	(155)
Changes in consolidation scope	2.2	124	–	3	128	94	–	–	94
Translation adjustments		(8)	52	(4)	40	47	23	(11)	60
Impairment	6.2, 9.3	(3)	(249)	–	(252)	(2)	(443)	–	(444)
Other		(6)	30	(19)	6	3	–	14	18
As of December 31		**11,582**	**4,351**	**842**	**16,775**	**11,653**	**3,848**	**856**	**16,357**
Amortization									
As of January 1		**–**	**(16)**	**(517)**	**(533)**	**–**	**(14)**	**(527)**	**(541)**
Charges		–	(3)	(62)	(65)	–	(2)	(67)	(69)
Disposals		–	–	30	30	–	–	31	31
Other		–	5	22	27	–	1	(1)	1
As of December 31		**–**	**(14)**	**(527)**	**(541)**	**–**	**(14)**	**(564)**	**(579)**
Carrying amount									
As of December 31		**11,582**	**4,337**	**315**	**16,234**	**11,653**	**3,833**	**292**	**15,779**

(a) Includes brands with indefinite useful lives and the other brands.

Note 9.3. Impairment review

Methodology

The carrying amounts of goodwill and brands with indefinite useful lives are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. These events or circumstances are linked to significant, unfavorable and lasting changes that have an impact on the economic environment and the assumptions or targets set at the time of acquisition.

Impairment tests are carried out on all property, plant and equipment and intangible assets of the CGUs and groups of CGUs. When the carrying amount of all the property, plant and equipment and intangible assets of the CGUs and groups of CGUs becomes greater than their recoverable amount, an impairment provision is recognized and first charged against goodwill.

The recoverable amount of the CGUs or groups of CGUs to which the tested assets belong is the higher of the fair value net of disposal costs, which is generally estimated on the basis of earnings multiples, and the value in use, which is assessed with reference to expected future discounted cash flows of the CGU or group of CGUs concerned.

Annual impairment testing of brands with indefinite useful lives is based on an individual recoverable amount established using the royalties method, with the exception of certain brands for which the Group has a third-party valuation. In the case of the major brands, the Group re-estimates the royalty rate of the brands concerned in accordance with a method applied each year and based on the brand's parameters including awareness of the brand, its profitability, market shares, etc.

The cash flows used to determine value in use of the CGUs or groups of CGUs and the recoverable amount of the brands with indefinite useful lives are derived from the annual budgets and strategic plans of the CGUs or groups of CGUs, which are drawn up by Management and cover a period of three years, and are extended, where appropriate, on the basis of the most recent forecasts, to:

- five years for the Fresh Dairy Products and Waters Divisions;
- eight years for the Early Life Nutrition and Medical Nutrition Divisions, to better reflect the expected development of the Divisions' activity on the estimation of the value in use. The Group uses projections over eight years to better reflect the Division's growth over this period, since the actual growth rate of these CGUs and groups of CGUs exceeds the long-term growth rate that the Group applies to each of these CGUs.

Future cash flows beyond that period are extrapolated using a long-term growth rate that is specific to each CGU or group of CGUs:

- the operational assumptions used to calculate the terminal value are in line with the last year of projections described above in terms of sales and trading operating margin;
- the long-term growth rate is determined for each CGU or group of CGUs taking into account its average growth rate in recent years and its geographical area (macro-economic fundamentals, demographics, etc.).

Finally, future cash flows are discounted using the weighted average cost of capital method, according to which the cost of debt and the after-tax cost of equity are weighted based on their respective proportions in the business sector concerned. It is calculated for the Group and increased, for certain CGUs or groups of CGUs, by a premium to take into account the risk factors affecting certain countries.

Review of the value of intangible assets with indefinite useful lives as of December 31, 2015

Combination in 2015 of the European CGUs of the Fresh Dairy Products Division

As part of the cost saving and adaptation plan of its European entities (see Note 6.3 of the Notes to the consolidated financial statements), the Fresh Dairy Products Division reorganized its activity with centralized, overall management at the European level, notably operations and raw materials purchasing. As a result, the Southern Europe, Central Europe and Northern Europe CGUs were combined into a single Europe CGU, only after the Group ensured that no impairment needed to be recognized at the level of the CGUs prior to their combination.

Carrying amount and assumptions concerning the long-term growth rate and discount rate in respect of the CGUs or groups of CGUs comprising material assets

As of December 31

	Carrying amount of goodwill and brands with indefinite useful lives [h]		Long-term growth rate [i]		Discount rate after tax [i]	
(in € millions)	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**
Fresh Dairy Products						
Centrale Danone	924	914	3%	3%	10%	10%
Danone-Unimilk group [a]	311	279	3%	3%	10%	11%
Europe [b]	587	576	0%	0%	8% to 10%	8% to 10%
Other CGUs [c]	517	627	0 to 3%	0 to 3%	8% to 15%	8% to 17%
Total Fresh Dairy Products	**2,340**	**2,395**				
• of which, goodwill	1,683	1,774				
• of which, brands with indefinite useful lives [d]	658	621				
Waters						
Danone Eaux France	428	428	1%	1%	7.9%	7.9%
Other CGUs [e]	413	389	0 to 3%	0 to 3%	8% to 13%	8% to 17%
Total Waters	**840**	**817**				
• Of which, goodwill	630	613				
• Of which, brands with indefinite useful lives [d]	210	204				
Early Life Nutrition						
Early Life Nutrition Asia	3,108	2,680	2.5%	2.5%	8.2%	7.8%
Early Life Nutrition Rest of the World	5,114	5,037	2.5%	2.5%	8.2%	8.3%
Other CGUs	168	187	2.5%	2.5%	7.9%	7.9%
Total Early Life Nutrition	**8,390**	**7,904**				
• Of which, goodwill	5,930	5,894				
• Of which, brands with indefinite useful lives [f]	2,460	2,010				
Medical Nutrition	**4,246**	**4,280**	**2.5%**	**2.5%**	**7.6%**	**7.6%**
• Of which, goodwill	3,340	3,372				
• Of which, brands with indefinite useful lives [g]	906	908				
Total	**15,816**	**15,396**				
• Of which, goodwill	11,582	11,653				
• Of which, brands with indefinite useful lives	4,234	3,743				

(a) Consists mainly of Russia and Ukraine.
(b) Combines the Division's entire activity in Europe.
(c) More than 10 CGUs, the largest of which is the United States CGU, with none exceeding €300 million as of December 31, 2015 or December 31, 2014.
(d) Several brands, none of which is material individually.
(e) Consists mainly of the Waters Asia CGU and other CGUs, none of which exceeds €200 million as of December 31, 2015 or December 31, 2014.
(f) Consists of several brands, the largest of which are *Milupa* and *Dumex*. The carrying amount presented here includes impairment recognized on the *Dumex* brand.
(g) Several brands, the most significant of which is *Nutricia*.
(h) The carrying amount includes the reclassification of €153 million to Assets held for sale for the Dumex activity in China.
(i) For CGUs whose recoverable value is determined on the basis of their value in use, except for the CGUs corresponding to the companies acquired in 2015.

Goodwill of the groups of CGUs in the Early Life Nutrition and Medical Nutrition Divisions

As of December 31, 2015, the recoverable amount exceeded the carrying amount by €1.6 billion in the case of the Medical Nutrition group of CGUs, €2.9 billion in the case of the Early Life Nutrition Rest of the World group of CGUs and €1.8 billion in the case of the Early Life Nutrition Asia group of CGUs.

In addition, an analysis of the sensitivity of the value in use to the key assumptions was carried out for each of the three groups of CGUs. The assumptions used in the valuation model used by the Group are (i) the growth in Net sales, (ii) the Trading operating margin (corresponding to the ratio Trading operating income over Net sales), (iii) the long-term growth rate used to calculate the terminal value, and (iv) the discount rate.

Results of sensitivity analysis

Year ended December 31

	Impact on recoverable amount (in € billions)		Annual decrease to make recoverable amount equal carrying amount (in percentage)	
	2014	2015	2014	2015
Net sales – 50 bps decrease [a]				
Early Life Nutrition Asia	(0.2)	(0.2)	(6)%	(7)%
Early Life Nutrition Rest of the World	(0.3)	(0.3)	(4)%	(6)%
Medical Nutrition	(0.2)	(0.2)	(3)%	(4)%
Trading operating margin – 100 bps decrease [b]				
Early Life Nutrition Asia	(0.3)	(0.3)	(6)%	(6)%
Early Life Nutrition Rest of the World	(0.4)	(0.5)	(5)%	(6)%
Medical Nutrition	(0.3)	(0.3)	(3)%	(6)%
Long-term growth rate – 50 bps decrease				
Early Life Nutrition Asia	(0.2)	(0.2)		
Early Life Nutrition Rest of the World	(0.4)	(0.3)		
Medical Nutrition	(0.3)	(0.3)		
Discount rate – 50 bps increase				
Early Life Nutrition Asia	(0.2)	(0.2)		
Early Life Nutrition Rest of the World	(0.3)	(0.3)		
Medical Nutrition	(0.3)	(0.3)		

(a) Decrease applied, each year, to the assumed growth in Net sales, including the final year, based on (i) the 2015 projections for tests performed in 2014, and (ii) the 2016 projections for the tests performed in 2015.

(b) Decrease applied, each year, to the assumed growth in Trading operating margin, including the final year, based on (i) the 2015 projections for tests performed in 2014, and (ii) the 2016 projections for the tests performed in 2015.

Goodwill of other CGUs

As of December 31, 2015, the CGUs of the Fresh Dairy Products and Waters Divisions represented in total 21% of the carrying amount of the Group's goodwill and comprised more than 30 CGUs located in diverse geographic regions and in different countries.

As of December 31, 2015, following the impairment review of intangible assets with indefinite useful life of these CGUs, the Group recognized impairment on a Waters Division CGU in the amount of €2 million, which was recorded under Other operating income (expense) for the period.

As of December 31, 2014, following the impairment review of intangible assets with indefinite useful life of these CGUs, the Group did not recognize any impairment provisions.

Brands with indefinite useful lives

The Group's main brands are *Dumex*, *Nutricia* and *Milupa*. As of December 31, 2015, they represented more than 60% of the carrying amount of the Group's brands with indefinite useful lives and none represented individually more than 40% of the carrying amount of the Group's brands with indefinite useful lives. The other brands are spread over all Divisions and located in diverse geographic regions and different countries and none represented individually more than 10% of the carrying amount of the Group's brands with indefinite useful lives as of December 31, 2014.

Impairment review of the main brands with indefinite useful lives
As of December 31, 2015, the Group reviewed the value of the *Nutricia* and *Milupa* brands in accordance with the methodology and the valuation model described above and on the basis of assumptions based on those of the groups of CGUs concerned, while the *Dumex* brand was valued on the basis of the disposal agreement (see Note 6.2 of the Notes to the consolidated financial statements).

This review did not result in the recognition of any impairment provisions.

In addition, analysis of the sensitivity of the value in use to the key assumptions was carried out on each of these other main brands. The key assumptions involved in the valuation model used by the Group are (i) the growth in Net sales, (ii) the royalty rate, (iii) the long-term growth rate used to calculate the terminal value, and (iv) the discount rate. The following changes, deemed reasonably possible, in the key assumptions do not alter the findings of the impairment review, *i.e.* the absence of any impairment:

- 100 bps decrease in Net sales (decrease applied, each year, to the assumptions concerning growth in Net sales, including the final year, on the basis of the 2015 projections);
- 50 bps decrease in the royalty rate (decrease applied, each year, to the assumptions concerning royalty rate, including the final year, on the basis of the 2015 projections);
- 50 bps decrease in the long-term growth rate;
- 50 bps increase in the discount rate.

Other brands with indefinite useful lives
As of December 31, 2015, following the impairment review of the other brands with indefinite useful lives, the Group recognized impairment provisions on certain brands in the Fresh Dairy Products, Waters and Early Life Nutrition Divisions in an aggregate amount of €125 million, which was recorded under Other operating income (expense) for the period.

As of December 31, 2014, following the impairment review of the other brands with indefinite useful lives, the Group did not recognize any impairment provision.

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

Note 10.1. Accounting principles

Financing
Debt instruments are recognized in the consolidated balance sheet (i) under the amortized cost method, using their effective interest rate, or (ii) at their fair value.

When the fair value risk of a debt is hedged by a derivative, the change in fair value of the hedged component of said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to the heading Other financial income (expense), which thereby offsets the change in fair value of the derivative instrument.

When future cash flows of a debt are hedged by a derivative, the change in the fair value of the effective portion of the derivative hedging said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to consolidated equity, and is recycled to profit or loss when the hedged item (the interest flows relating to the hedged debt) impacts the consolidated net income.

Short-term investments
Short-term investments comprise marketable securities and other short-term investments.

Marketable securities comprise highly liquid instruments with short maturities that are easily convertible into a known amount of cash.

They are measured as securities held for trading within the meaning of IAS 39, Financial Instruments: Recognition and Measurement and are carried at their fair value.

Other short-term investments are measured at their fair value as securities held for trading within the meaning of IAS 39, Financial Instruments: Recognition and Measurement.

Changes in fair value of short-term investments are recognized directly under the heading Interest income in the consolidated income statement.

Translation of transactions denominated in foreign currencies
At period-end, trade receivables and trade payables denominated in foreign currencies are translated using exchange rates on that date. Foreign exchange gains and losses arising from the translation of borrowings or other instruments denominated in foreign currencies that are used to hedge long-term investments denominated in the same currencies are recognized in consolidated equity under the heading Cumulative translation adjustments.

Note 10.2. Liquidity risk and management policy

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

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

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

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

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

In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financing in a company prior to the acquisition by Danone of a controlling interest in it, Danone is exposed to liquidity risk involving limited amounts in those countries.

More generally, it is possible that in the context of a systemic financial crisis, Danone may not be able to access the financing or refinancing it needs on the credit or capital markets, or to access such finance on satisfactory terms, which could have an adverse impact on its financial situation.

In addition, Danone's ability to access financing and its interest expense could depend in part on its credit rating by financial rating agencies. The Company's short- and long-term debt ratings and any potential deterioration could result in higher financing costs and affect its access to financing.

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

Risk monitoring and management

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

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

Use of its financing sources

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

Note 10.3. Group's financing and financial security situation managed at the Company Level and changes during the period

Structure of the Group's main financing and its financial security

As of December 31

	2014		2015	
(in € millions, except bond issued in the United States in USD millions)	**Principal amount**	**Amount used [f]**	**Principal amount**	**Amount used [f]**
Bank financing [a]				
Syndicated credit facility [b]	2,000	–	2,000	–
Committed credit facilities [c]	3,400	–	3,400	–
Capital markets financing [a]				
EMTN financing [d] [e]	9,000	6,691	9,000	8,262
Bond issued in the United States [d]	N/A	850	N/A	850
Commercial paper (*Billets de trésorerie*)	3,000	1,068	3,000	974

(a) The Group's financial structure and financial security are managed at the Company level.
(b) Syndicated credit facility (revolving) maturing in December 2019.
(c) A portfolio of back-up facilities entered into with major credit institutions, with maturities ranging from 2015 to 2018.
(d) Bonds issued by the Company are disclosed on the Group's website.
(e) Euro Medium Term Notes.
(f) Amounts are expressed in € except amounts related to the bond issued in the United Sates, which are expressed in USD.

Main financing transactions in 2015

Year ended December 31

			2015
		Nominal	
	Currency	*(in millions of currency)*	Maturity
New financing			
Euro bond issued under the EMTN program	EUR	550	2020
Euro bond issued under the EMTN program	EUR	750	2025
Euro bond issued under the EMTN program	EUR	750	2024
Repayment			
Euro bond issued under the EMTN program	EUR	604	2015

Main financing transactions in 2014

Year ended December 31

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

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

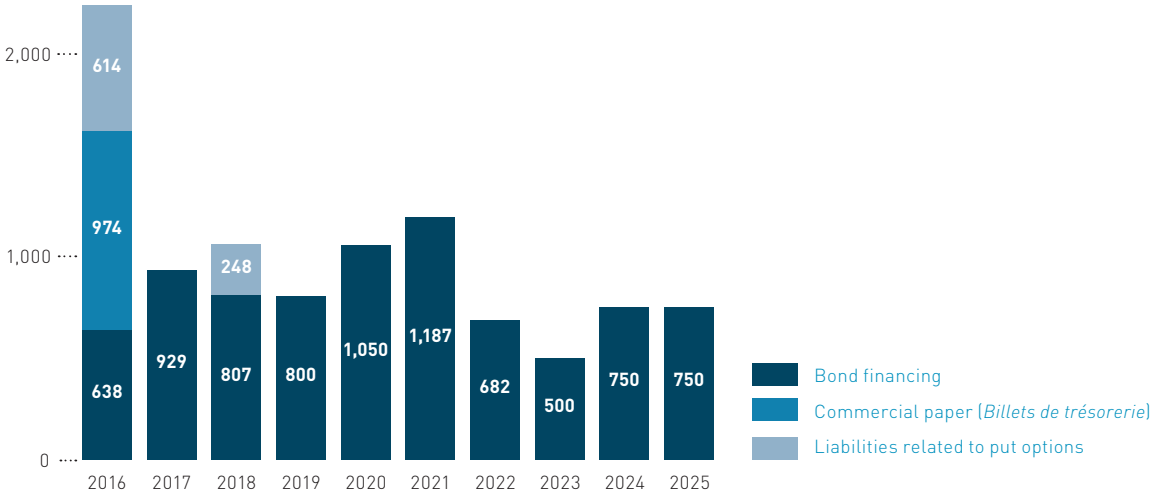
Carrying amount of bond financial debt and change during the period

	2014		2015	
(in € millions)	Non-current portion	Current portion	Non-current portion	Current portion
As of January 1	6,460	618	6,087	603
Bond issues	150	–	2,050	–
Repayments	–	(618)	–	(603)
Impact of exchange rate changes	81	–	110	15
Non-current portion becoming current	(603)	603	(696)	696
As of December 31	**6,087**	**603**	**7,551**	**711**

Repayment schedule for financial debt managed at the Company level and put options granted to non-controlling interests

Projected cash outflows related to the contractual repayment of the principal amount based on the assumption of non-renewal

(in € millions)



Projected cash outflows related to the contractual repayment of interest on the financial assets and liabilities managed at the Company level, including premiums to be paid on derivative financial instruments based on the assumption of non-renewal

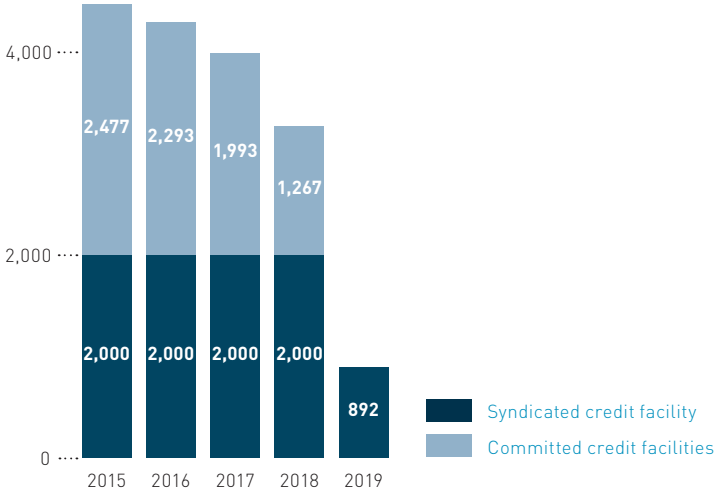
(in € millions)	Cash flows 2016	Cash flows 2017	Cash flows 2018	Cash flows 2019	Cash flows 2020 and after
Interest on debt [a]	(121)	(109)	(95)	(85)	(189)
Flows on derivatives [a] [b] [c]	5	32	2	2	5

(a) The floating interest rates are calculated on the basis of the rates applicable as of December 31, 2015.
(b) Net contractual flows, including premiums payable, net flows payable or receivable relating to the exercise of options in the money at year-end.
(c) Concerns derivative instruments on net debt, assets and liabilities.

Sources of financing available at any time

The sources of financing available at any time established by the Group are composed mainly of available committed credit facilities and a syndicated credit facility carried by the Company.

(in € millions)



Company rating

As of December 31

	2014		2015	
	Moody's	**Standard and Poor's**	**Moody's**	**Standard and Poor's**
Short-term rating [a]				
Rating	–	A-2	–	A-2
Long-term rating [b] [c]				
Rating	Baa1 [c]	A-	Baa1 [c]	A-
Outlook	Stable	Negative [d]	Stable	Negative [d]

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

Note 10.4. Short-term investments

Carrying amount

As of December 31

(in € millions)	**2014**	**2015**
Money market funds	1,838	2,003
Bank deposits, negotiable debt instruments and other short-term investments	479	512
Total	**2,317**	**2,514**

Counterparty risk in respect of short-term investments

The Group invests primarily in money market funds (French SICAV *monétaires*) or short-term money market funds (French SICAV *monétaires court terme*), which are highly liquid, diversified and not rated.

Bank deposits, negotiable debt instruments and other short-term instruments are subscribed from first-tier financial institutions.

Note 10.5. Net debt

As of December 31

(in € millions)	**2014**	**2015**
Non-current financial debt	6,598	8,087
Current financial debt	4,544	2,991
Short-term investments	(2,317)	(2,514)
Cash and cash equivalents	(880)	(519)
Derivatives – assets – Non-current	(153)	(125)
Derivatives – assets – Current	(28)	(120)
Net debt	**7,764**	**7,799**

Change in net debt in 2015

Danone's net debt was stable relative to 2014, as operating cash flows made it possible to finance the acquisitions carried out in 2015.

Net debt includes €862 million in put options granted to non-controlling interests. The liability related to these options decreased by €1,696 million relative to December 31, 2014. This change reflects in particular the acquisition of 15.7% of Danone Spain's share capital and the exercise of put options by certain shareholders of the Danone-Unimilk combined entity.

Change in net debt in 2014

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

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

Note 10.6. Cost of net debt

Accounting principles

Cost of net debt comprises mainly interest charges (calculated at the effective interest rate) on current and non-current financing and the effects of the derivatives relating to said financing.

Interest income comprises mainly interest received and, if applicable, the effects of the measurement at fair value through profit or loss of the short-term investments and cash and cash equivalents.

The related cash flows are presented within Cash flows provided by (used in) operating activities.

Cost of net debt in 2015

Cost of net debt declined despite higher net financial debt than in 2014. This decline was linked in particular to lower interest rates and the benefits of bond issues that enabled Danone to extend the average maturity of its debt at favorable market conditions.

Cost of net debt in 2014

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

Note 10.7. Financial risks associated with the financing activity

Interest rate risk

Interest rate risk exposure

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

In addition, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*, interest rate fluctuations may have an impact on the Group's consolidated results and consolidated equity.

The Group has implemented a policy to monitor and manage this interest rate risk for the purpose of limiting the volatility of its net financial income or expense through the use of hedging instruments.

These derivatives are mainly interest rate swaps and sometimes collars. All these instruments are plain vanilla. The interest rate derivatives are contracted for the purpose of managing interest rate risk and are either eligible to be used as hedges or not in accordance with IAS 39.

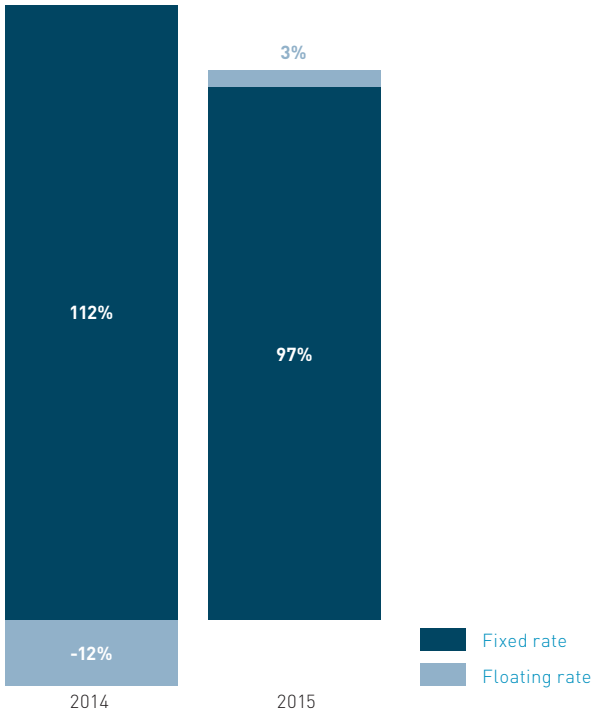
Sensitivity of net income to changes in the cost of net debt resulting from changes in the short-term interest rate

Sensitivity to interest rate changes reflects the following factors:

- financial debt net of short-term investments, cash and cash equivalents. It excludes the financial liabilities related to put options granted to non-controlling interests as these are not interest-bearing;
- active interest rate hedges as of December 31.

Hedged and unhedged portion of net debt in respect of an increase in short-term interest rates

Fixed and floating rate net debt breakdown



Sensitivity of the cost of net debt to a change in the short-term interest rate

In 2015 as in 2014, the impact of a change in short-term interest rates would not have a significant impact on the cost of the Group's net debt.

Financial currency risk

Due to its international presence, the Group could be exposed to foreign exchange rate fluctuations in relation to its financing activities: in application of its risk centralization policy, the Group manages multi-currency financings and liquidities.

In application of its financial currency risk hedging policy, the Group's residual exposure (after hedging) is not material.

As part of these policies, the Group uses cross-currency swaps as described in Note 12.4 of the Notes to the consolidated financial statements.

4

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

Note 11.1. Accounting principles

Investments in other non-consolidated companies

Investments in other non-consolidated companies are measured as available-for-sale investments within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*. They are recognized at fair value in the consolidated balance sheet, with changes in fair value recognized under consolidated equity in Accumulated other comprehensive income, except for unrealized losses that are considered to be significant or prolonged, which are recognized directly in profit or loss in Other financial income (expense).

Fair value

For listed companies, fair value is assessed according to the stock price as of the end of the period.

For unlisted companies, fair value is assessed based on recent transactions entered into with third parties, put or call options negotiated with third parties or external appraisals.

When such elements do not exist, the fair value of investments in unlisted companies is deemed to be equivalent to the acquisition cost of the investments.

Gains or losses on disposal of non-consolidated investments are recognized under the heading Other financial income (expense) in the consolidated income statement.

Other long-term financial assets

Other long-term financial assets mainly comprise bonds and money-market funds and security deposits required by the tax regulations of certain countries in which the Group operates.

Bonds and money-market funds are classified as available-for-sale financial assets within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*. They are recognized at fair value in the consolidated balance sheet, with changes in fair value recognized under consolidated equity in Accumulated other comprehensive income, except for unrealized losses that are considered to be significant or prolonged, which are recognized directly in profit or loss in Other financial income (expense). Their fair value is calculated on the basis of listed prices on active markets.

Long-term loans

Long-term loans are measured at amortized cost using the effective interest rate method within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*.

Note 11.2. Other financial investments

Main changes during the period

2015 transactions
The Group did not carry out any material transactions.

2014 transactions
The Group's equity interest in the Mengniu group (Fresh Dairy Products, China), acquired in 2013, has been accounted for as an associate since January 1, 2014 (see Note 4.4 of the Notes to the consolidated financial statements).

Carrying amount

	As of December 31	
(in € millions)	**2014**	**2015**
Investments in non-consolidated companies	**92**	**70**
Bonds and money-market funds [a]	123	124
danone.communities	20	13
Other [b]	68	52
Other long-term financial assets	210	189
Long-term loans	17	15
Other financial assets	**228**	**204**
Of which, unrealized capital gain (loss) [c]	*42*	*17*

(a) Bonds and money-market funds held as the counterpart to certain "damage and personal protection" provisions.
(b) Comprises mainly security deposits required by the tax regulations of some countries in which the Group operates.
(c) Pre-tax amount, recognized under consolidated equity in Accumulated other comprehensive income.

Note 11.3. Other financial income and other financial expense

Accounting principles

Other financial income and other financial expense correspond to financial income and expense other than income and expenses related to net financial debt. They include, in particular, the following:

- the ineffective portion of the hedges, in particular hedges of currency risk related to operations in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*;
- the impact of the accretion of the present value of commitments net of the expected return on plan assets of retirement commitments and other long-term benefits;
- bank commissions, including commissions for the non-use of committed credit facilities (recognized in Other financial expense);
- gains or losses on disposals of Investments in other non-consolidated companies and Other long-term financial assets.

Change in other financial income (expense) in 2015

Other financial income (expense) was stable in 2015 relative to the previous year.

Change in other financial income (expense) in 2014

The change in other financial income and expense resulted primarily from the exceptionally high basis for comparison in 2013, which included a capital gain relating to Danone's disposal of its interest in SNI as part of the takeover of Centrale Danone (Morocco).

NOTE 12. ORGANIZATION OF FINANCIAL RISKS AND DERIVATIVES MANAGEMENT

Note 12.1. Organization of financial risks management

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

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

Through its Treasury and Financing Department, which is part of the Group Finance Department, the Group possesses the expertise and tools (trading room, front and back office software) to act on different financial markets following the standards generally implemented by

first-tier companies. In addition, the Internal Control and Internal Audit Departments review the organization and procedures applied. Lastly, a monthly treasury and financing report is sent to the Group Finance Department, enabling it to monitor the decisions taken to implement the previously approved management strategies.

The Group is also exposed to price volatility and to a potential shortage of the commodities that it purchases, mainly to produce its finished products. To manage this exposure, the Group has implemented a commodity purchasing policy (Market Risk Management). This policy as well as the impact of a price change in the two main commodity categories on the Group's annual cost of purchases are presented in Note 5.7 of the Notes to the consolidated financial statements.

Note 12.2. Accounting principles

Derivatives are recognized in the consolidated balance sheet at their fair value:

- derivatives used to manage net debt and hedges of net investments in foreign operations are recognized in the financial debt or current and non-current asset lines;
- foreign exchange derivatives related to operations are recognized in the heading Derivatives – assets within Other receivables or in the heading Derivatives – liabilities within Other current liabilities

When derivatives are designated as fair value hedges of assets or liabilities in the consolidated balance sheet, changes in the fair value of both the derivatives and the hedged items are recognized in profit or loss in the same period.

When derivatives are designated as hedges of net investments in foreign operations, changes in the fair value of the derivatives are recognized in equity under Cumulative translation adjustments.

When derivatives are designated as future cash flow hedges, changes in the value of the effective portion of the derivative are recognized in equity under Accumulated other comprehensive income. This effective portion is recycled to profit or loss, in the same heading, when the hedged item itself is recognized in profit or loss. However, changes in the value of the ineffective portions of derivatives are recognized directly in profit or loss, in the heading Other financial income (expense). Changes in the fair value of derivative financial instruments that do not meet the conditions for classification as hedging instruments are recognized directly in profit or loss for the period, in a heading within operating income or financial income depending on the nature of the hedge.

Note 12.3. Derivatives used to hedge operational currency risk

The Group's policy is to hedge its highly probable commercial transactions so that, as of December 31, its residual exposure in respect of the whole of the following fiscal year is significantly reduced. However, when the hedging conditions of certain currencies have deteriorated (less availability, high cost, etc.), the Group may be required to limit the hedging of its highly probable commercial transactions in its currencies, by not hedging or only partially hedging the exposure. The Group uses forward currency contracts and currency options to reduce its exposure.

The execution of the hedging policy for currency risk related to operations consists of providing the necessary hedges to subsidiaries through a centralized management system, or, in the case of subsidiaries where such hedges are legally prohibited, through a monitoring and control process.

The Group mainly applies cash flow hedge accounting.

Based on pending transactions as of December 31, 2015, the Group's residual exposure after hedging of exchange risks on its highly probable commercial operating transactions is significantly reduced for 2016, the main currencies partially hedged being the Russian ruble, the Brazilian real and the Turkish lira.

Portfolio of foreign exchange derivative instruments related to operations

Notional and fair value amounts

As of December 31

	2014			2015		
(in € millions)	**Notional**	**Fair value**	**Of which, recognized in equity [a]**	**Notional**	**Fair value**	**Of which, recognized in equity [a]**
Forward contracts	(1,366)	5	20	(1,154)	33	47
Currency options	(167)	(3)	–	(222)	2	4
Total	**(1,532)**	**2**	**20**	**(1,376)**	**35**	**51**

(a) Amount recorded in equity in respect of instruments designated as cash flow hedges.

Net notional amount of derivative instruments on principal hedged currencies

As of December 31

	2014			2015		
(in € millions)	Forward contracts, net [a]	Currency options, net [b]	Total	Forward contracts, net [a]	Currency options, net [b]	Total
(Sales)/Purchases of currencies						
GBP	(505)	(131)	(636)	(485)	(167)	(652)
USD [c]	341	(27)	314	408	(39)	369
MXN [c]	(138)	–	(138)	(137)	–	(137)
BRL [c]	(143)	–	(143)	(117)	–	(117)
AUD [c]	(66)	–	(66)	(115)	–	(115)
RUB [c]	(36)	–	(36)	(88)	–	(88)
Other [c]	(819)	(8)	(827)	(620)	(17)	(636)
Total	**(1,366)**	**(166)**	**(1,532)**	**(1,153)**	**(223)**	**(1,376)**

(a) Spot portion of notional amount, based on closing rates.
(b) Spot portion of notional amount, includes in- and out-of-the-money options.
(c) Transactions denominated with the EUR or other currencies as counterpart.

Sensitivity of equity and net income to changes in fair value

A change in the fair value of the derivative financial instruments hedging the operating currency risk, induced by a change in foreign exchange rates, could impact the Group's equity and net income. The impact recognized in profit or loss relates to:

- the time value and swap point variations, when they are excluded from the hedging relationship;
- transactions to which hedge accounting is not applied.

Sensitivity to a change in the euro against currencies with exchange rate exposure

As of December 31

	2014		2015	
	Equity	Gain (loss)	Equity	Gain (loss)
10% increase in EUR [a]				
GBP	54	(1)	59	(2)
USD [b]	11	(6)	(2)	–
MXN [b]	–	–	1	–
BRL [b]	3	1	2	1
AUD [b]	6	–	10	–
RUB [b]	–	–	6	–
10% decrease in EUR [a]				
GBP	(56)	(2)	(60)	(4)
USD [b]	(14)	8	4	(1)
MXN [b]	–	–	(1)	–
BRL [b]	(4)	(1)	(3)	(1)
AUD [b]	(7)	–	(12)	–
RUB [b]	–	–	(8)	–

(a) Increase/decrease in EUR applied to transactions that are outstanding and at constant interest rate volatility.
(b) Transactions denominated with the EUR or other currencies as counterpart. In the case of transactions denominated in currencies other than the EUR, the increase or decrease in the EUR is applied to the base currency and the secondary currency.

These instruments and the hedged items typically have maturities of less than one year. Consequently the cash flows related to these instruments will, for the most part, be recognized in the consolidated income statement in 2016.

Gains and losses related to fair value changes recognized in profit or loss

Gains and losses recognized in profit or loss involve the following items:

- the ineffective portion, during the year, of the change in fair value of instruments designated as cash flow hedges: in 2015 as in 2014, the amounts are not material;
- the effective portion deferred in equity the previous year of instruments designated as cash flow hedges and recycled to income during the year: in 2015 as in 2014, the amount recycled corresponded to the portion of hedges recorded in equity as of December 31 of the previous year, with these hedges having for the most part a maturity of less than one year.

Note 12.4. Derivatives used to hedge currency and translation risk on net assets

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

The Group's policy consists of maintaining the debtor and/or surplus cash positions of Danone and its subsidiaries in their respective functional currencies. Furthermore, in compliance with its policy of managing risks centrally, the Group may manage multi-currency borrowings and surplus cash.

As part of these policies, the Group therefore uses cross-currency swaps.

Notional amount and fair value amount

As of December 31

	2014			2015		
(in € millions)	**Notional**	**Fair value**	**Of which, recognized in equity**	**Notional**	**Fair value**	**Of which, recognized in equity**
Fair value hedge	138	59	–	138	74	–
Cash flow hedge	682	9	9	682	94	14
Net investment hedge	240	92	92	132	61	61
No hedge accounting applied [(a)]	157	(10)	–	153	(22)	–
Total	**1,217**	**150**	**101**	**1,105**	**207**	**75**

(a) For currency risk related to financing and to net investment in foreign operations, hedge accounting might not be applied to minor amounts. In such cases, both the derivative and the underlying are revalued and the change in value is recorded in the consolidated income statement.

Sensitivity of equity and net income to changes in fair value

A change in the fair value of these derivative financial instruments induced by a change in foreign exchange rates at the reporting date would not have a significant impact on the Group's equity or net income. Changes in the foreign exchange rates of the financial instruments are offset by changes in the foreign exchange rates on loans and borrowings in hedged currencies or on net foreign investments.

Note 12.5. Derivatives used to hedge interest rate risk

The Group has implemented a policy to monitor and manage interest rate risk for the purpose of limiting the volatility of its net financial income or expense through the use of hedging instruments.

These derivatives are mainly interest rate swaps and sometimes collars. All these instruments are plain vanilla. The interest rate derivatives are contracted for the purpose of managing interest rate risk and are either eligible to be used as hedges or not in accordance with IAS 39.

Fair value

As of December 31

	2014		2015	
(in € millions)	**Fair value**	**Of which, recorded in equity**	**Fair value**	**Of which, recorded in equity**
Cash flow hedge	(2)	(2)	(2)	(2)
Fair value hedge	–	–	(3)	–
No hedge accounting applied	1	–	–	–
Total	**(1)**	**(2)**	**(5)**	**(2)**

Sensitivity of equity and net income to changes in fair value

A change in the fair value of interest rate derivatives induced by a change in the yield curve recognized as of the reporting date would have the following impact on the Group's equity and net income:

- impacts recognized in equity relate to the effective portion of the instruments eligible to be used as hedges of future cash flows;
- impacts recognized in profit or loss relate to the ineffective portion of the instruments eligible to be used as hedges of future cash flows, as well as to the impact of the change in fair value of the instruments not qualifying as hedges.

Sensitivity to a change applied to the entire yield curve

In 2015 as in 2014, a rate change applied to the yield curve would not have a material impact on consolidated equity or net income.

Gains and losses related to fair value changes and shown through profit or loss

Gains and losses shown through profit or loss are related to:

- the ineffective portion, during the year, of the change in fair value of instruments designated as cash flow hedges;
- the effective portion deferred in equity the previous year of instruments designated as cash flow hedges and recycled to income during the year.

In 2015 as in 2014, the corresponding amounts are not material.

Note 12.6. Counterparty risk

Counterparty risk inherent in financial risk management

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

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

Risk management
The Group's overall exposure to counterparty risk has been significantly reduced through the centralization of financial risks and implementation of centralization applications as well as its cash management policy of minimizing and managing surpluses.

The Group's banking policy aims to apply deposit limits per counterparty and emphasize the importance of its credit rating quality by concentrating its transactions among first-tier counterparties that (i) have credit ratings at least in the Single A category; (ii) possess international branch networks and (iii) provide it with financing. Moreover, in order to invest its short-term surpluses, the Group mainly invests in either money-market funds (*SICAV monétaires*) or short-term money-market funds (*SICAV monétaires court terme*), which are not rated. These funds are very liquid and diversified. The other short-term investments are made in accordance with the Group's above-mentioned banking policy.

Finally, in certain countries, the Group may be obliged to conduct transactions with local banks that have lower credit ratings.

Exposure related to short-term investments
See Note 10.4 of the Notes to the consolidated financial statements.

Exposure related to derivative instruments

	As of December 31	
(as a percentage of the total fair value as of December 31) [a]	**2014**	**2015**
Counterparty rating (Standard & Poor's)		
AAA, AA and A	79%	77%
BBB, BB and B	21%	23%
Unrated	–	–

(a) Total, when positive, of fair values of outstanding derivatives by counterparty as of December 31.

Fair value associated with derivatives counterparty risk
The valuation associated with derivatives counterparty risk is calculated on the basis of historical default probabilities derived from the calculations of a leading rating agency, to which a recovery rate is applied. As of December 31, 2015 and December 31, 2014, the impact associated with the adjustment required by IFRS 13 is not material.

Note 12.7. Securities risk

		As of December 31	
(in € millions)	Notes	**2014**	**2015**
Risk on Company shares			
Treasury shares and DANONE call options [a]	13.3	1,859	1,707
Risk on other shares			
Investments in associates	4	2,146	2,882
Other non-consolidated investments	11.2	92	70

(a) DANONE call options acquired by the Company.

Note 12.8. Reconciliation of the consolidated balance sheet by class and accounting category

(in € millions)	Assets recorded at fair value	Assets available for sale	Loans and receivables	Liabilities recorded at fair value	Liabilities at amortized cost	Carrying amount	Fair value	Fair value level [c]
As of December 31, 2015								
Financial assets								
Investments in other non-consolidated companies	–	70	–	–	–	70	70	1-3
Long-term loans and other long-term financial assets	–	189	15	–	–	204	204	1-3
Derivatives – assets [a]	245	–	–	–	–	245	245	2
Trade receivables [b]	–	–	2,230	–	–	2,230	2,230	–
Other current assets [b]	70	–	959	–	–	1,029	1,029	–
Short-term loans	–	–	40	–	–	40	40	–
Money market funds	2,003	–	–	–	–	2,003	2,003	1
Other short-term investments	512	–	–	–	–	512	512	2
Cash and cash equivalents	519	–	–	–	–	519	519	1
Carrying amount of financial assets by category	**3,350**	**259**	**3,244**	**–**	**–**	**6,852**	**6,852**	
Financial liabilities								
Financing	–	–	–	986	9,223	10,209	11,379	2
Derivatives – liabilities [a]	–	–	–	7	–	7	7	2
Liabilities related to put options granted to non-controlling interests	–	–	–	862	–	862	862	3
Trade payables [b]	–	–	–		3,334	3,334	3,334	–
Other current liabilities [b]	–	–	–	33	2,826	2,859	2,859	–
Carrying amount of financial liabilities by category	**–**	**–**	**–**	**1,888**	**15,383**	**17,271**	**18,441**	
As of December 31, 2014								
Financial assets								
Investments in other non-consolidated companies	–	92	–	–	–	92	92	1-3
Long-term loans and other long-term financial assets	–	201	26	–	–	228	228	1-3
Derivatives – assets [a]	181	–				181	181	2
Trade receivables [b]		–	1,900	–	–	1,900	1,900	–
Other current assets [b]	86	–	400	–	–	486	486	–
Short-term loans		–	30	–	–	30	30	–
Money market funds	1,838	–	–	–	–	1,838	1,838	1
Other short-term investments	479	–	–	–	–	479	479	2
Cash and cash equivalents	880	–	–	–	–	880	880	1
Carrying amount of financial assets by category	**3,464**	**293**	**2,356**	**–**	**–**	**6,113**	**6,113**	
Financial liabilities							–	
Financing	–	–	–	213	8,356	8,569	8,835	2
Derivatives – liabilities [a]	–	–	–	14	–	14	14	2
Liabilities related to put options granted to non-controlling interests	–	–	–	2,558	–	2,558	2,558	3
Trade payables [b]	–	–	–	–	3,334	3,334	3,334	–
Other current liabilities [b]	–	–	–	169	2,572	2,741	2,741	–
Carrying amount of financial liabilities by categories	**–**	**–**	**–**	**3,621**	**13,595**	**17,217**	**17,468**	

(a) Derivative instruments used to manage net debt.
(b) The carrying amount corresponds to the fair value given the short-term nature of these items.
(c) Valuation hierarchy used to assess fair value.

Valuation hierarchy in accordance with IFRS 7, *Financial instruments – Disclosures*

Level 1
Fair value is based on (unadjusted) prices listed on active markets for identical assets and liabilities.

Level 2
Fair value is based on data other than listed prices as per level 1, which are observable for the asset or liability concerned, directly or indirectly.

Level 3
Fair value is based on data relating to the asset or liability which are not based on observable data on active markets.

For asset and liability derivative instruments recognized at fair value, the Group uses measurement techniques that include data observable on the market, notably for interest rate swaps, forward purchases and sales or currency options. The model integrates diverse data such as spot and forward exchange rates and the yield curve.

For put options granted to non-controlling interests, the value is based on contractual terms.

NOTE 13. DANONE SHARES, DIVIDEND, EARNINGS PER SHARE

Note 13.1. Accounting principles

DANONE shares

DANONE shares held by the Company and its fully-consolidated subsidiaries are recognized as a reduction in consolidated equity, under the heading Treasury shares and DANONE call options, and are measured at effective cost.

DANONE call options

DANONE call options are options held by the Company to purchase DANONE shares to hedge certain of its stock-option plans granted to certain employees and corporate officers. They do not constitute financial assets but are instead equity instruments in accordance with IAS 32, *Financial instruments: Presentation*. They are recognized upon acquisition as a deduction from consolidated equity, under the heading Treasury shares and DANONE call options. They are measured at effective cost, *i.e.* the premium paid plus transaction expense, and are not subsequently remeasured.

Note 13.2. Transactions and changes involving DANONE shares

2015 changes involving treasury shares in terms of transactions and use according to the Company's purpose

		Changes during the period					
(number of shares, except percentages)	**As of December 31, 2014**	**Buybacks**	**Exercise of DANONE call options**	**Sales/ Transfers**	**Delivery following exercise of stock options**	**Delivery of Group performance shares**	**As of December 31, 2015**
Acquisition transactions	**30,769,360**	–	–	–	–	–	**30,769,360**
Liquidity agreements	**–**	602,195	–	(602,195)	–	–	**–**
Hedging of performance shares and stock-options	**7,163,935**	–	622,885	–	(4,142,353)	(467,657)	**3,176,810**
Cancellation of shares	**–**	–	–	–	–	–	**–**
Shares held by the Company	**37,933,295**	–	–	–	–	–	**33,946,170**
Shares held by Danone Spain	**5,780,005**	–	–	–	–	–	**5,780,005**
Total shares held by the Group	**43,713,300**	**602,195**	**622,885**	**(602,195)**	**(4,142,353)**	**(467,657)**	**39,726,175**

2015 changes involving DANONE call options, in terms of transactions

(number of shares, except percentage)	As of December 31, 2014	Changes during the period			As of December 31, 2015
		Acquisitions	Expired options	Exercises	
DANONE call options held by the Company					
Number of call options	**998,621**	–	–	(622,885)	**375,736**
Percentage of the Company's share capital as of December 31	**0.2%**				**0.1%**

Note 13.3 Outstanding DANONE shares

(number of shares)	Notes	2014			2015		
		Share capital	Treasury shares	Outstanding	Share capital	Treasury shares	Outstanding
As of January 1		631,028,000	(44,608, 414)	586,419,586	643,792,000	(43,713,300)	600,078,700
Dividend in shares	13.5	11,932,014	–	11,932,014	10,321,148	–	10,321,148
Other capital increases	7.5	831,986	–	831,986	838,052	–	838,052
Change in DANONE treasury shares and call options	13.2	–	895,114	895,114	–	3,987,125	3,987,125
As of December 31		**643,792,000**	**(43,713,300)**	**600,078,700**	**654,951,200**	**(39,726,175)**	**615,225,025**

Note 13.4. Earnings per share – Group share

Accounting principles

Earnings per share correspond to the ratio of Net income – Group share divided by the Number of shares. The Number of shares corresponds to the average number of outstanding shares during the year, after deducting the treasury shares held by the Company and its fully-consolidated subsidiaries.

Earnings per share after dilution (or diluted earnings per share) correspond to the ratio of Net income – Group share divided by the Diluted number of shares. The Diluted number of shares corresponds to the Number of shares increased by the net impact, when it is positive, of the following two elements:

- the increase in the weighted average number of shares that would result from:
  - the exercise of stock-options, taking into account only those options in the money on the basis of the average price during the reference period,
  - the acquisition of Group performance shares, taking into account only those shares whose performance conditions are met as of the closing date,
- the reduction in the number of shares that could theoretically be acquired.

In accordance with the treasury stock method specified by IAS 33, *Earnings per Share*.

Diluted earnings per share do not take into account DANONE call options held by the Company.

Earnings per share

		Year ended December 31	
(in € per share, except for the number of shares)	Notes	**2014**	**2015**
Net income – Group share		1,119	1,282
Number of outstanding shares			
As of January 1		586,419,586	600,078,700
Effect of changes during the year	13.3	13,659,114	15,146,325
As of December 31		600,078,700	615,225,025
Average number of outstanding shares			
• Before dilution		594,472,798	609,647,527
Dilutive impact			
Dividend in shares		776,192	394,921
Group performance shares		287,338	112,794
Other capital increase		–	–
• After dilution		595,536,328	610,155,241
Net income – Group share, per share			
• Before dilution		1.88	2.10
• After dilution		1.88	2.10

Note 13.5. Dividend

Distributable reserves of the parent company Danone

The legally distributable reserves of subsidiaries and associated companies may differ from their reported retained earnings as a consequence of (i) consolidation adjustments applied to their separate financial statements, and (ii) the laws applicable in the countries where the Group operates.

In the case of the Group, under French law, dividends can only be paid out of the net income for the year and the distributable reserves of the parent company Danone.

Payment of the 2014 dividend with the option of a payment in shares

The Shareholders' Meeting on April 29, 2015 in Paris approved the dividend proposed with respect to the 2014 fiscal year, *i.e.* €1.50 per share, and decided that each shareholder could decide to receive the dividend payment in cash or DANONE shares.

The option period was open from Thursday May 7, 2015 to Thursday May 21, 2015, inclusive. The issue price of new shares distributed as payment for the dividend was €57.26. It corresponds to 90% of the average opening price listed on Euronext during the 20 market trading days prior to the date of the Shareholders' Meeting, less the amount of the dividend and rounded to the next highest euro cent. The settlement and delivery of the shares and their admission to trading on Euronext occurred on June 3, 2015. These shares carry dividend rights as of January 1, 2015 and are fungible with existing shares.

A total of 65.95% of the rights were exercised in favor of the 2014 dividend payment in shares.

	Year ended December 31, 2015		
(in € millions except for the number of shares)	**Number of outstanding shares**	**Consolidated equity**	**Consolidated cash flow used in financing transactions**
Portion paid in newly issued shares [a]	10,321,148	–	–
Portion paid in cash	–	314	314
Total	**10,321,148**	**314**	**314**

(a) Or 1.60% of Danone's share capital based on the capital as of April 30, 2015.

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

Note 14.1. Accounting principles

Other non-current provisions and liabilities consist mainly of:

- provisions;
- investment subsidies.

Other non-current provisions and liabilities also include the short-term portion due in less than one year since it is deemed immaterial.

Provisions are recognized when the Group has a present obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Group. The timing or amount of the net outflow may be uncertain, but the amount must be estimated in a reliable manner. A provision is reversed when it no longer appears probable that the corresponding payment or an outflow of resources will occur (provision not utilized).

Note 14.2. Carrying amount and change during the period

		Changes during the period					
(in € millions)	As of December 31, 2014	Increase	Reversal	Reversal (not utilized)	Translation differences	Other	As of December 31, 2015
Restructuring provisions	71	51	(26)	(6)	–	–	90
Other provisions for risks and charges	652	264	(79)	(87)	(15)	(5)	730
Investment subsidies	14	1	–	–	–	–	14
Total [a]	**737**	**316**	**(105)**	**(93)**	**(15)**	**(6)**	**834**

(a) The portion due in less than one year totaled €64 million as of December 31, 2015 (€45 million as of December 31, 2014).

Changes to Other non-current provisions and liabilities for 2015 were as follows:

- increases result primarily from lawsuits against the Company and its subsidiaries in the normal course of business;
- reversals occur when corresponding payments are made or when the risk is considered extinguished. Unused reversals relate mainly to reassessments and situations where some risks, notably tax risks, cease to exist;
- other changes correspond primarily to reclassifications and changes in scope.

As of December 31, 2015, Other provisions for risks and charges consist mainly of provisions for legal, financial and tax risks as well as provisions for multi-year variable compensation granted to some employees, with these provisions established in the context of the Group's normal course of business.

Also as of this date, the Group believes that it is not subject to risks that could, individually, have a material impact on its financial situation or profitability.

Note 14.3. Legal and arbitration proceedings

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

Proceedings related to the false alarm given by Fonterra on certain ingredients supplied to the Group in Asia in 2013

See Note 6.2 of the Notes to the consolidated financial statements.

Proceedings related to the decision of the Spanish National Authority for Markets and Competition

See Note 6.5 of the Notes to the consolidated financial statements.

Other proceedings

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

NOTE 15. RELATED PARTY TRANSACTIONS

Note 15.1. Accounting principles

The main related parties are the associated companies and the members of the Executive Committee and members of the Board of Directors.

Note 15.2. Transactions with associates

Transactions with these companies are generally carried out at arm's length. They mainly involve:

- management fees and royalties paid to the Group;
- services. mainly logistics;
- financing.

As in 2014, the amounts pertaining to 2015 are not material.

Note 15.3. Compensation and benefits granted to members of the Executive Committee and Board of Directors

Compensation paid

Year ended December 31

(in € millions)	**2014**	**2015**
Compensation paid to corporate officers and members of the Executive Committee [a]	13.4	16.5
Attendance fees paid to Directors [b]	0.6	0.6
Total	**14.0**	**17.1**
Severance pay	2.1	–
Carrying amount of shares subject to performance conditions granted during the year [c]	9.1	8.2

(a) Annual and multi-year fixed and variable compensation (gross amount excluding employer contributions), of which the variable portion totaled €8.4 million in 2015 (€7 million in 2014).

(b) Amount paid to eligible Directors, in respect of the retirement plan for their benefit for positions they held previously in the Group.

(c) For 2012, the carrying amount represented the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that the performance conditions had been satisfied (see Note 7.4 of the Notes to the consolidated financial statements).

Danone's commitment to the corporate officers and Executive Committee members with respect to the retirement plan

As of December 31, 2015, the portion of the total amount of Danone's obligation relating to Danone's corporate officers and Executive Committee members under this defined benefit retirement plan amounted to €47 million, which takes into account the impact of the new charges applicable according to the provisions of the law of December 22, 2014 regarding the financing of social security for 2015.

In addition, the corporate officers benefit also from the executives' supplementary retirement plan (defined contribution retirement plan set up for executives whose gross annual compensation is greater than or equal to three times the French social security ceiling). Contributions for this plan in respect of 2015 amounted to €33,324 for Messrs. Franck RIBOUD and Emmanuel FABER. The plan rules stipulate that the benefit derived from this plan will be deducted in full from the possible defined benefit retirement plan.

Loans and guaranties

No loan or guarantee was granted or established by the Company or its subsidiaries on behalf of Executive Committee members.

Note 15.4. Related party agreements

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

NOTE 16. SUBSEQUENT EVENTS

To the Company's knowledge, no material events occurred after the approval date of the 2015 consolidated financial statements (approved by the Board of Directors on February 22, 2016).

NOTE 17. LIST OF SUBSIDIARIES AS OF DECEMBER 31, 2015

Note 17.1. Fully consolidated holding companies and financial companies held directly by the Company

Main fully consolidated companies	Country	Group's control *(in %)*	Ownership *(in %)*
DANONE	France	Parent company	
Holding and financial companies			
DANONE FINANCE INTERNATIONAL	Belgium	100.0	100.0
COMPAGNIE GERVAIS DANONE	France	100.0	100.0
DANONE CORPORATE FINANCE SERVICES	France	100.0	100.0
DAN INVESTMENTS	France	100.0	100.0
DANONE BABY AND MEDICAL HOLDING	France	100.0	100.0
HOLDING INTERNATIONALE DE BOISSONS	France	100.0	100.0
DANONE FINANCE NETHERLANDS BV	Netherlands	100.0	100.0
DANONE SINGAPORE HOLDINGS PTE LTD	Singapore	100.0	100.0
DANONE ASIA PTE LTD	Singapore	100.0	100.0

Note 17.2. Main fully consolidated companies of the Fresh Dairy Products Division

Main fully consolidated companies [a]	Country	Group's control *(in %)*	Ownership *(in %)*
DANONE SOUTHERN AFRICA PTY LTD	South Africa	100.0	100.0
DANONE DJURDJURA ALGERIE	Algeria	100.0	100.0
DANONE GMBH	Germany	100.0	100.0
DANONE ARGENTINA SA	Argentina	99.8	99.8
NV DANONE SA	Belgium	100.0	100.0
DANONE LTDA.	Brazil	100.0	100.0
DANONE INC.	Canada	100.0	100.0
DANONE SA	Spain	92.5	92.4
STONYFIELD FARM INC.	United States	100.0	100.0
THE DANNON COMPANY INC. [b]	United States	100.0	100.0
THE YOCRUNCH COMPANY, LLC	United States	100.0	100.0
DANONE PRODUITS FRAIS FRANCE	France	100.0	100.0
DANONE SPA	Italy	100.0	100.0
DANONE JAPAN	Japan	100.0	100.0
CENTRALE DANONE	Morocco	95.9	95.9
DANONE DE MEXICO SA	Mexico	100.0	100.0
DANONE SP Z.O.O.	Poland	100.0	100.0
DANONE PORTUGAL SA	Portugal	97.6	90.1
DANONE LTD.	United Kingdom	100.0	100.0
JOINT STOCK COMPANY DANONE RUSSIA [b]	Russia	100.0	70.9

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2015.

(b) For this consolidated company, the business is spread over several legal entities in its country.

Note 17.3. Main fully consolidated companies of the Waters Division

Main fully consolidated companies [a]	Country	Group's control *(in %)*	Ownership *(in %)*
DANONE WATERS DEUTSCHLAND GMBH	Germany	100.0	100.0
AGUAS DANONE DE ARGENTINA SA [b]	Argentina	100.0	100.0
DANONE WATERS BENELUX	Belgium	100.0	100.0
DANONE LTDA.	Brazil	100.0	100.0
DANONE (CHINA) FOOD & BEVERAGE CO. LTD. [b]	China	92.0	92.0
DANONE (GUANGDONG) DRINKING WATER CO. LTD. [b]	China	92.0	92.0
SHENZHEN DANONE YILI DRINKS CO. LTD. [b]	China	100.0	100.0
AGUAS FONT VELLA Y LANJARON SA	Spain	94.4	91.6
DANONE WATERS OF AMERICA INC.	United States	100.0	100.0
ÉVIAN RESORT [c]	France	100.0	100.0
SAEME SOCIÉTÉ ANONYME DES EAUX MINÉRALES D'ÉVIAN	France	100.0	100.0
PT TIRTA INVESTAMA [b]	Indonesia	74.0	74.0
BONAFONT SA DE CV	Mexico	100.0	100.0
GRUPO CUZCO INTERNATIONAL S DE RL DE CV [b]	Mexico	70.0	70.0
ZYWIEC ZDROJ SA	Poland	100.0	100.0
DANONE WATERS (UK & IRELAND) LTD.	United Kingdom	100.0	100.0
EVIAN-VOLVIC SUISSE SA	Switzerland	100.0	100.0
DANONE HAYAT IÇECEK VE GIDA SA	Turkey	100.0	100.0
SIRMAGRUP IÇECEK AS	Turkey	50.1	50.1
COMPANIA SALUS SA	Uruguay	94.1	94.1

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2015.
(b) For this consolidated company, the business is spread over several legal entities in its country.
(c) Évian Resort operates the Évian casino. In that capacity, it is subject to the control of the French Ministry of the Interior and all regulations applicable to games of chance in casinos.

Note 17.4. Main fully consolidated companies of the Early Life Nutrition Division

Main fully consolidated companies [a]	Country	Group's control *(in %)*	Ownership *(in %)*
MILUPA GMBH	Germany	100.0	100.0
NUTRICIA-BAGO SA [b]	Argentina	51.0	51.0
NUTRICIA AUSTRALIA PTY LTD. [b]	Australia	100.0	100.0
SUPPORT PRODUTOS NUTRICIONAIS LTDA. [b]	Brazil	100.0	100.0
NUTRICIA EARLY LIFE NUTRITION (SHANGHAI) CO. LTD.	China	100.0	100.0
NUTRICIA MIDDLE EAST DMCC [b] [c]	United Arab Emirates	100.0	100.0
HAPPY FAMILY HOLDING COMPANY [c]	United States	91.9	91.9
BLÉDINA	France	100.0	100.0
DANONE NUTRICIA AFRICA & OVERSEAS	France	100.0	100.0
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia	100.0	100.0
PT SARIHUSADA GENERASI MAHARDHIKA	Indonesia	100.0	100.0
MELLIN SPA	Italy	100.0	100.0
DANONE DUMEX (MALAYSIA) SDN. BHD.	Malaysia	100.0	100.0
NUTRICIA NEDERLAND B.V. [b]	Netherlands	100.0	100.0
NUTRICIA POLSKA SP Z.O.O. [b]	Poland	100.0	50.0
NUTRICIA LTD. [b]	United Kingdom	100.0	100.0
JSC ISTRA-NUTRICIA BABYFOODS [c]	Russia	100.0	100.0
DUMEX LTD. [b]	Thailand	98.9	98.9
NUMIL GIDA ÜRÜNLERI AS [b]	Turkey	100.0	100.0
DANONE NUTRICIA EARLY LIFE NUTRITION (HONG KONG) LTD	Hong Kong	100.0	100.0

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2015.
(b) This company also has a medical nutrition activity presented in the financial statements of the Medical Nutrition Division.
(c) For this consolidated company, the business is spread over several legal entities in its country.

Note 17.5. Main fully consolidated companies in the Medical Nutrition Division

Main fully consolidated companies [a]	Country	Group's control (in %)	Ownership (in %)
NUTRICIA GMBH	Germany	100.0	100.0
NUTRICIA AUSTRALIA PTY LTD. [b]	Australia	100.0	100.0
NV NUTRICIA BELGIE [b]	Belgium	100.0	100.0
SUPPORT PRODUTOS NUTRICIONAIS LTDA. [b]	Brazil	100.0	100.0
NUTRICIA PHARMACEUTICAL (WUXI) CO. LTD.	China	100.0	100.0
NUTRICIA TRADING (SHANGHAI) CO. LTD.	China	100.0	100.0
NUTRICIA MIDDLE EAST DMCC [b] [c]	United Arab Emirates	100.0	100.0
NUTRICIA SRL	Spain	100.0	100.0
NUTRICIA NORTH AMERICA INC.	United States	100.0	100.0
NUTRICIA NUTRITION CLINIQUE S.A.S.	France	100.0	100.0
NUTRICIA INTERNATIONAL PRIVATE LIMITED	India	100.0	100.0
NUTRICIA IRELAND LTD. [b]	Ireland	100.0	100.0
NUTRICIA ITALIA SPA	Italy	100.0	100.0
NUTRICIA NORGE AS	Norway	100.0	100.0
NUTRICIA NEDERLAND B.V. [b]	Netherlands	100.0	100.0
SORGENTE B.V. [c]	Netherlands	100.0	100.0
NUTRICIA POLSKA SP Z.O.O. [b]	Poland	100.0	50.0
NUTRICIA LTD. [b]	United Kingdom	100.0	100.0
NUTRICIA NORDICA AB	Sweden	100.0	100.0
NUMIL GIDA ÜRÜNLERI AS [b]	Turkey	100.0	100.0

(a) Corresponds to the 20 largest companies of the Division in terms of net sales (non-Group sales). They generated more than three-fourths of the Division's sales in 2015.
(b) This company also has an early life nutrition activity presented in the financial statements of the Early Life Nutrition Division.
(c) For this consolidated company, the business is spread over several legal entities in its country.

Note 17.6. Main investments in associates

Main investments in associates [a]	Country	Group's control (in %)	Ownership (in %)
Fresh Dairy Products			
ALSAFI DANONE COMPANY LTD [b]	Saudi Arabia	50.1	50.1
INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD [b]	China	9.9	9.9
INNER MONGOLIA MENGNIU DANONE DAIRY CO LTD [b]	China	20.0	20.0
DANONE PULMUONE COMPANY LTD	South Korea	50.0	50.0
STRAUSS HEALTH LTD	Israel	20.0	20.0
YAKULT HONSHA CO LTD	Japan	20.0	21.3
BROOKSIDE AFRICA LIMITED [b]	Kenya	40.0	40.0
SOCIÉTÉ TUNISIENNE DES INDUSTRIES ALIMENTAIRES (STIAL)	Tunisia	50.0	50.0
Other			
YASHILI INTERNATIONAL HOLDINGS LTD	China	25.0	25.0
BAGLEY LATINO-AMERICA SA [b]	Spain	49.0	49.0

(a) Corresponds to the 10 largest companies in terms of the share of net assets. They accounted for more than 90% of Investments in associates in 2015.
(b) For this consolidated company, the business is spread over several legal entities in its country.

STATUTORY AUDITORS' REPORT ON THE CONSOLIDATED FINANCIAL STATEMENTS

This is a free translation into English of the Statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English-speaking users. The Statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the Group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying consolidated financial statements of Danone;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I – Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as of December 31, 2015, and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II – Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French commercial code relating to the justification of our assessments, we bring to your attention the following matters:

- your company presented under the "Other operating income (expense)" heading in the Consolidated income statement the impacts of the false alert issued by Fonterra in respect of certain ingredients supplied to your group in Asia in 2013, of your company's plan for cost savings and adaptation of the Group's entities in Europe as well as of the transformational Danone 2020 plan, as described in Notes 6.2, 6.3 and 6.4 of the Notes to the consolidated financial statements. Management is of the opinion that these were material items that, due to their exceptional nature, cannot be regarded as inherent to the Group's ordinary activities.

  Our work involved examining the elements making up these amounts and assessing the appropriateness, in the light of Recommendation R 2013-03 of the French National Accounting Board (*Conseil National de la Comptabilité CNC*), of their presentation in the Consolidated income statement and of the disclosures in Note 6 of the Notes to the consolidated financial statements.

- your company is committed to acquiring the shares held by shareholders of certain consolidated subsidiaries, should the latter wish to exercise their put options. In the absence of any specific provision under IFRS on this subject, we have verified that the accounting treatment applied and described in the section entitled Liabilities related to put options granted to non-controlling interests in Note 3.1 of the Notes to the consolidated financial statements was compliant with the principles of IFRS as adopted by the European Union and currently in effect.

  We also reviewed the methods adopted by your company for the valuation of the debt recognized in connection with these put options based on the information available to date. We have verified that Note 3 of the Notes to the consolidated financial statements contains appropriate information on these put options and on the assumptions used by your company.

- your company performed at the reporting date an impairment test on goodwill and brands with indefinite useful life as described in Notes 9.1 and 9.3 of the Notes to the consolidated financial statements, and also assessed whether there was any indication of impairment of associates and of other tangible and intangible assets, in accordance with the procedures described in Notes 4.1, 4.4 and 5.5 of the Notes to the consolidated financial statements. We have reviewed the procedures for identifying indications of impaired value and for implementing the impairment test of these assets, and verified that Notes 4.4, 4.7 and 9.3 give appropriate information, in particular in relation to the assumptions adopted and the sensitivity analysis in respect of goodwill, brands with indefinite useful life and associates.

  As indicated in Note 1.1 of the Notes to the consolidated financial statements, the valuation of intangible assets and associates was based on estimates prepared in accordance with information and circumstances existing on the date the financial statements were drawn up. Such estimates may differ from the actual amounts.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III – Specific verification

As required by law, we have also verified, in accordance with professional standards applicable in France, the information presented in the Group's management report.

We have no observations to make as to its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 7, 2016

The Statutory auditors

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

4.2 FINANCIAL STATEMENTS OF DANONE SA, THE DANONE PARENT COMPANY

Financial statements of Danone SA

Income statement

Year ended December 31

(in € millions)	Notes	**2014**	**2015**
Net sales		474	492
Other income		42	42
Total operating income	3	**516**	**534**
Personnel costs	4	(231)	(257)
Other operating expense	5	(401)	(503)
Total operating expense		**(632)**	**(760)**
Net operating expense		**(116)**	**(226)**
Income from equity interests		730	2,427
Interest on loans and receivables and similar income		32	25
Interest on borrowings and similar expense		(197)	(145)
Other financial income (expense)		22	40
Net financial income	6	**587**	**2,347**
Net income before non-recurring items and tax		**471**	**2,121**
Net non-recurring income (expense)	7	(6)	(15)
Income tax	8	76	111
Net income		**541**	**2,217**

Balance sheet

Assets

As of December 31

		2014			2015
(in € millions)	Notes	**Net amount**	**Gross amount**	**Depreciation, amortization and provisions**	**Net amount**
Intangible assets		27	81	(59)	22
Property, plant and equipment		5	35	(21)	14
Equity interests		17,705	18,583	(57)	18,526
Other long-term financial assets		2,334	2,302	(1)	2,301
Financial assets	9	20,039	20,885	(58)	20,827
Non-current assets		**20,071**	**21,001**	**(138)**	**20,863**
Short-term loans and receivables	10	233	2,285	(1)	2,284
Marketable securities	11	324	140		140
Cash and cash equivalents		–	5		5
Current assets		**557**	**2,430**	**(1)**	**2,429**
Deferrals and prepaid expense		124	99		99
Total assets		**20,752**	**23,530**	**(139)**	**23,391**

Equity and liabilities

As of December 31

(in € millions)	Notes	**2014**	**2015**
Share capital		161	164
Additional paid-in capital		3,301	3,929
Legal reserve		4	4
Other reserves		3,781	3,781
Retained earnings		3,125	2,752
Net income for the year		541	2,217
Regulated provisions		1	1
Equity	12	**10,914**	**12,848**
Provisions for risks and charges	13	61	53
Bonds	14	6,664	8,127
Other financial debt	14	2,102	1,974
Other liabilities	15	925	335
Deferrals and accrued expenses		86	54
Total equity and liabilities		**20,752**	**23,391**

Notes to the financial statements of the parent company Danone

The financial statements of the parent company Danone ("the Company") for the year ended December 31, 2015 were approved by Danone's Board of Directors on February 22, 2016 and will be submitted for approval to the Shareholders' Meeting on April 28, 2016. Danone and its consolidated subsidiaries constitute "the Group".

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

TABLE OF CONTENTS

GENERAL INFORMATION: ACCOUNTING PRINCIPLES AND HIGHLIGHTS OF THE YEAR

Note 1. Accounting principles 147
Note 2. Highlights of the year 149

INCOME STATEMENTS ITEMS

Note 3. Operating income 149
Note 4. Personnel costs and compensation of the members of the management bodies and the Board of Directors 149
Note 5. Other operating expense 150
Note 6. Net financial income (expense) 150
Note 7. Net non-recurring income (expense) 151
Note 8. Income tax 151

BALANCE SHEET ITEMS – ASSETS

Note 9. Financial assets 152
Note 10. Short-term loans and receivables 154
Note 11. Marketable securities 154

BALANCE SHEET ITEMS – EQUITY AND LIABILITIES

Note 12. Equity 155
Note 13. Provisions for risks and charges 155
Note 14. Bonds and other financial debt 156
Note 15. Other liabilities 158

OTHER INFORMATION

Note 16. Net debt 159
Note 17. Post-employment benefit commitments and commitments to management bodies and the Board of Directors 160
Note 18. Off-balance sheet commitments 161
Note 19. Personnel 161
Note 20. Related party transactions 162
Note 21. Summary of shares held in portfolio 162
Note 22. Results and other significant information relating to the last five years 163
Note 23. Subsequent events 163

NOTE 1. ACCOUNTING PRINCIPLES

The Company's financial statements are prepared in accordance with French statutory and regulatory provisions and generally accepted accounting principles.

The main accounting methods used are detailed hereafter.

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are valued at acquisition cost (including acquisition-related costs) and are amortized or depreciated on a straight-line basis according to the duration of their estimated use, as follows:

Buildings	15 to 20 years
Fixtures and fittings	8 to 10 years
Other property, plant and equipment	4 to 10 years
Software	1 to 7 years

Long-term financial assets

Financial assets comprise Equity interests and Other long-term financial assets.

Equity interests are shares in companies, the long-term possession of which is deemed to be useful for the Company's activity, notably because it enables the Company to exercise an influence on or control over the issuing company. Investments that do not meet this definition are classified as Other long-term financial assets.

Equity interests are recognized at acquisition cost, including acquisition-related costs, which are amortized over five years as of the date of acquisition. For tax purposes, these assets are subject to accelerated tax amortization rates. An impairment provision is recognized when the recoverable amount of Equity interests is below their carrying amount.

Recoverable amount is determined using various criteria including:

- market value;
- value in use based on forecast discounted cash-flows;
- revalued equity.

The assumptions, estimates or appraisals used to determine the net realizable value are made on the basis of available information and conditions at the end of the financial period presented, which may differ from the reality, particularly in an economically and financially volatile context. Impairment provisions are recognized as Other financial income (expense), with the exception of reversals of impairment in connection with disposals of equity interests, which are recognized as Non-recurring income (expense). Gains or losses on disposals of equity interests are recognized as Non-recurring income (expense).

Other long-term financial assets consist mainly of a portion of the DANONE treasury shares held in connection with the authorizations given by the Shareholders' Meeting (see hereafter) and long-term loans and receivables granted by the Company.

DANONE treasury shares

DANONE shares repurchased by the Company are recognized under the heading:

- other long-term financial assets, when they are repurchased in connection with corporate acquisitions, to be cancelled or to be held under the terms of a liquidity contract;
- marketable securities, when they are repurchased to hedge stock-option plans or Group performance share plans under which shares are allocated to certain Danone employees and corporate officers.

They are recognized at acquisition cost, excluding acquisition-related costs. On disposal, the cost of the DANONE shares sold is calculated by allocation category in accordance with the weighted average cost method, this cost being calculated individually for each plan for the shares held to hedge stock-option plans or Group performance share plans.

DANONE shares recognized as other long-term financial assets

In the case of DANONE shares recognized as Long-term financial assets that are not to be cancelled, an impairment provision is recognized when their recoverable amount (assessed at the average price for the last month of the fiscal year) falls below their carrying amount.

DANONE shares recognized as Marketable securities

Hedging of out-of-the-money stock-option and Group performance share plans

In the case of treasury shares allocated to hedge plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will not be met in the case of the Group performance share plans), a provision for impairment is recognized when the market value of the shares (assessed at the average price for the last month of the fiscal year) is less than their carrying amount.

Hedging of in-the-money stock-option and Group performance share plans

In the case of treasury shares allocated to hedge plans that can be exercised (the market value of DANONE shares exceeds the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will be met in the case of the Group performance share plans), a provision for impairment is not recognized. However, a provision for risks and charges is, where necessary, recognized in respect of these plans and corresponds:

- in the case of stock-option plans, to the difference between the carrying amount of the shares allocated to these plans and the exercise price set under the terms of the plan if lower;
- in the case of Group performance share plans, to the carrying amount of the shares allocated to said plans.

The provision is booked *prorata* to the rights vesting period. It is recognized in Personnel costs in the income statement.

DANONE call options held by the Company

The DANONE call options (calls) held by the Company are allocated in full to hedge stock-option plans granted to certain Danone employees and corporate officers. The premiums paid in respect of these options are recognized in Marketable securities.

Hedging of out-of-the-money stock-option plans

In the case of call options allocated to plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price set under the terms of the plan), a provision for impairment is recognized when the market value of the call options, determined by banks, is less than their carrying amount.

Hedging of in-the-money stock-option plans

In the case of call options allocated to plans that can be exercised (the market value of DANONE shares exceeds the option exercise price set under the terms of the plan), a provision for impairment is not recognized. However, a provision for risks and charges is, where necessary, recognized in respect of these plans and corresponds to the difference between the exercise price set under the terms of the stock-option plan and the call premium paid plus the forward DANONE share price.

The provision is booked *prorata* to the rights vesting period. It is recognized in Personnel costs in the income statement.

Loans and receivables

Loans and receivables are stated at their nominal value. An impairment provision is recognized when the recoverable amount is less than the carrying amount.

Recognition of transactions in foreign currencies

Expense and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction.

Liabilities, receivables and cash denominated in foreign currencies are recorded in the balance sheet at their exchange value in euros at the year-end rate. The differences resulting from translation at this latter rate are recorded in the balance sheet in the line items Deferrals and prepaid expense and Deferrals and accrued expense in the case of liabilities and receivables. A provision for risks is recognized for non-hedged unrealized exchange losses.

Marketable securities

Marketable securities comprise a portion of the treasury shares and DANONE call options held by the Company and other investments made by the Company.

The gross value of Marketable securities corresponds to the acquisition cost excluding acquisition-related costs. When the market value of each category of securities of the same nature is lower than the acquisition cost, a provision for impairment is recognized equal to the difference. For further information about treasury shares and DANONE call options reclassified as Marketable securities, see the above section DANONE shares recognized as Marketable securities.

Bonds

Bonds consist in borrowings raised by Danone, on debt and capital markets, notably under its EMTN (Euro Medium Term Note) program, through public issues and private placements, denominated in euros or foreign currencies. Bonds denominated in foreign currencies may be maintained in those currencies or swapped into euros:

- foreign currency bonds that are not swapped into euros are recognized at their nominal value, translated at the closing exchange rate;
- foreign currency bonds that are swapped into euros are recognized at their nominal value, which continues to be translated at the historical exchange rate.

Derivatives

Danone hedges part of its bonds denominated in foreign currencies by cross-currency swaps. For each bond hedged, Danone applies hedge accounting, which involves recognizing at the historical rate (hedged rate resulting from the implementation of the cross-currency swap) the interest relating to the bond and the cross-currency swap. Since Danone is not ultimately exposed to foreign exchange risk on repayment of the bonds, said bonds are not revalued at the closing rate. Conversely, unhedged bonds are revalued at the closing rate at each balance sheet date.

In addition, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions on behalf of the Company in respect of certain borrowings and commercial paper (*Billets de trésorerie*) issued by the Company.

Provisions for risks and charges

Provisions are recognized for identified risks and charges of uncertain timing or amount, when the Company has an obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Company.

For further information about provisions against stock-option plans and Group performance share plans, see the above section *DANONE shares recognized as Marketable securities*.

Retirement commitments

Supplementary retirement commitments and severance pay borne by the Company are presented within Off-balance sheet commitments (see Note 17 and Note 18 of the Notes to the financial statements of the parent company Danone).

NOTE 2. HIGHLIGHTS OF THE YEAR

- Danone received an interim dividend in the amount of €1,464 million from one of its holding company subsidiaries for Early Life Nutrition and Medical Nutrition activities;
- Danone carried out three euro-denominated bond offerings (see Note 14 of the Notes to the financial statements of the parent company Danone);
- Danone recapitalized one of its subsidiaries for a total amount of €820 million in order to refinance the acquisition of company shares in the Fresh Dairy Products business;
- in order to generate strong, profitable and sustained growth through 2020, Danone launched its "Danone 2020" plan. 2015 was a preparatory year that enabled the foundations to be laid for Danone's transformation;
- the Shareholders' Meeting held in Paris on April 29, 2015 approved the proposed dividend for 2014 of €1.50 per share and decided that each shareholder could choose to receive the dividend payment in cash or in DANONE shares. In the event, 65.95% of the rights were exercised in favor of a dividend payment in shares. The total cash dividend paid to shareholders who chose not to receive the payment in shares totaled €314 million.

NOTE 3. OPERATING INCOME

Operating income comprises mainly the billing of direct and indirect subsidiaries for services rendered by the Company to those subsidiaries. It totaled €492 million for the year ended December 31, 2015 (€474 million for the year ended December 31, 2014).

Other operating income totaled €42 million (also €42 million in 2014) and comprised mainly the reversal of a provision for risks and charges relating to hedging of the stock-option and Group performance share plans granted by the Company (See Note 1 of the Notes to the financial statements of the parent company Danone).

NOTE 4. PERSONNEL COSTS AND COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BODIES AND THE BOARD OF DIRECTORS

Personnel costs

Personnel costs comprise the gross compensation of the Company's employees and senior executives and the related social charges as well as the charges relating to the stock-option plans and Group performance share plans under which shares are allocated to certain Danone employees and corporate officers subject to performance conditions.

Personnel costs totaled €257 million in 2015 (€231 million in 2014). Social charges totaled €76 million (€71 million in 2014).

Company's share of the compensation paid to the members of the Board of Directors and the Executive Committee

Year ended December 31

(in € millions)	**2014**	**2015**
Compensation paid to corporate officers and members of the Executive Committee [a]	7	12
Attendance fees paid to non-executive members of the Board of Directors [b]	1	1
Total	**8**	**13**

(a) Recognized in Personnel costs.
(b) Recognized in Other operating expense.

The Company's other commitments to the management bodies and the Board of Directors

See Note 17 of the Notes to the financial statements of the parent company Danone.

NOTE 5. OTHER OPERATING EXPENSE

Other operating expense comprised mainly fees paid to external service providers and charges for rent and services provided and totaled €503 million in 2015 (€401 million in 2014).

NOTE 6. NET FINANCIAL INCOME (EXPENSE)

Net financial income totaled €2,347 million in 2015 (€587 million in 2014).

Income from equity interests

Income from equity interests consisted mainly of dividends received from the Company's equity interests. In 2015, these dividends amounted to €2,427 million (€730 million in 2014). The €1,697 million increase was due mainly to the interim dividend received in the amount of €1,464 million (see Note 2 of the Notes to the financial statements of the parent company Danone).

Interest on loans and receivables and similar income

Interest on loans and receivables and similar income comprised mainly interest received on the loans and receivables granted by the Company to Zywiec Zdroj and Danone Poland and totaled €16 million in 2015 (€32 million in 2014).

Interest on borrowings and similar expense

Interest on borrowings and similar expense comprised mainly interest in respect of the following borrowings:

As of December 31

(in € millions)	**2014**	**2015**
Medium-term loan from and current account with Danone Finance International [a] [b]	43	14
Bonds [a]	152	129
Commercial paper [a]	2	2
Total	**197**	**145**

(a) Interest paid and accrued in respect of the year
(b) The change during the year was mainly due to the repayment of the medium-term loan (see Note 14 of the Notes to the financial statements of the parent company Danone).

Other financial income (expense)

As regards Other financial income (expense), the Company generated net income of €40 million in 2015, comprising mainly the allocation of a provision on equity interests and income from the sale of DANONE treasury shares not used as a hedge for a stock-option plan.

In 2014, the corresponding figure was net income of €22 million.

NOTE 7. NET NON-RECURRING INCOME (EXPENSE)

Net non-recurring income (expense) in 2015 consisted of a €15 million expense. It mainly includes non-recurring costs related to the "Danone 2020" transformational plan (see Note 2 of the Notes to the financial statements of the parent company Danone).

In 2014, the net non-recurring expense of €6 million consisted mainly of non-recurring costs related to the implementation of the Group's plan for savings and adaptation of its organizations in Europe.

NOTE 8. INCOME TAX

Tax group

Danone forms a tax group with the French subsidiaries in which it holds, directly or indirectly, a stake of more than 95%.

Companies that were members of the tax group in 2015

	As of December 31, 2015
BLÉDINA	HELDINVEST 9
COMPAGNIE GERVAIS DANONE	HOLDING INTERNATIONALE DE BOISSONS
DANONE CORPORATE FINANCE SERVICES	LES 2 VACHES RESTO
DANONE PRODUITS FRAIS FRANCE	MENERVAG
DANONE DAIRY ASIA	NUTRICIA NUTRITION CLINIQUE SAS
DANONE NUTRICIA AFRICA ET OVERSEAS	PRODUITS LAITIERS FRAIS EST EUROPE
DANONE BABY AND MEDICAL HOLDING	PRODUITS LAITIERS FRAIS SUD EUROPE
DANONE [(a)]	PRODUITS LAITIERS FRAIS ESPAGNE
DANONE RESEARCH	SOCIÉTÉ ANONYME DES EAUX MINÉRALES D'ÉVIAN
DAN INVESTMENTS	SOCIÉTÉ DES EAUX DE VOLVIC
FERMINVEST	STEP SAINT JUST
HELDINVEST 8	STONYFIELD FRANCE

(a) The Company.

The subsidiaries that are members of the tax group recognize and pay their tax to the Company as if they were taxed separately, in compliance with the rules set by the French tax authorities.

The savings (or additional charges) – based on the difference between the sum of the tax charges recorded by the different subsidiaries of the tax group and the tax charge resulting from the computation of the consolidated tax results of the tax group – are recognized in the income statement under Income tax. The amount booked in this line for 2015 relates exclusively to this difference.

At the year end, the tax group had recorded a taxable loss. As of December 31, 2015, tax loss carry-forwards accumulated within the tax group in France amounted to €1,286 million, compared to €1,149 million as of December 31, 2014.

Other information

In accordance with the provisions of Article 39.4 of the French tax code (*Code Général des Impôts – CGI*), in 2015 Danone recognized €368,956 in respect of passenger vehicle depreciation and rental under taxable income.

The application of Article 39.5 of the CGI did not result in any amounts recognized under taxable income in 2015.

As of December 31, 2015, items likely to result in a reduction of future tax liabilities consisted mainly of accrued charges. They totaled €54 million and would reduce future tax charges by €21 million.

NOTE 9. FINANCIAL ASSETS

Carrying amount and changes during the period

		Changes during the period			
(in € millions)	**As of December 31, 2014**	**Increase [a]**	**Decrease**	**Reclassification, translation**	**As of December 31, 2015**
Gross amount					
Equity interests	17,755	828			18,583
Long-term loans and receivables	742		(64)	32	710
DANONE treasury shares [b]	1,578				1,578
Other	14				14
Other financial assets	2,334		(64)	32	2,302
Total	**20,089**	**828**	**(64)**	**32**	**20,885**
Provisions [c]	(50)	(8)			(58)
Net total	**20,039**	**820**	**(64)**	**32**	**20,827**

(a) See Note 2 of the Notes to the financial statements of the parent company Danone.
(b) Portion of DANONE treasury shares recognized as Long-term financial assets (See Note 1 of the Notes to the financial statements of the parent company Danone).
(c) Consists mainly of provisions for impairment of Equity interests.

Equity interests

Equity interests held in portfolio as of December 31, 2015

(in € millions, except percentages)	Share capital [a]	Other equity [a] [c]	Share of equity held	Number of shares held	Carrying amount of shares held – Gross	Carrying amount of shares held - Net	Maximum authorized amount of guarantees security interests and endorsements given by the Company	Previous year's sales [b]	Previous year's net income (loss) [b]	Dividends received by the Company during the year
Subsidiaries (at least 50% of the share capital held by the Company)										
French investments										
DANONE CORPORATE FINANCE SERVICES	142	97	100%	8,875,000	179	179	750	–	28	–
COMPAGNIE GERVAIS DANONE	1,663	1,174	100%	65,979,757	1,293	1,293	–	–	531	707
DANONE BABY AND MEDICAL HOLDING	12,369	(1,427)	100%	12,369, 171,277	12,366	12,366	–	–	1,541	1,529
DAN INVESTMENTS	6	(1)	100%	300,000	6	3	–	–	(2)	–
HOLDING INTERNATIONALE DE BOISSONS	174	972	100%	86,768, 722	966	966	–	–	(43)	–
Foreign investments										
DANONE SINGAPORE HOLDINGS PTE LTD	148	13	61%	144,830,596	108	108	–	–	12	8
FPS DANONE COMMUNITIES	14	(2)	64%	14,392	8	8	–	–	–	–
DANONE ASIA PTE LTD	1,311	230	88%	1,951, 114,726	1,151	1,151	–	–	255	89
DANONE FINANCE NETHERLANDS	8	–	100%	800,000	94	45	–	–	–	35
Investments in associates (at least 10% to 50% of the share capital held by the Company)										
NV DANONE SA	983	793	23%	21,988	400	400	–	299	58	–
DANONE FINANCE INTERNATIONAL	965	4,968	33%	4,034,154	2,012	2,007	2,000	–	127	59
Total					**18,583**	**18,526**				

(a) Amounts related to foreign companies are translated at the year-end exchange rate.
(b) Amounts related to foreign companies are translated using the average exchange rate for the year.
(c) Excluding net income (loss) for the year.

Long-term loans and receivables

The change in Long-term loans and receivables was due to the repayment of euro denominated loans by Danone Poland and Zywiec Zdroj totaling €64 million and the revaluation of foreign currency current accounts with Danone Finance International for €32 million.

Foreign currency loans

Foreign currency loans are translated at the closing rate, resulting in the recognition of translation differences at the year end, which are presented in the balance sheet under Deferrals and prepaid expense and Deferrals and accrued expense.

As of December 31, 2015

(in € millions, except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value	Translation difference	Carrying amount
Yen	43,000	381	(53)	328

NOTE 10. SHORT-TERM LOANS AND RECEIVABLES

As of December 31, 2015, this balance sheet item comprised mainly €2,285 million of receivables due to the Company within less than one year, including receivables due from its subsidiaries and equity interests totaling €2,049 million, tax receivables totaling €89 million (€83 million as of December 31, 2014) and receivables from customers totaling €80 million (also €80 million as of December 31, 2014).

NOTE 11. MARKETABLE SECURITIES

Carrying amount and changes during the period

		Changes during the period				
(in € millions)	**As of December 31, 2014**	**Increase**	**Decrease (exercised)**	**Reallocation**	**Reclassification**	**As of December 31, 2015**
DANONE shares						
DANONE shares hedging stock-option plans [a]	197		(146)			51
DANONE shares hedging Group performance shares [a]	86		(19)			67
Total	**283**	**–**	**(165)**	**–**	**–**	**118**
DANONE call options	21		(12)			9
danone.communities [b]	20			(7)		13
Total	**324**	**–**	**(177)**	**(7)**	**–**	**140**

(a) Portion of DANONE treasury shares recognized as Marketable securities (see Note 1 of the Notes to the financial statements of the parent company Danone).

(b) danone.communities is a mutual fund (French SICAV) aimed at financing certain social projects through an investment that generates a return nearly comparable to the money market rate.

NOTE 12. EQUITY

Carrying amount and changes during the period

	As of December 31, 2014		Changes during the period				As of December 31, 2015
(in € millions)	Before allocation	After allocation [b]	Net income	Capital decrease	Capital increase [c]	Capital increase [d]	Before allocation
Share capital	161	161	–	–	–	3	164
In number of shares [a]	*643,792,000*	*643,792,000*	–	–	*838,052*	*10,321,148*	*654,951,200*
Additional paid-in capital	3,301	3,301	–	–	39	589	3,929
Legal reserve	4	4	–	–	–	–	4
Other reserves	3,781	3,781	–	–	–	–	3,781
Retained earnings	3,125	2,752	–	–	–	–	2,752
Net income for the year	541	–	2,217	–	–	–	2,217
Regulated provisions	1	1	–	–	–	–	1
Total	**10,914**	**10,000**	**2,217**	**–**	**39**	**592**	**12,848**

(a) Ordinary shares with a par value of €0.25.

(b) Following shareholder approval at the Shareholders' Meeting of April 29, 2015, the entire 2014 net income amount was allocated to the dividend (see Note 2 of the Notes to the financial statements of the parent company Danone).

(c) Issue carried out on June 11, 2015 under the terms of the Company savings plan (*Plan d'Épargne Entreprise*).

(d) Issue carried out on June 3, 2015 as part of the payment of the dividend in shares.

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

Carrying amount and changes during the period

		Changes during the period			
(in € millions)	As of December 31, 2014	Allocation	Reversal	Reversal (not utilized)	As of December 31, 2015
Provisions in respect of stock-option and Group performance share plans [a]	55	25	(37)	–	43
Other provisions	6	6	(2)	–	10
Total	**61**	**31**	**(39)**	**–**	**53**

(a) Provisions in respect of stock-option plans hedged by DANONE call options and Group performance share plans. The provision was established at the time of the first purchases of DANONE call options in 2011 in the amount of €96 million.

NOTE 14. BONDS AND OTHER FINANCIAL DEBT

Bonds

Carrying amount

	As of December 31	
(in € millions)	**2014**	**2015**
Nominal value	6,615	8,093
Accrued interest	49	34
Total	**6,664**	**8,127**

Bonds issued by the Company are disclosed on Danone's website.

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

2015 transactions

	Year ended December 31			
				2015
			Nominal	
		Currency	*(in millions of currency)*	**Maturity**
New financing				
Euro bond issue under the EMTN program		EUR	550	2020
Euro bond issue under the EMTN program		EUR	750	2025
Euro bond issue under the EMTN program		EUR	750	2024
Repayment				
Euro bond issue under the EMTN program		EUR	604	2015

Bonds: fixed rate/floating rate breakdown (after hedging where applicable) and changes during the period

		Changes during the period				
(in € millions)	**As of December 31, 2014**	**New borrowings**	**Repayment**	**Change in accrued interest**	**Revaluation**	**As of December 31, 2015**
Fixed rate portion						
Bonds	6,327	1,500	(604)		32	7,255
Accrued interest	49			(15)		34
Floating rate portion						
Bonds	288	550				838
Accrued interest	–					–
Total	**6,664**	**2,050**	**(604)**	**(15)**	**32**	**8,127**

Bonds breakdown by currency

As of December 31, 2015

(in € millions except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value	Translation difference	Carrying amount
Bonds denominated or swapped into euros				
Euro	6,979	6,979	6,979	6,979
Swiss franc	225	138	138	138
U.S. dollar [a]	850	682	682	682
Bonds denominated in other currencies				
Yen	43,000	381	328	328
Total		**8,180**	**8,127**	**8,127**

(a) The establishment of cross-currency swaps facilitated the conversion of the USD 850 million bonds (recognized originally in the amount of €685 million), into euros in the amount of €682 million, thus corresponding to its new historical value.

Portfolio of cross-currency swaps hedging certain foreign-currency denominated bonds

As of December 31, 2015

(in € millions, except Nominal value in foreign currency, in currency millions)	Nominal value in foreign currency	Historical value in euros
Euro – Swiss franc	225	138
Euro – U.S. dollar	850	682
Total		**820**

In addition, as specified in Note 1 of the Notes to the financial statements of the parent company Danone, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions in respect of certain bonds issued by the Company.

Other financial debt

Fixed rate/floating rate breakdown and changes during the period

		Changes during the period				
(in € millions)	As of December 31, 2014	New borrowings	Repayment	Change in accrued interest	Revaluation	As of December 31, 2015
Fixed rate portion						
Loan from Danone Finance International [a]	1,000					1,000
Floating rate portion						
Commercial paper [b]	1,066		(97)			969
Other	36		(31)			5
Total	**2,102**	**–**	**(128)**	**–**	**–**	**1,974**

(a) Fixed rate medium-term loan maturing in June 2019.
(b) Changes in commercial paper are show as net changes.

Maturity of Bonds and Other financial debt

As of December 31

(in € millions)	2014	2015
Due date less than 1 year	1,755	1,646
Due date between 1 and 5 years	4,160	4,586
Due date more than 5 years	2,851	3,869
Total	**8,766**	**10,101**

NOTE 15. OTHER LIABILITIES

Composition of Other Liabilities

As of December 31

(in € millions)	2014	2015
Amounts owed by the Company to certain subsidiaries and affiliates [(a)]	672	28
Trade payables	46	68
Accrued expenses	207	239
Total	**925**	**335**

(a) Including a current account balance due to Danone Finance International totaling €614 million as of December 31, 2014. As of December 31, 2015, the balance on this current account was an excess cash balance presented under Short-term loans and receivables.

Composition of Accrued charges

As of December 31

(in € millions)	2014	2015
Services provided	92	114
Personnel costs	70	83
Social charges	32	37
Tax liabilities	12	4
Financial debt	1	1
Total	**207**	**239**

Maturity of Other Liabilities

The majority of Other liabilities have a maturity of less than one year. The maturity dates of Trade payables are shown in the following table:

As of December 31, 2015

(in € millions)	Due date 30 days or less	Due date between 31 and 60 days	Due date more than 60 days	Total
Trade payables	52	16	–	68

NOTE 16. NET DEBT

Composition of net debt

As of December 31

(in € millions)	2014	2015
Bonds	6,664	8,127
Other financial debt	2,102	1,974
Amounts owed by the Company to certain subsidiaries and affiliates [(a)]	672	28
Total debt	**9,438**	**10,129**
Amounts owed to the Company by certain subsidiaries and affiliates [(b)]	–	2,049
Marketable securities	324	140
Cash	–	5
Total cash and cash equivalents	**324**	**2,194**
Total net debt	**9,114**	**7,935**

(a) Portion of the amounts owed by the Company to subsidiaries and affiliates presented in Other liabilities.
(b) Portion of amounts owed to the Company by subsidiaries and affiliates presented in Short-term loans and receivables.

Change during the period

The €1,179 million decrease in Net debt was due mainly to the receipt of dividends from one of its subsidiaries that is the holding company for the Early Life Nutrition and Medical Nutrition activities, partially offset by the recapitalization of one of these subsidiaries (see Note 2 of the Notes to the financial statements of the parent company Danone).

NOTE 17. POST-EMPLOYMENT BENEFIT COMMITMENTS AND COMMITMENTS TO MANAGEMENT BODIES AND THE BOARD OF DIRECTORS

Post-employment benefit commitments

	As of December 31	
(in € millions)	**2014**	**2015**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	539	493
Commitments net of retirement plan assets	340	299

(a) Commitments measured using the actuarial method.

These net commitments are presented off-balance sheet (see Note 18 of the Notes to the financial statements of the parent company Danone). The main commitment involves the retirement plan granted to some Danone executives.

Retirement plan granted to some Danone executives

Commitments measured using the actuarial method

	As of December 31	
	Retirement plan for executives	
(in € millions)	**2014**	**2015**
Gross commitments	468	418
Commitments net of plan assets	296	254

The €42 million decrease in commitments net of plan assets was mainly due to the increase in discount rates.

Main actuarial assumptions

	Year ended December 31	
	Retirement plan for executives	
(as a percentage, except for age in years)	**2014**	**2015**
Discount rate	2.2%	2.4%
Expected rate of return on plan assets	2.2%	2.4%
Salary growth rate	3.0%	3.0%
Retirement age	60-65	60-66

Commitments to management bodies and the Board of Directors

Post-employment benefit commitments for corporate officers and Executive Committee members

	As of December 31	
(in € millions)	**2014**	**2015**
Supplementary benefits in addition to defined benefit retirement plans [a]		
Gross commitments	67	47

(a) Commitments measured using the actuarial method.

Severance pay for Executive Committee members

Severance pay for members of the Executive Committee in certain cases where they cease to continue their terms of office or exercise their functions were set at twice the annual gross compensation (fixed, variable, and in-kind) they received over the 12 months preceding the date on which they cease to continue their functions, and, in the case of the Company's two corporate officers, the Board of Directors decided on February 22, 2016 that the severance pay would be subject to the fulfillment of defined performance conditions.

NOTE 18. OFF-BALANCE SHEET COMMITMENTS

Main commitments given directly and indirectly by the Company

As of December 31

(in € millions)	**2014**	**2015**
Put options held by non-controlling interests over some of the Company's direct and indirect equity interests [a]	2,558	862
Post-employment benefits [b]	340	299
Rents	84	107
Services provided	9	14
Derivative instruments [c]	820	820
Security interests [d]	2,000	2,000
Guarantees [e]	750	750
Total	**6,561**	**4,852**

(a) Commitments given directly or indirectly by the Company (see details hereafter in the section Put options over the Company's direct and indirect equity interests).
(b) Net commitments in respect of defined benefit retirement plans (see Note 17 of the Notes to the financial statements of the parent company Danone).
(c) Cross-currency swaps to hedge bonds denominated in foreign currencies (see Note 14 of the Notes to the financial statements of the parent company Danone).
(d) The Company acted as joint and several guarantors for Danone Finance International.
(e) The Company may grant a guarantee or security interest for the various financial risk management transactions to be carried out by its subsidiary Danone Corporate.

Put options over the Company's direct and indirect equity interests

The Company or certain of its direct or indirect subsidiaries granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. Their exercise price is generally based on the profitability and financial position of the company concerned at the exercise date of the put option.

As of December 31, 2015, the financial commitments given by the Company and all of its consolidated subsidiaries were estimated at €862 million, of which €614 million may be paid in accordance with contractual terms in the 12 months following the year end.

Commitments received

Commitments received by the Company concern €4.7 billion in available committed credit facilities.

Other commitments

The Company and certain of its subsidiaries are parties to a variety of legal and arbitration proceedings arising in the ordinary course of business. Some of these proceedings involve claims for damages, and liabilities are provided for when a loss is probable and can be reliably estimated.

NOTE 19. PERSONNEL

Average number of Company employees during the year

Year ended December 31

(in number, except percentages)		**2014**		**2015**
Executives and managers	575	79%	636	80%
Supervisors and technicians	103	14%	113	14%
Clerical staff	47	7%	49	6%
Total	**725**	**100%**	**798**	**100%**

NOTE 20. RELATED PARTY TRANSACTIONS

Transactions with related parties

	Year ended December 31	
(in € millions)	**2014**	**2015**
Operating income	463	467
Income from equity interests	730	2,427
Interest on loans and receivables and similar financial income	27	25
Total income	**1,220**	**2,919**
Operating expense	(29)	(77)
Interest on borrowings and similar financial expense	(43)	(14)
Total expense	**(72)**	**(91)**

Balances with related parties

	As of December 31	
(in € millions)	**2014**	**2015**
Long-term loans and receivables	–	–
Short-term loans and receivables [(a)]	113	2,238
Total assets	**113**	**2,238**
Other financial debt	1,035	1,000
Other liabilities	69	36
Total liabilities	**1,104**	**1,036**

(a) As of December 31, 2015, the main component was the current account balance due from Danone Finance International.

NOTE 21. SUMMARY OF SHARES HELD IN PORTFOLIO

Securities of subsidiaries and associates

	As of December 31	
(in € millions)	**2014**	**2015**
Gross amounts	17,755	18,583
Provisions for impairment	(50)	(57)
Carrying amount [(a)]	**17,705**	**18,526**

(a) See details for 2014 in Note 9 of the Notes to the financial statements of the parent company Danone.

DANONE treasury shares

	2014		**2015**	
(in € millions, except number of shares)	**Number of shares**	**Carrying amount**	**Number of shares**	**Carrying amount**
Treasury shares classified as Long-term financial assets [(a)]	30,769,360	1,578	30,769,360	1,578
Treasury shares classified as Marketable securities [(a)]	7,163,935	283	3,176,810	118
Total	**37,933,295**	**1,861**	**33,946,170**	**1,696**

(a) See classification in Note 1 of the Notes to the financial statements of the parent company Danone.

NOTE 22. RESULTS AND OTHER SIGNIFICANT INFORMATION RELATING TO THE LAST FIVE YEARS

	2011	2012	2013	2014	2015
Capital at year-end					
Share capital *(in €)*	160,561,643	160,790,500	157,757,000	160,948,000	163,737,800
Number of shares issued	642,246,573	643,162,000	631,028,000	643,792,000	654,951,200
Operations and results for the year					
(in € millions)					
Net sales	417	478	520	474	492
Net income before tax, depreciation, amortization and provisions	530	395	686	482	2,070
Income tax [a]	109	112	77	76	111
Income after tax, depreciation, amortization and provisions	631	442	762	541	2,217
Dividends paid [b]	837	857	860	915	1,048
Earnings per share					
(in € per share)					
Income after tax but before depreciation, amortization and provisions	1.00	0.79	1.19	0.85	3.33
Net income after tax, depreciation, amortization and provisions	0.98	0.69	1.16	0.84	3.38
Dividend per share	1.39	1.45	1.45	1.50	1.60
Personnel					
Average number of employees for the year	725	746	740	725	798
Payroll expense *(in € millions)*	236	170	149	159	180
Amounts paid in respect of employee benefits [c] (social security, social benefit schemes, etc.) *(in € millions)*	66	71	66	71	77

(a) Income (expense).

(b) Amount relative to the 2015 fiscal year estimated as of December 31, 2015 based on the number of treasury shares held on that date by the Company. The 2014 dividend corresponds to the amount actually paid out during the 2015 fiscal year. This dividend totaling €915 million was paid out in cash totaling €323 million and in new shares for €591 million.

(c) Includes personnel expense excluding social charges (see Note 12 of the Notes to the financial statements of the parent Company Danone) as well as provisions related to stock-options and Group performance shares (see Note 13 of the Notes to the financial statements of the parent company Danone).

NOTE 23. SUBSEQUENT EVENTS

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 22, 2016, the date on which the Board of Directors approved the financial statements of the parent company Danone for the year ended December 31, 2015.

STATUTORY AUDITORS' REPORT ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY DANONE

This is a free translation into English of the Statutory auditors' report on the financial statements issued in French and is provided solely for the convenience of English-speaking users. The Statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

Pursuant to the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2015, on:

- the audit of the accompanying financial statements of Danone;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2015, and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of our assessments

In accordance with the provisions of Article L. 823-9 of the French commercial code relating to the justification of our assessments, we bring to your attention the following matters:

- the section *Financial assets* in Note 1 of the Notes to the financial statements of the parent company Danone describes the methods for accounting for equity interests as well as the methods used to calculate impairment losses. We performed sample tests to confirm that these methods were applied correctly and we reviewed the methods used to determine the amount of the impairment losses. We have assessed the data and assumptions on which these estimates are based: as indicated in Note 1 of the Notes to the financial statements of the parent company Danone, these estimates were prepared in accordance with information and circumstances existing on the date the financial statements were drawn up and such estimates may differ from the actual amounts.
- as stated in Note 18 of the Notes to the financial statements of the parent company Danone, your company or some of its direct or indirect subsidiaries have undertaken to acquire the shares held by third-party shareholders in certain companies in which your company has a direct or indirect stake should such shareholders wish to exercise their put option. We reviewed the methods used by your company to calculate these financial commitments based on the information currently available. We have assessed the data and assumptions on which these estimates are based and the resulting valuations.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no observations to make as to the fair presentation of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements or its consistency with the parent company financial statements.

Regarding the information provided in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code relating to compensation and benefits granted to the corporate officers and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris-La Défense, March 7, 2016

The Statutory auditors

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

4.3 FEES TO THE STATUTORY AUDITORS AND MEMBERS OF THEIR NETWORK

Fees net of tax paid by Danone

	PricewaterhouseCoopers				Ernst & Young et Autres			
(in € millions except percentage)	**Fees 2014**		**Fees 2015**		**Fees 2014**		**Fees 2015**	
Audit								
Statutory audits, certifications and review of the individual and consolidated financial statements	**4.4**	**53%**	**4.9**	**60%**	**4.1**	**48%**	**4.5**	**79%**
including Danone SA	*0.7*	*9%*	*0.7*	*8%*	*0.8*	*9%*	*0.7*	*12%*
including fully consolidated subsidiaries	*3.7*	*45%*	*4.2*	*51%*	*3.3*	*39%*	*3.8*	*67%*
Other services directly related to the audit	**3.3**	***40%***	**2.3** [a]	***28%***	**4.0** [a]	***47%***	**0.9** [a]	***16%***
including Danone SA	*3.0*	*36%*	*2.2*	*26%*	*3.8*	*45%*	*0.7*	*12%*
including fully consolidated subsidiaries	*0.3*	*4%*	*0.2*	*2%*	*0.2*	*3%*	*0.2*	*3%*
Total Audit	**7.7**	***94%***	**7.3**	***88%***	**8.1**	***96%***	**5.5**	***95%***
Other services provided by the auditors' networks to the fully consolidated subsidiaries								
Legal, tax, social	0.3	*4%*	0.4 [b]	*5%*	0.4 [b]	*4%*	0.3 [b]	*5%*
Other	*0.2*	*2%*	0.5 [c]	*6%*	–	*0%*	–	*0%*
Total Other services	**0.5**	**6%**	**1.0**	**12%**	**0.4**	**4%**	**0.3**	**5%**
Total [d]	**8.2**	**100%**	**8.3**	**100%**	**8.5**	**100%**	**5.7**	**100%**

(a) Services provided in 2015 included due diligence directly related to the Statutory auditors' engagements performed during the transactions of acquisition or disposal of entities for €2.2 million (PricewaterhouseCoopers, €2.9 million in 2014) and €0.7 million (Ernst & Young, €3.7 million in 2014).

(b) This amount related solely to tax services provided by the networks to some foreign Group subsidiaries. These services related mainly to the issuance of tax certifications as required by local authorities (Turkey – PricewaterhouseCoopers, Mexico – Ernst & Young) as well as the review or technical analysis of tax positions adopted by some foreign subsidiaries.

(c) This amount, for 2015 and 2014 included mainly services of assistance and training on non-financial fields provided by the network to some Danone subsidiaries (Japan and China).

(d) Fees invoiced in foreign currencies have been translated into euros on the basis of the yearly average rates used by Danone.

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

Nil.

5.1 DANONE SOCIAL, SOCIETAL AND ENVIRONMENTAL APPROACH 170

General policy 170

Danone's CSR policy in detail 170

Primary programs, policies and actions implemented by Danone with regard to social, societal and environmental responsibility 171

5.2 INFORMATION CONCERNING DANONE'S SOCIAL, SOCIETAL AND ENVIRONMENTAL PERFORMANCE IN COMPLIANCE WITH THE GRENELLE II LAW 173

Social information 174

Environmental information 182

Societal information 191

Methodology Note 194

Statutory auditor's (appointed as an independent third party) report on the consolidated social, environmental and societal information disclosed in the management report 198

5.3 FUNDS SPONSORED BY DANONE 200

danone.communities 200

Danone Ecosystem Fund (*Fonds Danone pour l'Écosystème*) 201

Livelihoods Fund 202

Livelihoods Fund for Family Farming 204

5

Social, societal and environmental responsibility

This section describes Danone's policy and accomplishments in the area of social, societal and environmental responsibility. It is organized as follows:

- *description of Danone's approach to social, societal and environmental responsibility;*
- *information concerning Danone's social, societal and environmental performance in compliance with the provisions of Article 225 of law No. 2010-788 of July 12, 2010 ("Grenelle II") and its implementing decree;*
- *other information related to Danone's social, societal and environmental responsibility: Funds sponsored by Danone.*

More extensive information concerning Danone's strategy and performance with regard to Sustainable Development can be found in Danone's Sustainable Development Report published annually. Practices and quantitative results are described there, based in particular on the Global Reporting Initiative (GRI) indicators.

In general, the amounts presented are rounded to the nearest unit. As a result, the sum of the rounded amounts may vary slightly from the reported total. Moreover, ratios and differences are calculated on the basis of the underlying amounts, not of the rounded figures.

5.1 DANONE SOCIAL, SOCIETAL AND ENVIRONMENTAL APPROACH

General policy

As a direct result of Danone's dual economic and social project, Corporate Social Responsibility (CSR) is deeply anchored in Danone's business activity.

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

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

- the challenges related to products and consumers with the launch of safe, healthy products, efforts to promote a healthy lifestyle and nutritional education;
- environmental challenges, because for Danone, healthy food starts with a healthy natural environment;
- social challenges, including employment, enhancement of employability and occupational skills, employee commitment, social dialogue and awareness of the specific characteristics of the regions in which Danone operates and their social cohesion.

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

- alimentation: encourage healthier eating behaviors;
- strategic resources: strengthen Danone's ability to protect and optimize our essential resources (milk, water and plastic) and secure our license to operate in a cycle-oriented way;
- people and the organization: the goal is to tap into the full range of talent at Danone to give our corporate architecture more solidity and more relevance for today's world.

Danone's CSR policy in detail

Danone's CSR approach is characterized by the depth of its integration into the businesses and by the constant effort to create value for shareholders and for all stakeholders.

To achieve this, Danone has integrated its CSR approach into its main processes and business activities across the various stages of the value chain, and particularly into the following processes:

- production, in particular through the direct participation of the industrial functions in achieving targets related to safety and reduced water and energy consumption;
- purchasing, based on a policy of responsible procurement;
- human resources, through diversity, social dialogue and individual employee development;
- marketing, research and development and sales, by developing synergies between CSR and these functions.

Danone has, in particular, created an organization and specific governance, including:

Social Responsibility Committee

Formed from the Board of Directors, it examines, in particular, non-financial information and ratings, as well as social policy and investments related to social aspects implemented by Danone (see section 6.1 *Governance bodies* related to the *Social Responsibility Committee*).

Health governance

Health governance includes the principles, mechanisms and evaluation methods that allow Danone to meet its commitments as defined in 2009 in the Food Nutrition Health Charter (see section *Food Nutrition Health Charter* hereafter).

CSR goals set by Danone

CSR goals are requested by General Management at the level of Danone and its consolidated subsidiaries and may be defined over the medium term, such as the carbon footprint reduction goal, staff safety, etc. In addition, the achievement of certain goals determines a portion of its employees' variable compensation.

Variable compensation system

Since 2008, Danone has integrated societal performance into its variable compensation system with the introduction of criteria to evaluate the performance of around 1 300 senior executives. This system is based on a three-part approach to performance: (i) one part on economic, (ii) one part on social and/or environmental, and (iii) one part on individual performance (see section 6.3 *Compensation and benefits of corporate officers and governance bodies*).

Funds sponsored by Danone

These are funds created at Danone's initiative: danone.communities created in 2007, the Danone Ecosystem Fund created in 2009, the Livelihoods fund created in 2011, and the Livelihoods Fund for Family Farming created in 2015 (see section 5.3 *Funds sponsored by Danone*).

Implementation of the CSR approach in all Danone's subsidiaries through the design and implementation of policies and framework agreements

The main framework agreements and policies implemented by Danone are detailed in the section hereafter and described in section 5.2 *Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law*.

Primary programs, policies and actions implemented by Danone with regard to social, societal and environmental responsibility

Danone Way

The Danone Way program, launched in 2001, is a key component of Danone's sustainable development strategy, with the goal of ensuring compliance with basic sustainable development criteria by all subsidiaries. In 2015, the subsidiaries covered by the program represented 95% of Danone's consolidated net sales.

It defines best practices for social, societal and environmental responsibility in the various stages of Danone's businesses, from purchasing raw materials to recycling the packaging of finished products. To evaluate the subsidiaries' level of maturity with regard to sustainable development, the Danone Way program measures their performance in terms of their compliance with these best practices. This program is verified by an independent third-party organization.

Each year, every subsidiary self-assesses its sustainable development performance based on 17 key social responsibility practices, organized into the following five areas:

- human resources fundamentals (forced labor, child labor, social dialogue, workplace health and safety and working time);
- One Danone (skills development, training and diversity);
- environment (environmental footprint management, environmental risk control, raw materials management and reduction of the environmental footprint of packaging);
- health and nutrition (quality management and product and communication standards);
- governance (business conduct policy, social responsibility applied to suppliers and integration of a sustainable development strategy developed jointly at the local level).

WISE "Work In Safe Environment"

WISE is a global program implemented by Danone since 2004 which aims to develop a robust health and safety culture in all its subsidiaries and reduce workplace accidents.

This program defines health and safety rules and best practices. It is deployed at all the Divisions around the world, at the plants and logistics warehouses and in distribution. It also applies to subcontractors working at Danone sites. The program is led by the Human Resources Department, with designated managers at each level: Division, subsidiary and site.

To ensure that the health and safety culture is disseminated, the WISE program relies on WISE audits to evaluate the subsidiaries in the following 13 categories: integrated safety organization, communication, supervisor responsibility, ambitious objectives and indicators, dialogue and observations, gradual motivation, policies and principles, training, standards, support for safety personnel, accident surveys and analysis, visible engagement and involvement of management, and subcontractor management.

IUF agreements

Danone has signed framework agreements with the IUF (International Union of Food workers), beginning in 1988. As of December 31, 2015, nine global agreements and one European agreement between Danone and the IUF were in effect.

These agreements define rules and best practices, particularly with regard to diversity, social dialogue, steps to be taken for business changes impacting employment or working conditions, combating all forms of discrimination and encouraging diversity, trade union rights, and procedures for consulting employee representatives in the case of business changes with consequences for employment.

The latest global agreement between Danone and the IUF was signed on September 29, 2011 concerning health, safety, working conditions and stress, and is a follow-up to the framework agreement signed in 2010 with trade union organizations in France.

This agreement defines the following principles:

- consideration for the human consequences of change, in advance of major changes to the organization;
- preservation of the balance between personal and professional life;
- identification of ways to simplify work to improve efficiency as well as employee well-being;
- employee participation in safety-related preventive actions to ensure their safety as well as their right to remove themselves from a hazardous situation; and
- implementation of medical monitoring at all subsidiaries and sites.

These framework agreements between Danone and the IUF are implemented at each subsidiary and their application is evaluated jointly each year by a representative from Danone and a representative from the IUF.

RESPECT

The RESPECT policy aims to protect the Sustainable Development Principles across Danone's entire supply chain and in particular with regard to Danone's major suppliers.

This policy was launched in 2005 and has been implemented since 2006 in all Divisions to ensure compliance with the seven fundamental labor principles formalized by Danone since 2001 based on standards defined by the International Labor Organization: (i) child labor, (ii) forced labor, (iii) non-discrimination, (iv) freedom of association and the right to collective bargaining, (v) workplace health and safety, (vi) working hours, and (vii) compensation. These principles are described in the section hereafter.

The RESPECT methodology is based on a system of controls that includes: (i) suppliers' signature of the Sustainable Development Principles, (ii) a map of supplier risks drawn up by purchasing managers, (iii) external labor audits of the most "at risk" suppliers, (iv) corrective action plans in case of non-compliance identified during the audit, and (v) monitoring of this action plan by Danone's purchasing managers.

RESPECT is based on a specific tool called Sedex (Supplier Ethical Data Exchange), a dedicated online information-sharing and pooling platform used by many companies in the food and beverage sector which allows their suppliers to (i) enter information regarding their production sites, sustainable development and societal responsibility policies, and (ii) share this information with several customers at once.

In 2009, the scope of the RESPECT policy was expanded to include environmental and ethical sections.

Based on these three pillars –social, environmental and ethical– RESPECT constitutes a global policy for managing sustainable development standards with suppliers.

Food Nutrition Health Charter

Danone's Food Nutrition Health Charter describes the concrete policies that result from Danone's mission of "bringing health through food to as many people as possible." This charter, implemented in 2005 and updated in 2009, formalizes Danone's five commitments. These commitments address the concerns of authorities on food-related public health issues.

The five commitments include:

- proposing nutritional solutions that are continuously tailored to nutritional needs and recommendations, local tastes and incomes;
- developing products with relevant, scientifically proven health benefits;
- informing consumers clearly and advertising responsibly;
- promoting healthy diet and lifestyle;
- addressing major societal challenges related to health and nutrition.

5.2 INFORMATION CONCERNING DANONE'S SOCIAL, SOCIETAL AND ENVIRONMENTAL PERFORMANCE IN COMPLIANCE WITH THE GRENELLE II LAW

This section presents information concerning Danone's social, societal and environmental performance in compliance with the provisions of Article 225 of law No. 2010-788 of July 12, 2010 ("Grenelle II") and its implementing decree.

Scopes and definitions related to Danone's social, societal and environmental performance data are described in the *Methodology Note*, at the end of this section.

TABLE OF CONTENTS

Social information **174**
Employment 174
Work organization 176
Social relations 177
Health and safety 177
Training and employee development 179
Equal treatment 180
Promotion of and compliance with the fundamental conventions of the ILO 181

Environmental information **182**
General environmental policy 182
Pollution and waste management 184
Sustainable use of resources 185
Climate change 188
Protecting biodiversity 190

Societal information **191**
Regional, economic and social impact of Danone's activities 191
Relationships with people and organizations with an interest in Danone's activities 191
Subcontracting and suppliers 192
Fair trade practices 193
Initiatives in favor of human rights 194

Methodology Note **194**
Consolidation scope and coverage 194
Data collection 195
Information regarding methodologies 195

Independent verifier's report on consolidated social, environmental and societal information presented in the management report **198**

Social information

Employment

Danone's workforce

As of December 31, 2015, the workforce of all Danone's fully consolidated companies was 99,771 employees (99,927 as of December 31, 2014). This data covers the Group Total Workforce Scope as defined in the *Methodology Note*.

Breakdown by geographical area and by Division

Total number of employees, breakdown by geographical area and by Division for the Social Indicators Scope, excluding the subsidiaries that did not report social indicators other than the total workforce (see Methodology Note)

Year ended December 31

	2014	2015
Total Workforce [a]	**93,925**	**99,771**
By geographical area		
France	9%	9%
Rest of Europe	30%	27%
China	11%	10%
Rest of Asia Pacific	18%	18%
North and South America	28%	27%
Africa and Middle East	4%	9%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	40%	40%
Waters	40%	39%
Early Life Nutrition	13%	13%
Medical Nutrition	6%	6%
Central function	1%	2%
Total	**100%**	**100%**

(a) Social Indicators Scope (see *Methodology note*).

Workforce by age and gender

By gender

Year ended December 31

	Women		Men		Total	
	2014	2015	2014	2015	2014	2015
Total Workforce [a]	**29,311**	**29,331**	**64,614**	**70,440**	**93,925**	**99,771**
Percentage of the total [a]	31%	29%	69%	71%	100%	100%

(a) Social Indicators Scope (see *Methodology Note*).

By age

As of December 31, 2015, more than 88% of Danone employees (Social Indicators Scope, see *Methodology Note*) were under age 50.

Year ended December 31

Workforce percentage [a]	2015
< 20 years old	0.5%
from 20 to 29 years old	24.0%
from 30 to 39 years old	39.6%
from 40 to 49 years old	24.2%
from 50 to 59 years old	10.5%
> 60 years old	1.2%
Total	**100.0%**

(a) Social Indicators Scope (see *Methodology note*).

By geographical area

As of December 31, 2015, less than 20% of all employees in Western Europe, North America and Africa and the Middle East were under age 30, while employees under age 30 in the other geographical areas accounted for 26% to 29% of the workforce.

Year ended December 31

			2015
Workforce percentage [a]	Less than 30 years old	From 30 to 49 years old	50 years and older
Africa and Middle East	18%	70%	13%
Asia-Pacific	28%	67%	5%
Eastern Europe	26%	61%	14%
Western Europe	16%	57%	26%
Latin America	29%	65%	6%
North America	15%	59%	26%

(a) Social Indicators Scope (see *Methodology Note*).

New hires and dismissals

In a tense international economic environment, Danone must adjust as necessary to changes in the market, projects and competition and adapt its organization in order to return to sustainable growth and ensure its long-term viability. An ongoing social dialogue regarding the impacts of these adjustments on employment is part of an employee support system designed to minimize these impacts. Alternative solutions to layoffs are routinely sought, such as changing the organizations and related activities, discontinuing the use of temporary workers, re-insourcing activities and providing training or leave periods. When layoffs become inevitable, a significant employee support system is set up to minimize the consequences for individuals. The continued employment of workers following the sale of several sites has therefore been made possible by the guarantees implemented by Danone.

In 2015, there were 7,010 dismissals compared to 8,773 in 2014 (Social Indicators Scope, see *Methodology Note*) along with 13,662 new hires.

Compensation and promotion

Compensation

Danone fosters competitive and equitable compensation based on its own system of evaluating and classifying jobs to support human resources development worldwide and create an individualized compensation management approach that takes into account the local requirements and situations of the various subsidiaries.

This policy is updated annually within each subsidiary based on market studies by country of external compensation levels and on decision-making tools and processes that guarantee equitable compensation. Median salaries by classification level and wage increase rules are defined relative to local job market conditions and subsidiaries' needs, and based on the ability of Danone's subsidiaries to generate growth and profits, as well as employment performance.

Moreover, the compensation policy is based on an overall compensation approach related to economic, social and managerial performance goals (see section 6.3 *Compensation and benefits of corporate officers and governance bodies*).

Incentive and profit-sharing plans for employees of certain Danone companies

The Company's employees benefit from a three-year profit-sharing plan, which was renewed in 2014 and is mainly based on the Group's results.

Danone's other French subsidiaries and some of its foreign subsidiaries have implemented employee profit-sharing and/or incentive plans based on their own results.

In 2015, expenses recognized by Danone and its fully consolidated subsidiaries in connection with employee incentive and profit-sharing plans totaled €114 million (€99 million in 2014).

Employee shareholding and Company Savings Plan for certain Danone companies

The employees of Danone's French subsidiaries may subscribe for an annual capital increase as part of a Company Savings Plan. The share subscription price corresponds to 80% of the average listed Danone share price during the 20 trading days prior to the Board of Directors' meeting at which the capital increase is approved (see section 7.3 *Authorization to issue securities that give access to the share capital).*

Retirement commitments, retirement indemnities and personal protection

Danone contributes to state-sponsored and/or private retirement funds to build up its employees' retirement benefits, in accordance with the laws and customary practices of countries where its companies operate. As no actuarial liability exists, no provision is recorded for these retirement benefits in the consolidated financial statements.

Danone also has contractual commitments related to supplementary retirement, severance pay, retirement indemnities and personal protection, most of which are managed by independent funds responsible for their service and fund administration, where applicable. These commitments take the form of defined contributions or benefits. Commitments related to defined benefits generate an actuarial liability, which results in a provision being recorded in the consolidated financial statements.

The amount provisioned for these commitments as of December 31, 2015 and the expenses for the year are presented in Note 7.3 to the consolidated financial statements.

Work organization

Organization of working hours

The organization of working hours varies according to the local environment of each subsidiary, with different work schedules, such as employees opting for a transition to part-time work (number of work hours below that legally defined for full-time employment or the number of hours generally worked at the subsidiary) or the implementation of work-at-home practices at various Danone companies, which helps to improve the employees' quality of life.

Breakdown of full-time and part-time employees by geographical area and by Division

Year ended December 31

	Full-time employees		Part-time employees	
Workforce percentage [a]	**2014**	**2015**	**2014**	**2015**
By geographical area				
Africa and Middle East	99.7%	99.7%	0.3%	0.3%
Asia-Pacific	98.6%	99.5%	1.4%	0.5%
Eastern Europe	97.7%	97.6%	2.3%	2.4%
Western Europe	86.2%	86.9%	13.8%	13.1%
Latin America	99.6%	99.5%	0.4%	0.5%
North America	98.3%	99.1%	1.7%	0.9%
By Division				
Fresh Dairy Products	97.9%	98.2%	2.1%	1.8%
Waters	97.2%	98.0%	2.8%	2.0%
Early Life Nutrition	94.6%	95.0%	5.4%	5.0%
Medical Nutrition	90.3%	90.1%	9.7%	9.9%
Corporate functions	91.6%	93.6%	8.4%	6.4%

(a) Social Indicators Scope (see *Methodology Note*).

Danone also promotes the application by its subsidiaries of best practices for work organization, particularly through the Danone Way initiative based on the "Working hours and Organization" key practice (see section 5.1 *Danone social, societal and environmental approach*), which includes:

- evaluating the policies implemented by the subsidiaries, particularly with regard to introducing procedures and information systems for measuring work time, employee surveys to assess workload, and targeted action plans if excess work time is noted with regard to the standards set or wishes expressed by employees;
- monitoring indicators such as average weekly time worked per employee (including overtime) and the number of days off per week for each employee.

Absenteeism

The absenteeism rate (see *Methodology Note*) was estimated at 2.3% in 2015. Given the limited availability of information in certain countries, Danone made estimates for this indicator as of December 31, 2015.

The absenteeism rate was used in 2015 to assess the benefit of a systematic program to promote health and quality of life at the workplace, which would result in a lower illness-related absenteeism rate.

Social relations

Organization of social dialogue

The attention given to its employees and the desire to ensure their best possible growth in a fast-changing economic environment are at the heart of Danone's culture and its dual economic and social project. Social dialogue is therefore one of the key elements to Danone's long-term success as well as a means of supporting its transformation to benefit the company's performance.

Social dialogue at Danone is organized around:

- a worldwide social dialogue body: the Information and Consultation Committee (ICC) and its Steering Committee (*Comité de Pilotage – COPIL*);
- the negotiation and monitoring of international framework agreements with the IUF (International Union of Food Workers), see section 5.1 *Danone social, societal and environmental approach*;
- active social dialogue at Danone's subsidiaries with union and employee representatives.

Danone also promotes the application by its subsidiaries of best practices related to social dialogue, particularly through the Danone Way initiative based on the "Social Dialogue and Employee Involvement" key practice (see section 5.1 *Danone social, societal and environmental approach*), which includes:

- evaluating the policies implemented by the subsidiaries, particularly with regard to the application of the IUF agreement on social dialogue, the creation of a favorable framework for social dialogue, the organization of elections for independent employee representatives, and the organization of discussions with employee representatives and negotiation of agreements;
- monitoring indicators such as the number of economic and employment information sessions for all employees, the proportion of employees represented by employee representatives and the number of annual meetings between site management and employee representatives.

Review of collective agreements

Nine global agreements between Danone and the IUF were in effect as of December 31, 2015 (see section 5.1 *Danone social, societal and environmental approach*). They mainly concern diversity, social dialogue and steps to be taken when changes in business activity affect employment or working conditions. The most recent agreement was signed on September 29, 2011 and addresses health, safety, working conditions and stress.

The nine global agreements are deployed at each Danone subsidiary and their application is jointly assessed each year at several subsidiaries by a representative from Danone and a representative from the IUF. Between 2009 and 2015, more than 50 visits were made to fully consolidated subsidiaries.

Three European agreements were also signed over the last three years to support the implementation of the organizations' savings and adaptation plan in Europe and, in particular, the industrial facilities of the Fresh Dairy Products Division.

In addition, collective agreements may also be signed at the subsidiary and country level, such as the amendment to the agreement on the donation of leave time for a seriously ill child or spouse signed in April 2015 for Danone Produits Frais France (Fresh Dairy Products, France) or the extension of the agreement on work-at-home for Danone SA (Danone's parent company).

Health and safety

Workplace safety

Since 2004, Danone has been committed to a worldwide program known as WISE (see section 5.1 *Danone social, societal and environmental approach*), with the goal of developing a safety culture at all its sites in order to significantly reduce the number of workplace accidents. This program is implemented worldwide in each Division, in the plants and logistics warehouses, and within the distribution channel. It also applies to subcontractors working at Danone sites.

Danone decided to enhance the WISE program, renamed Wise², with more far-reaching goals by 2020: zero fatal accidents and a reduction by half of the number of workplace accidents with medical absence compared to the reference year 2014. To this end, Wise² aims to ensure Danone's compliance with its higher safety at work standards and promote a more comprehensive prevention approach that includes, in particular, health risks, ergonomics and well-being in the workplace.

The WISE program and health and safety management are coordinated by the Human Resources Department with the support of designated managers at each level of Danone's organization.

Workplace accidents

The annual frequency rate of workplace accidents with medical absence (FR1 rate, see *Methodology Note*) rose slightly from 1.9 to 2.0 between 2014 and 2015. Danone's 2015 severity rate (SR rate, see *Methodology Note*) for workplace accidents with medical absence was 0.1 for the Safety Scope (see *Methodology Note*).

For the past three years, Danone has expanded its workplace accident management to include accidents with and without medical absence through systematic monitoring of the FR2 rate (accident frequency rate without medical absence). Danone now manages safety improvements at each of its sites and subsidiaries by measuring the decline in both types of accidents.

In 2015, the continued improvement in the results of the Waters division (-20%) and of the Early Life Nutrition division (-14%) helped limit the increase in Danone's FR1 rate (+5%) despite the integration of Centrale Danone (Fresh Dairy Products, Morocco), whose FR1 rate was 5.9. At constant scope, Danone's FR1 rate decreased by 10%.

Danone's 2015 frequency rate (FR2 rate, see *Methodology Note*) for workplace accidents without medical absence was 3.5 for the Safety Scope (see *Methodology Note*).

Number of fatal accidents, number of accidents with at least one day of medical absence and frequency rate 1 by Division

Year ended December 31

	2014			2015		
(in number of accidents except frequency rate)	Fatal accidents [a]	Accidents with at least one day of medical absence [a]	Frequency Rate 1 (FR1) [a]	Fatal accidents [a]	Accidents with at least one day of medical absence [a]	Frequency Rate 1 (FR1) [a]
Fresh Dairy Products	–	195	2.4	–	258	2.9
Waters	3	86	1.0	–	72	0.8
Early Life Nutrition	–	64	2.3	–	53	1.9
Medical Nutrition	–	26	2.4	–	25	2.3
Central functions	–	28	6.5	–	31	6.8
Total	**3**	**399**	**1.9**	**–**	**439**	**2.0**

(a) Safety Scope (see *Methodology note*).

Working conditions

Use of the WISE program to promote improved working conditions

For the past three years, as an extension of the WISE program (see section 5.1 *Danone social, societal and environmental approach*) and due to the increase in musculoskeletal disorders resulting from workplace accidents at various types of Danone sites, working conditions form an integral part of the safety action plans.

The initiatives begun over the past several years have been continued in terms of:

- training: motion and posture training, ergonomics training for technical and engineering teams and training on risks associated with the use of chemicals;
- workstation adaptations;
- new project design: dedicated investments and participatory projects;

and have been expanded in the following areas:

- measures for employee turnover and working hours (local distribution);
- engineering guidelines at the Fresh Dairy Products Division, currently being disseminated to the other Divisions.

Deployment of human feasibility studies

The agreement signed in September 2011 with the IUF on health, safety, working conditions and stress (see section 5.1 *Danone social, societal and environmental approach*) stipulates that planning for the human consequences of major organizational changes is a factor in maximizing the success of these changes and preventing their potential negative impacts on employees' working conditions.

The "human feasibility studies" carried out pursuant to this agreement and intended to analyze, manage and monitor the human components of organizational projects continued in 2015 as part of the local projects of the various subsidiaries and projects related to Danone's transformation.

Work-related illness

The rate of work-related illness and associated absenteeism are monitored only at the local level, mainly to take each country's legislation into account.

Health at work

Danone undertakes initiatives aimed at promoting and developing health and well-being at work.

Ensure the health and well-being of Danone employees by promoting good nutrition and a healthy lifestyle

Danone has also promoted health through food among its employees for several years through its subsidiaries' *Health@Work* initiatives (training, sports rooms, workplace nutritionist, discussions, etc.).

Most subsidiaries have rolled out programs at the workplace to encourage employees to take responsibility for their health through a balanced diet and regular physical activity.

Provide quality social welfare and medical coverage to all employees, notably through the Dan'Cares program

In 2010, Danone launched the Dan'Cares program, with the goal of providing all Danone employees with basic healthcare coverage: hospitalization and surgery, maternity care, medical exams and pharmacy services.

Dan'Cares' specificity lies in its scope of application: it is designed to be implemented in all Danone subsidiaries, including in countries where such coverage is not traditionally provided (for example, maternity care). All employees are covered, including those with long-term, short-term and in some cases temporary contracts.

In some countries, employee healthcare coverage is also valid for their families.

In 2012, Danone conducted an assessment of healthcare coverage in effect at all fully consolidated subsidiaries in order to expand Dan'Cares coverage to all countries where Danone operates.

As of the date of this Registration Document, 70,000 employees in 25 countries had healthcare coverage in line with the standards defined by Dan'Cares, including 40,000 employees whose coverage resulted from the action plans launched since 2011; the actions carried out in 2015 focused mainly on the implementation of Dan'Cares in Russia.

Prevent work-related stress and improve quality of life at work

In the spirit of the agreement signed with the IUF in September 2011 (see section 5.1 *Danone social, societal and environmental approach*), Danone increasingly addresses issues of workplace health and safety and working conditions, along with stress prevention in the workplace through preventive measures applied to all subsidiaries.

Since 2012, self-assessment by the subsidiaries based on the content of the agreement signed with the IUF and the development of a prioritized action plan have been integrated into the Danone Way "Health, Safety and Working Conditions" key practice (see section 5.1 *Danone social, societal and environmental approach*).

More recently, Danone has made a commitment to building on the success of its WISE program, renamed Wise[2], along two lines: increased compliance with its work safety standards and systematic development of health and quality of life at work as an integral part of its vision by 2020.

In 2015, several working groups have focused on compiling existing initiatives and laying the groundwork for the systematic promotion of health and quality of life at work.

Certain basic elements of this approach are already being implemented (e.g. feedback units, assistance programs, training, project-related human feasibility studies, work safety standards, health and well-being measures, surveys, etc.).

Danone is aware that developing a culture of health and quality of life at work entails a dramatic shift in the mentalities and work practices of individuals, teams and the entire Company. This shift will require time and perseverance, but Danone is convinced that it will ensure the consistency and solidity of its mission of bringing health through food to as many people as possible and, therefore, the Company's long-term success. In this context, more and more initiatives are being implemented:

- certain subsidiaries have established workplace health committees to enable formal coordination of initiatives for quality of life at work, in concert with the trade unions;
- the creation of committees to detect situations of workplace isolation, in order to anticipate risk situations and implement multidisciplinary prevention measures, continues in a growing number of sites;
- management training programs are gradually being enhanced with stress detection and prevention modules for team managers. Specialized coaches are made available to some teams to remedy situations that have deteriorated;
- in 2015, the implementation of the One Danone transformational program resulted in the systematic implementation of psychosocial risk prevention initiatives during periods of change.

Training and employee development

Develop the employability of all employees

Ensuring the development and employability of all its employees is one of Danone's priorities. Danone therefore ensures that all employees receive regular training, sets up effective work structures that combine well-being and efficiency, and develops its employees' autonomy.

In 2015, 86,319 employees participated in at least one training course (83,366 in 2014 for the Social Indicators Scope, see *Methodology Note*) and a total of 2,488,184 training hours were provided (2,329,650 hours in 2014 for the Social Indicators Scope, see *Methodology Note*). Training was provided to 86% of employees (82% in 2014 for the Social Indicators Scope, see *Methodology Note*), which represented 25 training hours per person trained (23 hours in 2014 for the Social Indicators Scope, see *Methodology Note*).

Making Danone training programs available to as many employees as possible

Danone seeks to reach a maximum of employees through the *Danone Academy* training programs.

First, Danone gives priority to functional training courses developed and offered internally by Danone managers from various functions and countries. Danone invests in a structured network of in-house trainers, as well as in appropriate training materials and tools, to encourage local implementation of these courses and facilitate access to a maximum number of people.

Danone has also developed training kits in the area of management, which are distributed to the human resources and training managers in the various countries in order to strengthen the quality of local management (for example, via the "proximity management at Danone" program) and make available cross-functional training topics such as finance for non-financial staff, project management and welcoming new employees.

Additional training courses are provided in a corporate university format, the *Danone Academy Campuses*. These universities combine training, networking and exposure to general interest topics such as leadership and digital transformation. In 2015, nine regional *Danone Academy Campus* events were organized (Europe, Asia-Pacific, Americas, Africa and Russia). In addition, two *"Campus for all"* pilot projects were launched, with the goal of mobilizing a larger number of employees, particularly "non-managers": one in Indonesia (more than 1,700 employees impacted) and another in Mexico (more than 13,000 employees impacted).

Finally, numerous training programs were launched in digital format (*e-learning* modules, short topical modules using videos and editorial resources, etc.) to make them more accessible.

To spread these programs, Danone continued the global implementation of a "Campus 2.0" Web platform in order to:

- provide employees with digital training materials;
- facilitate the sharing of knowledge and best practices among employees.

At the end of 2015, this platform, which has been operational since October 2013, covered 93% of Danone's subsidiaries; 32,000 employees have used it, i.e. 56% of employees with computers, and 15,000 employees have accessed it through e-learning modules.

Danone Leadership College (DLC)

In addition to the functional training courses, Danone launched the Danone Leadership College (DLC) training module in 2008 with the goal of enhancing the autonomy and accountability of all employees and making Danone a "Great Place to Grow", where all employees can learn and grow. This program is based on the "Danone leadership model" known as "CODE" (Committed, Open, Doer, Empowered), which is based on the principle that every employee can develop leadership skills.

The DLC creates momentum in terms of operations, by uniting and extensively involving the teams in each subsidiary's strategy, and individual and collective management and leadership capabilities formalized around Danone's values.

Since 2011, Danone has extended the program to include more non-management employees within the local industrial and sales teams. In this regard, the "CODE in Action" program for operators at the production sites and the CODE program for the sales teams are deployed worldwide.

Promoting best training practices

Danone promotes in its subsidiaries the application of best practices related to training, particularly through the Danone Way initiative (see section 5.1 *Danone social, societal and environmental approach*), based on the "Training" and "Skills Development" key practices, which include:

- evaluating the policies implemented by the subsidiaries, particularly with regard to a training plan tailored to the subsidiary's needs, with a budget and information system dedicated to training, training policy, joint monitoring of employee development and training initiatives;
- monitoring indicators, such as the percentage of employees who received at least 24 hours of training during the year or had a formal individual meeting with their supervisors, or monitoring the number of Danone in-house trainers.

Equal treatment

Diversity

Since 2007 with the signing of the Global Agreement with the IUF, Danone has committed to promote equal opportunity and greater diversity within its organization.

Danone's Chief Executive Officer and Executive Committee promised to meet the following objectives within five years:

- 30% female executives;
- 30% of executives representing emerging markets;
- 30% of executives who were exposed to several product categories and several functions.

In addition to establishing these indicators, in 2015 Danone undertook several initiatives aimed at diversifying the teams by building a more inclusive company:

- the career management tools were updated to allow all employees to express their talents and professional aspirations regardless of their existing career paths; a growth conversation for all 100,000 employees will take place by 2020 to encourage career path diversity;
- a methodology designed for the executive committees called "High Performing Diverse Teams" was developed in 2015 and tested on a pilot basis in a few countries to measure the positive impacts of diversity within a team;
- studies are being carried out in the areas of technology, ways of working, employment contracts and organizational models with a view to promoting diversity and the emergence of new ways to approach one's career path.

Moreover, to ensure that all its subsidiaries are committed to promoting equal opportunity and diversity, Danone monitors, through its Danone Way initiative (see section 5.1 *Danone social, societal and environmental approach*) progresses related to:

- statistical analysis of the human resources processes and the objectivity of the human resources practices and processes;
- the development of a managerial culture and knowledge of diversity issues;
- communication and mobilization around diversity-related matters.

Social dialogue

Local agreements have been signed by some subsidiaries with trade unions to combat discrimination and encourage diversity, with the worldwide agreement signed in 2007 with the IUF (Diversity agreement) serving as a basis for discussion and dialogue between employees and management (see section 5.1 *Danone social, societal and environmental approach*).

In particular, agreements that promote gender equality have been signed in recent years, or are about to be signed, in many subsidiaries, including in France. These agreements primarily concern equality in hiring and internal promotion, training, wage equality and measures that support personal/professional life balance such as work-at-home or parenting.

Several agreements aimed at promoting the integration of all generations working at the Company exist within the subsidiaries. In the French subsidiaries, for example, there are agreements on the management of employment for seniors and intergenerational agreements to promote the transfer of knowledge and skills.

Training

Danone promotes diversity awareness among employees, from the time they join the Company during the orientation seminar and throughout their professional career, through management training courses. In France, for example, the "SESAME/*Proximity Management* at Danone" training for supervisors includes a diversity module.

Gender equality

Danone closely monitors changes in the percentage of women in the overall workforce and by hierarchical level.

The proportion of Danone managers, directors and senior executives who are women continued to grow in 2015. It went from 26% in 2009 to 34% in 2015.

Danone achieved these results mainly as a result of its "Women Plan" program launched in 2009 and implemented in all the subsidiaries (through the Danone Way initiative, see section 5.1 *Danone social, societal and environmental approach*), which is based on organizational and individual factors, as described hereafter.

Organizational

At the organizational level, Danone has implemented the following measures:

- measures supporting flexible working hours for men and women;
- wage equality.

Individual

At the individual level, Danone has implemented the following measures:

- support for women through ad hoc training programs (*Women in Leadership*), networking (EVE seminar, *DSN Women Network@ Danone* community, EVE the blog) and mentoring (Eve2Eve);
- inclusion of men in the diversity approach (participation in EVE seminars, opening of women's networks to men).

In late 2010, Danone created the EVE seminar along with several partner companies around the theme of "Dare to be yourself in order to act." This seminar, which includes both women and men, is now a benchmark in the area of awareness-raising and personal development on the topic of female leadership.

Generational diversity

In 2015, Danone pursued two major intergenerational initiatives:

Octave seminar

The inter-company Octave seminar was introduced by Danone in 2012 as a follow-up to the EVE seminar. Octave is a training course that addresses corporate transformation in the digital age by involving all generations. The aim of this program is to make each employee an agent of change in an ever-changing world. This seminar is held each year.

Gen D program

This program launched by Danone in 2012 aims to share the Danone culture with Danone's youngest workers (employees under age 30) and increase their contact with Danone's senior executives. It is held twice a year.

Disabilities

In France, the percentage of persons with disabilities employed by Danone was 3.8% in 2015 (data consolidated each year in February of the following year).

This figure covers a variety of situations in terms of degree of advancement and integration policy for workers with disabilities, based in particular on the stringency of applicable local laws. Some subsidiaries have signed specific three-year agreements with trade unions, thereby demonstrating their long-term commitment in this area.

Promotion of and compliance with the fundamental conventions of the ILO

Danone's commitment to comply with and promote the fundamental conventions of the International Labour Organization (ILO) has been formalized, implemented and promoted among employees and suppliers through a variety of means and in several phases.

In 2003, Danone became a member of the United Nations Global Compact, which integrates the fundamental conventions of the ILO, and reconfirmed its commitment in 2009.

Additionally, in 2005, the seven Fundamental Social Principles (abolition of child labor, abolition of forced labor, principles of non-discrimination, freedom of association, workplace health and safety, working hours and compensation) defined in the ILO's conventions were the subject of an agreement between Danone and the IUF (see section 5.1 *Danone social, societal and environmental approach*).

Proper application of these principles by Danone's subsidiaries is verified through audits carried out jointly by Danone and the IUF (see section *Review of collective agreements* above).

These principles are also implemented through the Danone Way initiative, which includes a Human Resources Fundamentals component and for which the prerequisite is the abolition of forced labor and child labor (see section 5.1 *Danone social, societal and environmental approach*).

These seven Fundamental Social Principles also form the basis of the RESPECT initiative launched in 2005, one goal of which is to extend these principles to Danone's suppliers (see section 5.1 *Danone social, societal and environmental approach*). The RESPECT initiative is applied by evaluating and, if necessary, auditing supplier practices in all these areas.

Lastly, these commitments are rolled out to all Danone employees through a code of ethics known as the Business Conduct Policy, which is based on a certain number of principles that refer to the following international instruments:

- the Universal Declaration of Human Rights;
- the fundamental conventions of the International Labour Organization;
- the guiding principles of the Organization for Economic Cooperation and Development for multinational companies;
- the Global Compact on Human rights, labor rights, environmental protection and anti-corruption.

Environmental information

General environmental policy

Danone's action is at the heart of the nutrition supply chain which extends from the production of agricultural raw materials and water use to product end-of-life, and includes industrial processing, packaging, transport and distribution.

Danone adopted an Environmental Charter in 1996 and established goals and a 10-year roadmap in 2000. In 2008, Danone strengthened its commitment by setting a goal of reducing its greenhouse gas emissions intensity by 30% in five years for operations under its direct responsibility. This goal was exceeded at the end of 2012. In 2013, Danone raised this goal to more than 50% by 2020 in order to stabilize emissions while continuing to increase sales. At the end of 2015, the rate of reduction was 46.4%.

Danone has identified four key areas around which the Nature plan for 2020 is centered: climate (1), water (2), packaging (3) and agriculture (4):

- (1) Fight climate change by reducing Danone's footprint while helping nature sequester carbon;
- (2) Protect water resources, particularly when water is scarce, and use it in harmony with the local ecosystems and communities;
- (3) Transform waste into a resource and use materials made from sustainable resources;
- (4) Promote and encourage agriculture that produces a healthy, balanced diet while at the same time remaining competitive, creating economic and social value and respecting natural ecosystems.

Each of these areas includes ambitious initiatives: in some cases, Danone is already engaged, while others open up new frontiers and create new targets.

In 2015, Danone published its climate policy, which defines a path for reducing its greenhouse gas emissions and contributing to a "carbon-free" economy. For Danone's entire scope of emissions, the target is zero net carbon in the long term and the strategy consists of five key objectives:

- reduce emissions intensity by 50% between 2015 and 2030;
- encourage "carbon positive" solutions;
- eliminate deforestation of the supply chain by 2020;
- strengthen the resilience of the water and food cycles;
- offer healthy, sustainable products.

The climate policy and the commitments made by Danone under its Nature 2020 plan are formalized in a report available at www.danone.com in the "Publications" section.

Danone organization to address environmental issues

Organization

The implementation of the Nature strategy and Danone's Nature 2020 commitments is supported by a Nature Department that reports directly to a member of Danone's Executive Committee: Pascal DE PETRINI, Executive Vice-President *"Strategic Resource Cycles"*, and Nature directors at each of the Divisions.

Danone has also developed a network of more than 100 environmental correspondents in its subsidiaries. In each subsidiary, a "Carbon Master" is responsible for the "Carbon Plan", which includes measuring greenhouse gas emissions, defining and overseeing action plans to reduce these emissions and communicating with the Divisions and the Danone Group.

Lastly, since 2010 Danone has held strategic discussions focusing on Nature together with a panel of outside experts, opinion leaders and NGOs (Board of Nature stakeholders) in order to continuously optimize its priorities and long-term plans.

Information systems

Danone has collaborated with information systems developer SAP to develop an innovative solution to measure its products' carbon footprint. Based on an analysis of the product's life cycle and on the operational monitoring of these various stages, this application makes it possible to measure the carbon footprint of each product. This module was successfully validated for two pilot entities in 2010 and deployed in 2011 in the subsidiaries equipped with the SAP/Themis integrated information system (see section 2.5 *Other information related to Danone's activity and organization*). As of the end of 2015, 24 subsidiaries representing 35% of Danone consolidated sales measured their carbon footprint using this tool.

Internal evaluation

The progress of the various subsidiaries is evaluated and audited annually through the Danone Way initiative, in which four of the 17 key practices pertain to the "Environment" (see section 5.1 *Danone social, societal and environmental approach*).

External evaluation

Danone is evaluated by various non-financial rating agencies:

- since the last evaluation of companies in the food and beverage sector, conducted in February 2015 by the Vigeo non-financial rating agency, Danone has been included in the ESI Excellence Europe, ESI Excellence Global, NYSE Euronext Vigeo Europe 120, NYSE Euronext Vigeo Eurozone 120, NYSE Euronext Vigeo France 20 and NYSE Euronext Vigeo World 120 indices. With a CSR (Corporate Social Responsibility) score of 64/100, Danone is considered an "advanced performer" and remains the leader in the food and beverage sector in terms of environmental performance (Vigeo's Global Food Universe);
- in 2015, Danone was recognized by the DJSI (Dow Jones Sustainability Index, which each year selects the best performing companies based on criteria such as social responsibility, innovation and economic performance), as a benchmark company in the food and beverage sector, particularly in terms of packaging, water-related risk management and health and nutrition;
- in 2015, Danone received a B rating for environmental performance and a transparency score of 98 from the Carbon Disclosure Project.

Certification
Danone bases its environmental management policy on the international ISO 14001 standard. ISO 14001 certification is therefore a pre-requisite set by Danone to obtain the top performance rating during GREEN environmental risk audits (see section *Resources devoted to preventing environmental risks and pollution* hereafter).

Percentage of ISO 14001-certified sites

Year ended December 31

(in number of sites except percentage)	**2014**	**2015**
Total number of sites in the Production Site Environment Scope [a]	179	186
Total number of ISO 14001-certified sites in this Scope [a]	89	92
Percentage of ISO 14001-certified sites in this Scope [a]	50%	**49%**

(a) Production Site Environment Scope (see *Methodology Note*).

This change is mainly due to the changes in scope following the addition in 2015 of 16 new industrial sites and the removal of nine sites (see *Methodology Note*).

Employee training and information initiatives in environmental protection

Danone has developed training and information modules (i) tailored to the needs of the various businesses and functions, and (ii) consistent with its environmental commitments, mainly through:

- sustainability Land, a program that helps the management committees of subsidiaries to define their strategies and goals by incorporating local sustainable development issues (environmental, social and societal issues);
- a "Nature" training module developed and made available through "Danone Campus" (see section *Training* above). This module is intended primarily for the Carbon Masters, but is also open to other Company functions. The Carbon Masters also participate in videoconferences held by Division on a monthly or quarterly basis in order to coordinate and manage their initiatives centered around the Nature priorities and goals for the year as defined by Danone;
- a website dedicated to environmental claims for use by the marketing and communications teams and created by Danone is available at all subsidiaries that communicate on Nature issues to ensure that they have all the information needed for responsible communication regarding their environmental initiatives and to share best practices. This website was developed in cooperation with the British "anti-greenwashing" agency Futerra;
- sharing best practices with the industrial and supply chain teams, particularly through (i) the creation of Nature Campus, with the primary aim of helping experts from each plant implement best practices in various areas (reducing raw material losses, reducing energy and water consumption, managing waste) in the Fresh Dairy Products Division, (ii) the Energy network (with one expert per plant), which aims to reduce energy and water consumption in the Early Life Nutrition Division, and (iii) the development of documents listing best environmental practices illustrated by case studies in the Fresh Dairy Products and Waters Divisions.

Other information channels

Danone uses new media and has launched *"Down to Earth,"* a blog specifically dedicated to sustainable development which is accessible both internally and externally. The goal is to share Danone's vision and innovative experiences in the field of sustainable development and corporate social responsibility.

Resources devoted to preventing environmental risks and pollution

Information on risk management, particularly with respect to risks related to weather conditions and seasonality and industrial and environmental risks are detailed in section 2.7 *Risk factors*.

Global Risk Evaluation for the Environment (GREEN) program
In 1995, Danone defined environmental production standards for its products (*"Green Plants Program"*) and began using internal audits to check compliance with these standards in 1997.

In 2006, Danone began worldwide deployment of the GREEN project, a tool for monitoring the main environmental risks relating to the industrial sites (risks of accidents, reputation, non-compliance with environmental regulations).

As of December 31, 2015, 70% of Danone's industrial sites (Production Sites Environment Scope, see *Methodology Note*), i.e. 130 sites, were subject to an external GREEN audit at least once. Of these 130 sites, 54 were audited in 2015 and two-thirds of them were in compliance with the Company's standards (score of more than 800 out of 1,000).

Environmental investments and expenditures
In 2015, Danone's investments in environmental protection amounted to €24 million, approximately 3% of Danone's total capital expenditure.

The main categories of these investments in 2015 included:

- environmental compliance: waste treatment, wastewater treatment, treatment facilities, noise measurement, air quality, etc.;
- investments to reduce carbon emissions (energy savings, use of renewable energies, logistics and ecodesign of packaging).

Operating expenditures related to the environment amounted to €115 million in 2015. They included €55 million for waste, water and air quality management and for environmental taxes other than taxes on packaging. Taxes on packaging amounted to €51 million in 2015.

Provisions and guarantees for environmental risks

No significant provision for environmental risks and charges was recognized in Danone's consolidated balance sheet as of December 31, 2015 (as at December 31, 2014).

Pollution and waste management

Measures to prevent, reduce or repair direct discharges into the air, water and soil

Danone's activities result in discharges into the air (greenhouse gases and refrigerant gases, see section hereafter), water (wastewater) and soil (sludge from treatment facilities and the livestock farming at certain subsidiaries). These discharges are monitored under the GREEN program (see section *Global Risk Evaluation for the Environment (GREEN) program* above).

Quantities of Chemical Oxygen Demand (COD) after on-site treatment discharged by the production sites

Year ended December 31

	2014	2015
Final discharge of Chemical Oxygen Demand (COD) [a] *(in thousands of tons)*	6.4	6.3
Net COD ratio [a] *(kg/ton of product)*	0.20	0.18

(a) Production Site Environment Scope (see *Methodology Note*).

The Company's net Chemical Oxygen Demand (COD) (i.e. after treatment) per ton of product fell by 7.9% in 2015 relative to 2014. This decrease was mainly linked to the Poços de Caldas site in Brazil, which improved the performance of its facility.

On a like-for-like basis between 2014 and 2015 (see *Methodology Note*), this ratio fell by approximately 20.3%. This decline was due in part to the action plans implemented in 2015 at the subsidiaries responsible for the Company's highest pollution levels. These plans focused mainly on reducing "product losses" in wastewater and/or improving the facilities' purification efficiency.

Measures to prevent, recycle and eliminate waste

Waste management at Danone's production sites

Danone consolidates the quantities of waste generated by the industrial sites according to four categories (see *Methodology Note*): hazardous waste, non-hazardous inorganic waste, non-hazardous organic waste and wastewater treatment plant sludge (does not include product returns and whey, the latter being a by-product typically reused by a third party) and monitors the percentage of this waste when it is recovered. Such recovery may occur through recycling, reuse, composting or waste-to-energy conversion. The production sites seek to maximize their waste recovery rate by implementing the following measures: (i) organizing on-site waste sorting and staff training, (ii) finding subcontractors capable of recovering the various types of waste generated, and (iii) sharing best practices among sites.

Quantities of waste generated by Danone's production sites (including wastewater treatment plant sludge generated by production sites) (see Methodology Note)

Year ended December 31

	2014	2015
Waste generated [a]		
Total quantity *(in thousands of tons)*	307	331
Ratio of total quantity of waste per ton of product *(in kg/ton)*	9.6	9.7
Recovered waste [a]		
Total quantity *(in thousands of tons)*	256	272
Proportion of recovered waste *(in %)*	83.3%	82.1%

(a) Production Site Environment Scope (see *Methodology Note*).

The ratio of waste generated per ton of product increased by 1.4% between 2014 and 2015, primarily at the Poços de Caldas plant in Brazil.

The recovery rate fell slightly from 83.3% to 82.1% between 2014 and 2015 related to the impact of closures of production sites in 2015 (Hagenow, Germany, Budapest, Hungary and Casale, Italy).

Packaging end of life: turning waste into resources

Danone seeks to expand collection and recycling of its packaging in order to:

- continue to support efforts to increase collection and recovery rates for recycling in countries where waste collection is already organized by environmental agencies;
- when waste collection is not organized, contribute to the collection of materials used in the packaging of Danone products and experiment with new collection systems. Four projects initiated by the Danone Ecosystem Fund are currently underway (see section 5.3 *Funds sponsored by Danone*);
- develop the use of recycled packaging.

Monitoring noise pollution and other forms of pollution specific to a given business

Noise pollution at Danone's production sites is measured under the GREEN program (see section above).

Sustainable use of resources

Water consumption and water supply based on local constraints

Total water withdrawn from the surrounding area and protection of springs

Of the 71,365,000 m^3 of water withdrawn in 2015, Danone uses:

- 27,519,000 m^3 of water in the composition of its finished products, primarily at its bottling sites (compared to 25,826,000 m^3 in 2014);
- 43,811,000 m^3 of water for the production process (compared to 43,469,000 m^3 in 2014).

Water consumption at the production sites

Year ended December 31

(in thousands of m^3)	2014	2015
Well water withdrawn from the surrounding area [a]	44,634	48,602
Municipal water withdrawn from the surrounding area [a]	18,978	18,137
River water withdrawn from the surrounding area [a]	5,683	4,626
Total water withdrawn from the surrounding area [a]	**69,295**	**71,365**

(a) Production Site Environment Scope (see *Methodology Note*).

Moreover, in 2004 Danone developed an internal charter called "Groundwater Protection Policy" which is available at www.danone.com in the "Publications" section. This policy aims to ensure the sustainability of resources and protect and enhance the natural heritage of the sites. Danone's subsidiaries are committed to applying this policy through the following actions:

- know the resource's hydrogeology and the site's natural and human environment;
- develop sustainable relationships with local players and contribute to local development;
- take actions to protect each water resource based on local conditions;
- never withdraw more than what the resource can naturally produce;
- provide the necessary tools under the responsibility of a designated manager;
- periodically verify and assess that policy goals are being met.

These application principles are systematically evaluated for each spring and give rise to specific action plans. Site evaluation is conducted via SPRING (*Sustainable Protection and Resources managING*), an internal water resource management tool that covers the physical, regulatory and community management of aquifers (geological formations containing underground water) and their watershed. In 2013 and 2014, the Ramsar Convention (United Nations international convention for wetlands protection) and the IUCN (International Union for Conservation of Nature) assessed the SPRING method with the help of a panel of international experts. Thanks to this critical review, further progress was made and the desired consensus level for developing a sustainable and equitable resource management method was achieved.

Change in water consumption related to the production process

Water linked to the production process, for example cleaning water, is not part of products composition.

Water consumption intensity linked to the production process decreased by 5.4% in 2015 relative to 2014.

On a like-for-like basis, it decreased by 8.6% thanks mainly to productivity efforts and production transfers within the Fresh Dairy Products and Early Life Nutrition Divisions.

Danone's water consumption increased by 3.0% in 2015 relative to 2014, of which 6.6% consisted of increase of water used in product composition and 1.0% resulted from increase of water used in the production process.

On a like-for-like basis (see *Methodology Note*), Danone's total water consumption decreased by 1.4% in 2015 relative to 2014. This change was mainly due to a 2.8% improvement in productivity (ratio of total water consumption to production), which was partly offset by the impact of production growth, particularly in the Waters Division.

Water consumption related to the sites' production process

Year ended December 31

	2014	2015
Water consumption related to the production process [a] *(in thousands of m^3)*	43,469	43,811
Water consumption intensity related to the production process [a] *(in m^3/ton of product)*	1.36	1.29

(a) Production Site Environment Scope (see *Methodology Note*).

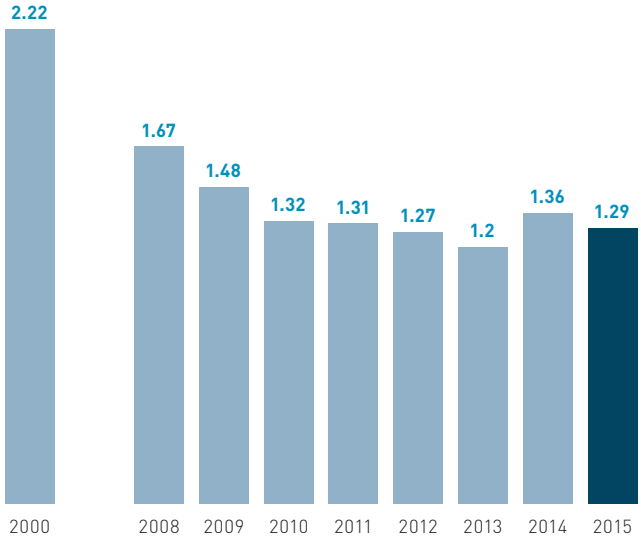
Within the Fresh Dairy Products Division, best practices, particularly the use of water in cleaning cycles, are consolidated in the NEPTUNE application and deployed on sites.

Within the Waters Division, the "WaterWatcher" tool allows monitoring of water use at the bottling sites and helps identify areas of improvement. This tool has been implemented in all the Division's sites.

The sites measure all quantities of water consumed for each use (production, cleaning, etc.) in order to identify loss-generating areas and come up with appropriate action plans to reduce these losses. The sites have annual targets to reduce their water losses. Their performance and rankings are published quarterly at each Division. Since 2008, approximately 25 million m^3 of water have been saved.

The following graph shows changes in water consumption intensity related to Danone's industrial process since 2000, for the reporting scope of each of the years concerned.

Water consumption intensity related to the production process
(in m^3/ton of product)



Calculation of the water footprint taking into account local water stress
In 2015, Danone continued its specific water footprint research, particularly as part of the WULCA (Water Use in Life Cycle Assessment) international research group.

This methodology for evaluating the water scarcity footprint takes into account:

- the inventory of consumption at each stage of product development (ingredients, containers, production and packaging), transport, consumer use and end of life;
- local water stress factors (water stress is defined as the potential to deprive another user, human or ecosystem by consuming water in the area in question).

This methodology is already implemented in the Waters Division and a pilot project was successfully conducted in 2015 in Poland to incorporate this indicator into the SAP module currently used to measure the carbon footprint of products.

In the future, this evaluation methodology will make it possible to identify sensitive areas and ways to reduce impacts on the entire product life cycle, starting with the Waters Division.

There has been no scientific consensus yet regarding the water quality deterioration footprint.

Consumption of raw materials and measures taken to improve their efficient use

Information on risk management, particularly with respect to risks related to seasonal fluctuations and raw materials availability, is provided in section 2.7 *Risk factors*.

Production at the production sites

	Year ended December 31	
(in thousands of tons)	**2014**	**2015**
Production [a]	32,023	34,094

(a) Production Site Environment Scope (see *Methodology Note*).

Danone's production sites produced the equivalent of 34 million tons of products in 2015, up 6.5% relative to 2014. The changes in scope (see *Methodology Note*) accounted for 3.0% of this increase, and growth in production volumes on a like-for-like basis accounted for 3.5%.

The main raw materials consumed in Danone's products are:

- water;
- liquid milk and powdered milk;
- packaging materials (plastic, cardboard, etc.);
- sugar;
- fruit.

The quantity of raw materials consumed per ton of finished product is one of the main criteria for production performance, as raw materials represent a large portion of the cost structure of Danone products. Numerous measures are therefore taken to use them more efficiently:

- liquid milk, sugar, fruit: in the Fresh Dairy Products Division, raw material losses are monitored daily at the industrial sites, and the results are consolidated monthly at the subsidiaries and Division level for comparison with the monthly loss reduction goals set during the budget process. The principal actions taken to reduce these losses include (i) optimizing raw materials inventories, and (ii) optimizing production scheduling or production line scaling to reduce raw materials losses at the start and end of production runs;
- packaging materials: Danone's packaging development complies with the ecodesign principles defined in guidelines that were updated in 2014. These packaging ecodesign guidelines were rolled out to all Divisions in 2015.

Energy consumption, measures taken to improve energy efficiency and the use of renewable energies

Energy consumption

Danone's energy consumption intensity decreased by 5.0% in 2015 relative to 2014, mainly as a result of 4.7% productivity on a like-for-like basis.

This performance resulted from the application of energy management best practices at all the Divisions and from transfers of production to more energy-efficient facilities.

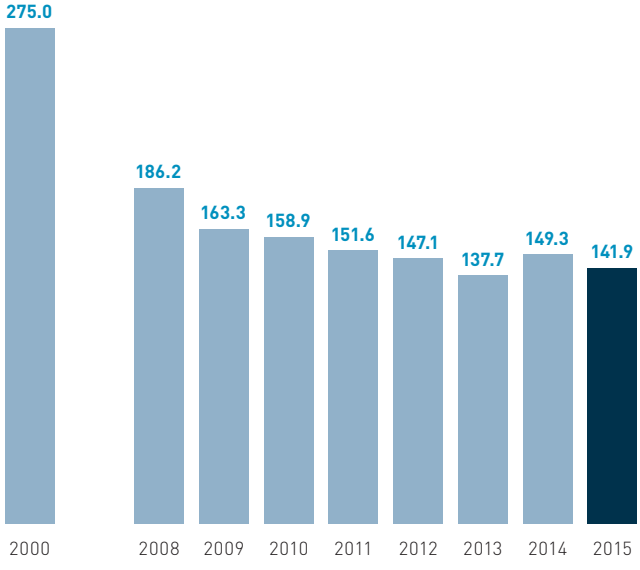
Energy consumption by Danone's production sites

	Year ended December 31	
(in MWh except intensity in KWh/ton of product)	**2014**	**2015**
Thermal energy [a]	2,819,112	2,825,972
Electricity [a]	1,962,911	2,011,464
Total	**4,782,023**	**4,837,437**
Energy consumption intensity	**149.3**	**141.9**

(a) Production Site Environment Scope (see Methodology Note).

The graph hereafter shows changes in energy consumption intensity in the production sites since 2000, for the reporting scope of each of the years concerned.

Total energy consumption intensity in the plants
(in KWh/ton of product)



Measures taken to improve energy efficiency

Danone achieved better energy management through two main approaches:

- optimizing energy production at the plants. For example, three sites in the Fresh Dairy Products Division have installed cogeneration facilities to produce electricity and heating from a single energy source, thereby improving the plant's energy performance. Up to 90% of energy can be recovered through cogeneration, compared to 40% to 55% for traditional systems;
- optimizing energy use.

Sharing best practices and fostering emulation between Danone's plants helped to strengthen this improvement process in 2015:

- in the Waters Division, the "WattWatcher" tool, deployed at all the sites, allows to set performance objectives tailored to each plant;
- in the Fresh Dairy Products Division, energy training courses known as "Energy Campus" continue to bring in energy experts to implement best practices at all production sites;
- in the Early Life Nutrition Division, monthly Energy network actions are implemented.

Use of renewable energies

Thermal energy from renewable sources

Danone is testing renewable energy production and usage projects at the local level, for instance:

- in Uruguay, 78% of the thermal energy of the Waters Division's Minas plant is generated from locally produced biomass energy;
- in Brazil, at the Poços de Caldas plant in the Fresh Dairy Products Division, a biomass boiler was installed in August 2011 to replace the heavy fuel oil used for heating. Thanks to the use of biomass, nearly all the thermal energy used by the plant is generated from renewable sources (98%);
- since 2012, the Early Life Nutrition Division's site in Wexford, Ireland has used a wood furnace that replaced heavy fossil fuels and helped to lower the site's fossil fuel energy bill and greenhouse gas emissions. The energy produced represents 66% of the thermal energy used at the site;

- in Russia, at the Chekhov plant in the Fresh Dairy Products Division, a methane digester was brought online in June 2013 to recover treatment plant sludge and produce biogas. The energy produced represents 7% of the thermal energy used at the site;
- in Indonesia, the Subang site, which produces 1.2 billion liters of water per year, uses 100% biofuel purchased for its thermal energy.

At all the Divisions, thermal energy from renewable sources produced and used on-site represents 4% of the total thermal energy consumed by Danone.

Purchase of electricity specifically generated from 100% renewable sources

Each subsidiary is responsible for choosing its energy mix. In 2015, nine industrial sites purchased electricity from 100% renewable sources (wind power, hydropower, etc.). This represents 4% of Danone's total electricity purchases.

For example, 100% of the electricity used by the Spanish plants of the Fresh Dairy Products and Waters Divisions comes from 100% renewable sources.

Soil use

In 2012, Danone commissioned a study by Bio Intelligence Service to estimate the overall soil use related to its direct and indirect activities. This study showed that indirect activities (upstream agriculture) use more than 98% of the estimated surface area (3 million hectares).

Soil use issues are also taken into account in the sustainable agriculture approach.

Climate change

Greenhouse gas emissions

Danone applies two methodologies for measuring greenhouse gas emissions:

- a "product" approach based on a product and packaging life cycle analysis, which takes into account emissions at each stage: raw materials (including milk and upstream agriculture), packaging, production, logistics, warehousing, sale and products and packaging end of life. This method makes it possible to identify the most significant means of reducing emissions;
- an "organization" approach that calculates greenhouse gas emissions generated by production activities and therefore a smaller scope than for the "product" approach, in compliance with the regulatory requirements of Article 75 of the "Grenelle II" law, which categorizes direct scope 1 emissions and indirect scope 2 emissions (see *Greenhouse gas emissions by organization* hereafter).

Greenhouse gas emissions through product lifecycle analysis

Measuring the carbon footprint

Danone has developed and deployed a carbon footprint measurement tool based on product lifecycle analysis (Greenhouse Gas Emissions Scope, see *Methodology Note*) at most of its subsidiaries. This tool was successfully integrated into Danone's information systems thanks to a solution jointly developed with software developer SAP.

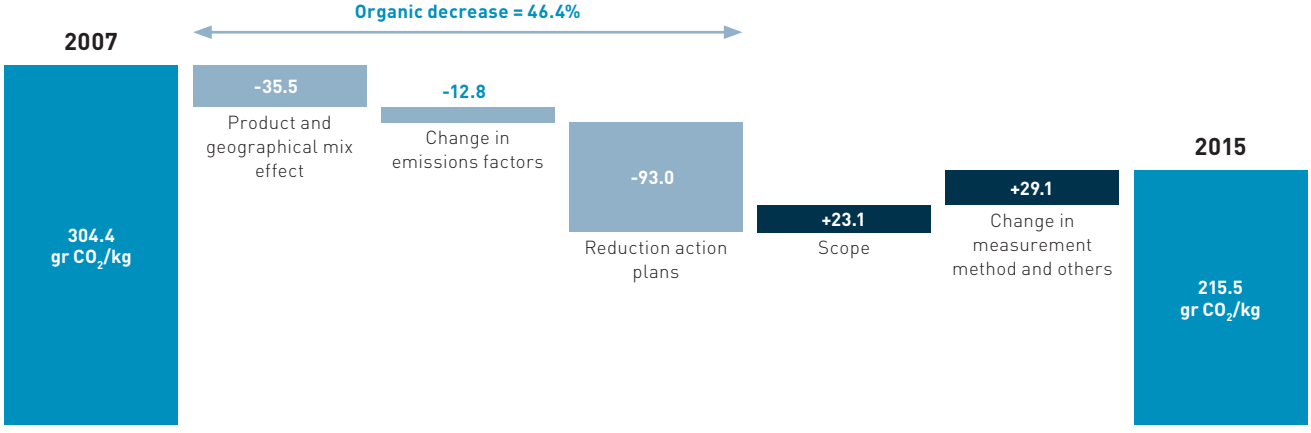
The goal is to allow the subsidiaries that have this module to monitor their carbon emissions within their direct scope of activity, as well as the emissions of their suppliers and customers.

Reducing the carbon footprint: goals and results
For the direct responsibility scope

In 2008, Danone set the goal of reducing its carbon intensity by 30% by 2012 – a goal that it has exceeded – wherever Danone exercises direct responsibility (production sites, packaging and end of life, transport and warehousing, excluding upstream agriculture). A specific strategy and priorities have been set for each sub-part of the supply chain. In 2013, Danone reaffirmed its commitment by setting a goal of a 50% reduction of its carbon intensity (for the same base year and scope) by 2020.

The reduction from 2008 through end-2015 was 46.4% (on a like-for-like basis).

(in gr CO_2/kg)



The most meaningful actions for reducing emissions are energy conservation measures at the plants, reduction of packaging and optimization of logistics supply routes.

For the entire product lifecycle

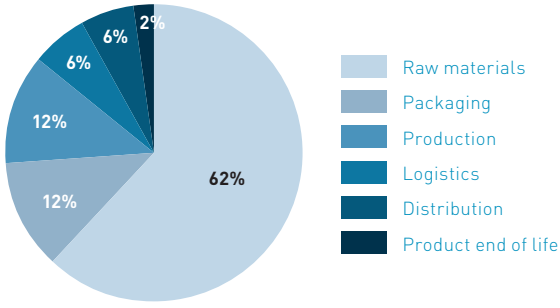
Danone's total emissions in 2015 (including upstream agriculture) are estimated at approximately 24.7 million tons of CO_2 equivalent (on approximately 94% of Danone's sales volume).

Expressed in grams of CO_2 equivalent per kilogram of product, Danone's emissions amount to:

- Danone's direct responsibility scope: 215.5 grams of CO_2 equivalent per kilogram of product (production, packaging, logistics, product and packaging end of life);
- total scope: 718.2 grams of CO_2 equivalent per kilogram of product (Greenhouse Gas Emissions Scope, see *Methodology Note*), which can be broken down by stage of the product lifecycle as follows:

Lifecycle breakdown

(in percentage)



Carbon offsets

Since 2011 Danone has teamed up with ten other large companies through the Livelihoods Fund, whose mission is to invest in projects that have a high environmental and social impact, including natural ecosystem restoration projects. These projects help to combat climate change by sequestering significant quantities of carbon (see section 5.3 *Funds sponsored by Danone*).

In line with its commitment and after reducing its carbon intensity by 40% over the 2008-2012 period, the *evian* brand offset its remaining emissions in 2012 by supporting several quality projects. Beginning in 2013 and after consulting its stakeholders, the *evian* brand decided to offset its emissions using the carbon credits issued by the Livelihoods Fund, as and when they are distributed. By ramping up these projects, Danone's goal is to gradually offset the *evian* brand's emissions, which should therefore be fully offset as of 2020.

Greenhouse gas emissions by organization

Greenhouse gas emissions by organization (scope 1 and 2, see description hereafter) for 2015 are calculated using the methodology described in the Greenhouse Gas Protocol (GHG Protocol) Corporate Standard (see *Methodology Note*).

The approach chosen by Danone consists in integrating all sources of emissions from Danone's industrial sites into the measurement of its carbon footprint.

Direct emissions (scope 1) are emissions related to on-site fuel consumption (natural gas, fuel oil, etc.) and refrigerant leaks.

Indirect emissions (scope 2) are emissions related to the production of electricity, steam, heating and cooling purchased and consumed by Danone.

In January 2015, the GHG Protocol published a guidance on the method used to account for scope 2 greenhouse gas emissions, which introduces a "dual reporting":

- a location-based reporting, i.e. based on greenhouse gas emissions caused by the production of electricity in the geographical region in which it is consumed;
- a market-based reporting, i.e. based on companies operating in liberalized markets such as the European Union which must use the carbon emissions related to their electricity suppliers.

Year ended December 31

		2015	
(in tons equivalent CO_2)	**2014**	**location-based**	**market-based**
Scope 1 emissions	561,353	561,641	561,641
Scope 2 emissions	860,404	915,747	928,645
Total emissions	**1,421,757**	**1,477,387**	**1,490,286**
Ratio of total emissions in kg of CO_2 equivalent per ton of product	**44.4**	**43.3**	**43.7**

The ratio of total emissions in kg of CO_2 equivalent per ton of production (location-based ratio) decreased by 2.4% between 2014 and 2015.

Adapting to the consequences of climate change

Danone estimates the impacts of climate change to complete the overall risk identification and management policy described in section 2.7 *Risk factors*.

For example, Danone has identified medium-term risks in the following areas:

- supply of raw materials (milk, fruit, etc.) in certain regions of the world related to possible droughts and inclement weather;
- cold production at the Fresh Dairy Products Division's sites in case of a significant rise in temperatures;
- unusual climate events that could affect some industrial sites located near coastlines.

Protecting biodiversity

Measures taken to preserve or develop biodiversity

Sustainable agriculture

The impact of Danone's business on biodiversity is primarily related to upstream agriculture (soil and water). In 2012, the Danone Ltda subsidiary (Fresh Dairy Products, Brazil) launched a pilot study on product life cycle analysis in conjunction with NGO partners IPE (*Instituto de Pesquisas Ecologicas*) and IUCN (International Union for Conservation of Nature) to develop a methodology for evaluating issues relating to biodiversity in Danone's value chain.

In 2014, Danone Brésil (Fresh Dairy Products) won the "Exame" Guide for Sustainability 2014 award in the Biodiversity Management category. This award is the culmination of a study on biodiversity with the *Danoninho* brand and the related operational projects: water management at the Poços de Caldas site and the pilot site for strawberry production in the southern part of the state of Minas Gerais.

In the area of agriculture and milk collection, in 1997 the Fresh Dairy Products Division, together with all its farmer partners, launched the FaRMS initiative, which evaluates farmers' performance based on economic, social and environmental criteria, including criteria related to biodiversity protection (see section *Relations with milk producers* hereafter). In 2013, Danone introduced a 360° evaluation tool developed by the University of Bern to assess a farm's sustainability. This tool is an enhancement to the Danone FaRMs tool, which remains the benchmark Danone tool for all dairy farms.

Preserving and developing biodiversity near Danone sites

Danone's sites are located in very diverse ecosystems and climates. Many of these sites benefit from an exceptional environment and specific protection, as is the case with the Waters Division's sites, whose rainwater catchment areas are very carefully managed:

- since 2009, the catchment area of the Evian spring has been included in the list of wetlands covered by the Ramsar Convention, the aim of which is to ensure the sustainability of these natural regions which are essential for maintaining biodiversity;
- in France as well, the site of the Volvic springs was classified as a Nature Reserve in 2015, particularly to protect the bat population. A study conducted under the European SEMEAU project made it possible to clarify the role of the forest in the functioning of the hydrogeological system and propose guidelines for managing this forest;
- to preserve its natural mineral water spring in the pre-Andes in Argentina, the *Villavicencio* brand has created a natural reserve for its 72,000 hectares rich in biodiversity. Building on this experience, it is continuing its innovative partnership with the Banco de Bosques NGO through the *Deja tu Huella* ("Leave your footprint") operation, which invites consumers to participate in the creation of a new natural reserve: for every bottle purchased, *Villavicencio* pledges to protect 1 square meter of natural biotope. The brand has also launched initiatives to raise public awareness about the dangers of deforestation and the importance of biodiversity in the local ecosystem. The results of this operation are impressive: nearly 4,800 hectares protected, active public participation in the project, and increased consumer preference for the *Villavicencio* brand;
- starting in 2012, Danone Waters China has bolstered its protection initiatives at the Longmen site through a partnership with the Danone Ecosystem Fund (see section 5.3 *Funds sponsored by Danone)*. The goal of the Eco-Longmen project, which aims to involve a large number of farmers, is to preserve the quantity and quality of water resources and biodiversity while improving the living conditions of the local communities.

Danone's Forest Footprint Policy

Conscious of the importance of preserving the planet's forests (particularly tropical forests in Indonesia and the Congo and Amazon river basins), Danone is committed to a strategy of eliminating the impacts of deforestation on its supply chain and to a program of reforestation by 2020 (including the Livelihood Fund's natural ecosystem restoration program).

To achieve this, Danone has created a Forest Footprint Policy that aims to:

- evaluate deforestation risks related to the raw materials used directly or indirectly by Danone's businesses;
- propose specific policies;
- implement prioritized actions based on risks and associated impacts. Six key materials have been prioritized: paper/cardboard packaging, palm oil, soybeans for animal feed, energy wood, sugar cane and bio-sourced raw materials for packaging.

This policy has been adapted to three categories of raw materials:

Specific palm oil policy

With a volume of approximately 35,000 tons, Danone uses palm oil in modest proportions relative to other activities in the food and beverage industry.

In November 2015, Danone introduced a Palm Oil policy, which is available at www.danone.com in the "Publications" section.

Danone is committed to ensuring that all palm oil used:

- is traceable from the plantation of origin;
- comes from plantations whose expansion does not threaten "High Conversation Value" (HCV) or High Carbon Stock (HCS) forests;
- comes from plantations whose expansion does not threaten tropical peatlands, regardless of their depth;
- comes from plantations that respect the rights of indigenous populations and local communities to grant or refuse their free and prior consent to operate on land to which they hold legal, communal or customary rights;
- comes from plantations where the rights of all workers are respected.

Since 2014, Danone has purchased 100% of its palm oil from CSPO (Certified Sustainable Palm Oil) sources.

Overall, its oil comes from 30 mills and 10 producers located in Indonesia, Malaysia, Papua New Guinea, Guatemala and the Solomon Islands.

Danone is convinced that the path to responsible palm oil requires innovative approaches that enable the various stakeholders to develop positive solutions.

In a longer term, Danone plans to replace palm oil with alternative resources on a case-by-case basis.

Specific soybean policy
Danone does not purchase directly the vast majority of the soybeans that enter its supply chain (99% of the volumes are used for animal feed); however, Danone estimates that these volumes represent approximately 900 kilotons, i.e. less than 0.3% of global production.

Danone has made a commitment, along with key stakeholders – from farmers to producers of animal feed and leading soybean trading companies – to help develop a more responsible soybean industry.

Danone reflects its ambition in five strategic priorities:

- aim for total transparency throughout the supply chain, from the animal to the land;
- wherever possible, encourage local crops that are high in protein as alternatives to soybean imports, thereby helping to make farmers more independent for animal feed production;
- promote supply from countries not at risk of deforestation (India, United States, etc.);
- if soybeans come from countries with a high risk of deforestation in South America, ensure traceability from risk-free areas;
- help to drive change on a global scale through the Consumer Goods Forum, the Sustainable Agriculture Initiative and any other initiative that allows Danone to achieve its objectives.

Danone will focus this strategy in seven high-priority countries that account for 90% of the total estimated volume of animal feed affecting its supply chain, i.e. Russia, Argentina, Brazil, France, the United States, Spain and South Africa.

Specific policy for paper/cardboard packaging
Jointly developed with several leading NGOs (including Rainforest Alliance), Danone's specific paper/cardboard packaging policy has three objectives:

- actively reduce the paper packaging weight of each product;
- give priority to the use of recycled fibers;
- when possible, give priority to FSC-certified virgin fibers.

Danone makes these policies publicly available on its website.

All these policies (palm oil, soybean and paper/cardboard packaging) are evaluated by the "Global Canopy Program" and Danone has received the maximum score of 5/5 in the Forest500 ranking for the second year in a row.

This ranking is available at www.forest500.org.

Societal information

Danone's societal approach is characterized by a constant effort to create value for shareholders and for each of its stakeholders. Danone therefore ensures that its activities result in the development of societal benefits.

As part of this approach, four dedicated funds have been created: the Danone Ecosystem Fund, the danone.communities SICAV, the Livelihoods Fund and the Livelihoods Fund for Family Farming. These funds are described in section 5.3 *Funds sponsored by Danone*.

Regional, economic and social impact of Danone's activities

Danone has decided to incorporate both economic issues (salaries paid, purchasing and subcontracting, local taxes, etc.) and societal issues (employment, contribution of know-how, training, support for local initiatives, contribution to education in areas of expertise, environmental partnerships) into its activities. The company's ability to develop constructive relationships with its region or local environment plays an important role in its overall performance.

Danone's commitment to local communities is in line with its "dual economic and social project", which involves:

- knowing local players and developing long-term relationships with them;
- participating in the economic and social development of its employment area;
- developing products that the majority of people can afford;
- helping to maintain business activity and employment by re-engineering Danone's sites that are being restructured.

Relationships with people and organizations with an interest in Danone's activities

Partnership and corporate sponsorship initiatives

Danone's approach is based on a co-creation process that goes beyond partnerships and involves new forms of collaboration among many partners: Danone and/or its subsidiaries together with an institution, representatives from civil society and/or a local development organization.

Given Danone's largely decentralized organization, the subsidiaries directly support and develop partnerships and corporate sponsorships. Examples include:

- *Sed Cero*: the Danone Foundation in Argentina supports a three-nation program (Argentina, Bolivia and Paraguay) known as *Sed Cero* – "zero thirst" – which aims to provide drinking water to 100,000 families by 2016;
- *Eat like a champ*: a nutrition education program for children in the United Kingdom that targets primary schools and seeks to improve children's eating habits and promote a more active lifestyle;
- Restos du Cœur: since 2008, Danone, Carrefour and Restos du Cœur have implemented a partnership built around a welfare-to-work initiative.

Initiatives with schools

In addition to its participation in various school forums, in 2008 Danone supported the creation of the Social Business/Enterprise and Poverty chair at HEC Paris. The chair's mission is to help to develop a more inclusive economy that creates economic and societal value.

It is co-chaired by Professor Muhammad YUNUS, Bangladeshi economist, entrepreneur and Nobel Peace Prize winner, and Mr. Martin HIRSCH, Chairman of the Agence du Service Civique and member of the Danone Ecosystem Fund Steering Committee.

Danone's partnerships and initiatives on behalf of educational institutions are also implemented at local level and supported by the subsidiaries themselves. For example, the "Danone Young Social Entrepreneur" (DYSE) program in Indonesia was developed by the local Human Resources teams to attract young talented individuals.

Subcontracting and suppliers

Recognition of suppliers' and subcontractors' social and environmental responsibility

Given that Danone works with thousands of suppliers around the world, these companies account for a significant portion of its environmental and social impact. In line with the "dual economic and social project", the RESPECT initiative launched in 2005 and implemented via the Danone Way initiative (see section 5.1 *Danone social, societal and environmental approach*) entails extending this vision to Danone's entire supply chain, excluding milk producers (see section *Relations with milk producers* hereafter), based on several processes:

- contractualizing suppliers' Corporate Social Responsibility (CSR) performance through the signing of Sustainable Development Principles (including social, environmental and ethical components) and their integration into the general terms of purchase;
- information-sharing based on self-disclosures by suppliers regarding their CSR performance using the Sedex platform (cross-company evaluation platform for the consumer goods industry, see section 5.1 *Danone social, societal and environmental approach*);
- external CSR audits of suppliers considered as at-risk following this information exchange with a view to implementing an appropriate corrective action plan: in 2015, 60 audits SMETA (*Sedex Members Ethical Trade Audit*) were conducted among the suppliers identified. Danone also have access to over 800 supplier audits on the Sedex platform and over 16,000 audits thanks to the principles of mutual recognition through the AIM Progress consortium for responsible sourcing.

The suppliers involved cover all of Danone's purchasing categories except raw milk (see section *Relations with milk producers* hereafter), including raw materials (fruit preparations, powdered milk), packaging (plastic and cardboard), production machinery, transport and other services (promotional products, industrial services, etc.).

Subcontractors, i.e. suppliers that manufacture finished products on behalf of Danone, take part in the above-mentioned RESPECT initiative, although Danone uses very little subcontracting since the vast majority of its finished products are produced in its own plants.

The areas covered by this process include respect for Human Rights, compliance related to health and safety, compensation and work hours, respect for the environment and ethical principles, particularly with regard to the application of the International Labour Organization's fundamental conventions.

By taking these actions to ensure its suppliers' corporate social responsibility, Danone also secures the future of its partners and of its own development. RESPECT also contributes to the changing the nature of the commercial relationships, in terms of completeness and transparency of the information to be formalized and shared.

Relations with milk producers

Milk collection organization

Danone procures milk from over 140,000 milk producers in some 50 countries around the world. More than 80% of these producers are small producers located mainly in emerging countries of Africa, Asia and Latin America that own fewer than 10 cows. In this case, milk is collected from collection centers to which these small producers deliver their production daily. In many other regions such as Europe, Russia and South Africa, milk is produced by family farms that have anywhere from a few dozen to hundreds of cows. These producers represent 15% to 20% of Danone's milk suppliers but the bulk of the volume. Danone usually collects milk directly, and has often done so for several generations. In some regions where milk production does not have the same historical tradition, including some parts of the Middle East and North America, supply security, in terms of both quantity and quality, is ensured by much larger farms, which can have thousands of cows. Danone's milk collection therefore reflects the broad diversity of the world's production systems.

Contractual relations and improvement process

Danone's partnerships with its milk producers cover technical aspects, such as milk quality and the farm's economic performance, as well as environmental and societal impacts. Specific Danone tools such as the FaRMs tool – short for Farmers Relationship Management – allow Danone's technicians to conduct regular reviews with each milk producer of all the criteria and best practices in these areas and to develop improvement plans along with the producer.

From an economic standpoint, in recent years Danone has developed innovative contracts with producers in the United States and Europe to reduce milk price volatility, thereby offering better visibility and financial stability. These contracts, called CPM for Cost-Performance Model, define the price of milk taking production costs into account and are developed in partnership with milk producers or their organizations.

Fair trade practices

Actions taken to prevent fraud and corruption

See section 6.4 *Internal control and risk management*.

Measures taken in support of consumer health

Consumer health is at the heart of Danone's history and its mission of "bringing health through food to as many people as possible."

Danone's nutrition strategy is in line with the guidelines issued by health authorities in the various countries and formalized in Danone's Food Nutrition and Health Charter.

A unique line of products that meet people's needs throughout their lifetime

Most of Danone's products can be consumed on a daily basis either because they are included in the recommended categories of the food pyramids used in many countries (fresh dairy products and waters), they fall under food categories governed by regulations (early life nutrition), or they are specialized nutrition foods intended for patients who cannot follow a normal diet (medical nutrition) (see section 2.4 *Description and strategy of the Divisions*).

In some cases, product composition is governed by strict regulations, while in other cases it is governed by Danone's internal nutritional standards based on the recommendations of public health authorities (World Health Organization and Eurodiet). The Nutriprogress program created by Danone provides the ability to monitor the nutritional quality of the product portfolio and, if necessary, launch reformulation projects.

For example, in the Fresh Dairy Products Division, the average amount of sugar in the portfolio of the 19 major subsidiaries, all products included, is now 10.1 g/100 g – compared to the maximum target defined in Danone's nutritional standards (11.5 g/100 g), which indicates that a significant portion of the products already comply with the target.

In the Early Life Nutrition Division, for example in the Asia-Pacific region, 55% of infant milk formulas and growing up milks and 100% of milks in the early childhood segment (0-6 months) now have no added sugar.

In the Waters Division, the amount of sugar in *Aquadrinks* continues to be reduced gradually. For example, the amount of sugar decreased from 80 to 50 grams per liter for the Salus product line (Uruguay), from 65 to 50 g/L for the Mizone product line (China and Indonesia), and from 50 to 40 g/L for the Zywiec Zdroj product line (Poland) – compared to about 110 g/L for a referent soda.

Responsible communication

In 2002 Danone introduced an internal procedure to ensure the consistency, credibility and scientific validity of the health and nutrition claims contained in its communications.

In terms of advertising, Danone is committed to applying the ICC Code (International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication). In the particular case of communications aimed at children, Danone is committed to restricting advertising exclusively to products adapted to their nutritional needs. To that end, Danone has joined numerous local and regional pledges (association of companies). In most of the countries involved, compliance with this commitment is certified by an external agency. For example, in 2015 Danone registered 98.7% overall compliance with its television advertising commitments in the seven countries audited (France, Germany, Hungary, Italy, Poland, Portugal and Spain), and 100% of the 17 subsidiary websites audited were in compliance. For the first time, an audit of five brand profiles in social media was conducted in 2015 and 100% were in compliance.

Concerning early life nutrition, Danone has made a commitment to comply with the code developed by the World Health Organization (International Code of Marketing of Breastmilk Substitutes). To do so, it prepares internal documents that translate the code into principles and apply it to day-to-day operations. An independent auditor regularly evaluates Danone's compliance with this commitment. For example, in 2015 audits were conducted in Spain, India, Kazakhstan, Saudi Arabia and the United Arab Emirates.

Detailed product nutrition information

Danone products include nutrition labels that comply with regulations. Danone's fresh dairy products and beverages (except bottled waters) have a more detailed label that shows the contribution of each portion to daily requirements, an initiative of the European inter-branch professional organization implemented at Danone through an internal document updated in June 2014 called "Nutritional Information provided to consumers, Corporate Guidance". This nutrition information is also available from the subsidiaries' consumer relations departments and/or websites in Europe and some countries outside of Europe.

Promoting a balanced diet and overall health

A large number of Danone subsidiaries organize information and education programs intended for consumers and/or healthcare professionals. Most of these initiatives are developed in partnership with local institutions to ensure their relevance to the local healthcare context. Danone also creates global initiatives that are then rolled out locally.

Each Division develops programs on topics that relate to it specifically and most subsidiaries have active programs.

Measuring Danone's nutrition and health performance

In 2011, Danone created a series of performance indicators (Scorecard) to measure improvements and progress made regarding health and nutrition, particularly product composition and responsible communication, with the results publicly disclosed annually. These indicators are consolidated for a scope of 15 countries covering Danone's four Divisions (a total of 44 subsidiaries in 2015 representing approximately 74% of net consolidated sales). Along with these performance indicators, the subsidiaries' application of best practices in the marketing of products that contribute to consumer health is monitored under the Danone Way initiative (see section 5.1 *Danone social, societal and environmental approach*).

Measures taken to promote consumer safety

In 2014, Danone again decided to significantly increase its ability to manage food safety. In an increasingly complex environment linked to the emergence of new challenges brought about, for example, by the globalization of agricultural raw materials, damage caused to some natural environments and climate change, fraud related to high-cost raw materials, and geopolitical issues related to food safety (governments' ability to manage enough good-quality food to feed its citizens in a healthy, sustainable way), Danone has expanded its organization by creating the Food Safety function, which is part of its General Secretary department and headed by the Chief Food Safety Officer. This food safety team is independent of the teams responsible for Danone's operational activities.

Through its food safety policy, Danone is committed to developing, producing and delivering its products on a daily basis without compromising food safety in any way. Danone's Business Conduct Policy therefore now includes strict adherence to Danone's compliance policy.

Danone's new food safety policy is structured around three areas of focus:

- anticipation of risks related to raw materials and finished products through active monitoring of emerging risks, analysis of changes in international regulatory contexts and integration of new scientific and technical discoveries;
- risk prevention, through the creation of and compliance with a food safety management system that includes the very best methods, from risk assessment (overseen by the food risk assessment scientific platform of Danone's food safety center) to measuring and controlling the quality of and adherence to Danone's product specifications, as well as methods to control these risks;
- risk management, based on incident and accident management procedures to quickly identify any deviation from the standard and immediately take the appropriate corrective measures, which may include recalling the products involved.

Danone's food safety policy and governance are based on:

- Danone's fundamental principles on food quality and safety (the Danone Operating Models or DOMs), which are based on a set of quality criteria that the actions to implement to ensure product safety and compliance with Danone's specifications at each stage of the distribution chain, from product design to consumption, in all countries and at all times. Each subsidiary must use these criteria as the basis of its quality management system and measure the level of compliance of each control point by doing an annual self-assessment in the DANgo management system;
- Danone's food safety standards, including the food safety directives, food safety reference documents, integrated management and assessment of risks, as well as Danone's specific control models and checklists.

Governance
The team in charge of food safety, under the responsibility of its Chief Food Safety Officer, is responsible for developing the Company's food safety policy and for its related governance. The general food safety policy and its related directives and reference documents are subject to external validation and accessible to everyone via a dedicated website.

Compliance with applicable laws and regulations and with Danone's specific rules and commitments is the responsibility of each of the Company's general managers. It is monitored continuously and a report is presented to Danone's Product Compliance Committee.

Danone is also an active member of the Global Food Safety Initiative (GFSI).

Internal management system
Danone has chosen the FSSC 22000 standard as a benchmark, which is consistent with its requirements and recognized by the authorities, consumers and distributors.

To ensure the implementation and alignment of the internal systems, Danone has developed an audit guide that includes Danone's particular requirements, which go beyond the requirements of international standards. Danone has selected a small number of independent certification bodies to conduct an audit that measures the most relevant criteria. In 2015, 48 external certification audits and 77 food safety audits were conducted internally by the Food Safety team.

Crisis management system
Danone has developed a system to notify its customers, block new sales and recall products with complete traceability at all levels of the distribution and marketing stage.

Each subsidiary must ensure compliance with Danone's crisis management procedures, which are also audited on a regular basis.

Initiatives in favor of human rights

Danone takes human rights into account in its activities through its policies, programs and initiatives, such as Danone Way, RESPECT, WISE and Dan'Cares, and through the IUF agreements described above.

Methodology Note

Consolidation scope and coverage

The consolidation scope consists of all Danone subsidiaries that are fully consolidated for the preparation of the consolidated financial statements, in other words the subsidiaries in which Danone holds, directly or indirectly, exclusive control (see Note 2.3 to the consolidated financial statements).

Nevertheless, some subsidiaries do not report all social, safety and environmental indicators. These entities were consolidated for financial reporting purposes as of December 31, 2015 and action plans are planned and/or in progress to ensure the availability and reliability of the employment, environmental and safety data reported. They are primarily recently acquired entities, including in particular Sirma (Waters, Turkey). Finally, the subsidiaries that do not report certain social, safety or environmental indicators may differ depending on the types of indicators and the coverage scope varies according to the following categories of indicators, as described in the sections hereafter:

- Total Group Workforce scope;
- Social Indicators Scope;
- Safety Scope;
- Production Sites Environment Scope;
- Greenhouse Gas Scope.

Total Group Workforce Scope and Social Indicators Scope
In 2015, 174 entities representing more than 99% of Danone's total workforce reported social indicators (Social Indicators Scope).

Safety Scope
In 2015, 158 entities representing approximately 99% of Danone's total workforce reported safety-related indicators (Safety Scope).

In addition, the social and safety data of subsidiaries removed from the consolidation scope as of December 31, 2015 is reported up to the date of their deconsolidation and is not included in the workforce as of December 31, 2015. The main companies that were no longer fully consolidated as of December 31, 2015 are listed in Note 2.2 to the consolidated financial statements.

Production Sites Environment Scope
In 2015, 186 (of Danone's 194) production sites representing approximately 97% of the total production of the industrial sites reported environmental indicators (Production Sites Environment Scope).

The environmental impact of the administrative offices and logistics centers is not included in the consolidation scope (except for certain indicators, when the logistics centers are adjacent to the production sites).

Greenhouse Gas Scope (product approach)
In 2015, this scope covered 95% of Danone's sales volumes.

Like-for-like changes in scope (constant scope)
Danone measures changes in certain environmental indicators on a like-for-like basis, i.e. at constant consolidation scope. The 2015 data has been restated using the same consolidation scope as that of 2014.

Data collection

To ensure the homogeneity of the indicators across the reporting scope, shared data reporting guidelines for social, safety and environmental data are transmitted and updated each year following data consolidation and comments of contributors. These guidelines specify the methodologies to be used for reporting the indicators, including definitions, methodology principles, calculation formulas and standard factors.

These reporting guidelines for environmental, social, safety and GHG data are available upon request from the Social Responsibility Department.

The social, safety and environmental indicators are transmitted by the subsidiaries and/or production sites and consolidated at Group level by the relevant departments. The environmental data are checked at the subsidiary level and then at the Division level when reported. The social and safety data are checked at the end of the second quarter and at the time of consolidation as of December 31.

Social and safety indicators
The Human Resources Department is responsible for social and safety indicators. The subsidiaries' social data are generally derived from their payroll systems and reported via Danone's financial information consolidation software (SAP/Business Objects Financial Consolidation).

Safety indicators are reported monthly by each subsidiary in WISE, Danone's safety data consolidation system.

Environmental indicators
The Nature Department is responsible for environmental indicators. These indicators are reported by each production site's Environment manager. Data related to Greenhouse Gas emissions (product approach) is reported via the Danprint application and/or SAP Carbon.

Information regarding methodologies

The methodologies used for certain social and environmental indicators may have limits due to:

- the absence of common national and/or international definitions;
- necessary estimates, the representative nature of measurements taken or the limited availability of external data required for calculations.

For these reasons, the definitions and methodologies used for the following indicators are specified.

Workforce
A negligible portion of the managerial workforce is not collected during data reporting period (a few cases of internationally mobile employees on assignment at other Danone Group entities). Furthermore, some disparities may exist in the workforce accounting methods for expatriate employees (such is the case of expatriate employees who have three-party contracts between the employee, the home subsidiary and the host subsidiary).

Employees on long-term leave (more than nine months) are not counted in the total workforce at the end of the reporting period.

In China, employees paid by Danone but whose contracts are with a third-party company (equivalent to a temporary work agency) are not included in the workforce.

Fixed-term contracts and movements within Danone are not included in the entries/exits.

Number of training hours/Number of employees trained/Percentage of employees trained/Number of training hours per employee

The training data of the French subsidiaries includes training categorized as ongoing professional training as well as other types of training.

The number of trained employees takes into account all employees who received at least one training course during the year, including those who were no longer employed as of December 31, 2015.

The number of training hours takes into account all courses lasting an hour or longer during the year, including hours of training received by those who were no longer employed as of December 31, 2015.

Training courses for which evidence is not received by the reporting closing date are included in the following fiscal year.

The percentage of trained employees is equal to the ratio of the number of trained employees to the total average workforce.

The number of training hours per employee is equal to the ratio of the number of training hours to the total average workforce.

Employees with disabilities

This indicator covers employees declared as disabled workers. The status of disabled person is defined by the local regulations of the various countries. In addition, due to local regulatory specificities, certain countries take into account both externally documented disability recognition and disability recognized internally by the on-site occupational physician.

Absenteeism

The absenteeism rate is expressed, in percentage, as the total number of hours of absence divided by the total number of theoretical hours worked. The reasons for absence taken into account for this indicator include sick leave (with or without hospitalization), absences due to work work-related illness and injury, absences due to strikes and unauthorized absences. Absences due to maternity/paternity leave, other authorized leave and long-term absences (more than nine months) are not taken into account.

The assumptions used to calculate the theoretical hours worked is left to the discretion of the subsidiaries based on local specificities, which can lead to minor discrepancies.

Some subsidiaries monitor absenteeism only for employees who are paid on an hourly basis, while other employees are included in a program under which they receive a number of days that can be used for various reasons (vacation, sickness, special leave, etc.). Such is the case in particular for The Dannon Company Inc. (Fresh Dairy Products, United States), Danone Inc. (Fresh Dairy Products, Canada), Danone Argentina SA (Fresh Dairy Products, Argentina), Grupo Cuzco International S de RL de CV (Waters, Mexico) and PT Sarihusada Generasi Mahardhika (Early Life Nutrition, Indonesia), whose absenteeism rate for employees not paid on an hourly basis is estimated. Lastly, absenteeism is not recorded at Danone's subsidiaries in the Netherlands.

Given the limited availability of data in certain countries, Danone made estimates for this indicator as of December 31, 2015.

Frequency rates of work accidents

The frequency rate of workplace accidents with lost time (FR1) represents the number of workplace accidents with lost time of one day or more that occur over a 12-month period for every 1 million hours worked.

The frequency rate of workplace accidents without lost time (FR2) represents the number of workplace accidents without lost time for every 1 million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with lost time for every 1,000 hours worked. Regarding the number of lost days taken into account in the calculation of the severity rate and given the limited availability of data in certain countries, Danone made estimates for this indicator as of December 31, 2015.

The hours worked are actual hours worked; by default, theoretical hours worked are taken into account based on local practices and regulations regarding working time.

The assumptions used to calculate the theoretical hours worked is left to the discretion of the subsidiaries based on local specificities, which can lead to minor discrepancies.

Workplace accident indicators also cover accidents affecting temporary employees working at the sites as well as interns who have an internship agreement with Danone. Temporary employees are individuals who do not have a contract with Danone but are under the Group's management, work on a temporary basis and for whom working time is available (in number of hours); this can create discrepancies in the scope of the workforce taken into account by the sites.

Production

The production of Danone's industrial sites is the total production of finished and semi-finished products of each of the sites. As some semi-finished products are used as ingredients at other Group plants, the total production of the industrial sites is greater than Danone's total production.

Waste

In 2015, waste was classified into four categories (hazardous waste, non-hazardous organic waste, non-hazardous inorganic waste and sludge from water treatment facilities).

Since 2014, the "Volume of sludge from wastewater treatment facilities" indicator has been taken into account at all sites that have on-site wastewater treatment (complete and partial) and generate sludge. This indicator is calculated based on the quantity of wet sludge and a rate of dry material. When the rate of dry material was not available (approximately 8% of cases), the default value was set at 100%.

Consolidated data related to waste does not include (i) product returns (non-compliant raw materials rejected/unsold due to commercial problems), and (ii) whey, a by-product normally reused by a third party.

Data related to waste recovery includes materials recovery (recycling, composting, reuse, etc.) and energy recovery.

Water consumption

Consumption of well water or surface water may be estimated when sites do not have meters. The definitions and the method of accounting for various uses of water (including run-off, water pumped from and discharged into streams) are specified in the technical environmental guide prepared by Danone and provided to its subsidiaries. Water consumption includes water used for the industrial processes and in finished product formulation.

The calculation method used by Danone entails taking into account the water used in open cooling circuits (water pumped and discharged into the environment without any modification except temperature).

When logistics centers are located adjacent to industrial sites, their water consumption is taken into account if the site is unable to subtract their consumption.

Energy consumption

By definition, the environmental indicators, with the exception of the GHG Protocol Corporate indicator, cover only the impacts of production sites. When Research and Development centers or warehouses are located adjacent to production sites, estimates may be made by the production sites to take into account only their own energy consumption (estimate and deduction of the amount of energy consumed by the non-industrial sites adjacent to the production site).

In some cases, the energy consumption of buildings located adjacent to industrial sites is taken into account if the site is unable to subtract their consumption.

Greenhouse gas emissions by organization

Greenhouse gas emissions by organization (scope 1 and scope 2) for 2015 are calculated using the methodology defined in the GHG Protocol Corporate Standard (revised version of January 2015).

The approach chosen by Danone is to integrate all emissions sources from its industrial sites into the measurement of its carbon footprint. The share of emissions from offices and warehouses remains low relative to the total (7% of total emissions in 2012). Vehicles produce a greater share of emissions (21% of total emissions in 2012). However, Danone focuses its actions on industrial activities (more than 70% of total emissions in 2012).

However in the so-called "product" approach based on product lifecycle analysis Danone records emissions related to logistics and transportation.

Direct emissions (scope 1) are emissions related to on-site fuel consumption (natural gas, propane/butane/LPG, domestic heating oil, heavy fuel oil and coal) and refrigerant leaks (in accordance with the GHG Protocol Corporate Standard, only HFC and PFC consumption is taken into account). No Danone sites use PFCs.

Indirect emissions (scope 2) are emissions related to the production of electricity, steam, heating and cooling purchased by Danone.

In January 2015, the GHG Protocol published a guidance document on the method used to account for scope 2 greenhouse gas emissions, which introduces "dual reporting":

- location-based reporting, i.e. based on greenhouse gas emissions caused by the production of electricity in the geographical region in which it is consumed;
- market-based reporting, i.e. companies operating in liberalized markets such as the European Union which must use the carbon emissions related to their electricity suppliers.

Emissions (scopes 1 and 2) are calculated by applying global warming potentials and emissions factors to the activity data.

The emissions factors used to calculate emissions related to energy consumption correspond to data in the 2006 IPCC Guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories). The IPCC (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specializing in climate change. The electricity emissions factors are provided by the International Energy Agency ("CO_2 Emissions for Fuel Combustion", 2014 Edition) for location-based reporting.

For market-based reporting, the emissions factors used follow the hierarchy defined in the new scope 2 guidance document of the GHG Protocol. Suppliers' specific factors must be certified by instruments that prove the origin of electricity ("guarantee of origin certificates"). If some of the electricity used is not of certified origin, the emissions factors used are the national residual mixes published under the RE-DISS II 2015, Mixes for 2014 The factors used for heating, steam and cooling are from the carbon database of the French Agency for the Environment and Energy Management (ADEME).

The emissions factors used to characterize the impact of fugitive refrigerant emissions are based on the IPCC report "Climate Change 2007, 4th Assessment Report, The Physical Science Basis" published in 2007.

Wastewater

Chemical Oxygen Demand (COD) data presented correspond to wastewater after internal and/or external treatment. In case of external treatment reported by the site, a purification rate of 90% is assumed.

In some cases, the COD may not represent all wastewater, but only the portion that goes through the site's treatment plant.

Independent verifier's report on consolidated social, environmental and societal information presented in the management report

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

Year ended December 31, 2015

To the shareholders,

In our quality as an independent verifier accredited by the COFRAC (scope available on www.cofrac.fr) under the number n° 3-1050, and as a member of the network of one of the statutory auditors of the company Danone, we present our report on the consolidated social, environmental and societal information established for the year ended on the December 31, 2015, presented in section 5.2 *Information concerning Danone's social, societal and environmental performance in compliance with the Grenelle II law* of the management report , hereafter referred to as the "CSR Information", pursuant to the provisions of the article L.225-102-1 of the French Commercial code (*Code de commerce*).

Responsibility of the company

It is the responsibility of the Board of Directors to establish a management report including CSR Information referred to in the article R. 225-105 of the French Commercial code (*Code de commerce*), in accordance with the protocols used by the company (hereafter referred to as the "Criteria"), and of which a summary is included in the section 5.2 of the management report and available on request at the company's headquarters.

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession as well as the provisions in the article L. 822-11 of the French Commercial code (*Code de commerce*). In addition, we have implemented a quality control system, including documented policies and procedures to ensure compliance with ethical standards, professional standards and applicable laws and regulations.

Responsibility of the independent verifier

It is our role, based on our work:

- to attest whether the required CSR Information is present in the management report or, in the case of its omission, that an appropriate explanation has been provided, in accordance with the third paragraph of R. 225-105 of the French Commercial code (*Code de commerce*) (Attestation of presence of CSR Information);
- to express a limited assurance conclusion, that the CSR Information, overall, is fairly presented, in all material aspects, in according with the Criteria.

Our verification work was undertaken by a team of six people between June 2015 and Mars 2016 for an estimated duration of twenty weeks.

We conducted the work described below in accordance with the professional standards applicable in France and the Order of 13 May 2013 determining the conditions under which an independent third-party verifier conducts its mission, and in relation to the opinion of fairness and the reasonable assurance report, in accordance with the international standard ISAE 3000 concerning Assurance engagements other than audits or reviews of historical information.

1. Attestation of presence of CSR Information

We obtained an understanding of the company's CSR issues, based on interviews with the management of relevant departments, a presentation of the company's strategy on sustainable development based on the social and environmental consequences linked to the activities of the company and its societal commitments, as well as, where appropriate, resulting actions or programmes.

We have compared the information presented in the management report with the list as provided for in the Article R. 225-105-1 of the French Commercial code.

In the absence of certain consolidated information, we have verified that the explanations were provided in accordance with the provisions in Article R. 225-105-1, section 3, of the French Commercial code (*Code de commerce*).

We verified that the information covers the consolidated perimeter, namely the entity and its subsidiaries, as aligned with the meaning of the Article L.233-1 and the entities which it controls, as aligned with the meaning of the Article L.233-3 of the French Commercial code with the limitations specified in the Methodological Note in section 5.2 of the management report.

Based on this work, and given the limitations mentioned above, we confirm the presence in the management report of the required CSR information.

2. Limited assurance on CSR Information

Nature and scope of the work

We undertook around 40 interviews with the people responsible for the preparation of the CSR Information in the different departments, in charge of the data collection process and, if applicable, the people responsible for internal control processes and risk management, in order to:

- assess the suitability of the Criteria for reporting, in relation to their relevance, completeness, reliability, neutrality, and understandability, taking into consideration, if relevant, industry standards;
- verify the implementation of the process for the collection, compilation, processing and control for completeness and consistency of the CSR Information and identify the procedures for internal control and risk management related to the preparation of the CSR Information.

We determined the nature and extent of our tests and inspections based on the nature and importance of the CSR Information, in relation to the characteristics of the Company, its social and environmental issues, its strategy in relation to sustainable development and industry best practices.

For the CSR information which we considered the most important (**Social information**: total headcount, terminations (dismissals), absenteeism, social dialogue, health and safety at the work place, work accidents, notably their frequency and their severity, training policies, number of days of training; **Environmental information**: preventative measures, reduction of and compensation for discharges into the air, water and soil (waste discharged directly into water and chemical oxygen demand), preventative measures, recycling and waste management (waste and their valorisation), water consumption and water supply, considering local, raw material consumption and measures undertaken to enhance resource efficiency, energy consumption and measures undertaken to improve energy efficiency, greenhouse gas emissions; **Societal information**: relations with suppliers and subcontractors, measures undertaken in favour of consumers' health and safety):

- at the level of the consolidated, we consulted documentary sources and conducted interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and the compilation of the information, and also verified their coherence and consistency with the other information presented in the management report;
- at the level of a representative selection of that we selected (**Waters** Division: Bonafont SA de CV (Mexico),Grupo Cuzco International. S de R.L. de C.V. (Mexico), P.T. Tirta Investana (Financial Company of the Aqua Group) (Indonesia), Aguas Font Vella y Lanjaron SA (Spain); **Fresh Dairy Products Division**: Danone de Mexico (Mexico), The Dannon Company Inc (USA), Centrale Danone (Morocco), Danone Industria 000 (Russia); **Early Life Nutrition Division**: Blédina (France), JSC Istra-Nutricia Baby Foods (Russia), PT Sarihusada Generasi Mahardhika (Indonesia); **Medical Nutrition Division**: Nutricia Polska SP Z.O.O. (Poland) (*only on social and health/safety information*)) based on their activity, their contribution to the consolidated indicators, their location and a risk analysis, we undertook interviews to verify the correct application of the procedures and undertook detailed tests on the basis of samples, consisting in verifying the calculations made and linking them with supporting documentation. The sample selected therefore represented 44% of the total workforce and between 20% and 47% of the quantitative environmental information.

For the other consolidated CSR information, we assessed their consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations provided, if appropriate, in the partial or total absence of certain information taking into account, if relevant, professional best practices.

We consider that the sample methods and sizes of the samples that we considered by exercising our professional judgment allow us to express a limited assurance conclusion; an assurance of a higher level would have required more extensive verification work. Due to the necessary use of sampling techniques and other limitations inherent in the functioning of any information and internal control system, the risk of non-detection of a significant anomaly in the CSR Information cannot be entirely eliminated.

Conclusion
Based on our work, we have not identified any significant misstatement that causes us to believe that the CSR Information, taken together, has not been fairly presented, in compliance with the Criteria.

Observation
Without qualifying our conclusion above, we draw your attention to the following point:

- Controls on environmental and social data defined at group and divisions level are not yet homogeneously deployed in all sites and subsidiaries.

Paris-La Défense, March 7, 2016

Independent Verifier
ERNST & YOUNG et Associés

Éric MUGNIER	Gilles COHEN
Partner, Sustainable Development	Partner

5.3 FUNDS SPONSORED BY DANONE

danone.communities

The danone.communities mutual investment fund (Société d'Investissement à Capital Variable-SICAV) and the danone.communities professional specialized investment fund (Fonds Professionel Spécialisé – FPS, formerly the fonds Commun de Placements à Risques – FCPR) were created in 2007 at Danone's initiative:

- along with several partners, the FPS invests in businesses with significant social impact located mainly in emerging countries, in accordance with Danone's mission;
- the SICAV invests (i) at least 90% of its assets in a selection of shares or units of mutual funds or investment funds invested in money market instruments, government bonds and bonds of companies in the euro zone that favor a "Socially Responsible Investment" (SRI) approach, and (ii) up to 10% of its assets in the danone.communities FPS.

As of December 31, 2015, the danone.communities SICAV had assets under management totaling approximately €68 million.

Investment by Danone and its employees in the danone.communities SICAV and FPS

At the time of the creation of the danone.communities SICAV in May 2007, 99.77% of Danone's shareholders approved the implementation of the danone.communities project and the Company subscribed for €20 million of its capital.

Since 2007, Danone has made a financial contribution each year to the danone.communities project up to a maximum set by Danone's Board of Directors, upon the recommendation of the Social Responsibility Committee. In 2015, this contribution amounted to €3.6 million (same as in 2014).

In June and July 2015 Danone operated a reallocation of its investment in danone.communities by completing the following transactions:

- partial divestment from the SICAV through the SICAV's purchase of shares held by Danone at their net asset value, in accordance with the SICAV by-laws, for a total of €11.4 million;
- acquisition of existing shares in the FPS from the SICAV at a price equal to the net asset value for a total amount of €1.4 million;
- subscription of new shares in the danone.communities FPS at a price based on the most recent audited net asset value as of December 31, 2014, adjusted for fund-raising calls, for a total amount of €6.1 million;
- reinvestment in the danone.communities SICAV of the balance of the amounts obtained by the Company in connection with the abovementioned partial divestment for a total amount of €3.8 million.

These transactions ensure that the FPS has the additional resources needed to continue ongoing projects and to develop new projects by replicating existing models without increasing Danone's total commitment to danone.communities.

As of December 31, 2015, Danone therefore held approximately 17% of the capital of the SICAV and 63.6% of the capital of the FPS. For more information about these reallocation transactions, see section 6.5 *Statutory auditors' special report on regulated agreements and commitments*.

In addition, the employees of the Company and its French subsidiaries participate in the danone.communities project by investing in the SICAV through the danone.communities company investment fund (Fonds Commun de Placement d'Entreprise – FCPE) as part of the Group Savings Plan.

As of December 31, 2015, approximately 34% of Danone's employees in France had subscribed to the danone.communities FCPE for a total amount of €14.1 million (an increase of approximately 13.7% compared to 2014).

Projects supported by the danone.communities FPS

Since its creation, the danone.communities FPS has carried out eight investments.

In accordance with the danone.communities Governance Charter, the Company's Social Responsibility Committee is consulted prior to each investment by the danone.communities FPS and issues an opinion as to its compliance with this charter.

In 2012, Danone decided to invest alongside the danone.communities FPS directly in the capital of three projects to ensure the viability and sustainability of each of the projects: Grameen Danone Foods Limited in Bangladesh, Laiterie du Berger in Senegal and NutriGo in China. Under the terms of the danone.communities Governance Charter, the Company may invest, directly or indirectly, in companies in which the danone.communities FPS invests, but only if these co-investments: (i) comply with Danone's corporate purpose, (ii) strengthen the mission, governance and sustainability of the companies concerned, and (iii) are made in agreement with the shareholders of these companies. Each co-investment is subject to prior review by the Social Responsibility Committee, which issues an opinion as to its compliance with these requirements.

The projects in which an investment has been made by the danone.communities FPS (and, for three of them, by Danone directly) are described hereafter.

As of December 31, 2015, the total amount of the investments made by the FPS and Danone in these projects was €7.6 million and €4.3 million, respectively.

Grameen Danone Foods Ltd., Bangladesh

The danone.communities FPS made its first investment in Grameen Danone Foods Ltd., a company created in 2006 in Bangladesh at the initiative of Grameen Bank and Danone.

Grameen Danone Foods Ltd. is a social business that built a factory for manufacturing micronutrient-fortified (vitamin A, zinc, iron and iodine) yogurts. Sold by "Grameen Ladies" and in small retail stores at a price that the poorest families can afford, these yogurts make it possible to combat children's nutritional deficiencies. In addition to its health impact, the project also aims to create local jobs to increase living standards in the community, protect the environment and save resources.

1001 Fontaines, Cambodia

1001 Fontaines (together with the UV + Solaire company) gives isolated villages in Cambodia access to a drinking water system that eliminates the need for inhabitants to drink water from ponds, which is the cause of a high infant mortality rate and diarrhea-related illnesses. 1001 Fontaines uses an ultraviolet treatment process powered by solar energy that kills bacteria present in pond water and renders it drinkable at a minimal cost.

As of December 31, 2015, this project was implemented in more than 150 Cambodian villages as well as in nine new villages in Madagascar and four villages in India, giving over 340,000 people access to drinking water.

La Laiterie du Berger, Senegal

La Laiterie du Berger is a Senegalese social business created in 2005 to help improve the situation of Fula herders by providing them with a source of fixed income.

In Senegal, imported milk in powder form accounts for the bulk of consumption, even though a large portion of the population lives traditionally off livestock farming and is therefore capable of producing milk. La Laiterie du Berger manufactures products (mainly yogurts and "crème fraîche") made from fresh milk collected locally from Fula herders. These products are then sold at competitive prices on the Senegalese market. The company also supplies the herders with feed for their cattle and offers them training to improve productivity.

Isomir, France

Financed by the danone.communities FPS since 2010, Isomir SAS ("Industrialisation Solidaire en Milieu Rural") helps small farmers in France developing their short food supply chain activities by financing production facilities (poultry slaughterhouse, meat, fruit and vegetable and milk processing) for local selling (direct sales, canteens, etc.).

In addition, the Isomir association, which is involved in the overall project, provides small farmers with turnkey production facilities, advice and services to start up and launch their business (regulatory training, technical support, marketing advice, etc.).

Naandi Community Water Services, India

Financed by the danone.communities FPS since 2010, Naandi Community Water Services was created at the initiative of the Indian foundation Naandi in 2006 to provide very low-cost drinking water to village communities in India.

Water treatment and distribution systems have been installed by NCWS in more than 400 Indian villages. Installation, maintenance and technical operation of the systems are handled by the company's staff but are managed directly in the villages by people who have been specially recruited and trained.

El Alberto, Mexico

The El Alberto project, which is the result of a partnership between the Porvenir Foundation, HOD Mexico, the Mexican government and danone.communities, was launched in 2011. Its objective is to give the indigenous communities of the El Alberto region of Mexico access to clean, inexpensive water. At the end of 2015, the project supplied drinking water to nearly 30,000 people.

NutriGo, China

The NutriGo project, implemented through a partnership with the non-governmental organization Shanghai NPI Social Innovation Development Center, is a major player in social innovation and social entrepreneurship in the People's Republic of China.

This project, which was launched in 2011, seeks to:

- market YingYangBao, a powdered food supplement that provides children with key nutrients (such as proteins, vitamins, iron and calcium) in the economically disadvantaged rural areas of China where people suffer from chronic malnutrition;
- provide stronger nutritional education to local populations.

Development of the Nutrigo project is in line with its roadmap still with a limited geographical impact reaching approximately 5, 000 people.

Jita, Bangladesh

The FPS's latest investment, which was made in 2012, concerns JITA, a women-operated rural distribution network for basic products in Bangladesh.

It is an extension of a program launched by the non-governmental organization CARE Bangladesh in 2004 and seeks to significantly increase the number of sales ladies working with JITA by developing a social business model based on work already completed by CARE Bangladesh. Its main objectives are to create job opportunities for several thousand women living in fragile economic conditions, enable the establishment of distribution points in rural areas and make basic products and services available to numerous Bangladeshis. JITA therefore seeks to promote a sustainable rural sales model and develop a rural company network thanks to greater access to the market and services.

Danone Ecosystem Fund (*Fonds Danone pour l'Écosystème*)

At the April 23, 2009 Shareholders' Meeting, shareholders approved the proposed creation of the Danone Ecosystem Fund, with 98.36% of shareholders casting ballots in favor.

Description

The fund is governed by the provisions of the French Law of August 4, 2008 and is run by a board of directors. A steering committee, composed of representatives of Danone and non-Company members, establishes the fund's major strategic guidelines, especially with regard to priorities and resource allocation principles, as presented by the fund's board of directors. An investment committee is responsible for making investment policy proposals to the board of directors and ensuring follow-up action on them.

The purpose of the Danone Ecosystem Fund is to strengthen and develop activities of public interest within the Danone ecosystem. Together with non-profit organizations, the fund supports economic initiatives of certain Danone stakeholders (farmers, suppliers, local authorities, economic players located close to plants, small distributors, etc.) in order to strengthen Danone's ecosystem, promote job creation and develop micro-entrepreneurship.

Danone's Contributions

Under the terms of the resolution approved by the April 23, 2009 Shareholders' Meeting, Danone made a free and irrevocable capital endowment of €100 million into the fund in 2009 and then made additional annual contributions: €1.4 million for each of the 2009 and 2010 fiscal years and €0.9 million for fiscal year 2011.

Management of the fund's administrative, accounting, financial and legal activities

The fund has no employees and the management of the fund's activities (administrative, accounting, financial and legal) is handled by dedicated Danone employees in accordance with the terms of a services agreement between Danone and the fund. The salaries and travel expenses of these employees, which in 2015 totaled €1.8 million, are fully rebilled by Danone to the fund. This rebilling is done in accordance with a rebilling procedure implemented by the fund after all supporting documents have been submitted by Danone to the fund.

Projects supported by the fund

Since its creation, the fund's board of directors has approved 63 projects (excluding feasibility studies), including seven new projects in 2015; in addition, eight extensions of existing projects were approved in 2015.

The fund's board of directors decided to terminate two projects (one in 2011 and the other in 2013) as a result of their non-viability. Of the 61 projects in the portfolio, 11 projects have been removed from the fund's scope since its creation, particularly at the end of the initial phase of financing by the fund.

Consequently, 50 projects remained active as of December 31, 2015.

These projects are selected in accordance with the fund Governance Charter and after a review on the basis of the following five criteria:

- economic viability of the activity funded;
- creation of social value;
- possibility of developing or replicating the initiative;
- innovative character;
- differentiation opportunities.

The projects are initiated by Danone subsidiaries around the world, both in developed and emerging countries.

Of the 50 active projects, 11 were located in Western Europe, 11 in America, 11 in Central and Eastern Europe, eight in Asia and nine in Africa and the Middle East.

Projects supported by the fund are implemented primarily through non-profit organizations selected by the fund (associations, international organizations, etc.) and are subject to contracts between the fund and the selected partner, which define detailed rules for their implementation (description, timetable, subsidy payment schedule, partner's responsibility, performance indicators, project governance, etc.). Moreover, since 2013, some projects have been carried out directly by the fund.

Since its creation the fund has supported initiatives that fall into five main categories:

- supplies: supporting the dairy and fruit industries in the regions where Danone operates by developing small producers in particular (reinforcement or acquisition of new skills, technical solutions, access to credit, etc.) (25 projects originally in the portfolio representing €27 million committed by the fund as of December 31, 2015);
- micro-distribution: integrating socially disadvantaged individuals by creating new distribution channels for consumer products and/or local products with high nutritional value (nine projects originally in the portfolio representing €9 million committed by the fund as of December 31, 2015 for these projects);
- recycling: collecting PET by helping to organize the work of communities of rag pickers and by improving their quality of life and that of their families (five projects originally in the portfolio representing €7 million committed by the fund as of December 31, 2015);
- services to individuals: in connection with nutrition, develop the professional skills of those providing personal services (15 projects originally in the portfolio representing €9 million committed by the fund as of December 31, 2015);
- local development: contribute to social development in the areas surrounding Danone's plants through local economic initiatives (seven projects originally in the portfolio representing €6 million committed by the fund as of December 31, 2015).

These projects are also subject to audits, impact studies and monitoring by a coordination team (these overheads costs totaled €2 million in 2015).

As of December 31, 2015, the total amount committed by the fund to projects implemented by non-profit organizations (corresponding to the amounts actually paid by the fund to partners as well as the amounts that the fund has agreed to pay under contracts entered into with partners) and to public-interest initiatives carried out directly by the fund, audits, impact studies and monitoring by a coordination team was €69 million.

Livelihoods Fund

Creation

The Livelihoods Fund is an investment fund dedicated to ecosystem and carbon assets restoration and created at Danone's initiative. It is a Luxembourg-registered mutual fund (société d'investissement à capital variable – specialized investment fund) created on December 15, 2011.

The Livelihoods Fund seeks to invest in three types of projects that fulfill both environmental and social criteria in Africa, Asia and Latin America: (i) the restoration and preservation of natural ecosystems, (ii) agroforestry and soil restoration through sustainable agricultural practices, and (iii) access to rural energy to reduce deforestation. The Livelihoods Fund also seeks to have a significant impact on local communities (food safety, development of new revenue, etc.) and on the environment.

The initial term of the fund is 24 years, the life span of a project being around 20 years.

The creation of the Livelihoods Fund is in line with Danone's goal of reducing its carbon and environmental footprint through the development of offset actions that enable carbon credits to be earned through projects with a high environmental and social impact.

Investments by Danone and co-investors in the fund

As the fund's sponsor, Danone put together an initial investor group in 2011 comprising the Crédit Agricole (Crédit Agricole CIB and Delfinances – now Crédit Agricole SA), CDC Climat and Schneider Electric Industries groups, which was then joined by La Poste, Hermès International, Voyageurs du Monde, SAP, Firmenich and Michelin. The fund now has 10 investors.

By inviting other investors to participate in the fund, which increases the amounts invested in the fund, Danone is able to limit the risks associated with each project (through diversification of the fund's investments over a larger number of projects), achieve economies of scale and benefit from complementary expertise and know-how.

As of December 31, 2015, all investors have pledged to invest a total of €37.9 million in the Livelihoods Fund, €20.2 million of which has already been paid to the fund. Of these amounts, Danone has committed to pay €13.8 million and has already disbursed €7.4 million as of December 31, 2015.

The carbon credits generated by the projects developed by the Livelihoods Fund are certified in accordance with the highest market standards and allocated to investors in proportion to their investment. Investors may use these credits to offset their carbon emissions or sell them on the market.

Investments made by the fund

As of December 31, 2015, the Livelihoods Fund managed eight projects, including four that had been initiated by Danone and transferred to the fund at the time of its creation.

The projects are described hereafter:

- mangrove plantations in Senegal. Thanks to the work of Océanium, a local NGO, 350 villages in Casamance and Sine Saloum have restored 7,920 hectares of mangroves, thereby contributing to the return of food resources to their ecosystem (fish, shellfish) and developing activities that improve living conditions in these villages;
- mangrove plantations in India. Working with the Indian NGO Nature Environment & Wildlife Society (NEWS), villagers in the Ganges delta replanted 5,500 hectares of mangroves by the end of the first quarter of 2014. In this region of India, the replanting of mangroves protects dykes against hurricanes and rising water and provides food resources in the form of fish;
- mangrove plantations in Indonesia. Led by Yagasu Aceh, a local NGO, coastal villagers are working to restore 5,000 hectares on the island of Sumatra, with a very active initiative to help local communities develop mangrove-based activities (aquaculture, batik dyes);
- agroforestry in India. With support from the Naandi Foundation, the Adivasi tribal communities of the Araku valley have planted 3 million fruit trees, coffee plants and timber trees based on agroforestry models;
- rural energy and community reforestation in Kenya. With support from ClimatePal and in cooperation with Ecoact, the "Hifadhi" project seeks to manufacture and distribute 60,000 efficient artisanal furnaces that reduce the consumption of wood, the only source of fuel in African rural areas. Some 300,000 people in the Embu region are expected to benefit from this initiative, which significantly reduces female labor, the pressure on forests and the health impacts on the population;
- agroforestry in Guatemala. With support from the local NGO Fundaeco and the Guatemalan government, this project is intended to preserve the biodiversity of the Cerro San Gil mountain by enabling farm families living in the foothills of the mountain to live decently thanks to agroforestry. Some 4,000 hectares of trees and plants of various varieties are expected to be planted;
- rural energy and community reforestation in Burkina Faso. With support from the Tiipaalga NGO, the "Livelihoods-Tiipaalga" project aims to manufacture and distribute 30,000 efficient artisanal furnaces that reduce the consumption of wood, the only source of fuel in African rural areas. Some 150,000 people in Bam and Loroum provinces are expected to benefit from this initiative, which significantly reduces female labor, the pressure on forests and the impact on the health of the populations;
- rural energy and health in Peru. With support from the local NGO Instituto Trabaja y Familia (ITYF), 30,000 improved cast-iron furnaces with built-in chimneys will be distributed to impoverished families in the Peruvian Andes along with hygiene kits. This equipment will not only allow the recipient households to cook and heat their homes while significantly reducing their wood consumption, but will also improve women's health by reducing fumes and burns and children's nutrition by providing sufficient amounts of boiled water.

Since the end of 2015, a ninth project has also been approved with operations beginning in 2016:

- agroforestry and milk production in Kenya. With support from the local VI Agroforestry NGO, industrial partner Brookside and government groups, the aim of this project – one of the largest financed by the Livelihoods Fund – close to Lake Victoria is to significantly improve the livelihoods of 30,000 small farmers by intensifying agriculture that respects natural resources (Sustainable Agricultural Landscape Management – SALM) and developing milk production, while also protecting water resources and promoting positive social impacts, such as female labor.

Delivery of carbon credits

Since 2014, the Livelihoods Fund has delivered carbon credits to investors after verification of the projects in question by independent auditors. In 2015, three projects (News in India, Yagasu in Indonesia and Hifadhi in Kenya) generated a total of 297,536 carbon credits, which will be delivered to the fund and distributed to investors in early 2016. As part of this distribution, Danone received 108,250 carbon credits.

Livelihoods Fund for Family Farming

Creation

The Livelihoods Fund for Family Farming (L3F) is a company created at Danone's initiative for the purpose of investing in projects that generate carbon credits, agricultural products and other socio-environmental co-benefits. It is a French simplified stock company (*société par actions simplifiée*) with variable capital created on July 30, 2015.

This new fund is a follow-up to the first Livelihoods Fund and supplements Danone's other societal funds and initiatives. Its goal is to test and develop new innovative models for the sustainable supply of its critical raw materials in developing countries with the help of a coalition of diverse stakeholders. This new fund is in line with the Danone 2020 strategy, particularly as regards the sustainable supply component and the three-pronged economic, social and environmental objective.

Investors

The Livelihoods Fund for Family Farming was created by Danone and Mars Inc., each of which committed to a total investment of €15 million, €1 million of which was already paid to the fund as of December 31, 2015.

The fund seeks to attract other investors in order to increase the fund's size, and therefore the number of projects initiated, limit the risks associated with each project and achieve economies of scale.

Investments made by the fund

The Livelihoods Fund for Family Farming explores project opportunities in seven target commodities determined by investors: cocoa, water, palm oil, milk, mint, sugar and vanilla.

6.1 GOVERNANCE BODIES 208

Board of Directors 209

Audit Committee 222

Nomination and Compensation Committee 224

Social Responsibility Committee 226

Strategy Committee 228

Executive Committee 229

Application of the AFEP-MEDEF Corporate Governance Code for listed companies 230

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS AND NOMINEES TO THE BOARD OF DIRECTORS 232

Appointment 233

Renewal of terms of office 234

Current Directors 237

6.3 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS AND GOVERNANCE BODIES 252

Principles of the executive compensation policy 253

Details of the collective compensation programs 258

Compensation and benefits paid to the corporate officers and governance bodies 274

Individual compensation of the corporate officers 287

Transactions completed in 2015 by members of the Board of Directors and Executive Committee involving DANONE shares 288

6.4 INTERNAL CONTROL AND RISK MANAGEMENT 290

General organization of internal control 290

Danone's overall internal control and risk management process 291

Internal control process related to the preparation and processing of Danone's financial and accounting information 294

Statutory auditors' report 296

6.5 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS 297

6 Corporate Governance

In accordance with Article L. 225-37 of the French commercial code, this section on Corporate Governance includes the Chairman's report (i) on the composition, the conditions for the preparation and organization of the work performed by the Board of Directors (section 6.1 Governance bodies), as well as (ii) on the internal control and risk management procedures at Danone (section 6.4 Internal control and risk management).

In accordance with Article L. 225-37 of the French commercial code, the Company declares that it refers to the Corporate Governance Code for listed companies revised in November 2015 (the "AFEP-MEDEF Code").

This report was prepared based on work completed by the Legal Department, working closely with the Human Resources Department, the Finance Department and the Internal Control Department. It was first presented to the Nomination and Compensation Committee on February 11, 2016 and was then approved by the Board of Directors on February 22, 2016.

6.1 GOVERNANCE BODIES

TABLE OF CONTENTS

Board of Directors 209
Composition 209
Rules applicable to the organization and governance of the Board of Directors 212
Operation during the fiscal year 215
Work 218
Self-assessment 220
Lead Independent Director 220

Audit Committee 222
Composition 222
Rules of procedure 222
Work 223

Nomination and Compensation Committee 224
Composition 224
Rules of procedure 224
Work 225

Social Responsibility Committee 226
Composition 226
Rules of procedure 226
Work 227

Strategy Committee 228
Composition 228
Rules of procedure 228
Work 228

Executive Committee 229
Role 229
Composition 229

Application of the AFEP-MEDEF Corporate Governance Code for listed companies 230

Board of Directors

Composition

The members of the Board of Directors are appointed by the Shareholders' Meeting, except the two Directors representing employees who are appointed by the Company Works Council and by the Group European Works Council.

Members of the Board of Directors as of December 31, 2015

As of December 31, 2015, the following persons are the 15 members of the Board of Directors:

Name	Gender	Age	Primary function [a]	Starting date of Director's term	Expiration date of Director's term [b]
Franck RIBOUD	Male	60	Chairman of Danone's Board of Directors	1992	2019 [c]
Emmanuel FABER	Male	52	Chief Executive Officer and Vice-Chairman of the Danone's Board of Directors	2002	2019 [c]
Bruno BONNELL [d]	Male	57	Chairman of I-Volution	2002	2017
Jacques-Antoine GRANJON [d]	Male	53	Chairman and Chief Executive Officer of vente-privee.com	2012	2018
Marie-Anne JOURDAIN	Female	57	Director representing employees	2014	2017
Jean LAURENT [d]	Male	71	Chairman of the Board of directors of Foncière des Régions	2005	2018
Gaëlle OLIVIER [d]	Female	44	Chief Executive Officer, General Insurance, AXA Asia	2014	2017
Benoît POTIER [d]	Male	58	Chairman and Chief Executive Officer of Air Liquide SA	2003	2018
Isabelle SEILLIER	Female	56	Head of Financial Institutions EMEA of J.P. Morgan	2011	2017
Mouna SEPEHRI [d]	Female	52	Member of the Executive Committee, Executive Vice-President of Renault SAS	2012	2018
Jean-Michel SEVERINO [d]	Male	58	Head of I&P SARL	2011	2017
Virginia A. STALLINGS [d]	Female	65	Professor of Pediatrics at the Children's Hospital of Philadelphia	2012	2018
Bettina THEISSIG	Female	53	Director representing employees	2014	2017
Serpil TIMURAY [d]	Female	46	Regional Chief Executive Officer Africa, Middle East, Asia and Pacific, and Executive Committee member of Vodafone group	2015	2018
Lionel ZINSOU-DERLIN [d]	Male	61	Prime Minister of Benin	2014	2017

(a) Each Director's term of office and duties are detailed hereafter (see section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*).
(b) Date of the Shareholders' Meeting.
(c) Subject to renewal of his term of office by the Shareholders' Meeting of April 28, 2016.
(d) Director considered independent by the Board of Directors on February 22, 2016 at the recommendation of the Nomination and Compensation Committee (see section *Review of Directors' Independence* hereafter).

Since February 2013, the Board of Directors has included a Lead Independent Director, Mr. Jean LAURENT, who was appointed by the Board of Directors at the recommendation of the Nomination and Compensation Committee (see description hereafter in section *Lead Independent Director*).

Pursuant to Act No. 2013-504 of June 14, 2013 and the Company's by-laws, Mrs. Marie-Anne JOURDAIN and Mrs. Bettina THEISSIG were appointed, respectively, by the Company's Works Council on September 3, 2014 and by the Group European Works Council on September 6, 2014, as Directors representing employees. Since their appointment, a single member of the Works Council participates in Board of Directors' meetings in an advisory capacity, compared with four members previously.

The Board of Directors includes an honorary Vice-Chairman of the Board of Directors, Mr. Michel DAVID WEILL, who was appointed to this function following the Shareholders' Meeting of April 28, 2011 and serves in an advisory capacity.

Separation of the offices of Chairman of the Board of Directors and Chief Executive Officer

Separation of the offices of Chairman of the Board of Directors and Chief Executive Officer

The Board of Directors, at its meeting on September 2, 2014, at the recommendation of the Nomination and Compensation Committee, decided to separate the offices of Chairman of the Board of Directors and Chief Executive Officer, effective October 1, 2014, and to appoint Mr. Emmanuel FABER as Chief Executive Officer, with Mr. Franck RIBOUD remaining Chairman of the Board of Directors. This separation of offices creates the best conditions to organize Mr. Franck RIBOUD's succession at the head of the Company, while ensuring that Danone's strategy continues to evolve in accordance with the Company's culture and values by maintaining Mr. Franck RIBOUD as Chairman of Danone's Board of Directors.

Enhanced powers of the Chairman of the Board of Directors

In accordance with the law, the Chairman of the Board organizes and directs the work of the Board, and reports on it to the Shareholders' Meeting. He/she oversees the smooth operation of the Company's governance bodies and ensures in particular that the Directors are able to fulfill their duties. He/she may in particular request any document or information that may serve to brief the Board in preparing its meetings.

The Board decided to increase the Chairman's duties, during a transitional period, in order to enhance consultation between the Chairman and the Chief Executive Officer on all the major issues impacting the life of the company, and to give the Chairman the ability to represent Danone in its high-level relations. These duties aim at preparing, in the best possible way, his succession at the head of Danone and at ensuring a smooth and progressive transition. The work carried out by the Chairman of the Board in 2015 is described in section 6.3 *Compensation and benefits for corporate officers and governance bodies related to 2015 Annual fixed compensation*.

In accordance with the rules of procedure and in addition to his powers under the law, the Chairman of the Board of Directors:

- presides over and chairs the Strategy Committee;
- monitors compliance with Danone's values and culture;
- may, upon request by the Chief Executive Officer, represent the Company in its high-level relations at a national and international level, and in particular with public authorities and with the Company's partners and strategic stakeholders;
- may, without prejudice to the prerogatives of the Board of Directors and its Committees, be regularly consulted by the Chief Executive Officer concerning all events of significance with regard to the Company's strategy in the framework of the priorities defined by the Board of Directors, major external growth projects, large-scale financial operations, societal initiatives or the appointment of directors for the key activities and functions in the company. Upon invitation by the Chief Executive Officer, the Chairman may participate in internal meetings with the Company's managers and teams in order to share his input on strategic issues.

In all these specific missions, the Chairman acts in close coordination with the Chief Executive Officer, who alone ensures the executive and operational management of Danone.

Powers of the Chief Executive Officer

The Chief Executive Officer has full power to act in all circumstances in the name of the Company, within the scope of its corporate purpose and subject to the powers that the law expressly attributes to shareholders' meetings and to the Board of Directors. The Board of Directors' rules of procedure provide for limits to these powers for certain decisions which, due to their purpose or the sums involved, are subject to prior approval by the Board.

Thus, the Board of Directors is required to approve (i) strategic investment projects and (ii) all transactions, such as acquisitions or disposals, which may significantly impact Danone's results, its balance sheet structure or its risk profile.

In particular, the Chief Executive Officer must obtain the Board of Directors' prior authorization for the following transactions:

Type of transactions	Authorization thresholds
Acquisitions or disposals of securities and/or assets, partnerships or joint-ventures (in cash or by asset contributions, carried out in one or several operations)	Threshold of €250 million applicable: • for acquisitions, partnerships or joint ventures: per investment for Danone's share; • for disposals: proceeds received for Danone's share.
Any off-balance sheet commitment made by Danone	Threshold of €100 million for Danone's share.
Other investments	Any significant excess over the amount set in the annual budget.
Internal reorganizations	Any reorganization representing an overall cost for Danone's share exceeding €50 million.

Change in the composition of the Board of Directors proposed to the Shareholders' Meeting of April 28, 2016

On April 28, 2016, the Shareholders' Meeting is asked to renew the terms of office as Directors of Messrs. Franck RIBOUD and Emmanuel FABER and to appoint Mrs. Clara GAYMARD as Director.

In accordance with AMF recommendation No. 2012-02, the table below summarizes the changes in the composition of the Board of Directors that occurred in 2015 and are planned for 2016:

Date	Departures	Appointments	Renewals
Shareholders' Meeting of April 29, 2015	Richard GOBLET D'ALVIELLA	Serpil TIMURAY	Jacques-Antoine GRANJON
			Jean LAURENT
			Benoît POTIER
			Mouna SEPEHRI
			Virginia A. STALLINGS
Shareholders' Meeting of April 28, 2016		Clara GAYMARD	Emmanuel FABER
			Franck RIBOUD

Provided that the aforementioned term of office renewals and the appointments proposed are approved by the Shareholders' Meeting of April 28, 2016, the composition of the Board will present the following characteristics:

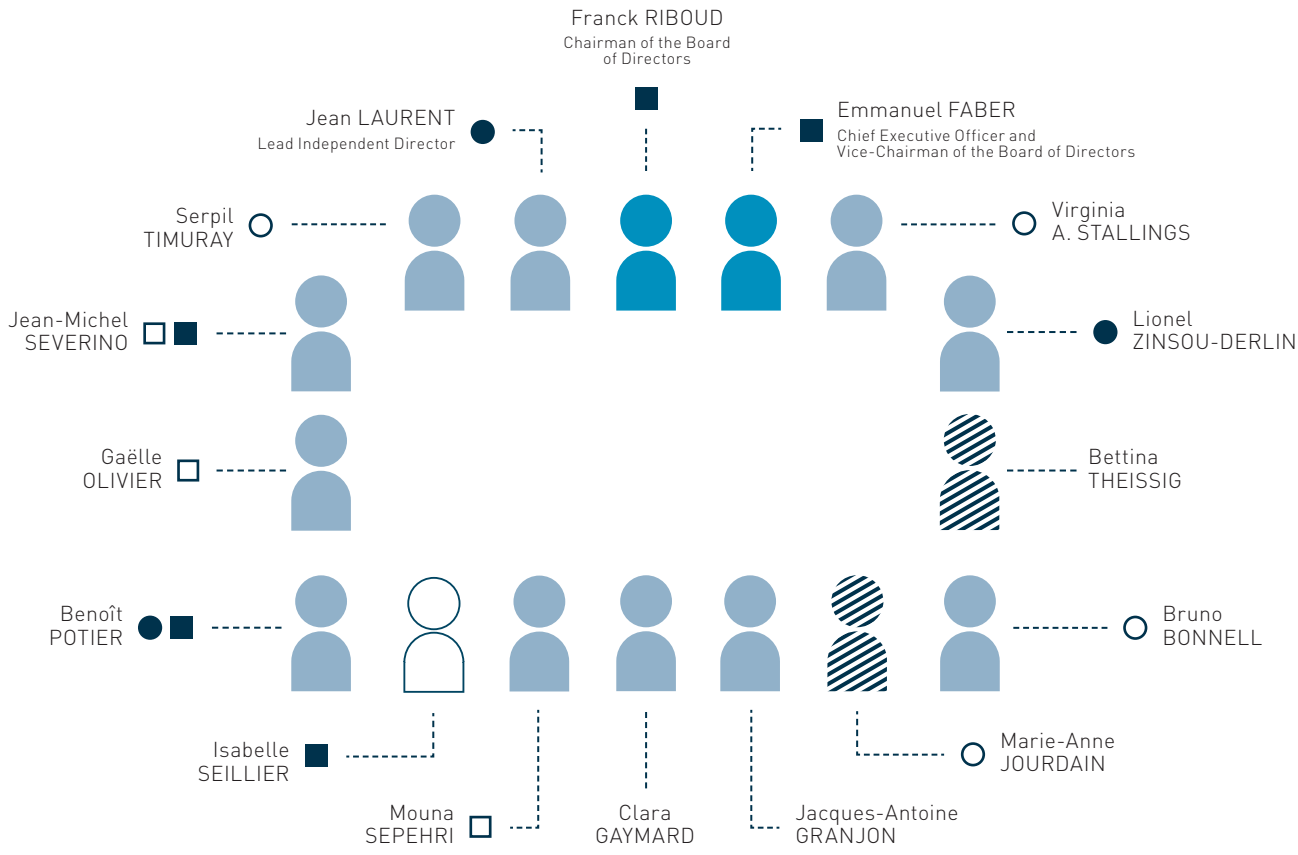
	Composition subsequent to the 2013 Shareholders' Meeting	Composition subsequent to the 2014 Shareholders' Meeting	Composition subsequent to the 2015 Shareholders' Meeting	Composition subsequent to the 2016 Shareholders' Meeting
Rate of independence	57%	71%	77%	79%
Percentage of women	21%	29%	38%	43%
Average age of Directors	57.3 years	56.1 years	55.4 years	56.4 years
Average duration of Directors' terms of office	7.6 years	7.4 years	6.9 years	7.3 years
Percentage of Directors with non-French nationality	29%	29%	31%	29%

In accordance with the recommendations of the AFEP-MEDEF Code, the Directors representing employees are not included in the calculation of the rate of independence for the Board of Directors. In addition, in accordance with applicable laws, these same Directors are not taken into consideration when calculating the percentage of women on the Board. As a result, in order to ensure the consistency of the data presented, the Directors representing employees are also not included in the calculation of the average age, the average duration of terms of office, as well as the percentage of Directors with non-French nationality.

Accordingly, following the Shareholders' Meeting of April 28, 2016, subject to a favorable vote by the Meeting:

- the rate of independence would still be higher than that recommended by the AFEP-MEDEF Code (which is 50% for widely-held companies without controlling shareholders, such as Danone), and all the members of the Audit Committee and Nomination and Compensation Committee would be independent, which is also higher than that recommended by the AFEP-MEDEF Code (under which these committees should comprise at least two-thirds and a majority of independent Directors, respectively);
- the percentage of women would be higher than the percentage required by law (which requires the percentage of women to be at least 40% at the time of the Shareholders' Meeting to be held in 2017);
- the average age of Directors and the average duration of their terms of office would be slightly higher. In fact, in order to preserve the expertise and experience of its members, the Board of Directors felt that it was important to retain several non-executive Directors who have in-depth knowledge of Danone's history, particularly Mr. Bruno BONNELL, a Director since 2002, and Mr. Benoît POTIER, a Director since 2003.

Composition of the Board of Directors at the end of the 2016 Shareholders' Meeting [a]



[a] Subject to the approval by the Shareholders' Meeting of the term of office renewals and proposed appointment.

Rules applicable to the organization and governance of the Board of Directors

Directors' terms of office

Duration and renewal of terms of office

Pursuant to the by-laws, Directors are appointed for a three-year term of office that may be renewed. The term of office of a Director who is an individual expires automatically at the end of the Shareholders' Meeting convened to vote on the past fiscal year's financial statements or held in the year during which such Director has turned or will turn 70. Furthermore, upon a decision of the Shareholders' Meeting, this age limit does not apply to one or more Directors who may remain in office or who may be reappointed one or more times, so long as the number of Directors concerned by this decision does not exceed one-fourth of the number of Directors in office.

In order to support the smooth renewal of the Board, the Directors' terms of office are staggered. The regular renewal of such terms of office by shareholders is thus facilitated (i) due to the fact that the by-laws limit the terms of office to three years and (ii) by spreading the expiration dates of the various terms of office and thereby enabling the Shareholders' Meeting to vote on the terms of office of several Directors each year.

Based on the current composition of the Board, the terms of office of two Directors will expire at the end of the 2016 Shareholders' Meeting, seven will expire at the end of the 2017 Shareholders' Meeting, including the terms of the two Directors representing employees, and the other six will expire at the end of the 2018 Shareholders' Meeting.

Holding of DANONE shares by the Directors

Although French law no longer requires a minimum shareholding by directors, Danone's by-laws, in accordance with the AFEP-MEDEF Code, require each Director (with the exception of Directors representing employees) to hold a minimum of 4,000 shares. For information purposes, and based on the share closing price on December 31, 2015 (*i.e.* €62.28 per share), 4,000 DANONE shares represent an amount of €249,120.

Rules of procedure

Adoption by the Board of Directors on April 25, 2002

The Board of Directors' rules of procedure, which set out the Directors' rights and obligations and the method of operation of the Board of Directors, were adopted by the Board of Directors on

April 25, 2002. They are described in detail hereafter and are also published on Danone's website.

Recent amendments
The Board of Directors' rules of procedure are reviewed on a regular basis and have been amended following regulatory developments and the Board of Directors' self-assessments (the most recent of which was conducted in 2014) and within the framework of the Board's annual review of its operations.

The most recent amendment to the rules of procedure occurred on February 19, 2015 in connection with the change in the rules for allocating attendance fees.

Current Rules of Procedure
The main provisions of the Board of Directors' rules of procedure are summarized hereafter.

Responsibilities of the Board of Directors
The Board of Directors sets the Company's business policies and ensures that they are implemented. It votes on all decisions concerning the Company's major strategic, economic, social, financial and technological policies. Moreover, it grants prior approval for transactions defined in the rules of procedure which limit the powers of the Chief Executive Officer. It is responsible towards the shareholders and establishes operating rules for itself and its various Committees.

Chairman of the Board of Directors
In addition to the powers vested in him by law, the Chairman of the Board of Directors presides over and chairs the Strategy Committee and ensures compliance with Danone's values and culture. He/she may, upon request by the Chief Executive Officer, represent the Company in its high-level relations at a national and international level, and in particular with public authorities and with the Company's partners and strategic stakeholders. He/she may, without prejudice to the prerogatives of the Board of Directors and its Committees, be regularly consulted by the Chief Executive Officer concerning all events of significance with regard to the Company's strategy within the framework of the priorities defined by the Board of Directors, major external growth projects, large-scale financial operations, societal initiatives or the appointment of directors for the key activities and functions in the Company. Upon invitation by the Chief Executive Officer, the Chairman may participate in internal meetings with the Company's managers and teams in order to share his input on strategic issues.

In all these specific missions, the Chairman acts in close coordination with the Chief Executive Officer, who alone ensures the executive and operational management of Danone.

Vice-Chairman of the Board of Directors
The capacity as Vice-Chairman entitles to chair the Shareholders' Meetings, on the one hand, and the Board of Directors' meetings, on the other hand.

Operation of the Board of Directors
The Board of Directors is a collegiate body in which all Directors have the same powers and duties, and in which decisions are made collectively. It meets at least five times annually.

At each Board meeting, an update is provided on the main transactions carried out by Danone since the previous meeting and on significant projects in progress that may be carried out before the following meeting. Each year, the Board reviews the key points of Danone's management report, as well as the resolutions to be submitted to the Shareholders' Meeting. Furthermore, at least once every six months, General Management informs the Board of Directors of the Company's financial position, cash position and commitments.

Board of Directors' meetings
Directors who attend Board meetings by videoconference or other means of telecommunication are deemed to be present for the purposes of calculating the quorum and majority. However, this method of attendance is not permissible when the Board decides on whether to approve the Company's statutory and consolidated financial statements and when it prepares the management report, including Danone's Management Report.

In addition, the independent Directors meet at least once a year on the proposal of the Lead Independent Director, who may invite the Company's other external Directors to attend the meeting.

When the Board sets the compensation of corporate officers, they are present at the time of the Board's deliberations but, in accordance with the law, they do not take part in either the discussions or the vote.

Committees of the Board of Directors
The Board of Directors may create one or more specialized Committees and determine their composition, powers and rules of operation. The Committees perform their duties under the Board of Directors' responsibility.

The Committees are comprised solely of Directors: their members are appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. They are appointed in their individual capacity and may not, in turn, appoint a proxy to represent them. The Committee Chairmen are appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. However, these Committees may not interfere in the Company's management or reduce or limit the powers of the Chairman of the Board, the Chief Executive Officer or the Board of Directors. On matters within its scope of powers, each Committee submits proposals, recommendations and opinions, and reports to the Board of Directors on its activities. The final decision is taken by the Board of Directors, in accordance with the provisions of the French commercial code.

Each of these Committees may carry out studies or obtain the advice of independent experts.

Compensation of Directors
Directors receive attendance fees; however, the members of the Executive Committee, the Company's corporate officers, the honorary Directors, the Chairman of the Board and the Directors representing employees do not receive any attendance fees. The Shareholders' Meeting approves the total maximum amount of attendance fees to be divided among the Directors.

The allocation of attendance fees takes the actual participation of Directors at Board and Committee meetings into account and includes a majority variable element (see the amount of attendance fees paid in 2015 in section *Compensation and benefits paid to members of the Board of Directors who are not corporate officers* hereafter).

Moreover, a policy provides guidelines regarding the reimbursement of expenses incurred by Board members to perform their duties.

Directors' Code of ethics
The Board's rules of procedure include a Directors' Code of ethics.

Defense of the corporate interest
Each Director is appointed by all the shareholders and, in carrying out his/her duties, should act in the best interests of Danone, independently from all other interests.

Awareness of Directors' rights and obligations
At the time he/she takes office, each Director must be aware of the general and specific obligations incumbent on his/her position.

Independence
Each year, after reviewing the opinion of the Nomination and Compensation Committee, the Board of Directors individually considers the situation of each Director in light of the AFEP-MEDEF Code independence rules. It considers a director to be independent when s/he "has no relationship of any type with the company, its group or its management that could compromise his/her ability

to freely exercise his/her judgment", and sets forth the following independence criteria:

- he/she is not, and during the previous five years has not been, an employee or executive director and officer of the company, or an employee or director of its parent company or of a company within its consolidation scope;
- he/she is not an executive director and officer of a company in which the company directly or indirectly holds a directorship or in which an employee appointed for such purpose or an executive director and officer of the company (currently or who has held such position within the previous five years) holds a directorship;
- he/she is not a customer, supplier, investment bank or commercial bank:
  - that is significant to the company or its group,
  - or for which the company or its group represents a significant part of its business;
- he/she does not have close family ties with an executive director and officer;
- he/she has not been one of the company's statutory auditors during the previous five years;
- he/she has not been a director of the company for more than 12 years (see, on the application of this criterion, section *Application of the AFEP-MEDEF Corporate Governance Code for listed companies* hereafter).

Duty to report conflicts of interest
Each Director must at all times ensure that his/her personal situation does not create any conflict of interests with Danone. Any Director who has a conflict of interest must (i) report it to the Board so that the latter may make a decision thereon, and (ii) refrain from taking part in any deliberations and vote on the relevant matter.

Each Director must provide a sworn statement describing whether or not he/she has any conflicts of interest, including potential conflicts of interest: (i) at the time he/she takes office, (ii) annually, in response to the Company's request when preparing the Registration Document, (iii) at any time, if requested by the Chairman of the Board of Directors, and (iv) within 10 business days of the occurrence of any event that causes the Director's previously filed statement to become inaccurate, in whole or in part.

Confidentiality obligation
Directors are bound by a general confidentiality obligation regarding the decisions of the Board and of the Committees, as well as with respect to confidential information of which they become aware in the performance of their duties as a Director.

The Directors' general confidentiality obligation was extended to all information and documents of which they may become aware in the course of their duties as a Director.

Attendance requirement
With respect to their attendance obligations, Directors must limit the number of offices and Board committee chairs they hold in other companies to ensure sufficient availability. Should an executive director and officer wish to accept a new appointment within a French or foreign listed company, he/she must first inform the Chairman of the Board of Directors and the Chairman of the Nomination and Compensation Committee and obtain the prior approval of the Board of Directors.

Transactions in the Company's shares
The shares in question include Danone shares and all financial instruments linked to them.

In general, members of the Board of Directors are bound by a duty to exercise due care and diligence, as well as an obligation to take special care with respect to any personal transactions involving Danone's shares.

In particular, Directors may not engage in speculative or short-term transactions involving the Company's securities.

Furthermore, they may not engage in transactions in Danone's shares in the following cases:

- if they have information that, when published, is likely to affect the price of the shares;
- during periods explicitly indicated by the Company, in particular during the month preceding announcements of the Company's annual and interim results, and during the two-week period prior to publication of the Company's quarterly sales.

In addition, members of the Board of Directors must not use any instruments to hedge DANONE shares or any financial instruments linked to DANONE shares (in particular, call options or rights to Danone shares subject to performance conditions). This rule also applies to all transactions engaged in by persons who are related to the Directors (within the meaning of the applicable regulations).

Any Director who is unsure about a transaction involving Danone's shares (or other financial instruments) that he/she intends to enter into or the precise nature of the information he/she is required to disclose, must inform the Chairman of the Board of Directors or the Lead Independent Director accordingly.

Finally, the Board of Directors' rules of procedure also prohibit Directors from engaging in transactions in shares (and all related financial instruments) of companies for which they have insider information (within the meaning of the applicable regulations) as a result of their duties at Danone.

Board of Directors' assessment
The Board's composition, organization and operation are assessed every two years. This assessment may be a self-assessment, an assessment by the Nomination and Compensation Committee or an assessment by a third party organization.

In addition, once a year the Board devotes one item on the agenda of one of its meetings to discussion of its operation.

Training of Directors
Each Director is entitled to the training necessary for him/her to carry out his/her term of office, either upon appointment or throughout his/her term. This training, whether internal or external, enables the Director to understand in particular Danone's business, risks and organization, or to improve certain specific skills. It is organized and paid for by the Company.

The Directors representing employees receive training suitable to carrying out their terms of office as soon as they take up their positions.

Furthermore, when assuming their positions, all new Directors receive all the documentation and information required to ensure thorough knowledge and understanding of Danone and its accounting, financial and operating characteristics (history, organization, legal structure, financial results, press summaries, analysts' reports, press releases issued by the Company, etc.) and the performance of their duties as members of the Board of Directors (rules of procedure of the Board and Committees, AFEP-MEDEF Code, etc.). The Secretary of the Board also provides them with the rules pertaining to holding, communicating and using insider information, and to transactions on DANONE shares.

Information of Directors
Concerning ongoing information of Directors, the rules of procedure provide that:

- prior to each Board meeting, each Director should receive a file on the agenda items requiring specific analysis and advance reflection, so that he/she can consider his/her position on the matters to be discussed at the meeting in an informed and enlightened manner; the Lead Independent Director also ensures that the Directors are provided with a high level of information in advance of Board meetings;
- at each Board meeting, the Chairman advises Directors of the main facts and significant events affecting the Company since the date of the previous Board meeting;
- between Board meetings, the Directors receive all necessary information concerning events or transactions of significance to Danone. More generally, the Directors may at any time request from the Chairman all information and documents they deem necessary to perform their duties. In particular, they receive additional press releases to those reviewed during Board meetings;
- General Management specifically informs the Board of Directors of the Company's financial position, cash position and commitments at least once every six months.

Operation during the fiscal year

Review of Directors' independence

On February 22, 2016, the Board of Directors, at the recommendation of the Nomination and Compensation Committee, conducted its annual review of the independence of each of the Directors based on the independence criteria defined by the rules of procedure in accordance with the AFEP-MEDEF Code (see section *Rules of procedure* above).

Concerning the independence criterion of the AFEP-MEDEF Code whereby holding a term of office for more than 12 years is *ipso facto* sufficient to result in the loss of independence, the Board observes that Danone's development strategy is based on a dual economic and social project which gives it a unique culture. In this respect, the Board has reaffirmed on many occasions the importance that it places on the Company's cultural factors in order to assess the pertinence and feasibility of the projects submitted for its approval. It believes that Danone's culture is a unique competitive advantage that benefits both the Group and its shareholders. In this connection, the Board has noted that many years of experience as a Board member allows a better understanding of the cultural traits specific to the Company and its mission and therefore helps to inform the Board's work and allows its members to make critical and independent decisions while preserving Danone's identity and culture over the long term. Based on these assessment criteria analyzed on a practical, regular and personalized basis, the Board of Directors decided that the 12-year criterion defined by the AFEP-MEDEF Code, among five other criteria, is not in itself sufficient to cause an independent director to lose his/her independence.

As of February 22, 2016, Danone's Board of Directors consists of 15 Directors, ten of whom are considered independent, for an independence rate of 77%. As a reminder, in accordance with the recommendations of the AFEP-MEDEF Code, the two Directors representing employees are not included in the calculation of the independence rate.

Non-Independent Directors
When examining the business relationship between a Director and Danone to determine whether there are significant business relations that may affect a Director's independence, the criteria used by the Board are both quantitative and qualitative and include the amount of sales generated and an analysis of the nature of the existing relationship.

Aside from the two Directors representing employees, the three Directors who are not considered independent are:

- Messrs. **Franck RIBOUD** and **Emmanuel FABER** in their capacity as corporate officers;
- Mrs. **Isabelle SEILLIER**, senior executive at the J.P. Morgan group. During the annual review to assess Director independence, the Nomination and Compensation Committee and the Board specifically examined the business relationship between Danone and J.P. Morgan, which is one of the banks with which Danone regularly conducts business. Although it does not appear significant in terms of amounts for fiscal year 2015, the Board believed that this business relationship was liable to be significant and create a situation of conflict of interest, due to: (i) the very nature of the business relationship, as the J.P. Morgan group is a bank which Danone regularly uses, particularly for financing and consulting on mergers and acquisitions, and (ii) the office of senior executive held by Mrs. Isabelle SEILLIER within the J.P. Morgan group for the EMEA region. The Board therefore decided to consider Mrs. Isabelle SEILLIER to be a non-independent Director.

In that context, at the recommendation of the Nomination and Compensation Committee, the Board has taken various steps to ensure that potential conflicts of interest related to Mrs. Isabelle SEILLIER's functions are managed by Danone, in particular: (i) systematic abstention by Mrs. Isabelle SEILLIER from participating in discussions and voting on any deliberations that could put her in a situation in which there is a conflict of interest, (ii) express reference in the report of the Board of Directors to the Shareholders' Meeting of her designation as a non-independent Director and of the existence of potential conflicts of interest involving her, (iii) full transparency on compensation terms for the J.P. Morgan group by Danone as part of agreements subject to shareholders' approval, and (iv) where applicable, a resolution concerning all new regulated agreements entered into with J.P. Morgan, which will automatically be put to a separate shareholders' vote during the subsequent Shareholders' Meeting.

Independent Directors
The ten independent Directors are Messrs. Bruno BONNELL, Jacques-Antoine GRANJON, Jean LAURENT, Benoît POTIER, Jean-Michel SEVERINO and Lionel ZINSOU-DERLIN and Mrs. Gaëlle OLIVIER, Mrs. Mouna SEPEHRI, Mrs. Virginia A. STALLINGS and Mrs. Serpil TIMURAY, who meet the AFEP-MEDEF Code's independence criteria as of February 22, 2016:

The Board has examined the situation of each of them in light of the recommendations of the AFEP-MEDEF Code and has found them to be independent:

- concerning Mr. **Bruno BONNELL**, a Director for more than 12 years, the Board has observed, in addition to the above explanation regarding the Board's assessment of the 12-year seniority criterion, that Mr. Bruno BONNELL consistently presents himself as an independent thinker who expresses himself freely, which leads him to take clear, constructive positions and provide specific and distinct viewpoints during Board discussions. The Board noted that Mr. Bruno BONNELL's positions have enriched its decisions and that the independence of his positions is very valuable for

Danone, within a Board of Directors that has a majority of independent Directors as defined using the strictest application of current standards. Moreover, the Board noted the absence of a significant business relationship between Mr. Bruno BONNELL and Danone based on the criteria presented above;

- concerning Mr. **Benoît POTIER**, a Director for more than 12 years, the Board has observed, in addition to the above explanation regarding the Board of Directors' assessment of the 12-year seniority criterion, the strong contribution to the Board's discussions by Mr. Benoît POTIER, Chairman and Chief Executive Officer of Air Liquide, one of the largest CAC 40 companies, as well as his ability to think and express himself freely. Mr. Benoît POTIER also demonstrates a remarkable independence of mind. Moreover, the Board noted the absence of a significant business relationship between Mr. Benoît POTIER and Danone based on the criteria presented above;
- concerning Mrs. **Gaëlle OLIVIER**, the Board of Directors examined her situation and, in particular, reviewed the financial transactions between Danone and the Axa group, where Mrs. Gaëlle OLIVIER is a senior executive. These financial transactions mainly correspond to the payment by Danone of insurance premiums for insurance policies covering property damage/operating losses and civil liability as well as personal insurance policies. In any case, for the 2015 fiscal year, the sums paid by Danone to the Axa group were far less than 0.1% of the sales generated by either Danone or the Axa group. In addition, this business relationship existed long before Mrs. Gaëlle OLIVIER's appointment as Director and is not "materially" important for Axa. As a result, the Board believed that, to the extent that these contracts or agreements are concluded under market conditions in the normal course of Danone's business and do not represent significant sums, none of these contracts or agreements taken separately or together is: (i) liable to give rise to conflicts of interest between, on the one hand, Mrs. Gaëlle OLIVIER's duties towards Danone and its shareholders in her capacity as Director and, on the other hand, her private interests and/or other duties, and (ii) liable to impair her independence as a Danone Director;
- concerning Mrs. **Mouna SEPEHRI**, the Board examined her situation given her functions at Renault. Thus, the Board analyzed whether the presence of Mr. Franck RIBOUD on the Board of Directors of Renault, a group in which Mrs. Mouna SEPEHRI performs management functions, could compromise Mrs. Mouna SEPEHRI's independence. Pursuant to the rules of the AFEP-MEDEF Code, the independence of a Director may be called into question only if the Director is him/herself a corporate officer of Renault, which is not the case (since Mrs. Mouna SEPEHRI is not a director of Renault). The Board also reviewed the financial transactions between Danone and the Renault group of which Mrs. Mouna SEPEHRI is a senior executive. Renault is the supplier to the company car leasing agencies used by Danone. The amounts paid by Danone to the Renault group for fiscal year 2015 were far less than 0.1% of the sales generated by either Danone or the Renault group. In addition, this business relationship existed long before Mrs. Mouna SEPEHRI's appointment as Director and is not "materially" important for Renault. As a result, the Board believed that, to the extent that these contracts are concluded under market conditions in the normal course of Danone's business and do not represent significant sums, none of these contracts taken separately or together is: (i) liable to give rise to conflicts of interest between, on the one hand, Mrs. Mouna SEPEHRI's duties towards Danone and its shareholders in her capacity as Director and, on the other hand, her private interests and/or other duties, and (ii) liable to impair her independence as a Danone Director;
- concerning Mrs. **Serpil TIMURAY**, the Board confirmed that she meets all the AFEP-MEDEF Code independence criteria, particularly as regards the absence of a business relationship between Mrs. Serpil TIMURAY and Danone based on the criteria presented above;
- concerning Mr. **Lionel ZINSOU-DERLIN**, the Board believed that the fact that he was an employee and senior executive of Danone until 1997 does not call into question his qualification as an independent Director. Indeed, the AFEP-MEDEF Code provides that only those directors who were an employee or corporate officer of the Company, of its parent company or of a company that it consolidates over the five previous years be qualified as non-independent. The Board therefore confirmed that Mr. Lionel ZINSOU-DERLIN meets all the AFEP-MEDEF Code independence criteria, including as regards the absence of a significant business relationship between Mr. Lionel ZINSOU-DERLIN and Danone based on the criteria presented above;
- lastly, concerning Mrs. **Virginia A. STALLINGS** and Messieurs **Jacques-Antoine GRANJON**, **Jean LAURENT** et **Jean-Michel SEVERINO**, the Board noted, in particular, the absence of a business relationship between them and Danone and therefore confirmed their qualification as independent Directors.

In addition, in reviewing the proposed appointments as Directors, the Board of Directors, at the recommendation of the Nomination and Compensation Committee, examined the situation of Mrs. Clara GAYMARD in light of the independence rules of the AFEP-MEDEF Code. The Board concluded that Mrs. Clara GAYMARD should be considered an independent Director, because she meets all the independence criteria of the AFEP-MEDEF Code applied by the Board. The presentation of Mrs. Clara GAYMARD and the analysis of this candidate's independence are given in the report of the Board of Directors to the Shareholders' Meeting (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

In accordance with French Financial Markets Authority recommendation No. 2012-02, the table hereafter presents the situation of each Director with regard to the independence criteria defined by the AFEP-MEDEF Code (situation as of February 22, 2016):

Name	Employee or executive director and officer during the past five years [a]	Cross-directorships [a]	Significant business relationship [a]	Family relationship [a]	Statutory audit [a]	Term of office exceeding 12 years [a] [b]
Franck RIBOUD	X	0	0	0	0	X
Emmanuel FABER	X	0	0	0	0	X
Bruno BONNELL	0	0	0	0	0	0 [b]
Jacques-Antoine GRANJON	0	0	0	0	0	0
Marie-Anne JOURDAIN	X	0	0	0	0	0
Jean LAURENT	0	0	0	0	0	0
Gaëlle OLIVIER	0	0	0	0	0	0
Benoît POTIER	0	0	0	0	0	0 [b]
Isabelle SEILLIER	0	0	X	0	0	0
Mouna SEPEHRI	0	0	0	0	0	0
Jean-Michel SEVERINO	0	0	0	0	0	0
Virginia A. STALLINGS	0	0	0	0	0	0
Bettina THEISSIG	X	0	0	0	0	0
Serpil TIMURAY	0	0	0	0	0	0
Lionel ZINSOU-DERLIN	0	0	0	0	0	0

(a) "0" represents an independence criterion that is met; "X" represents an independence criterion that is not met.
(b) Concerning the application of the criterion of a term of office exceeding 12 years, see section *Review of Directors' independence* above.

Conflicts of interest

To the Company's knowledge, there are no family ties among the Company's corporate officers and, during the last five years, no corporate officer has been convicted of fraud, declared bankruptcy, been placed in receivership or liquidation, been officially and publicly accused and/or penalized by any statutory or regulatory authority, or been prohibited by a court from being a member of a company's administrative, management or supervisory body or from participating in the management or administration of a company's business.

To the Company's knowledge, there are no potential conflicts of interest between any Director's duties to the Company and their private interests and/or other duties, with the exception of Mrs. Isabelle SEILLIER (see section *Review of Directors' independence* above).

At the date of the present Registration Document, no corporate officer is connected to the Company or one of its subsidiaries via a services contract granting any benefits whatsoever.

Training of Directors

Danone offers (i) each new Director an extensive integration process that includes individual meetings with several Directors and individual interviews with members of General Management and the Executive Committee, and (ii) all Directors the opportunity to attend presentations by senior managers in charge of Danone's main functions as well as regular on-site visits.

For example, Mrs. Serpil TIMURAY, a Director appointed in 2015, completed an integration program in 2015 that included several individual interviews with members of General Management and the Executive Committee and attended presentations by several directors of Danone's main functions.

Moreover, in accordance with the Board's rules of procedure, specific training was provided by an outside organization to each of the Directors representing employees. In 2015, one of the two Directors representing employees received this academic training.

In accordance with Decree No. 2015-606 of June 3, 2015, the Directors representing employees were also consulted in order to obtain their opinion regarding the training that they wished to receive during the year.

Directors' attendance fees

Directors receive attendance fees; however, the members of the Executive Committee, the Company's corporate officers, the honorary Directors, the Chairman of the Board and the Directors representing employees do not receive any attendance fees. The Shareholders' Meeting approves the total maximum amount of attendance fees to be divided among the Directors.

The allocation of attendance fees takes into account the actual participation of Directors at Board and Committee meetings by including a majority variable element.

Amount authorized by the Shareholders' Meeting and paid

(in €)	2014	2015
Total annual amount	800,000	1,000,000
Date of the Shareholders' Meeting that authorized this amount	Apr. 29, 2014	Apr. 29, 2015
Amount paid	599,000	641,000

Rules of allocation applicable since January 1, 2015

(in €)	Annual fixed amount	Per meeting	Per trip – residence in Europe	Per trip – residence outside Europe
Lead Independent Director	50,000	–	–	–
Director	10,000	–	–	–
Board meetings				
Director	–	3,000	2,000	4,000
Committee meetings				
Chairmen	–	8,000	2,000	4,000
Member	–	4,000	2,000	4,000

Work

The Board of Directors met five times in 2015 (six times in 2014). The average length of each meeting was three hours, compared to two hours forty minutes in 2014.

Directors' attendance, expressed by their rate of participation at these meetings, was 92% in 2015 (95% in 2014). The average individual attendance rate at Board of Directors' and Committee meetings for 2015 is indicated in each Director's profile (see section 6.2 *Positions and responsibilities of the Directors and Nominees to the Board of Directors*).

Recurring matters

The following recurring matters were reviewed and discussed by the Board of Directors in 2015:

(i) Strategic aspects of day-to-day management

Detailed review of Danone's business activities, presentation of the budget, approving the annual statutory and consolidated financial statements, approving the interim consolidated financial statements, financial communications, main acquisitions and sales of assets or equity interests, reviewing Danone's financial position and its debt (changes, amount, composition and repayment dates, off-balance sheet commitments, equity levels, liquidity, hedging of financial risks, credit ratings), reviewing the statutory auditors' approach to their work, reviewing financial commitments (security interests and guarantees), monitoring Danone's financial communication policy (including reviewing all press releases regarding the annual and interim consolidated financial statements), annual authorization to General Management with respect to Danone's bond issuance program (EMTN), receiving regular information on Danone's risk management and internal control systems and reviewing Danone's risks by overseeing the work of the Audit Committee, implementing the share buyback program, annual capital increases reserved for employees, allotting Group performance units and Group performance shares (including setting, each year, the performance objectives for the following year and verifying that such objectives were met the previous year), monitoring Danone's share price and shareholders, setting the proposed dividend, approving Danone's annual contribution to danone.communities, as well as discussing Danone's policy on work and pay equality for men and women.

(ii) Operation of corporate bodies

Follow-up of corporate governance issues, receiving regular minutes of the meetings of the Board's Committees, determining the compensation of each of the Company's corporate officers, approving the Board's reports and draft resolutions submitted for shareholders' approval, and preparing the Shareholders' Meeting.

(iii) Danone's strategy

Reviewing Danone's transformation priorities (exposure to emerging markets, prioritizing certain key countries, etc.) and their various impacts on Danone (in terms of organization and operation of human resources, adapting Danone's products to local demand, etc.); in particular, reviewing the work completed within the framework of the Danone 2020 project, attending annual strategic presentations made to the Board by each member of the Executive Committee at a dedicated one-day event. All these matters and presentations are always followed by in-depth discussions with the Directors.

In addition, each year Directors are invited to attend several working days in Evian, where an annual seminar is held for all of Danone's senior executives, during which Danone's strategy and those of its various Divisions are presented and discussed in detail.

Specific matters

In 2015 and in February 2016, the Board of Directors focused on the following specific topics:

(i) Transactions and accounting and financial position

- review of the year-end closing process in connection with the 2015 statutory and consolidated financial statements;
- monitoring of Danone's debt (change, amount, composition and repayment schedules);
- review of the annual authorization in connection with Danone's commercial paper issue program;
- review of Danone's financing transactions;
- implementation of a capital increase reserved for employees;
- review of the authorization for Danone's guarantee, in the total amount of €750 million per year for commitments of Danone Corporate Finance Services (in connection with financial risk management transactions carried out by it on behalf of Group companies);
- payment of the 2014 dividend in DANONE shares;
- in connection with the Shareholders' Meeting of April 28, 2016, review of the resolutions to be submitted to the Shareholders' Meeting regarding the Company's share buyback program, as well as the payment of dividends.

(ii) Corporate governance

In connection with the Shareholders' Meeting of April 29, 2015

- review of the composition of the Board, which led to the proposal to renew the terms of office of Messrs. Jacques-Antoine GRANJON, Jean LAURENT and Benoît POTIER, Mrs. Mouna SEPEHRI and Mrs. Virginia A. STALLINGS, and to appoint Mrs. Serpil TIMURAY as Director;
- authorization of new regulated agreements and examination of the agreements concluded and authorized during previous fiscal years which remained in effect during the 2014 fiscal year;
- proposal to increase the total amount of attendance fees and to modify their rules of allocation.

In connection with the Shareholders' Meeting of April 28, 2016

- review of the composition of the Board and, more specifically, review of (i) the appointment of Mrs. Clara GAYMARD as Director, (ii) the renewal of the terms of office as Directors of Messrs. Franck RIBOUD and Emmanuel FABER, and (iii) the renewal of their respective terms of office as Chairman of the Board of Directors and Chief Executive Officer, subject to the condition precedent of the renewal of their terms of office as Directors by the Shareholders' Meeting;
- review of the retirement commitments made to Messrs. Franck RIBOUD and Emmanuel FABER and of the performance conditions related to the annual rights of Mr. Emmanuel FABER;
- review of the commitments relating to Mr. Emmanuel FABER's severance pay;
- review of the statutory auditors selection procedure, which led to the proposal to renew the term of office of the current statutory auditors;
- annual review of regulated agreements.

(iii) Other governance items

- meeting of the external Directors ("executive session") organized on the proposal of the Lead Independent Director and regarding Danone's governance and, in particular, its operation and development;
- review of the activity of the Lead Independent Director (annual work and annual update on the Board's operation).

(iv) Activity and strategy for fiscal year 2015

- detailed review and ongoing monitoring of work of the Compliance team;
- ongoing review of the Danone 2020 transformational plan, a five-year plan that consists of three major priorities directly related to Danone's activity (food, strategic resources and people and organization), which should guide Danone towards a new phase of its development;
- follow-up to the creation of the Strategy Committee.

(v) Equity divestments and acquisitions

- review of the acquisition of assets of the Trèfle dairy (Fresh Dairy Products, Algeria);
- review of the agreement with Mengniu and Yashili regarding the merger of the business operations of Dumex in China with Yashili and the increase in Danone's equity interest in Mengniu (Fresh Dairy Products and Early Life Nutrition, China);
- review of the purchase of non-controlling interests of companies Danone-Unimilk group (Fresh Dairy Products, CIS).

(vi) Corporate Social Responsibility (CSR)

- annual review of Danone's situation and policy concerning work and pay equality for men and women;
- review of Danone's non-financial risks, particularly reputation risk;
- review of the strategic policies presented to the Danone Works Council;
- monitoring of the activities of the Danone Ecosystem Fund, danone.communities and Livelihoods and follow-up of the creation of the Livelihoods Fund for Family Farming;
- review of the Sustainable Development Report;
- review of Danone's new climate policy;
- review of the proposed partnership with B-Corp.

(vii) Compensation of corporate officers

- determination of the elements of variable compensation due to each of the corporate officers for 2015 and of the objectives for the elements of variable compensation for the Chief Executive Officer for 2016;
- at the time of the renewal of Mr. Emmanuel FABER's term of office as Director, review of his retirement commitments and end-of-term indemnities.

Self-assessment

In accordance with its rules of procedure, every two years, the Board of Directors conducts a self-assessment (recently in 2012 and 2014), which covers the composition, organization and operation of the Board itself and of each of its Committees. Following each of these self-assessments, the Board amended its operating methods and rules of procedure. In addition, once a year the Board devotes one item on the agenda of one of its meetings to discussion of its operation.

Self-assessment in 2014

The last self-assessment of the Board and its various Committees took place together with the Lead Independent Director during second-half 2014 in the form of individual interviews conducted by the Secretary of the Board of Directors with each non-executive member of the Board, based on a detailed questionnaire. The results of this self-assessment were examined first by the Nomination and Compensation Committee, then by the Board at its meeting on December 11, 2014.

The conclusions of this self-assessment reveal a very positive assessment overall of the operations of the Board, in particular with regard to the proper preparation of the items examined by the Board. This self-assessment highlighted the Directors' strong contribution to the work of the Board and the Committees, illustrated in particular by their freedom of speech and critical understanding.

The recommendations made following this assessment include: (i) sending preparatory documents for Board meetings earlier, (ii) systematic presentations of major risks and issues, (iii) more regular review of the organization and operation of the support functions (Finance, Human Resources, Legal, etc.), (iv) greater interaction between the Board and the Committees, and (v) participation of more Directors in the work of the Committees.

The Board took note of these recommendations and arranged for: (i) a secretary assigned to each Board of Directors' Committee, (ii) the restructuring of the Committees to allow Directors to participate more fully in these Committees (with the exception of two Directors, each participates in a committee), and (iii) the electronic conversion of information sent for Board meetings, which allows documents to be sent to Directors more quickly and efficiently.

The recommendation of the AFEP-MEDEF Code concerning measuring the actual contribution of each Director to the Board's work as part of the Board's assessment is not applied, mainly because of the practical difficulties related to implementing such a recommendation and its potential impact on team spirit and collegiality. Nevertheless, each Director periodically completes a very detailed questionnaire regarding the operation of the Board, which allows each member to express his/her opinion on potential problems. In this way, the Directors who so wish can freely express their view of the actual individual contributions during their interview with the Board Secretary. The Board of Directors' review of the completed questionnaires therefore allows it to fully assess the contribution and involvement of all Directors to the work of the Board and its Committees. Lastly, the Board's rules of procedure expressly state that this assessment should make it possible to "ensure the availability and commitment of Directors". The contribution of each Director is assessed by the Nomination and Compensation Committee and by the Board, in particular at the time of renewal of the terms of office of Directors and Committee members. Given the satisfactory results of these assessments, to date the Board of Directors has not expressed the desire to conduct a formal assessment of each Director's contribution.

Review of the Board's operation

A review of the operation of the Board is organized annually as stipulated in the Board's rules of procedure.

In 2015, the Board reviewed its operations during the year and, in particular, all the issues addressed. The Board also reviewed the operations of its Committees over the year.

Lead Independent Director

Presentation of the Lead Independent Director

In 2013, discussions with the Company's shareholders brought to the attention of the Board of Directors that certain shareholders perceived corporate governance risks in combining the offices of Chairman of the Board of Directors and Chief Executive Officer.

It appeared opportune to the Board to make obligatory the appointment of a Lead Independent Director when the functions of Chairman of the Board of Directors and Chief Executive Officer are combined in order to provide additional assurance as to the smooth operation of the Board and the balance of powers within General Management and the Board. Consequently, at the Board meeting on February 18, 2013, the Board's rules of procedure were amended to create the position of a Lead Independent Director.

As part of the governance changes that took effect on October 1, 2014 and the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer, and to ensure the creation of a new governance structure, the Board decided to maintain, for the current period, the functions of the Lead Independent Director and amended its rules of procedure accordingly.

The Lead Independent Director is appointed by the Board of Directors from among the independent Directors, based on a proposal from the Nomination and Compensation Committee. He/she remains in office throughout the duration of his/her term of office. Each time the Lead Independent Director's term of office expires, the Board will complete a review of the operation of this corporate body and as well as a re-examination of its powers in order to adapt them if necessary.

Duties and powers

Duties

The Lead Independent Director's primary function is to ensure the smooth operation of the Board of Directors and its Committees. In that context, he/she is in charge of the following matters:

Board of Directors' assessment

The Lead Independent Director participates in the Board of Directors assessment process.

Management of conflicts of interest

The Lead Independent Director prevents conflicts of interest from occurring, notably by taking preventive measures to raise awareness. He/she brings any conflicts of interest involving the corporate officers and other Board members that he/she has identified to the attention of the Board of Directors.

As part of his/her duty to report conflicts of interest, any Director who has a real or potential conflict of interest notifies the Lead Independent Director.

Compliance with the rules of procedure
The Lead Independent Director ensures that the rules of procedure of the Board of Directors are complied with. As part of the consultation procedure concerning transactions by Directors in DANONE shares (see section *Transactions in the Company's shares* above), the Lead Independent Director may be consulted by Directors in the same way as the Chairman.

Relations with shareholders
The Lead Independent Director assists the Chairman and the Chief Executive Officer, upon their request, to answer questions from shareholders, and makes himself/herself available to meet with them and receive comments and suggestions from them, at the request of and with the approval of the Chairman and the Chief Executive Officer.

Activity report
The Lead Independent Director reports on the execution of his/her duties once a year to the Board of Directors.

During Shareholders' Meetings, he/she may be requested by the Chairman to report on his/her actions.

Powers
As part of his/her duties, the Lead Independent Director exercises the following powers:

Convening of the Board of Directors/Agenda/Informing Directors
The Lead Independent Director may request the Chairman to convene the Board of Directors for a given agenda.

He/she may propose to the Chairman additional agenda items.

He/she ensures that the Directors are capable of performing their duties under the best possible conditions, and notably that they are properly informed prior to the Board of Directors meetings.

Independent Directors
The rules of procedure of Danone's Board of Directors specify that the independent Directors should hold at least one meeting per year, on the proposal of the Lead Independent Director, who may invite the Company's other external Directors to attend this meeting. The Lead Independent Director ensures the link between the independent Directors, the other Board members and General Management.

Committees of the Board of Directors
The Lead Independent Director may be appointed by the Board of Directors to serve as Chairman or member of one or more Board of Directors Committees. Even if not appointed, the Lead Independent Director may attend the meetings and has access to the work of the other Committees. In particular, the Lead Independent Director is involved in the work of the Nomination and Compensation Committee concerning the annual performance assessment and recommendations regarding the compensation of corporate officers.

Meetings with managers
The Company keeps the Lead Independent Director regularly informed of its activities, including through the organization of regular meetings with operational or functional managers, upon his/her request and after informing the Chairman and the Chief Executive Officer.

Means
The Lead Independent Director has access to all documents and information that he/she deems necessary to fulfill his/her duties.

Appointment and renewal of office of Mr. Jean LAURENT as Lead Independent Director

Mr. Jean LAURENT was appointed as Lead Independent Director by the Board of Directors on February 18, 2013 in view of his independence, experience and knowledge of Danone. The Board of Directors took into account the extensive business experience of Mr. Jean LAURENT, former Chief Executive Officer of a major banking group, as well as his in-depth knowledge of the Board and Danone. Indeed, he has served the Group as Director since 2005, Chairman of the Social Responsibility Committee since 2007, and Chairman of the Nomination and Compensation Committee since 2011.

Given Jean LAURENT's record as Lead Independent Director, on February 19, 2015 the Board of Directors decided to renew his appointment as Lead Independent Director.

Work

In 2015, the work of the Lead Independent Director included the following:

- convening and chairing a meeting of Danone's non-executive Directors in December 2015 regarding, in particular, Danone's governance and the Board's operation;
- participation in several interviews with nominees to the Board of Directors;
- regular discussions with the Board Chairman and Secretary concerning governance-related issues and preparations for the Shareholders' Meeting;
- monitoring of the separated governance structure;
- review of conflict-of-interest questionnaires submitted by Directors at the end of the year to confirm the absence of conflicts of interest;
- organization of communication with certain Danone shareholders and with the French Financial Markets Authority (AMF);
- visits to sites outside France;
- participation in the annual strategic seminar for Danone senior executives.

Audit Committee

Composition

As of December 31, 2015, all members of the Audit Committee were independent Directors (as a reminder, the AFEP-MEDEF Code requires only two-thirds of Committee members to be independent directors):

Jean-Michel SEVERINO Chairman of the Committee	Beginning of the term of office: April 2012, Chairman of the Committee since April 2012 Mr. Jean-Michel SEVERINO is the "Committee's financial expert" within the meaning of Article L. 823-19 of the French commercial code given his skills and expertise. Mr. Jean-Michel SEVERINO is indeed an Inspector General of Finance and previous positions have included Development Director at the French Ministry of Cooperation, the World Bank's Vice-President in charge of Far East Asia and Chief Executive Officer of the French Development Agency (AFD). In these previous positions, he developed solid expertise in accounting and finance as well as in internal control and risk management.
Gaëlle OLIVIER Committee Member	Beginning of the term of office: February 2015 Mrs. Gaëlle OLIVIER developed solid financial expertise while working on the trading floor at Crédit Lyonnais and then as investment transactions manager for AXA Life Japan. She also has recognized expertise in risks and internal audit and is Chief Executive Officer, General Insurance, AXA Asia.
Mouna SEPEHRI Committee Member	Beginning of the term of office: April 2012 Mrs. Mouna SEPEHRI has been involved in the development of the Renault group since 1996 and in its major acquisitions and strategic partnerships (see details in section 6.2 *Positions and responsibilities of the Board of Directors and nominees to the Board of Directors*). Her extensive experience in the area of mergers and acquisitions demonstrates her proven financial skills; as head of the legal division of a major international listed group, Mrs. Mouna SEPEHRI brings valuable additional experience in risk management and internal control.

Rules of procedure

Main provisions

The Audit Committee is responsible for monitoring the following:

- the preparation of the financial statements and financial information;
- the effectiveness of the internal control, risk management and internal audit systems;
- the statutory audit of the annual and consolidated financial statements by the statutory auditors;
- the independence of the Statutory auditors.

The Audit Committee is tasked with:

- regarding the financial statements and financial information:(i) reviewing the Company's statutory and consolidated financial statements before they are submitted to the Board of Directors, (ii) ensuring the consistency of the accounting policies the Company applies, (iii) reviewing the accounting treatment of the main complex and/or non-recurring transactions, (iv) reviewing the consolidation scope of group companies and being informed of consolidation problems that may arise, (v) reviewing the policy for monitoring off-balance sheet commitments, (vi) being informed of the statutory auditors' opinions and comments, (vii) being informed at half-yearly presentations by General Management of the Company's financial position, cash position and commitments, (viii) reporting the main options concerning the closing of the annual and interim consolidated financial statements to the Board of Directors, (ix) reviewing, together with General Management, press releases on Danone's results and receiving Danone's main financial communication documents, (x) receiving non-financial information published by Danone which has been presented to the Social Responsibility Committee, and (xi) reviewing the status of Danone's main litigation and any corresponding accounting provisions twice a year;
- regarding Danone's statutory auditors: (i) management of the selection process for the Company's Statutory auditors by supervising call for tenders launched by General Management, with in particular (ii) making proposals for the appointment, renewal and compensation of the Statutory auditors, (iii) reviewing the results of their work and audits as well as their recommendations and the follow-up of the latter, (iv) regularly meeting with the Statutory auditors, including without directors being present, and (v) ensuring the independence of the Statutory auditors. In accordance with the recommendations of the French Financial Markets Authority working group on audit committees, on December 14, 2010 the Board of Directors supplemented the rules of procedure to provide for a joint review by the Audit Committee and the statutory auditors of the protective measures the statutory auditors adopt to mitigate potential risks to their independence and ensure that they comply with statutory and regulatory provisions concerning the conflicts set out in the Statutory Auditors' Code of Ethics;
- regarding risk management:(i) ensuring that structures and systems are in place to identify and evaluate Danone's risks, as well as monitoring the effectiveness of such systems, which entails verifying that Danone's major risks are adequately taken into account and subject to action plans; (ii) being informed by the Board of Directors, the statutory auditors or General Management of any events that expose the Company to a significant risk, and (iii) being informed of Danone's main social, societal and environmental risks that have been presented to the Social Responsibility Committee;
- regarding internal control:(i) ensuring that an internal control system is in place and monitoring its effectiveness, (ii) being informed of any significant failures or weaknesses in internal control and any major fraud, (iii) reviewing the report of the Chairman of the Board of Directors on the composition, preparation and organization of the Board's work, as well as the internal control and risk management procedures implemented by the Company, (iv) ensuring that procedures are in place to process complaints received by Danone concerning accounting and financial transactions, breaches of internal control or anti-corruption and anti-fraud regulations, (v) being informed of significant complaints received by this system and supervising the processing of the most important files referred to it, and (vi) being available for consultation by the Social Responsibility

Committee for any questions relating to the business conduct policy or ethics;

- regarding internal audit: (i) approving the internal audit plan and overseeing its implementation, (ii) reviewing the internal audit structure, being informed of the content of Danone's Internal Audit Charter and being informed and consulted on decisions related to the appointment or replacement of the Internal Audit Director, (iii) expressing its opinion on the adequacy of resources and the independence of internal audit and, in the event that outside firms are used to conduct any or all internal audits, making recommendations regarding their appointment and renewal, (iv) being informed of the internal audit program and receiving a regular summary of these reports, and (v) meeting with the heads of internal audit.

In performing its duties, the Audit Committee may regularly interview the corporate officers, General Management of Danone and its subsidiaries, as well as the Internal Audit Director, the statutory auditors and Danone's senior executives (in particular, those responsible for preparing Danone's consolidated and statutory financial statements, risk management, internal control, legal, tax, treasury and financing matters and ethics compliance). At the Committee's request, these interviews may take place without the representatives of Danone's General Management present. In addition, the Audit Committee may request opinions from independent external advisors, in particular on legal and accounting matters, and request any internal or external audits.

Main amendments/changes

The Audit Committee's rules of procedure are reviewed regularly, notably to ensure that they comply with the latest legal provisions and updated recommendations of the AFEP-MEDEF Code. The rules of procedure were amended in this way at the Board of Directors' meeting on December 10, 2013, in order to implement the new recommendations of the AFEP-MEDEF Code, and in particular, to provide (i) for the recommendation that the Statutory auditors should meet regularly with the Audit Committee, including without corporate officers being present, particularly during Audit Committee meetings on the review of the process for the preparation of financial information and review of the financial statements, so that the Statutory auditors can report on the execution of their responsibilities and the conclusions from their work, (ii) that the Audit Committee should be given information regarding the internal audit program and receive periodic summaries of these programs, and (iii) that the Audit Committee should meet with the internal audit managers.

Work

In 2015, the Audit Committee met five times (six times in 2014). Its members' attendance rate, expressed by their rate of participation at these meetings, was 93% (94% in 2014). The Audit Committee invites the Statutory auditors to attend each of its meetings. In addition, an Audit Committee meeting is held once a year with the statutory auditors without the corporate officers present.

In 2015 and in early 2016, the Committee's work focused primarily on the following matters:

- Danone's financial position;
- review of Danone's annual and interim consolidated financial statements. This review always involves: (i) a presentation of Danone's financial position by the Chief Financial Officer, (ii) a presentation by the statutory auditors of their audit approach, (iii) a joint presentation by the Chief Financial Officer and the person responsible for the financial statements (Finance Control Director), on the one hand, and the statutory auditors, on the other hand, the main accounting options used, (iv) a review of Danone's main litigation, (v) a review of off-balance sheet commitments, and (vi) hearing the findings of the statutory auditors, including as regards their audit adjustments;
- review of the financial indicators not defined by IFRS and used externally for publication of the annual and interim consolidated financial statements;
- review of the main changes in Danone's consolidation scope and review of the principal terms of transactions involving changes in scope and their accounting treatment;
- review of put options granted to certain non-controlling shareholders of Danone's subsidiaries, including non-controlling shareholders of Danone Spain (Fresh Dairy Products, Spain) and of Danone-Unimilk group (Fresh Dairy Products, CIS);
- review of the draft press releases on the annual and semi-annual consolidated results. On this occasion, the Committee ensured that the financial information presented to the markets was consistent with the consolidated financial statements, and that the process of preparing the press releases included their review by the statutory auditors;
- presentation of the proposed dividend payment to be submitted to the shareholders for approval;
- review of the draft resolutions concerning the renewal of financial authorizations and the share buyback program submitted to the Shareholders' Meeting for approval;
- monitoring of the statutory auditors selection procedure, which led to the Audit Committee's recommendation to the Board to renew the terms of office of Danone's current statutory auditors at the 2016 Shareholders' Meeting;
- the semi-annual review of Danone's main risks (including financial risks), particularly via topic-based presentations and discussions with the operational managers in charge of monitoring and managing these risks, and updated presentations of risk mapping;
- monitoring the organization and effectiveness of the audit and internal control systems;
- approval of Danone's internal audit plan and review and summary of the principal results of audits conducted during the year;

- review of the section of the Chairman's report on internal control and risk management;
- pre-approval of the statutory auditors' assignments (other than statutory audits) to ensure their independence (including a regular review of their fees);
- monitoring of Danone's Finance organization;
- monitoring of Danone's financial transactions;
- monitoring of Danone's organization with regard to food compliance and safety;
- operation of the Committee and establishing its program and priorities for the 2015 and 2016 fiscal years;
- review of Danone's main fiscal risks and changes to the fiscal environment;
- follow-up on the IFRS standards' developments.

In addition, the Audit Committee reviewed the annual consolidated financial statements at meetings held sufficiently in advance in accordance with the AFEP-MEDEF Code, namely at least three days before the Board meeting approving the financial statements.

A report on each Audit Committee meeting is made at the next Board of Directors meeting. All Directors are sent a copy of the minutes of each Audit Committee meeting, once approved by the Committee members. The purpose of these reports is to keep the Board fully informed, thereby facilitating its decisions.

Nomination and Compensation Committee

Composition

As of December 31, 2015, the Nomination and Compensation Committee consisted entirely of Directors considered independent:

	Start date as Committee member
Jean LAURENT Chairman of the Committee	April 2005, Chairman since April 28, 2011
Benoît POTIER Committee Member	April 2012
Lionel ZINSOU-DERLIN Committee Member	February 2015

The executive corporate officers are involved in the work of the Nomination and Compensation Committee, except for matters that concern them personally.

Rules of procedure

Main provisions

The Nomination and Compensation Committee has the following responsibilities:

- in connection with the appointment of Directors and corporate officers or the renewal of their terms of office: (i) making proposals to the Board of Directors regarding the appointment or the renewal of the terms of office of members of the Board of Directors, its Chairman and Vice-Chairmen, the Chief Executive Officer or Deputy General Managers, Committee members and Committee Chairmen, and (ii) making proposals to the Board of Directors regarding the succession of corporate officers, in particular in the event of an unexpected vacancy. In addition, the Nomination and Compensation Committee is informed of any appointment of a member of Danone's Executive Committee (other than corporate officers);
- in connection with corporate governance: preparing the Board of Directors' review of corporate governance issues and, in particular, checking whether and to what extent the Directors and Committee members meet the independence criteria set out in the AFEP-MEDEF Code;
- in connection with the assessment of the Board of Directors and the committees: organizing these assessments at their request;
- in connection with compensation of the Company's corporate officers:(i) proposing criteria for determining all elements, including the amount, of their compensation and ensuring the correct application of these criteria, in particular for the variable portion, and (ii) making proposals on grants of Group performance shares of the Company or Group performance units to these corporate officers;
- in connection with the attendance fees paid to Directors: recommending to the Board the amount of attendance fees to be proposed at the Shareholders' Meeting as well as the allocation of these attendance fees among Directors;
- in connection with Danone's compensation policy: expressing an opinion or making recommendations regarding the principles and terms of Danone's policy for granting Group performance shares of the Company and Group performance units and for any compensation mechanism related to the Company's shares and, more generally, making any recommendation related to Danone's compensation policy. In addition, the Nomination and Compensation Committee is informed of the compensation policy for Danone's Executive Committee members (other than corporate officers).

Main changes

The Nomination and Compensation Committee's rules of procedure are regularly updated. The primary changes involved the possibility that the Nomination and Compensation Committee evaluate the operation of the Social Responsibility Committee and that the confidentiality clause be unified with that applicable to the Board of Directors.

Work

In 2015, the Nomination and Compensation Committee met five times (six times in 2014). Its members' attendance rate, expressed by their rate of participation at these meetings, was 100% (100% in 2014).

A report on each Nomination and Compensation Committee meeting is made at the next Board of Directors' meeting. The purpose of these reports is to keep the Board fully informed, thereby facilitating its decisions.

In 2015 and in early 2016, the work of the Nomination and Compensation Committee focused mainly on the following points:

Concerning General Management and the Board of Directors

In connection with the Shareholders' Meeting of April 29, 2015

- review of Danone's variable compensation policy (including a review of the balance of the grants to the various categories of beneficiaries of Group performance shares and the weighting between the long-term and medium-term programs (Group performance units);
- review of all components of the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and, in particular, the variable compensation due in respect of the 2014 fiscal year. The Committee reviewed the following variable compensation programs:

  (i) the short-term program (variable annual compensation) granted subject to performance conditions;

  (ii) the medium-term program (Group performance units), including a review of whether performance objectives were met in each of the preceding fiscal years, and setting performance objectives at the beginning of each new fiscal year;

  (iii) the long-term program (Group performance shares), including a review of the obligation of the corporate directors and the other members of the Executive Committee to retain their shares;
- review of the proposal to increase the total amount of attendance fees and to amend the rules of allocation of attendance fees starting on January 1, 2015;
- review of the resolutions to be submitted to the Shareholders' Meeting of April 29, 2015 concerning the individual compensation for Mr. Franck RIBOUD, Mr. Emmanuel FABER and Mr. Bernard HOURS ("say on pay");
- implementing the selection process concerning the composition of the Board of Directors, including: (i) reviewing the general guidelines related to changes in the composition of the Board, (ii) confirming a member recruitment and medium-term renewal policy (taking into consideration objectives regarding the percentage of women, independence and diversity in terms of nationality and international expertise of Board members while ensuring the continuity of its expertise), (iii) determining selection criteria for nominees, and (iv) analyzing each proposed appointment on the basis of both the specified selection criteria and assumptions regarding changes in the Board and each of the Committees;
- in this context, the Committee:
  - acknowledged Mr. Richard GOBLET D'ALVIELLA's desire to not seek renewal of his term of office as Director;
  - recommended the renewal of the terms of office of Messrs. Jacques-Antoine GRANJON, Jean LAURENT and Benoît POTIER, Mrs. Mouna SEPEHRI and Mrs. Virginia A. STALLINGS;
  - recommended the appointment of Mrs. Serpil TIMURAY as Director;
  - acknowledged, subject to the Shareholders' Meeting of April 29, 2015 adopting all resolutions concerning changes in the composition of the Board, changes in the Board, in particular in terms of independence, percentage of women, diversity and reduction in the average age;
  - recommended that the Board continue to improve corporate governance with respect to the percentage of women and the diversity of its composition.

In connection with the Shareholders' Meeting of April 28, 2016

- review of the composition of the Board of Directors and, more specifically, review of the renewal of the terms of office as Directors of Messrs. Franck RIBOUD and Emmanuel FABER and renewal of their respective terms of office as Chairman of the Board of Directors and Chief Executive Officer, subject to the condition precedent of the renewal of their terms of office as Directors by the Shareholders' Meeting, and review of the appointment of Mrs. Clara GAYMARD as Director;
- review of all components of the compensation of the Chairman of the Board of Directors, the Chief Executive Officer and, in particular, the variable compensation due in respect of the 2015 fiscal year. The Committee reviewed the following variable compensation programs:

  (i) the short-term program (variable annual compensation) granted subject to performance conditions;

  (ii) the medium-term program (Group performance units), including a review of whether performance objectives were met in each of the preceding fiscal years, and setting performance objectives at the beginning of each new fiscal year; and

  (iii) the long-term program (Group performance shares), including a review of the obligation of the corporate directors and the other members of the Executive Committee to retain their shares;
- review of the retirement commitments in connection with the renewal of the terms of office of the corporate officers and of the annual performance conditions concerning the increase in the potential retirement benefits of Mr. Emmanuel FABER (Mr. Franck RIBOUD's rights have been capped since 2014);
- in connection with the renewal of Mr. Emmanuel FABER's term of office as Director, review of his end-of-term indemnity and his obligation to retain shares;
- review of Danone's variable compensation policy (and, more specifically, regarding Group performance shares and Group performance units, review of performance conditions and their weighting);
- review of the resolutions to be submitted to the Shareholders' Meeting of April 28, 2016 concerning the individual compensation for Mr. Franck RIBOUD and Mr. Emmanuel FABER ("say on pay").

Concerning the different Committees

- review of changes in the composition of the Nomination and Compensation Committee with the proposal to appoint Mr. Lionel ZINSOU-DERLIN as a member of this Committee to replace Mr. Richard GOBLET D'ALVIELLA;

- review of changes in the composition of the Audit Committee with the proposal to appoint Mrs. Gaëlle OLIVIER as a member of this Committee to replace Mr. Richard GOBLET D'ALVIELLA;
- review of changes in the composition of the Social Responsibility Committee with the proposal to appoint Mrs. Marie-Anne JOURDAIN, Director representing employees, and Mrs. Virginia A. STALLINGS as members of this Committee to replace Mr. Emmanuel FABER, Mr. Jean-Michel SEVERINO and Mr. Jean LAURENT;
- review of the appointment of Mrs. Serpil TIMURAY as a member of the Social Responsibility Committee, subject to her appointment as Director by the Shareholders' Meeting of April 29, 2015;
- considered the composition of the Strategy Committee, with the proposal to appoint, in addition to the Chairman of the Board and the Chief Executive Officer, Mr. Benoît POTIER, Mrs. Isabelle SEILLIER and Mr. Jean-Michel SEVERINO as members of this Committee.

Concerning the elements of variable compensation of directors and managers for the 2016 fiscal year

- review and determination of the various criteria and weighting factors for annual variable compensation; in particular, definition for each criterion of the target, cap, maximum and minimum attributable;
- review, at the start of each new fiscal year, of the determination of performance conditions applicable to Group performance units based on objectives communicated to the market;
- review of a new draft resolution concerning the grant of Group performance shares to be put to the Shareholders' Meetings of 2015 and 2016;
- annual review to determine whether performance conditions have been achieved for Group performance units and Group performance shares.

Concerning corporate governance

- annual individual review of the independence of each Director and of the existence of any conflicts of interest, including potential conflicts of interest. Details of the review of the independence criteria applicable to these candidates and of their individual expertise and skills are found above in section *Review of Directors' independence*;
- monitoring of the Director integration process, particularly for Directors representing employees, and recommendation regarding their training (after consultation with those concerned) and their preparation time for each meeting;
- annual review of the process and practices in effect at Danone in terms of the succession plan for Danone's General Management and key positions at the Group's companies;
- annual review of the operation of the Board of Directors and the Nomination and Compensation Committee.

Social Responsibility Committee

Composition

As of December 31, 2015, the Social Responsibility Committee comprised the following four Directors, three of whom have been deemed by the Board of Directors to be independent within the meaning of the AFEP-MEDEF Code:

	Start date as Committee member
Bruno BONNELL [a] Chairman of the Committee	February 2007, Chairman since February 2015
Marie-Anne JOURDAIN Committee Member	February 2015
Virginia A. STALLINGS [a] Committee Member	February 2015
Serpil TIMURRAY [a] Committee Member	April 2015

(a) Independent Director.

The Committee therefore comprises a majority of independent Directors.

Rules of procedure

Main provisions

The Social Responsibility Committee is mainly responsible for overseeing Danone's societal project. Its scope covers all areas of social responsibility related to the project and Danone's activities and, in particular, social, environmental and ethical issues.

The Social Responsibility Committee pays special attention to Danone's action principles, policies and practices in these areas:

- social, relating to Danone's employees and those of its partners, subcontractors, suppliers and customers;
- environmental, relating to (i) activities directly controlled by Danone (industrial production, packaging, etc.) or indirectly controlled by it (purchasing, transport, energy, etc.), and (ii) the use of non-renewable natural resources;
- ethical, relating to Danone employees, consumers and, more generally, all of Danone's stakeholders;
- nutrition, relating in particular to public health issues, the social impact of its products and communication with its consumers.

The Social Responsibility Committee is responsible for:

- reviewing Danone's main environmental risks and opportunities in relation to its objectives and activities;

- ensuring that members are informed about the internal control procedures implemented within Danone relating to its main environmental risks;
- being consulted by the Audit Committee with respect to audit missions related to its areas of intervention;
- reviewing Danone's social policies, their objectives and the results obtained;
- reviewing the reporting, evaluation and control systems to enable Danone to produce reliable non-financial information;
- reviewing all non-financial information published by Danone, in particular concerning social and environmental matters;
- annually reviewing the summary of the ratings given to the Company and its subsidiaries by non-financial rating agencies;
- ensuring the application of the ethical rules adopted by Danone;
- being regularly informed of complaints received in connection with the employee whistleblowing procedure which concern ethical, social or environmental issues and reviewing those related to its mission, in conjunction with the work carried out by the Audit Committee;
- regularly reviewing the results of Danone's self-assessments under the Danone Way program.

In addition, in the area of socially responsible investments, the Committee is responsible for:

- evaluating the impact of these investments for Danone;
- reviewing the application of the rules established by Danone concerning social investments and programs in areas related to Danone's activities;
- ensuring that the Company's interests are protected, with particular focus on preventing any conflicts of interest between these investments and the rest of Danone's activities.

The Committee's role is also to prepare and inform the Board's work with regard to investments and action programs with a social purpose led by Danone or in which it participates.

Main amendments/changes

The Social Responsibility Committee's rules of procedure are regularly updated. The main updates involved changes in the performance and exact scope of its responsibilities, particularly in relation to the Audit Committee (more specifically, regarding Danone's risk review and non-financial communications).

Work

In 2015, the Social Responsibility Committee met four times (as in 2014). Its members' attendance rate, expressed by their rate of participation at these meetings, was 100% (100% in 2014).

In 2015 and in early 2016, the Committee's work focused on:

- reviewing Danone's ongoing social projects and, more specifically, the activity and budgets of the funds sponsored by Danone, including:
  - Danone's investment in the new Livelihoods fund: Livelihoods Fund for Family Farming;
  - a review of the Danone Ecosystem Fund, including an initial assessment at the end of a five-year period, particularly as regards the nature of the projects supported by the Fund, the co-funding of these projects, the social impacts and preparation for the project exit phase;
  - the amount paid by the Company for its annual financial contribution to danone.communities and new investments made by the danone.communities professional specialized investment fund ("FPS");
- reviewing the focus areas of the Danone 2020 transformation plan, including the strategic priorities, the timetable and the status of the work carried out;
- reviewing the non-financial information published by Danone (sustainable development report and steps toward integrated reporting);
- defining its role and work organization, particularly within the framework of the Danone 2020 plan;
- reviewing Danone's policy concerning work and pay equality for men and women;
- reviewing Danone's new policy and objectives in the area of climate;
- reviewing the proposed partnership with B-Corp.

A report on each Social Responsibility Committee meeting is made at the next Board of Directors' meeting. These reports enable the Board to stay fully informed, thereby facilitating its decisions.

Strategy Committee

The Board of Directors decided at its meeting on September 2, 2014 to create a fourth specific governance body, the Strategy Committee.

Composition

As of December 31, 2015, the Strategy Committee comprised the following five Directors:

	Start date as Committee member
Franck RIBOUD Chairman of the Committee	2015, Chairman since 2015
Emmanuel FABER Committee Member	2015
Benoît POTIER [a] Committee Member	2015
Isabelle SEILLIER Committee Member	2015
Jean-Michel SEVERINO [a] Committee Member	2015

(a) Independent Director.

Rules of procedure

Main provisions

The mission of the Strategy Committee is to analyze Danone's major strategic policies.

The Strategy Committee prepares and informs the work of the Board on key matters of strategic interest such as:

- development priorities;
- external growth opportunities;
- divestment transactions;
- significant agreements and partnerships;
- transactions involving the Company's share capital;
- diversification opportunities;
- more generally, any transaction of significance for Danone's future.

Work

The members of the Strategy Committee, a new Board of Directors' Committee, were appointed during the Board of Directors' meeting of February 19, 2015 at the recommendation of the Nomination and Compensation Committee.

In 2015, the Strategy Committee met three times following a preparatory meeting with the prospective members at the end of January to discuss the Committee's operating rules (number of meetings, meeting structure and preparation, work topics and issues). The Committee members' attendance rate, expressed by their rate of participation at these meetings, was 100%.

The Strategy Committee is not a decision-making body and its function is to make recommendations to the Board of Directors regarding strategic matters.

Its responsibilities include:

- conducting an in-depth review, prior to the Board of Directors' meeting, of the strategic projects that may be proposed by General Management,
- discussing new strategic policies in a proactive way, and to do so,
- monitoring changes in Danone's competitive environment, emerging trends and threats and opportunities related to changes in markets, consumption patterns and manufacturing and distribution methods.

In this connection, the Committee's work in 2015 mainly focused on reviewing and understanding Danone's strategic environment and major trends in the worldwide food and beverage sector over the previous months. The first meetings were also an opportunity to share a detailed analysis of the status and outlook of certain product categories in which Danone is a major global player.

Executive Committee

Role

Under the authority of the Chief Executive Officer, Mr. Emmanuel FABER, the Executive Committee is responsible for Danone's operational management. It implements the strategy defined by the Board of Directors, reviews and approves resource allocation, ensures the consistency of the actions taken by all the subsidiaries and Divisions and, depending on the results achieved, decides on the action plans to be implemented. The Executive Committee meets at least once a month.

Composition

As of February 22, 2016, the following are the 12 members of the Executive Committee:

Name	Age	Principal position at Danone	Starting date as Executive Committee member
Emmanuel FABER	52	Chief Executive Officer and Vice-Chairman of the Board of Directors	2000
Felix MARTIN GARCIA	55	General Manager, Early Life Nutrition	2008
Pierre-André TERISSE	49	General Manager Africa	2008
Flemming MORGAN	60	General Manager, Medical Nutrition	2009
Jean-Philippe PARE	57	General Manager, Research and Development	2011
Francisco CAMACHO	50	General Manager, Waters	2011
Marc BENOIT	52	Executive Vice-President, Human Resources	2014
Bertrand AUSTRUY	42	General Secretary	2015
Lorna DAVIS	56	Chief Manifesto Catalyst	2015
Pascal DE PETRINI	55	Executive Vice-President, Strategic Resource Cycles	2015
Cécile CABANIS	45	Chief Financial Officer	2015
Gustavo VALLE	52	General Manager, Fresh Dairy Products	2015

Application of the AFEP-MEDEF Corporate Governance Code for listed companies

Pursuant to the Act of July 3, 2008, on December 18, 2008 the Board of Directors reviewed the provisions of the AFEP-MEDEF Code and decided that Danone would refer to this Code of Governance (this decision was published in a press release issued on December 19, 2008). This code is available on the MEDEF website (www.medef.com).

Danone applies the recommendations of the AFEP-MEDEF Code, with the exception of the following points which the Company does not apply in a strict manner:

Recommendations	Danone's practice and justification
Assessment of the Board (section 10.2 of the AFEP MEDEF Code) One of the objectives of the assessment of the Board of Directors must be *"to measure the actual contribution of each director to the Board's work through his or her competence and involvement in discussions".*	This recommendation is not applied, mainly because of the practical difficulties related to implementing such a recommendation and its potential impact on team spirit and collegiality. Nevertheless, each Director periodically completes a very detailed questionnaire regarding the operation of the Board, which allows each member to express his/her opinion freely on potential problems. In this way, the Directors who so wish can freely express their view of the actual individual contributions during their interview with the Board Secretary. The Board of Directors' review of the completed questionnaires thus provides it with the opportunity to fully assess the contributions and involvement of all Directors in the work of the Board and its Committees. Lastly, the Board's rules of procedure expressly state that this assessment should make it possible to "ensure the availability and commitment of Directors". The contribution of each Director is assessed by the Nomination and Compensation Committee and by the Board, in particular at the time of renewal of the terms of office of Directors and Committee members. Given the satisfactory results of these assessments, to date the Board of Directors has not expressed the desire to conduct a formal assessment of each Director's contribution.
Termination of employment contract in case of appointment as corporate officer (section 22 of the AFEP MEDEF Code) *"When an employee is appointed as a corporate officer, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation.* *This recommendation applies to the chairman, chairman and chief executive officer, and general manager of companies with a board of directors [...]."*	At the time of the renewal of their terms of office as Directors and at the recommendation of the Nomination and Compensation Committee, on February 22, 2016 the Board of Directors confirmed the position taken by it in September 2014 and decided that the employment contracts of Mr. Franck RIBOUD and Mr. Emmanuel FABER should be maintained (although they should remain suspended), given their age, personal situation and seniority as Danone employees. The Board considered this arrangement relevant for corporate officers with at least 10 years of seniority at Danone in order to encourage the principle of internal promotion and sustainable management that Danone strives to implement, as terminating the employment contract could, on the contrary, dissuade internal candidates from accepting positions as corporate officers. The Board believed that implementing the recommendations of the AFEP-MEDEF Code to permanently terminate these employment contracts would cause them to lose the rights and benefits gradually acquired under their employment contracts during their careers at Danone on the basis of seniority (i.e., 34 years for Mr. Franck RIBOUD and 18 years for Mr. Emmanuel FABER) and actual service, particularly the severance pay and long-term benefits (such as participation in group plans), the total amount of which, in any case, would not exceed the cap of two years of compensation (fixed and variable). The French Financial Markets Authority believes that a detailed explanation on the maintenance of an executive director's employment contract permits to justify the non-compliance with the AFEP MEDEF Code.
Functioning of Compensation Committee (section 18.2 of the AFEP-MEDEF Code) *"When the report on the work of the Compensation Committee is presented, the Board should deliberate on issues relating to the compensation of the corporate officers without the presence of the latter."*	Corporate officers are present when the Board of Directors deliberates on issues relating to their compensation but do not take part in any debate or vote in relation to decisions that affect them. In addition, the Board of Directors only decides on compensation upon recommendation of the Nomination and Compensation Committee, which is entirely composed of independent Directors and which includes no corporate officer. A Lead Independent Director was appointed in 2013 to provide additional assurance that the Board is functioning correctly and that power is well-balanced on the General Management and Board of Directors.
Stock-options and performance shares (section 23.2.4 of the AFEP-MEDEF Code) *"It is recommended that performance shares allocated to corporate officers be conditional upon the purchase of a defined number of shares when the allocated shares vest, in accordance with the terms and conditions set by the Board and made public at the time of grant."*	Given the high obligation imposed on corporate officers and other Executive Committee members to retain DANONE shares, the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, considered that it was not necessary to require them to purchase a certain number of Company shares at the end of the holding period of their shares, subject to performance conditions.

Recommendations	Danone's practice and justification
Supplementary pension plans (section 23.2.6 of the AFEP-MEDEF Code) *"Supplementary defined benefit retirement plans are subject to the condition that the beneficiary must be a corporate officer or employee of the company when claiming his or her retirement benefits in accordance with the rules in force."*	The retirement plan set up in 1976 has been closed since 2003. Corporate officers' eligibility for the retirement plan is subject to the condition that they are performing their duties at Danone at the time of retirement. As an exception to this principle, in the sole case of redundancy after the age of 55, the benefit derived from the plan will be maintained, provided that the employee does not take up paid employment. This last provision, consistent with applicable French regulations, makes it possible to protect all beneficiaries against the risk of redundancy after the age of 55 and before they have reached retirement age.
Independence criteria for directors (section 9.4 of the AFEP-MEDEF Code) *"The criteria to be reviewed by the Committee and the Board in order for a director to qualify as independent [...] are the following: [...]* *–Not to have been a director of the corporation for more than twelve years."*	On February 22, 2016, the Board of Directors, at the recommendation of the Nomination and Compensation Committee, conducted its annual review of the independence of each of the Directors based on the independence criteria defined by the rules of procedure in accordance with the AFEP-MEDEF Code (see section *Board of Directors, Rules of procedure* above). Concerning the independence criterion of the AFEP-MEDEF Code whereby holding a term of office for more than 12 years is *ipso facto* sufficient to result in the loss of independence, the Board observes that Danone's development strategy is based on a dual economic and social project which gives it a unique culture. In this respect, the Board has reaffirmed on many occasions the importance that it places on the Company's cultural factors in order to assess the pertinence and feasibility of the projects submitted for its approval. It believes that Danone's culture is a unique competitive advantage that benefits both the Group and its shareholders. Along these lines, the Board has noted that many years of experience as a Board member allows a better understanding of the cultural traits specific to the Company and its mission and therefore helps to inform the Board's work and allows its members to make critical and independent decisions while preserving Danone's identity and culture over the long term. Based on these assessment criteria analyzed on a practical and regular basis, the Board of Directors believed that the 12-year criterion defined by the AFEP-MEDEF Code, among five other criteria, was not in itself sufficient to cause an independent director to lose his/her independence. As of February 22, 2016, Danone's Board of Directors consists of 15 Directors, ten of whom are considered independent, for an independence rate of 77%. As a reminder, in accordance with the recommendations of the AFEP-MEDEF Code, the two Directors representing employees are not included in the calculation of the independence rate. Concerning Mr. Bruno BONNELL, the Board has observed that he consistently presents himself as an independent thinker who expresses himself freely, which leads him to take clear, constructive positions and provide specific and distinct viewpoints during Board discussions. The Board noted that his positions have enriched its decisions and that the independence of such decisions is an important value for Danone, within a Board of Directors which has a majority of independent Directors as defined using the strictest application of current standards. Concerning Mr. Benoît POTIER, Chairman and Chief Executive Officer of one of the largest companies in the CAC 40, the Board has observed his strong contribution to the Board's discussions as well as his ability to think and express himself freely. Lastly, Mr. Benoît POTIER demonstrates a remarkable independence of mind.
Presence of a Director representing employees on the Nomination and Compensation Committee (Section 18.1 of the AFEP-MEDEF Code) *"[...] It is recommended that an employee-director be a member of the Committee"*	During its review of the composition of the various Committees, the Board, in consultation with the Directors representing employees, did not feel it was appropriate to appoint a Director representing employees to the Nomination and Compensation Committee. However, it decided to appoint Mrs. Marie-Anne JOURDAIN, Director representing employees, to the Social Responsibility Committee, which is responsible for overseeing Danone's societal project and, in particular, monitoring social, environmental and ethical issues. The Board believed that her profile, experience and in-depth knowledge of Danone are valuable assets for this Committee's work. In addition, the Board noted the provisions of the AFEP-MEDEF Code, which recommends the appointment of an employee-director to the committee in charge of compensation. In any case, Danone's Nomination and Compensation Committee consists entirely of Directors considered independent and carries out its work under the responsibility of the Board. The work, recommendations and opinions of the Committee are the subject of detailed reports and are discussed during Board meetings by all the Directors, including the Directors representing employees.

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS AND NOMINEES TO THE BOARD OF DIRECTORS

(Article R. 225-83 of the French commercial code)

Information regarding the Directors and the nominees to the Board of Directors:

Appointment

Clara GAYMARD

Renewal of terms of office

Emmanuel FABER

Franck RIBOUD

Current Directors

Bruno BONNELL

Jacques-Antoine GRANJON

Marie-Anne JOURDAIN

Jean LAURENT

Gaëlle OLIVIER

Benoît POTIER

Isabelle SEILLIER

Mouna SEPEHRI

Jean-Michel SEVERINO

Virginia A. STALLINGS

Bettina THEISSIG

Serpil TIMURAY

Lionel ZINSOU-DERLIN

Appointment

CLARA GAYMARD



Born January 27, 1960

Age: 56 years

French nationality

Business address: 141, boulevard Saint-Michel – 75005 Paris – France

Number of DANONE shares held as of December 31, 2015: 0 (in accordance with the by-laws, the 4,000 DANONE shares to be held by each Director must be purchased within 3 months following his/her appointment by the Shareholders' Meeting at the latest)

Independent Director

Principal responsibility: Cofounder of Raise

Personal background – experience and expertise:

Mrs. Clara GAYMARD, a graduate of the École Nationale d'Administration (ENA, class of 1986, Denis Diderot), holds a degree in law and history from the Institut d'Études Politiques de Paris.

She held numerous positions within the senior civil service from 1982 to 2006. Before entering the ENA, she was an administrative officer at the Paris Mayor's Office between 1982 and 1984. After leaving the ENA, she joined the French Public Audit Office (Cour des Comptes) as an auditor, where she was promoted to the position of public auditor in 1990. She then served as assistant to the head of the French Trade Office in Cairo (1991-1993) and then as head of the European Union office (sub- directorate for Northern-Southern Europe) in the foreign economic relations department (DREE) of the Ministry of Economy and Finance. In June 1995, she was named director of the office of Colette Codaccioni, Minister for Solidarity between Generations. She was then appointed Assistant Director of SME Support and Regional Action at the DREE (1996-1999) before being named head of the SME Mission (1999-2003). From 2003, she served as Goodwill Ambassador in charge of foreign investments and as President of the French Agency for International Investments (AFII). She joined General Electric (GE) in 2006, where she became President of GE France and then President of the Northwest Europe region from 2008 to 2010. Still serving as Chairman and CEO of GE France, in 2009 she was named Vice-President of GE International for Government Sales and Strategy, and then in 2010 Vice-President for Governments and Cities, under the chairmanship of Jeffrey R. Immelt. In 2014, she was member of the negotiating team on the acquisition of Alstom's power business. At the end of 2015, she left her post at the head of GE France in order to devote herself to directors' terms of office and the Raise Endowment Fund.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
President of General Electric France	*GENERAL ELECTRIC FRANCE*	*France*
Director	VEOLIA ENVIRONNEMENT [b]	France

Position	Associations/Foundations/Other	Country
Chairman	*RAISE ENDOWMENT FUND*	*France*
Chairman	*WOMEN'S FORUM*	*France*
Vice-Chairman	*FONDATION DU COLLÈGE DE FRANCE*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
None		

Renewal of terms of office

EMMANUEL FABER



Born January 22, 1964

Age: 52 years

French nationality

Business address: 17, boulevard Haussmann – 75009 Paris – France

Number of DANONE shares held as of December 31, 2015: 81,920

Non-Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Chief Executive Officer and Vice-Chairman of the Board of Directors of Danone

Seniority in Danone Group: October 1997 (18 years)

Personal background – experience and expertise:

After graduating from HEC, Emmanuel FABER began his career as a consultant at Bain & Company and later Baring Brothers.

In 1993, he joined Legris Industries as Chief Administrative and Financial Officer before being named Chief Executive Officer in 1996.

He joined Danone in 1997 as Head of Finance, Strategies and Information Systems. He became a member of the Executive Committee in 2000.

In 2005, while Danone was strengthening its management structure in the Asia-Pacific region, Emmanuel FABER was named Vice-President for the Asia-Pacific region in charge of operational activities.

From January 1, 2008 to September 30, 2014, he served as Deputy General Manager of Danone, responsible for major corporate functions (Finance, Human Resources, etc.), and was named Vice-Chairman of the Board of Directors on April 28, 2011.

Since 2008, he has served as Director of the danone.communities mutual investment fund (SICAV). Since 2009, he has been a member of the Steering Committee of the Danone Ecosystem Fund. Since December 2011, he has been a member of the Steering Committee of the Livelihoods Fund.

Since October 1, 2014, he has been Danone's Chief Executive Officer.

On January 1, 2015, he was appointed Chairman of Danone's Executive Committee.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Chief Executive Officer (since October 1, 2014) Vice-Chairman of the Board of Directors (since April 28, 2011) Director (term of office from April 25, 2002 to the end of the Shareholders' Meeting to approve the 2018 financial statements)[c] Chairman of the Executive Committee (since January 1, 2015) Member of the Board of Directors' Strategy Committee (since February 19, 2015)	DANONE SA [b]	France
Director	*COFCO Dairy Investments LIMITED* [d]	*Hong Kong*
	GRAMEEN DANONE FOODS LIMITED [d] [e]	*Bangladesh*
	danone.communities (SICAV) [e]	*France*
	PROMINENT ACHIEVER LIMITED [d]	*Hong Kong*
Director and Vice-President	*NAANDI COMMUNITY WATER SERVICES PRIVATE LTD* [e]	*India*
Member of the Steering Committee	*LIVELIHOODS FUND (SICAV)* [e]	*Luxembourg*

Position	Associations/Foundations/Other	Country
Member of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [e]	*France*
Co-Chairman	*ACTION TANK ENTREPRISE ET PAUVRETE*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Subject to renewal of his term of office by the Shareholders' Meeting of April 28, 2016.
(d) Company consolidated as associate by Danone.
(e) Duties performed in the framework of social projects initiated by Danone.

Positions and responsibilities held during the past five years

Position	Company	Country
Deputy General Manager Executive Committee member Member of the Social Responsibility Committee	DANONE SA[a]	France
Member of the Supervisory Board	LEGRIS INDUSTRIES SA	France

(a) Listed company.

FRANCK RIBOUD



Born November 7, 1955

Age: 60 years

French nationality

Business address: 17, boulevard Haussmann – 75009 Paris – France

Number of DANONE shares held as of December 31, 2015: 318,845

Non-Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Chairman of Danone's Board of Directors

Seniority in Danone Group: October 1981 (34 years)

Personal background – experience and expertise:

Franck RIBOUD is a graduate of the École Polytechnique Fédérale de Lausanne.

He joined the Group in 1981, where he held successive positions through 1989 in management control, sales and marketing. After serving as Head of Sales at Heudebert, in September 1989 he was appointed to head up the department responsible for the integration and development of new companies in the Biscuits branch. He was involved in the most significant acquisition, at that time, completed by a French group in the United States, namely the acquisition of Nabisco's European activities by BSN. In July 1990, he was appointed General Manager of Société des Eaux Minérales d'Évian.

In 1992, Franck RIBOUD became Head of Danone's Development Department. Danone then launched its international diversification marked by increased development in Asia and Latin America and through the creation of an Export Department.

In 1994, BSN changed its name to Danone in order to become a global brand.

From May 2, 1996 to September 30, 2014, he was Chairman and Chief Executive Officer of Danone. Following the separation of offices, he became Chairman of Danone's Board of Directors on October 1, 2014.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Chairman of the Board of Directors (since October 1, 2014) Director (term of office from September 30, 1992 to the end of the Shareholders' Meeting to approve the 2018 financial statements)[c] Chairman of the Board of Directors' Strategy Committee (since February 19, 2015)	DANONE SA [b]	France
Director	RENAULT SA [b]	France
	BAGLEY LATINOAMERICA, SA [d]	*Spain*
	RENAULT SAS	*France*
	ROLEX SA	*Switzerland*
	ROLEX HOLDING SA	*Switzerland*
Chairman of the Board of Directors	*danone.communities (SICAV)* [f]	*France*
Member of the Steering Committee	*LIVELIHOODS FUND (SICAV)* [f]	*Luxembourg*
Chairman	*Livelihoods Fund for Family Farming SAS* [e]	*France*

Position	Associations/Foundations/Other	Country
Chairman of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [f]	*France*
Chairman	*FONDATION INITIATIVE AUTISME*	*France*
Director	*INTERNATIONAL ADVISORY BOARD HEC BUSINESS SCHOOL*	*France*
	RAISE (endowment fund)	*France*
Member of the Supervisory Board	*FONDATION ELA (EUROPEAN LEUKODYSTROPHY ASSOCIATION)*	*France*
Honorary member	*ASSOCIATION ELA*	*France*
Member of the Board	*FONDATION EPFL PLUS (ÉCOLE POLYTECHNIQUE FEDERALE DE LAUSANNE)*	*Switzerland*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Subject to renewal of his term of office by the Shareholders' Meeting of April 28, 2016.
(d) Company consolidated as associate by Danone.
(e) Company fully consolidated by Danone.
(f) Duties performed in the framework of social projects initiated by Danone.

Since 2008, he has been the Chairman of the Board of Directors of the danone.communities mutual investment fund (SICAV), a financing entity aimed at promoting the development of profitable companies whose primary goal is to maximize socially responsible objectives as opposed to profit.

Since 2009, he has served as the Chairman of the Steering Committee of the Danone Ecosystem Fund, and in December 2011 he was named member of the Steering Committee of the Livelihoods Fund.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman of the Executive Committee Chief Executive Officer	DANONE SA [a]	France
Director	DANONE (Spain) SA	Spain
	LACOSTE SA	France
Director and Member of the Compensation Committee	ACCOR SA [a]	France
Chairman and Member of the Compensation Committee	RENAULT SA [a]	France

Position	Associations/Foundations/Other	Country
Director	ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES	France

(a) Listed company.

Current Directors

BRUNO BONNELL



Born October 6, 1958

Age: 57 years

French nationality

Business address: 1, rue du Docteur Fleury-Pierre Papillon – 69100 Villeurbanne – France

Number of DANONE shares held as of December 31, 2015: 4,000

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 80%

Principal responsibility: Chairman of I-Volution

Personal background – experience and expertise:

Bruno BONNELL was born in Algiers, in 1958. He received a degree in chemical engineering at CPE Lyon (École Supérieure de Chimie Physique Électronique de Lyon) and another in applied economics from the University of Paris-Dauphine (class of 1982). He began his career at Thomson SDRM as a business engineer responsible for launching and marketing the company's first computer, the T07. In June 1983, Bruno BONNELL founded Infogrames, which in 2000 merged with Atari (listed on the NYSE Euronext). In 1995, he co-founded Infonie, the first Internet service provider in France. He left Infogrames in April 2007 and founded Robopolis, a company that specializes in service robotics and distributes robots aimed at the household market. The company has operations in seven European countries. In 2010, he founded Awabot, a robotic platform services company that specializes in telepresence robots. That same year, he founded the French Federation of Service Robotics (Syndicat de la Robotique de Service – SYROBO) and serves as its Chairman. In 2011, he was appointed Chairman of the Board of Directors of EM Lyon Business School. He is a member of the Management Board of Pathé SAS and of the Board of Directors of April SA. He has also been a member of the Supervisory Board of Banque Rhône-Alpes since 2013. Together with his Orkos Capital partners, in March 2014 he created Robolution Capital, a private equity fund that focuses on service robotics.

Honorary distinctions:
1997: Knight of the Ordre National du Mérite
1995: Named entrepreneur of the year by le Nouvel Économiste
2015: Named Reservist Colonel of the Air Force

Positions and responsibilities as of December 31, 2015 (a)

Position	Company	Country
Director (term of office from February 18, 2002 to the end of the Shareholders' Meeting to approve the 2016 financial statements) Chairman of the Board of Directors' Social Responsibility Committee (since February 19, 2015)	DANONE SA (b)	France
Director Member of the Sustainable Development Committee Member of the Strategy Committee	APRIL SA (b)	France
Chairman	*AWABOT SAS*	*France*
	I-VOLUTION SAS	*France*
	SOROBOT SAS	*France*
	OPAL SASU	*France*
Director	*ROBOPOLIS SAS*	*France*
Member of the Management Board	*PATHE SAS*	*France*
Member of the Supervisory Board	*BANQUE RHÔNE-ALPES*	*France*

Position	Associations/Foundations/Other	Country
Chairman of the Board of Directors	*EMLYON BUSINESS SCHOOL*	*France*
Chairman	*SYROBO SERVICE ROBOTICS GROUP (SYMOP)*	*France*
Founding partner	*ROBOLUTION CAPITAL (Professional Private Equity Fund)*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Member of the Board of Directors' Social Responsibility Committee	DANONE SA (a)	France
Member of the Supervisory Board	ANF IMMOBILIER SA (a)	France

Position	Associations/Foundations/Other	Country
Chairman	*SYROBO SERVICE ROBOTICS*	*France*

(a) Listed company.

JACQUES-ANTOINE GRANJON



Born August 9, 1962

Age: 53 years

French nationality

Business address: 249, avenue du Président Wilson – 93210 La Plaine-Saint-Denis – France

Number of DANONE shares held as of December 31, 2015: 4,235

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Chairman and Chief Executive Officer of vente-privée.com

Personal background – experience and expertise

Jacques-Antoine GRANJON is a graduate of the European Business School in Paris.

After completing his studies, his entrepreneurial spirit led him and a friend to found Cofotex SA in 1985, which specialized in wholesale close-outs.

In 1996, Jacques-Antoine GRANJON purchased the former printing plants of Le Monde newspaper, which were being sold as part of an urban renewal program for La Plaine-Saint-Denis (93), and there he established the headquarters of Oredis group. Jacques-Antoine GRANJON came up with a completely innovative concept: a web platform dedicated to private sales of brand name products at deeply discounted prices.

In January 2001, he and his partners launched vente-privee.com in France. He thus took his experience in drawing down inventories of close-outs from leading fashion and home furnishing brands to the Internet by applying a dual approach: event-based and exclusive, while always emphasizing customer satisfaction. vente-privee.com was built in the image of its founder as a model corporate citizen promoting responsible growth, training and employability and a social conscience.

In 2011, Jacques-Antoine GRANJON partnered with Xavier NIEL and Marc SIMONCINI to create the École Européenne des Métiers de l'Internet.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2017 financial statements) [c]	DANONE SA [b]	France
Director	*GROUPE COURREGES SAS*	*France*
Chairman and Chief Executive Officer	VENTE-PRIVEE.COM SA	France
Chairman	*OREFI ORIENTALE ET FINANCIERE SAS [c]*	*France*
Chairman of the Board of Directors	*PALAIS DE TOKYO SAS*	*France*
Member of the Supervisory Board	*LE NOUVEL OBSERVATEUR*	*France*

Position	Associations/Foundations/Other	Country
Chairman	*FONDATION VENTE-PRIVEE.COM*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.

(b) Listed company.

(c) Jacques-Antoine GRANJON also holds corporate offices in companies controlled by OREFI ORIENTALE ET FINANCIÈRE SAS:

- Chairman of HOLDING DE LA RUE BLANCHE SAS (France), ORIMM SAS (France), MB Wilson SAS (France), VENTE PRIVEE USA BRANDS, INC. (United States), VENTE-PRIVEE.COM DEUTSCHLAND GmbH (Germany), VENTE-PRIVEE.COM LIMITED (United Kingdom), VENTA- PRIVADA IBERICA (Spain), VENDITA.PRIVATA ITALIA SRL (Italy) and ORELOG ORIENTALE ET LOGISTIQUE SAS;
- Chairman and Chief Executive Officer of PIN UP SA (France);
- Chief Executive Officer of PROPER SAS (France);
- Manager of EGLISE WILSON SARL (France) and ORIMM BIENS SARL (France);
- Co-Manager of VENTE-PRIVEE.COM IP SARL (Luxembourg) and Marques Holding Luxembourg SARL (Luxembourg);
- Director of VENTE-PRIVEE.COM HOLDING SA (Luxembourg), LOOKLET (Sweden), VENTE-PRIVEE USA, LLC (United States);
- Director of NOUVELLE D'EXPLOITATION DE RENOVATION ET DE RENAISSANCE DU THEATRE DE PARIS SA (France);
- Manager of French civil partnerships (sociétés civiles françaises) SCI 247, SCI 249, BM WILSON SCI, FRUITIER WILSON SCI, LANDY WILSON SCI, LYON 3 SCI, MM WILSON SCI, PRESSENSE WILSON SCI, SCI BRETONS WILSON, SCI LE STADE WILSON, SCI SAINT WILSON, SCI HOTEL WILSON, SCI BEAUNE-WILSON MALAKOFF WILSON, SCI DE LA GRENOUILLE WILSON, SCI YVETTE WILSON and SCI AMBROISE WILSON;
- Chairman of VENTE-PRIVEE HOLDING PRODUCTIONS SAS (France);
- Chairman of HOLDING DE LA RUE DE LA MICHODIERE SAS (France) and THEATRE DE LA MICHODIERE SAS (France);
- Chairman of PRODUCTS AND BRANDS STUDIO SAS (France).

Positions and responsibilities held during the past five years

Position	Company	Country
None		

MARIE-ANNE JOURDAIN



Born April 28, 1958

Age: 57 years

French nationality

Business address: 17, boulevard Haussmann – 75009 Paris – France

Number of DANONE shares held as of December 31, 2015: 0 (the requirement to hold DANONE shares does not apply to Directors representing employees)

Director representing employees

Attendance rate at Board of Directors' meetings as of December 31, 2015: 80%

Principal responsibility: Danone project and social monitoring manager

Personal background – experience and expertise:

Marie-Anne JOURDAIN began her career at a parachemicals SME and later moved on to metallurgy before joining Danone in 1989 where she has held various responsibilities in several businesses.

After spending nine years abroad and helping to create the Export Division, she joined Danone's Legal Department where she worked for three years.

In 2002, she changed course and began to represent and defend employees' interests, joining the various Employee Representative Bodies both at Danone's registered office and at the national level.

In 2008, she also became a Counselor at the Paris Labor Tribunal (Conseil de Prud'Hommes).

She has served as project and social monitoring manager at Danone since September 2014.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director representing employees (term of office from September 3, 2014 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	DANONE SA [b]	France
Member of the Board of Directors' Social Responsibility Committee (since February 19, 2015)		

Position	Associations/Foundations/Other	Country
Counselor	*PARIS LABOR TRIBUNAL*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Works Council representative to the Board of Directors	DANONE SA [a]	France
Member of the Supervisory Board of the "Fonds Danone" company investment fund		France
Works Council Secretary		France
Shop Steward		France
Secretary of the Workplace Health and Safety Committee		France
Trade Union Representative		France
Member of the European Works Council (CIC)		France
Member of the Group-level Works Council		France

(a) Listed company.

JEAN LAURENT



Born July 31, 1944

Age: 71 years

French nationality

Business address: 30, avenue Kléber – 75208 Paris Cedex 16 – France

Number of DANONE shares held as of December 31, 2015: 5,184

Independent Director and Lead Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Chairman of the Board of Directors of Foncière des Régions

Personal background – experience and expertise:

Jean LAURENT is a graduate of the École Nationale Supérieure de l'Aéronautique (1967) and has a Master of Sciences degree from Wichita State University.

He spent his entire career at the Crédit Agricole group, first with Crédit Agricole de Toulouse, and later with Crédit Agricole du Loiret and then Crédit Agricole de l'Île de France, where he exercised or supervised various retail banking business activities.

He then joined Caisse Nationale du Crédit Agricole, first as Deputy General Manager (1993-1999) and later as Chief Executive Officer (1999-2005). In that capacity, he was responsible for the public offering of Crédit Agricole SA (2001) and the acquisition and integration of Crédit Lyonnais in Crédit Agricole group.

He is also Chairman of the Board of Directors of Foncière des Régions.

The Board of Directors of Danone appointed Jean LAURENT as Chairman of the Nomination and Compensation Committee on April 28, 2011 and Lead Independent Director on February 18, 2013.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from February 10, 2005 to the end of the Shareholders' Meeting to approve the 2017 financial statements) Chairman and member of the Board of Directors' Nomination and Compensation Committee (since April 28, 2011 and April 22, 2005, respectively) Lead Independent Director (since February 18, 2013)	DANONE SA [b]	France
Chairman of the Board of Directors Member of the Strategy and Investments Committee	FONCIÈRE DES RÉGIONS SA [b]	France
Vice-Chairman of the Supervisory Board Chairman of the Audit Committee Member of the Finance Committee	EURAZEO SA [b]	France
Director	*BENI STABILI* [a]	*Italy*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman and member of the Board of Directors' Social Responsibility Committee	DANONE SA [a]	France
Director	CRÉDIT AGRICOLE EGYPT SAE	Egypt
Member of the Supervisory Board Member of the Audit Committee	M6 SA (MÉTROPOLE TÉLÉVISION) [a]	France
Member of the Board of Directors	UNIGRAINS SA	France

Position	Associations/Foundations/Other	Country
Chairman	PÔLE DE COMPÉTITIVITÉ "FINANCE INNOVATION" (Association)	France
Chairman of the Board of Directors	FONDATION INSTITUT EUROPLACE DE FINANCE	France

(a) Listed company.

GAËLLE OLIVIER



Born May 25, 1971

Age: 44 years

French nationality

Business address: 66/F One Island East 18 Westlands Road, Quarry Bay, Hong Kong

Number of DANONE shares held as of December 31, 2015: 4,162

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Chief Executive Officer Axa Asia General Insurance

Personal background – experience and expertise:

Graduate from the École Polytechnique, the ENSAE and the Institut des Actuaires.

After having started her career in the dealing room at Crédit Lyonnais with equity derivative products, Gaëlle OLIVIER joined the AXA group in 1998 where she has had responsibilities in various activities, both in France and abroad.

After two years with AXA Investment Managers, she became Executive Assistant to AXA group CEO, Henri DE CASTRIES, and Secretary of the Supervisory Board for five years.

In 2004, she joined AXA Life Japan, as Head of Investment Operations, and then became a member of the Management Committee in 2006, in charge of Strategy, Winterthur Japan Integration and Audit.

In 2009, she became Head of Communication and Corporate Responsibility of the AXA Group.

Since 2011, she has been Chief Executive Officer of General Insurance for AXA Asia.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 29, 2014 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	DANONE SA [b]	France
Member of the Board of Directors' Audit Committee (since February 19, 2015)		
Director	*AXA GENERAL INSURANCE HONG KONG LIMITED*	*China*
	AXA GENERAL INSURANCE CHINA LIMITED	*China*
	AXA INSURANCE SINGAPORE PTE LTD	*Singapore*
	AXA AFFIN GENERAL INSURANCE BERHAD	*Malaysia*
	BHARTI – AXA GENERAL INSURANCE COMPANY LIMITED	*India*
Chairwoman and Member of the Board of Directors	*AXA THAILAND PUBLIC COMPANY LIMITED*	*Thailand*

Position	Associations/Foundations/Other	Country
French Foreign Trade Advisor	*NATIONAL COMMITTEE OF FRENCH FOREIGN TRADE ADVISORS*	*Singapore*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Director	WIN PROPERTY (SHANGHAI LINKS) LIMITED	China
	AXA TECHNOLOGY SERVICES SINGAPORE PTE LTD	Singapore
	AXA ASIA REGIONAL CENTRE PTE LTD	Singapore
	AXA TIAN PING PROPERTY & CASUALTY INSURANCE COMPANY LIMITED	China

Position	Associations/Foundations/Other	Country
Director	AXA RESEARCH FUND – SCIENTIFIC COMMITTEE	France
Member of the Board of Directors	FRENCH CHAMBER OF COMMERCE IN SINGAPORE	Singapore

BENOÎT POTIER



Born September 3, 1957

Age: 58 years

French nationality

Business address: 75, quai d'Orsay – 75007 Paris – France

Number of DANONE shares held as of December 31, 2015: 8,481

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Chairman and Chief Executive Officer of Air Liquide SA

Personal background – experience and expertise:

A graduate of the École Centrale de Paris, Benoît POTIER joined the Air Liquide group in 1981 as a Research and Development engineer. He then held positions as Project Manager in the Engineering and Construction Department and Head of Energy Development within the Large Industry segment. In 1993 he was named Head of Strategy-Organization and in 1994 he was appointed Head of Chemicals, Steel, Refining and Energy Markets. He became Deputy General Manager in 1995, and added to the aforementioned responsibilities that of Head of Construction Engineering and Large Industry for Europe.

Benoît POTIER was appointed Chief Executive Officer in 1997, Director of Air Liquide in 2000 and Chairman of the Management Board in November 2001. In 2006, he was named Chairman and Chief Executive Officer of Air Liquide SA.

In 2004, Air Liquide acquired the assets of Messer Griesheim in Germany, the United Kingdom and the United States.

In 2007, the group expanded its technology portfolio by acquiring the Lurgi engineering company and in 2008 launched the Alma company project aimed at accelerating its growth. The group is continuing to diversify internationally, notably through its growing presence in developing economies: Asia, Russia, Central and Eastern Europe, the Middle East and Latin America.

In 2008, Benoît POTIER initiated the creation of Fondation Air Liquide and has served as its Chairman since inception. Fondation Air Liquide supports research projects in the environmental and healthcare fields and contributes to local development by encouraging micro-initiatives in those areas of the world where the group is present.

Since May 2014, Benoît POTIER has also been Chairman of the European Roundtable of Industrialists.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 11, 2003 to the end of the Shareholders' Meeting to approve the 2017 financial statements) Member of the Board of Directors' Nomination and Compensation Committee (since April 26, 2012) Member of the Board of Directors' Strategy Committee (since February 19, 2015)	DANONE SA [b]	France
Chairman and Chief Executive Officer	AIR LIQUIDE SA [b]	France
	AIR LIQUIDE INTERNATIONAL [SA] [c]	*France*
	AIR LIQUIDE INTERNATIONAL CORPORATION (ALIC) [c]	*United States*
Director	*AMERICAN AIR LIQUIDE HOLDINGS INC [c]*	*United States*

Position	Associations/Foundations/Other	Country
Chairman	*EUROPEAN ROUND TABLE OF INDUSTRIALISTS (ERT)*	*Belgium*
	FONDATION D'ENTREPRISE AIR LIQUIDE	*France*
Vice-Chairman	*ASSOCIATION NATIONALE DES SOCIÉTÉS PAR ACTIONS (ANSA)*	*France*
Director	*CENTRALE SUPELEC*	*France*
	ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES (AFEP)	*France*
	ÉCOLE CENTRALE DE PARIS	*France*
Member of the French Board	*INSEAD*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Companies in the Air Liquide group in which Benoît POTIER holds a corporate office.

Positions and responsibilities held during the past five years

Position	Company	Country
Member of the Supervisory Board Member of the Audit Committee	MICHELIN [a]	France

Position	Associations/Foundations/Other	Country
Director	*CERCLE DE L'INDUSTRIE (Association)*	*France*
	LA FABRIQUE DE L'INDUSTRIE (Association)	*France*

(a) Listed company.

ISABELLE SEILLIER



Born January 4, 1960

Age: 56 years

French nationality

Business address: 25 Bank Street, Canary Wharf, London E14 5JP, United Kingdom

Number of DANONE shares held as of December 31, 2015: 4,073

Non-Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Head of Financial Institutions EMEA at J.P Morgan

Personal background – experience and expertise:

Isabelle SEILLIER is a graduate of Sciences-Po Paris (Economics-Finance, 1985) and holds a master's degree in business law.

In 1987, she began her professional career in the options division of Société Générale in Paris, where she headed the Sales Department for options products in Europe until 1993.

Isabelle SEILLIER joined J.P. Morgan in Paris in 1993 as the Head of the Sales Department for derivative products in France for industrial companies. In 1997, she became an investment banker at J.P. Morgan & Cie SA as a banking advisor providing coverage for large industrial clients. In March 2005, she was appointed the joint Head of investment banking before being named sole Head of this activity beginning in June 2006.

From 2008, she was Chairman of J.P. Morgan for France while remaining in charge of investment banking for France and North Africa.

Since January 15, 2013, she has been the Head of all Investment Banking activities for the financial institutions of J.P. Morgan for Europe, Middle East and Africa (EMEA).

Isabelle SEILLIER is actively involved in philanthropic activities, in particular children's aid associations. Under her direction, J.P. Morgan France has developed a philanthropic program by helping these associations.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 28, 2011 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	DANONE SA [b]	France
Member of the Board of Directors' Strategy Committee (since February 19, 2015)		

Position	Associations/Foundations/Other	Country
Member of the Board of Directors	*AFB (ASSOCIATION FRANÇAISE DES BANQUES)*	*France*
	PARIS EUROPLACE (Association)	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	J.P. MORGAN CHASE BANK	France

MOUNA SEPEHRI



Born April 11, 1963

Age: 52 years

Dual French and Iranian nationality

Business address: 13-15, quai Le Gallo – 92513 Boulogne-Billancourt – France

Number of DANONE shares held as of December 31, 2015: 4,234

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 80%

Principal responsibility: Executive Vice-President, Member of the Executive Committee, Vice-President CEO Office of Renault

Personal background – experience and expertise:

After receiving her law degree and joining the Paris bar, Mouna SEPEHRI began her career in 1990 as a lawyer in Paris and then New York, where she specialized in Mergers & Acquisitions and International Business Law.

She joined Renault in 1996 as the group's Deputy General Counsel. She played an integral part in the group's international growth and participated in the creation of the Renault-Nissan Alliance from the beginning (1999) as a member of the negotiating team.

In 2007, she joined the Office of the CEO and was in charge of the management of the cross functional teams.

In 2009, she was appointed Director of the Renault-Nissan Alliance CEO Office and Secretary of the Renault-Nissan Alliance Board of Directors. In 2010, she also became a member of the steering committee on the Alliance cooperation with Daimler. As a part of that mission, she was responsible for steering the implementation of Alliance synergies, coordinating strategic cooperation and for driving new projects.

On April 11, 2011, she joined the Renault group Executive Committee as Executive Vice President, Office of the CEO. She oversees the following functions: Legal, Public Affairs, Communications, Public Relations, Corporate Social Responsibility, Property and General Services, Prevention and Group Protection, Cross-functional Support, the Operating Costs Effectiveness Program and Strategy and Group Planning. In 2013, she was appointed as a permanent member of the Management Board of the Renault-Nissan Alliance.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2017 financial statements) Member of the Board of Directors' Audit Committee (since April 26, 2012)	DANONE SA [b]	France
Director Chairwoman of the Governance and Corporate Social Responsibility Committee (CGRSE)	ORANGE [b]	France
Member of the Supervisory Board Member of the Audit Committee	M6 SA (MÉTROPOLE TÉLÉVISION) [b]	France

Position	Associations/Foundations/Other	Country
Director	*FONDATION RENAULT*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Director	NEXANS SA [a]	France

(a) Listed company.

JEAN-MICHEL SEVERINO



Born September 6, 1957

Age: 58 years

French nationality

Business address: 9, rue Notre Dame des Victoires – 75002 Paris – France

Number of DANONE shares held as of December 31, 2015: 4,233

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Head of I&P SARL (Investisseurs & Partenaires)

Personal background – experience and expertise:

Jean-Michel SEVERINO was born on September 6, 1957 in Abidjan, Ivory Coast. He is a graduate of the École Nationale d'Administration, ESCP, IEP Paris and holds a postgraduate degree (DEA) in economics and a degree in law.

After four years working at the Inspection générale des finances (French General Inspection of Finance) (1984-1988), he was named technical advisor for economic and financial affairs at the French Ministry of Cooperation (1988-1989). He later became the Head of that Ministry's Department of Economic and Financial Affairs and then its Development Director. In all these positions, he was particularly active in macroeconomic and financial relations, as well as the management of political and humanitarian crises, in sub-Saharan Africa.

In 1996, he was recruited by the World Bank as Director for Central Europe at a time when this region was marked by the end of the Balkans conflict and reconstruction. He became the World Bank's Vice-President in charge of East Asia from 1997 to 2001 and focused on the management of the major macroeconomic and financial crisis that shook these countries.

After a brief stint working once again for the French government as Inspector General of Finance, he was named Chief Executive Officer of the Agence Française de Développement (AFD), where from 2001 to 2010 he led the expansion efforts to cover the entire emerging and developing world, notably in the Mediterranean region, Asia and Latin America, while still maintaining its strong roots in sub-Saharan Africa. He significantly expanded the bank's development activities and extended its areas of responsibility to a large number of new countries as well as contemporary global issues: climate, biodiversity, poverty, growth, etc. He also implemented a significant restructuring of the AFD

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from Thursday, April 28, 2011 to the end of the Shareholders' Meeting to approve the 2016 financial statements) Chairman, member and financial expert of the Board of Directors' Audit Committee (since April 26, 2012) Member of the Board of Directors' Strategy Committee (since February 19, 2015)	DANONE SA [b]	France
Chairman of the Board of Directors	EBI SA (ECOBANK INTERNATIONAL)	France
Director Member of the Audit Committee	ORANGE [b]	France
Director	*I&P GESTION*	*Mauritius*
	I&P DEVELOPEMENT	*Mauritius*
	PHITRUST IMPACT INVESTORS SA	France
Chairman of the Board of Directors	*I&P AFRIQUE ENTREPRENEURS*	*Mauritius*
Director Member of the Investment Committee	*ADENIA PARTNERS*	*Mauritius*
Manager	*ÉMERGENCES DÉVELOPPEMENT*	*France*
	I&P SARL (INVESTISSEURS ET PARTENAIRES)	*France*

Position	Associations/Foundations/Other	Country
Chairman of the Executive Committee Director	*CONVERGENCES*	*France*
Chairman	*CRITICAL ECOSYSTEM PARTNERSHIP FUND (CEPF)*	*United States*
Director	*FONDATION SANOFI ESPOIR*	*France*
	FONDATION GRAMEEN CRÉDIT AGRICOLE	*Luxembourg*
Research Director and Member of the Strategy Steering Committee	*FONDATION POUR LES ETUDES ET RECHERCHES SUR LE DEVELOPPEMENT INTERNATIONAL*	*France*
Member	*ACADÉMIE DES TECHNOLOGIES (public-sector institution with administrative activities)*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.

(b) Listed company.

by entering into close partnerships with the local and international industrial and financial private sector.

In 2010, at the end of his third term of office, he returned once again to the Inspection générale des finances, where he was responsible for the French Water Partnership. In May 2011, he left the civil service in order to head up "I&P (Investisseurs et Partenaires)", a fund management company specializing in financing African small and medium-sized businesses.

In addition to his professional duties, he has significant experience in the educational and research areas, notably as an associate professor at CERDI (Centre d'Études et de Recherches sur le Développement International). He was elected as a member of the Académie des Technologies (2010); he is currently a senior fellow of the Fondation pour les Etudes et Recherches sur le Développement International (FERDI) and of the German Marshall Fund (GMF). He has published numerous articles and books, including, in 2010, "Idées reçues sur le développement" and "Le temps de l'Afrique" and, in 2011, "Le grand basculement".

Positions and responsibilities held during the past five years

Position	Company	Country
Member of the Board of Directors' Social Responsibility Committee	DANONE SA[a]	France

Position	Associations/Foundations/Other	Country
Chairman	INSTITUT D'ÉTUDE DU DÉVELOPPEMENT ÉCONOMIQUE ET SOCIAL	France
	FRENCH WATER PARTNERSHIP	France
Vice-Chairman	COMITÉ NATIONAL FRANÇAIS	France
Director	EUROPEAN INVESTMENT BANK	Luxembourg
	INSTITUT DE RECHERCHE POUR LE DEVELOPPEMENT (French public-sector institution with scientific and technological activities)	France
	danone.communities (SICAV)	France
	CENTRE DE COOPÉRATION INTERNATIONALE EN RECHERCHE AGRONOMIQUE POUR LE DÉVELOPPEMENT (public-sector institution with industrial and commercial activities)	France
	FONDATION JACQUES CHIRAC	France
	CONSERVATION INTERNATIONAL (Foundation)	United States
	AFRICAN CENTER FOR ECONOMIC TRANSFORMATION (ACET) GHANA	Ghana
Member	INDEPENDENT ASSESSMENT COMMITTEE ON SUSTAINABLE DEVELOPMENT, VEOLIA ENVIRONNEMENT	France
	CONSEIL D'ORIENTATION SCIENTIFIQUE DE LA FONDATION JEAN-JAURÈS	France
Member of Working Group	ONU – DIVISION DÉVELOPPEMENT DURABLE	France

(a) Listed company.

VIRGINIA A. STALLINGS



Born September 18, 1950

Age: 65 years

US nationality

Business address: Children's Hospital of Philadelphia – 3535 Market Street – Rm 1558 – Philadelphia, PA 19104 – United States

Number of DANONE shares held as of December 31, 2015: 4,000

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Professor of Pediatrics at Children's Hospital of Philadelphia

Personal background – experience and expertise:

Virginia A. Stallings is a Professor of Pediatrics at the University of Pennsylvania Perelman School of Medicine, Director of the Nutrition Center at The Children's Hospital of Philadelphia and holds a Chair in Gastroenterology and Nutrition. She is a pediatrician and an expert in nutrition and growth in children with chronic illnesses. Her research interests are in nutrition-related growth in healthy children and those with chronic illnesses including: obesity, sickle cell disease, osteoporosis, cystic fibrosis, cerebral palsy, Crohn's disease, HIV and congenital heart disease. She has been extensively involved in pediatric nutrition clinical care and research for more than 25 years.

Dr. Stallings plays a significant role in the community of nutrition scientists and physicians as a member of the Institute of Medicine, the Food and Nutrition Board of the US National Academy of Sciences and the Council of the American Society for Nutrition. She steered the Institute of Medicine committee reports entitled Nutrition Standards for Food in Schools: Leading the Way Towards Healthier Youth, and School Meals: Building Blocks for Healthy Children, that led to the development of a new policy to improve the nutritional quality of children's meals and school meals in the United States. She has received research and teaching awards from the American Society of Nutrition, the American Academy of Pediatrics, the Institute of Medicine, and the National Academies.

Positions and responsibilities as of Thursday, December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2017 financial statements) Member of the Board of Directors' Social Responsibility Committee (since February 19, 2015)	DANONE SA [b]	France
Director	*FITLY, digital health startup*	*United States*

Position	Associations/Foundations/Other	Country
Professor of Pediatrics	*THE CHILDREN'S HOSPITAL OF PHILADELPHIA, DEPARTMENT OF PEDIATRICS, THE UNIVERSITY OF PENNSYLVANIA PERELMAN SCHOOL OF MEDICINE*	*United States*
Director, The Nutrition Center	*THE CHILDREN'S HOSPITAL OF PHILADELPHIA*	*United States*
Director, Office of Faculty Development	*THE CHILDREN'S HOSPITAL OF PHILADELPHIA RESEARCH INSTITUTE*	*United States*
Member	*NATIONAL ACADEMY OF SCIENCES, INSTITUTE OF MEDICINE*	*United States*
Member of International Research Advisory Committee	*CHILDREN'S HOSPITAL OF LA PLATA RESEARCH INSTITUTE*	*Argentina*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman of the Board of Directors	DANONE INSTITUTE USA [a]	United States
	DANONE INSTITUTE INTERNATIONAL [a]	France

(a) The mission of these two organizations, which are established as non-profit associations, is to promote research and education in the field of nutrition as well as the importance of nutrition on health.

BETTINA THEISSIG



Born July 2, 1962

Age: 53 years

German nationality

Business address: Marienbader Platz, 1, 61348 Bad Homburg – Germany

Number of DANONE shares held as of December 31, 2015: 0 (the requirement to hold DANONE shares does not apply to Directors representing employees)

Director representing employees

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Chairwoman of the Works Council of Milupa GmbH

Personal background – experience and expertise:

Bettina THEISSIG began her training in the industrial sector in 1978 at Milupa GmbH, a baby food and formula manufacturer that has been part of Danone's Early Life Nutrition Division since the acquisition of the Numico Group in 2007.

She acquired her first professional experience in Milupa's advertising department. She then held various responsibilities in several departments, including marketing, sales, human resources and medical, which enabled her to gain further knowledge of the company.

Her unwavering interest in the condition of employees and the protection of their rights prompted her to join Milupa's Works Council in 2002. She is currently Chairwoman of Milupa's Works Council, Chairwoman of Milupa's Central Works Council and Representative to the Works Council of Danone's sites in Germany. She is also a member of the Danone's European Works Council and its steering committee.

Bettina THEISSIG has also represented employees with disabilities since 1998.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director representing employees (term of office from September 3, 2014 to the end of the Shareholders' Meeting to approve the 2016 financial statements) Member of the European Works Council(CIC) and its steering committee.	DANONE SA [b]	France
Chairwoman of the Works Council Chairwoman of the Central Works Council Representative of employees with disabilities Health Officer Representative to the Works Council of the Danone's sites in Germany	*MILUPA GMBH*	*Germany*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.

(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
None		

SERPIL TIMURAY



Born July 7, 1969

Age: 46 years

Turkish nationality

Business address: One Kingdom Street, Paddington Central, London W2 6BY United Kingdom

Number of DANONE shares held as of December 31, 2015: 4,000

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 100%

Principal responsibility: Regional Chief Executive Officer Africa, Middle East, Asia and Pacific, and Executive Committee member of Vodafone group

Personal background – experience and expertise:

A native of Turkey, 46-year-old Serpil TIMURAY holds a degree in business administration from Bogazici University in Istanbul.

She began her career in 1991 at Procter & Gamble, where she was later appointed to the Executive Committee of Procter & Gamble Turkey. In 1999, she moved to Danone as the Marketing Director and a member of the Executive Committee for the Fresh Dairy Products subsidiary in Turkey. From 2002 to 2008, she served as General Manager of Danone Turkey, overseeing the acquisition and integration of several companies in the region. In 2009, she joined Vodafone group as Chief Executive Officer of Vodafone Turkey, contributing to its considerable growth. Since January 2014, Serpil TIMURAY has served as the Regional CEO of Africa, Middle East and Asia-Pacific and as a member of the Executive Committee of Vodafone group. She is also a board member in several Vodafone companies in the region and sits on the boards of several non-profit organizations outside of the Vodafone group.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 29, 2015 to the end of the Shareholders' Meeting to approve the 2017 financial statements) Member of the Social Responsibility Committee (since February 19, 2015)	DANONE SA [b]	France
Regional Chief Executive Officer Africa, Middle East, Asia and Pacific, and Executive Committee member of Vodafone group	*VODAFONE GROUP*	*United Kingdom*
Director Member of the Nomination Committee Member of the Compensation Committee	*VODACOM GROUP [b] [c]*	*South Africa*
Director Chairperson of the Corporate Social Responsibility Committee Member of the Nomination Committee Member of the Compensation Committee	*VODAFONE INDIA [c]*	*India*
Director Member of the Nomination Committee Member of the Compensation Committee	*VODAFONE HUTCHISON AUSTRALIA [c]*	*Australia*
Director	*SAFARICOM KENYA [c]*	*Kenya*
Director Member of the Nomination Committee Member of the Compensation Committee	*VODAFONE QATAR [c]*	*Qatar*

Position	Associations/Foundations/Other	Country
Board of Trustees Member	*Koc University*	*Turkey*
Director	*TOBB-GGK (Young Entrepreneurs Council of Turkish Union of Chambers and Commodity Exchanges)*	*Turkey*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.
(c) Companies owned by Vodafone group.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman and Chief Executive Officer	VODAFONE TURKEY	Turkey

LIONEL ZINSOU-DERLIN



Born October 23, 1954

Age: 61 years

French and Beninese nationality

Business address: 232 rue de Rivoli – 75001 Paris – France

Number of DANONE shares held as of December 31, 2015: 4,104

Independent Director

Attendance rate at Board of Directors' meetings as of December 31, 2015: 60%

Principal responsibility: Prime Minister of Benin

Personal background – experience and expertise:

Lionel ZINSOU-DERLIN, of French and Beninese nationality, is a graduate from the École Normale Supérieure (Ulm), the London School of Economics and the Institut d'Études Politiques of Paris. He holds a Masters Degree in economic history and is an Associate Professor of economics and social sciences.

He started his career as a Senior Lecturer and Professor of Economics at Université Paris XIII.

Between 1984 and 1986 he was Adviser to the Minister of Industry and the Prime Minister.

In 1986, he joined Danone where he held various positions, in particular Group Corporate Development Director, then General Manager at HP Foods Limited and Lea & Perrins.

In 1997, he joined Rothschild & Cie bank as Managing Partner where he was Head of the Consumer Products group, Head of Middle East and Africa region and a member of the Global Investment Bank Committee.

In 2008, he joined PAI Partners SAS, where he served as Chairman between 2009 and 2015 and was Chairman of the Executive Committee between 2010 and 2015.

He has been Vice-Chairman of the Supervisory Board of PAI Partners SAS since 2015.

On June 18, 2015, Lionel ZINSOU-DERLIN was named Prime Minister of Benin.

Positions and responsibilities as of December 31, 2015 [a]

Position	Company	Country
Director (term of office from April 29, 2014 to the end of the Shareholders' Meeting to approve the 2016 financial statements)	*DANONE SA* [b]	*France*
Vice-Chairman of the Supervisory Board	*PAI PARTNERS SAS*	*France*
Director	KAUFMAN & BROAD SA [b]	France
	INVESTISSEURS & PARTENAIRES	*Mauritius*
	I&P AFRIQUE ENTREPRENEURS	*Mauritius*
Chairman Member of the Supervisory Board	*LES DOMAINES BARONS DE ROTHSCHILD (LAFITE) SCA*	*France*
Manager	*SOFIA – SOCIÉTÉ FINANCIÈRE AFRICAINE SARL*	*France*

Position	Associations/Foundations/Other	Country
Founder and Treasurer	*FONDATION ZINSOU*	*Benin*
Director	*CARE FRANCE (Association)*	*France*
	INSTITUT PASTEUR (Foundation)	*France*
Member of the Strategy Steering Committee	*FONDATION POUR LES ÉTUDES EN RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL*	*France*

(a) Offices shown in italics are not governed by Article L. 225-21 of the French commercial code concerning multiple directorships.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman and Chairman of the Executive Committee	PAI PARTNERS SAS	France
Director	CHR HANSEN HOLDING AS [a]	Sweden
	FINANCIÈRE SPIE SAS	France
	SODIMA SAS	France
	PAI SYNDICATION GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE III GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE IV GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE V GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE VI GENERAL PARTNER LIMITED	*Guernsey*
	SPIE SAS	France
	STRATEGIC INITIATIVES FRANCE SAS	France
	YOPLAIT FRANCE SAS	France
	YOPLAIT MARQUES INTERNATIONALES SAS	France
	YOPLAIT SAS	France
Member of the Advisory Council	*MOËT HENNESSY*	*France*
Member of the Supervisory Board	*CERBA EUROPEAN LAB SAS*	*France*
Alternate Director	*UNITED BISCUITS TOPCO LTD*	*Luxembourg*

Position	Associations/Foundations/Other	Country
Director	LE SIÈCLE (Association)	France
	AMREF (Association)	France

(a) Listed company.

6.3 COMPENSATION AND BENEFITS OF CORPORATE OFFICERS AND GOVERNANCE BODIES

TABLE OF CONTENTS

Principles of the executive compensation policy 253
Role of the Nomination and Compensation Committee 253
Principles applicable to annual compensation of executives 253
Principles applicable to multi-annual variable compensation of executives 254
Principles applicable to long-term variable compensation of executives 255
Principles related to executives' supplementary retirement plan 257
Details of the collective compensation programs 258
Group performance units 258
Group performance shares 260
Former stock-option plans (as of December 31, 2015) 273
Compensation and benefits paid to the corporate officers and governance bodies 274
Compensation and benefits paid to members of the Board of Directors and Executive Committee 274
Compensation and benefits paid to the corporate officers 276
Individual compensation of the corporate officers 287
Transactions completed in 2015 by members of the Board of Directors and Executive Committee involving DANONE shares 288

Principles of the executive compensation policy

Danone's executive compensation policy is based on the level of responsibilities of the executive concerned and market practices. This policy is built on collective principles applied by Danone to approximately 1,300 senior executives worldwide and to the corporate officers. These principles entail breaking down compensation into a fixed portion and a variable portion composed of three distinct elements as described hereafter:

- annual variable compensation;
- multi-annual variable compensation;
- long-term variable compensation.

Danone's compensation policy is based on simple, stable and transparent principles. As such, multi-annual compensation in the form of Group performance units was established in 2005, and long-term variable compensation in the form of Group performance shares in 2010. All performance conditions for these components of multi-annual/long-term compensation, as well as the review of their achievement, have been set out clearly and precisely in Danone's Registration Document for several years.

The compensation of the Company's corporate officers is determined by the Board of Directors on the basis of recommendations made by the Nomination and Compensation Committee as described hereafter.

Role of the Nomination and Compensation Committee

Danone's compensation policy is regularly reviewed by the Nomination and Compensation Committee. This Committee is composed entirely of independent Directors, and is chaired by the Lead Independent Director. The Nomination and Compensation Committee reviews Danone's compensation policy annually. To do so, it relies on a study conducted by a specialized firm whose objectivity has been ensured and which takes into account practices in two main markets (France and International).

In its recommendations on the compensation of the corporate officers and Executive Committee members, the Nomination and Compensation Committee takes into account the balance between the various components. For its recommendation on the overall compensation of the corporate officers, the Nomination and Compensation Committee considers the advantage represented by the potential benefit of a supplementary retirement plan.

The Committee reviews best market practices on the basis of (i) a benchmark prepared by the aforementioned specialized firm, including large international companies listed in France (CAC 40), and (ii) a panel of eight international benchmarks in the food and beverage sector. This panel is also used to set the performance conditions for Group performance shares and the severance pay of the corporate officers, and includes Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, General Mills Inc., Kellogg Company, The Kraft Heinz Company and Mondelēz International Inc. The Nomination and Compensation Committee ensures, in particular, that:

- multi-annual compensation subject to performance conditions has sufficient weighting compared to the annual compensation to motivate corporate officers to work in a long-term perspective;
- performance conditions are both complementary and stable. In addition, they enable to align shareholders' interests and those of management, since they are largely based on Danone's objectives communicated to the financial markets. In addition, these performance conditions reflect best compensation practices, namely "no payment below the median" as regards external performance conditions; and
- compensation-related performance criteria are sufficiently stringent so as to reward long-term performance in line with market expectations, and particularly to take into account the "no payment under guidance" principle.

Principles applicable to annual compensation of executives

Fixed compensation

The fixed compensation of the corporate officers is reviewed after relatively long periods and reflects the recipient's experience and level of responsibility.

Annual variable compensation

Annual variable compensation is granted subject to performance conditions. It is based on quantitative economic criteria and social and managerial criteria, which are determined specifically and objectively and described hereafter for (i) corporate officers, (ii) Executive Committee members, and (iii) other senior executives.

Annual variable compensation conditions for the corporate officers

The annual variable compensation of Emmanuel FABER, Chief Executive Officer, was calculated on the basis of predetermined performance conditions based on the following elements:

(i) a quantitative economic portion, calculated based on Danone's objectives communicated to the financial markets, representing 60% of the target, which may vary by 0% to 120%, made up, for 2015, of the following elements:

- for 25% of the target: organic growth in net sales, which may vary by 0% to 50%;
- for 25% of the target: margin growth, which may vary by 0% to 50%;
- for 10% of the target: the generation of free cash flow in millions of euros, which may vary by 0% to 20%;

(ii) a social and societal portion, calculated with reference to Danone's objectives (work safety, employee training, skills development, environmental parameters and societal initiatives), representing 20% of the target, which may vary by 0% to 40%, made up, for 2015, of the following elements:

- for 10% of the target: implementation of the 100,000 people development plan;
- for 10% of the target: achievement of the main objectives related to the definition and start of implementation of the Danone 2020 transformational plan;

(iii) a managerial portion, calculated with reference to objectives linked to the development of Danone's business (product innovation, market share, expansion into new geographic areas and implementation of strategic priorities), representing 20% of the target, which may vary by 0% to 40%, made up, for 2015, of the following elements:

- for 10% of the target: management of Danone's management teams;
- for 10% of the target: achievement of the Executive Committee's priorities for 2015, with the same variation.

The cap for each of these portions has been set at 200%, which means that the maximum amount of Emmanuel FABER's short-term annual variable compensation for 2015 is equal to 200% of his fixed compensation, with no guaranteed minimum or lower limit.

As a reminder, Franck RIBOUD no longer receives annual variable compensation for his duties as Chairman of the Board of Directors since being appointed to that position effective October 1, 2014.

Annual variable compensation conditions for Executive Committee members
For the Executive Committee members, including members who manage each of Danone's Divisions, annual variable compensation consists of the following based on the same criteria:

(i) an economic variable portion calculated with reference to the objectives communicated to the financial markets and/or set in the annual budget of the relevant Division (e.g. in terms of sales, Trading operating margin and free cash flow);

(ii) a social variable portion calculated with reference to the social objectives of Danone or the relevant Division (such as work safety, employee training, skills development, environmental parameters and societal initiatives); and

(iii) a managerial variable portion calculated with reference to objectives linked to the development of Danone's business or that of the relevant Division (product innovation, market share, expansion into new geographic areas and implementation of strategic priorities).

The cap for each of these portions is also set at a maximum of 200%, with no guaranteed minimum or lower limit.

Annual variable compensation conditions for other senior executives
The annual variable compensation scheme applicable to the corporate officers and Executive Committee members applies in the same way to all 1,300 Danone senior executives worldwide, particularly as regards the various criteria and their weighting.

Principles applicable to multi-annual variable compensation of executives

Multi-annual variable compensation consists of Group performance units paid subject to multi-annual performance conditions over a three-year period.

Group performance units (GPU) were introduced in 2005 to more closely align the compensation of the corporate officers, the Executive Committee members and the 1,300 senior executives with Danone's overall medium-term operational and economic performance.

Group performance units are granted each year, upon the decision of the Board of Directors and at the recommendation of the Nomination and Compensation Committee, for a three-year period. The Board of Directors, upon the recommendation of the Nomination and Compensation Committee, sets the performance objective(s) for the next calendar year and afterwards examines the potential achievement of the previous year's objective(s) for each Group performance unit plan. The annual objectives for Group performance units currently in the process of vesting (Group performance units granted in 2013, 2014 and 2015) are detailed hereafter in the *Group performance units, Annual objectives* section.

Performance objectives of Group performance units
The objective(s) of Group performance units is/are determined, for each fiscal year, by the Board of Directors based on the recommendations of the Nomination and Compensation Committee. They are based on performance conditions in line with Danone's objectives, as communicated to the financial markets at the beginning of the year (see the list hereafter in the *Group performance units, Annual objectives* section). These objectives are the same for all beneficiaries of Group performance units.

Consequences of a change of control for a beneficiary
If a person or group of persons acting in concert (within the meaning of Article L. 233-10 of the French commercial code) were to acquire control of Danone (within the meaning of Article L. 233-3 of the French commercial code), the performance objectives relating to the year in which the change of control occurred would be considered achieved and a payment would become due for all outstanding Group performance unit plans in the month following the change of control.

Consequences of the death, voluntary or non-voluntary retirement of a beneficiary
The continuous employment condition and the performance condition are partially waived in case of death, voluntary or non-voluntary retirement of a beneficiary.

For the corporate officers, in case of departure before the expiration of the term set for the assessment of performance criteria, the payment of multi-annual variable compensation is canceled, except in exceptional circumstances justified by the Board. Therefore, in case of the voluntary or non-voluntary retirement of a corporate officer:

(i) he/she loses all rights to the Group performance units granted to him during the 12 months preceding his/her departure;

(ii) the Group performance units granted earlier are (a) considered vested by said beneficiary and the three-year continuous employment condition does not apply, and (b) valued as of the date of the event based on the following rules:

- the calendar year(s) for which the accounts were approved by the Board of Directors are valued based on the achievement of objectives; and
- the current or future calendar year(s) is/are deemed to have no value.

Value of Group performance units
Each GPU has a maximum value of €30, i.e. maximum €10 per reference year, based on the achievement of objectives determined by the Board. For outstanding Group performance units, the year 2013 was valued at €0, the year 2014 was valued at €7 and the year 2015 was valued at €9. The valuation of existing GPUs is detailed hereafter in the *Group performance units, Annual objectives* section.

Principles applicable to long-term variable compensation of executives

Group performance shares

General principles

Danone's long-term variable compensation consists of Group performance shares (Company shares subject to performance conditions). Group performance shares were introduced to replace the stock-option program that was therefore closed. Group performance shares are granted to the corporate officers, Executive Committee members and more than 1,300 Danone senior executives.

This long-term, performance-based incentive program is intended to strengthen the commitment of beneficiaries to support Danone's development and enhance the share value over the long-term.

The plan regulations prohibit Group performance shares beneficiaries from hedging in any manner (i) their position with respect to their right to receive Group performance shares, or (ii) their position with respect to shares, which they have already received and which are still subject to a holding period. For the corporate officers, the prohibition of hedging extends to all DANONE shares or financial instruments related to DANONE shares which they own or may be in a position to own (see *Obligation to retain Company shares resulting from grants of Group performance shares* section hereafter). In addition, each beneficiary of Group performance shares has personally agreed not to use hedging instruments. To Danone's knowledge, no hedging instruments have been used.

Authorization by the Shareholders' Meeting

The grant of GPS is authorized by the Shareholders' Meeting. Since 2013, this authorization is granted until the end of the current fiscal year and is therefore subject to the approval of the shareholders each year.

Cap on the number of Group performance shares granted

Danone's Group performance shares have always had a limited impact in terms of capital dilution and ownership.

Group performance share grants are subject to a double cap, set by the Shareholders' Meeting, limiting (i) the total number of Group performance shares that may be granted, and (ii) the total number of Group performance shares that may be granted to all the corporate officers as follows:

Shareholders' Meeting authorizing the Group performance shares	4/22/2010	4/26/2012	4/25/2013	4/29/2014	4/29/2015 [b]
Maximum number of Group performance shares that may be granted [a]	0.4%	0.4%	0.2%	0.2%	0.2%
Of which maximum number of Group performance shares that may be granted to all the corporate officers [a]	*0.1%*	*0.1%*	*0.05%*	*0.05%*	*0.03%*

(a) Expressed as a percentage of the share capital for the fiscal year in question, recorded at the close of the Shareholders' Meeting that authorized the plans. This number of shares does not reflect potential adjustments that may be made in accordance with applicable legal and regulatory requirements and, where applicable, contractual provisions calling for other adjustments in order to maintain the rights of holders of securities or other rights giving access to the share capital.

(b) Authorization valid until December 31, 2015.

The new authorization subject to the approval of the Shareholders' Meeting of April 28, 2016 stipulates that grants of Group performance shares to the corporate officers may not exceed 0.03% of the share capital (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Grant by the Board of Directors

Group performance shares are granted each year by the Board of Directors, at the recommendation of the Nomination and Compensation Committee, at consistent and regular periods. They are granted at the end of July to the Executive Committee members (including the corporate officers) and the senior executives. In addition, a second grant intended for certain new employees occurs in October, if necessary.

Review of the potential achievement of performance objectives by the Board of Directors

The potential achievement of performance objectives is examined by the Board of Directors after prior review by the Nomination and Compensation Committee.

Valuation and recognition in the consolidated financial statements

Long-term variable compensation in the form of Group performance shares is valued and accounted for in Danone's consolidated financial statements pursuant to IFRS 2, *Share-based payment* (see Note 7.4 of the Notes to the consolidated financial statements).

Performance conditions

The performance conditions for Group performance shares are set in advance at the beginning of the year and are described in the report of the Board of Directors to the Shareholders' Meeting presenting the resolution on Group performance shares.

They are determined by the Board of Directors at the recommendation of the Nomination and Compensation Committee. They are the same for all beneficiaries of Group performance shares, apply to 100% of the Group performance shares granted and are based on the following principles:

Stringent performance conditions, in line with Danone's current environment

The performance conditions for Group performance shares consist of two complementary criteria that are representative of Danone's performance and adapted to the specific characteristics of its business:

(i) an external performance criterion, based on Danone's organic sales growth compared to that of a panel of Danone's historical peers, comprising leading international groups in the food and beverage sector; and

(ii) an internal performance criterion, based on the change in Danone's Trading operating margin.

These criteria correspond to the key indicators monitored by investors and analysts to measure the performance of companies in the food and beverage sector.

Stability of performance conditions and consistency of the composition of the panel of Danone's historical peers

The Board believes that consistency in the performance conditions is one of the factors for long-term value creation. In that regard, a performance criterion related to Danone's sales has been used for all Danone Group performance share grants since their introduction.

In addition, the criterion related to Danone's operating margin used since 2013 is one of the factors for long-term value creation.

Therefore, for the Group performance shares that will be granted in 2016, the performance conditions will include performance criteria related to Danone's sales and Trading operating margin.

Moreover, with respect to the external performance criterion, the composition of the panel of peers used for the performance conditions of Group performance shares and for the severance pay of the corporate officers has remained unchanged since 2007. However, this panel had to be adjusted:

- a first time in 2013, following the spin-off of one of its members, Kraft Foods Group, Inc., which was replaced by the two companies resulting from the spin-off that occurred in 2012, Kraft Foods Group Inc. and Mondelēz International Inc.; and
- a second time in 2015, following the merger between Kraft Foods Group Inc. and Heinz, which resulted in the replacement of Kraft Foods Group Inc. by The Kraft Heinz Company.

Introduction of a single reference period of three years applicable to all performance conditions

In 2013, the criterion related to the growth of Danone's sales was set with a three-year reference period and the performance criterion related to the operating margin with a two-year reference period. At the time of the 2014 Group performance share grant, the Board of Directors decided to align the reference period related to both performance conditions to a single three-year period.

A single three-year reference period will again be proposed at the time of the 2016 Group performance shares grant.

Group performance share continuous employment condition

Each grant is subject to a condition of continuous employment, which applies to all Group performance share beneficiaries.

Therefore, a Group performance share beneficiary who leaves Danone prior to the end of the vesting period cannot retain his/her Group performance shares, which will then be canceled. By way of exception, in statutory cases of early departure (including death and disability categories two and three), and barring exceptions approved by the Board of Directors, the Group performance share plan regulations stipulate that the continuous employment and performance conditions may be partially waived. In the event of the employee's voluntary retirement (or statutory early retirement), the continuous employment condition (but not the performance conditions) may also be partially waived. However, in the specific case where an employee retires (or takes statutory early retirement) in the 12 months following a grant, the Group performance shares thus granted are canceled.

In addition, the regulations for Group performance shares leave open the possibility, for their beneficiaries, of waiving the continuous employment and performance conditions in the event of a change of control of the Company (a similar mechanism is applied to all stock-option plans approved since 2003). Therefore, if a person or group of people acting collectively (as defined in Article L. 233-10 of the French commercial code) acquires control of Danone (as defined in Article L. 233-3 of the French commercial code), there would be no more conditions (not even performance conditions) in order to receive the Group performance shares at the end of the vesting period.

Finally, if the continuous employment condition is not met for another reason, the Board of Directors can decide to uphold a beneficiary's rights to the Group performance shares, subject to fulfillment of the performance conditions.

Definitive grant of Group performance shares

The grants of Group performance shares become final and Danone shares are delivered to their beneficiaries after a vesting period set by the Board of Directors. In accordance with the authorization given by the Shareholders' Meeting, this vesting period may not be less than three years.

In 2010, 2011 and 2012, the Board set up "3+2" plans (three-year vesting period and two-year holding period) and "4+0" plans (four-year vesting period and no holding period) depending on the social security contributions regime of beneficiaries (i.e. "3 +2" for the French regime and "4+0" for those of other countries). Since 2013, the Board of Directors has only set up "4+0" plans.

Notwithstanding the provisions of Law No. 2015-990 of August 6, 2015 known as the Macron Law, which shortened the vesting period for shares subject to performance conditions, Danone decided to maintain a four-year vesting period.

Former stock-option plans

General principles and closure of the stock-option program
No stock-options have been granted since November 2009. Table 4 of the French Financial Markets Authority nomenclature concerning disclosures in registration documents on the compensation of corporate officers is therefore not applicable.

Until the end of 2009, only stock purchase options were granted to eligible employees under stock-option plans (the Company had not granted stock subscription options since 1997). These grants concerned the same group of employees as those now receiving Group performance shares.

In addition, the corporate officers must refrain from using hedging instruments for stock options. To Danone's knowledge, no hedging instruments have been used for stock options.

Characteristics
The exercise price of the options was the equivalent of the average stock market price of DANONE shares during the 20 trading days leading up to the Board of Directors' meeting held to grant them, with no discount offered.

The term of the existing plans is eight years. With the last plan having been approved in October 2009, Danone's stock-option program will remain in effect until October 2017. Since 2006, the options may be exercised following a four-year period from the date of grant (with the exception of the two plans granted in December 2007 and April 2008, for which the respective vesting periods are two and three years). However, the beneficiaries may exercise all or part of the options granted to them early in the event of a successful public offer targeting DANONE's shares.

In the event of voluntary departure, the options granted become null and void.

Valuation and recognition in the consolidated financial statements
Long-term variable compensation in the form of stock-options is valued and accounted for in Danone's consolidated financial statements pursuant to IFRS 2, *Share-based payment* (see Note 7.4 of the Notes to the consolidated financial statements).

Principles related to executives' supplementary retirement plan

This retirement plan, introduced in 1976 as part of the government's executive loyalty initiative, was closed to all new beneficiaries on December 31, 2003. Approximately 125 Danone executives who hold the status of senior executives are, under certain conditions (in particular seniority and continuous employment conditions), eligible for this defined benefit retirement plan. As a reminder, in 2009, more than 210 executives were still covered by this plan.

This plan provides for the payment of an annuity based on seniority and the amount of final salary, on the condition that the beneficiary is still in Danone's employment at the time of retirement. The annuity:

- is paid after deducting certain pensions corresponding:
  - with respect to a first category of senior executives, to the full amount of retirement benefits they acquired over the course of their professional career; and
  - with respect to a second category of senior executives, to the full amount of retirement benefits they acquired as a result of the implementation of the Company's non-contributory supplementary retirement plan.
- and may reach a maximum of 65% of final salaries.

In the event of departure from Danone before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, the plan benefits are preserved, subject to the beneficiary not taking any salaried position in the future. This provision, which is consistent with applicable French regulations, enables in particular protecting all beneficiaries against the risks related to a termination of employment occurring after the beneficiary has reached the age of 55 but prior to reaching retirement age.

The current corporate officers, Mr. Franck RIBOUD and Mr. Emmanuel FABER, who joined Danone 34 and 18 years ago, respectively, are eligible for this supplementary retirement plan (see section *Contracts, plans and indemnities of the corporate officers*).

The amount provisioned as of December 31, 2015 in Danone consolidated financial statements under this plan represents Danone's obligation for the payment of a life annuity calculated on the basis of life expectancies derived from mortality tables (see Note 7.3 of the Notes to the consolidated financial statements).

The AFEP-MEDEF Code recommends that the amount of the life annuity paid to the corporate officers be capped at 45% of the basis of calculation and stipulates that this cap does not apply to plans already closed. This is the case for Danone insofar as the plan has been closed to all new beneficiaries since December 31, 2003.

Details of the collective compensation programs

Group performance units

Annual objectives

Objectives for fiscal year 2013 (applied to Group performance units granted in 2011, 2012 and 2013)

For 2013, the criteria set by the Board of Directors, acting upon the recommendation of the Nomination and Compensation Committee, are as follows:

- increase in net sales of at least 5% on a like-for-like basis; and
- reduction in the Trading operating margin of a maximum of 50 basis points in 2013 versus 2012, on a like-for-like basis.

The Board, at the recommendation of the Nomination and Compensation Committee, acknowledged that the objective related to the Trading operating margin was not achieved. Consequently, as the objectives of the Group performance units are cumulative, the Board of Directors noted that the 2013 GPU objectives had not been achieved.

Objective for fiscal year 2014 (applied to Group performance units granted in 2012, 2013 and 2014)

For 2014, the criterion set by the Board of Directors, acting upon the recommendation of the Nomination and Compensation Committee, is an increase in net sales of at least 5% on a like-for-like basis.

For 2014, the criterion set by the Board of Directors, acting upon the recommendation of the Nomination and Compensation Committee, is an increase in net sales with a mechanism that gradually increases the value of each GPU as follows:

Level of fulfillment of the objective in 2014	Value of each Group performance unit for 2014 *(in €)*
< 4.5%	0
⩾ 4.5%	5
⩾ 4.6%	6
⩾ 4.7%	7
⩾ 4.8%	8
⩾ 4.9%	9
⩾ 5.0%	10

The Board, acting upon the recommendation of the Nomination and Compensation Committee, noted that the objective was achieved at a rate of 4.7% and therefore valued the GPUs at €7 for 2014.

Objective for fiscal year 2015 (applied to Group performance units granted in 2013, 2014 and 2015)

For 2015, the criterion set by the Board of Directors, acting upon the recommendation of the Nomination and Compensation Committee, is an increase in net sales of at least 4.5% (on a like-for-like basis), for a maximum payment with a mechanism that gradually increases the value of each GPU in case of partial fulfillment of the objective (with 4% being the lower range of the objective communicated to the market), as follows:

Level of fulfillment of the objective in 2015	Value of each Group performance unit for 2015 *(in €)*
< 4.0%	0
⩾ 4.0%	5
⩾ 4.1%	6
⩾ 4.2%	7
⩾ 4.3%	8
⩾ 4.4%	9
⩾ 4.5%	10

The Board, acting upon the recommendation of the Nomination and Compensation Committee, noted that the objective was achieved at a rate of 4.4% and therefore valued the GPUs at €9 for 2015.

As of December 31, 2015

Group performance unit plans outstanding					**Total**
Year of grant	**2012**	**2013**	**2014**	**2015**	
Date of Board of Directors' meeting granting the Group performance units	7/26/2012	7/26/2013	7/24/2014	7/23/2015	
Number of Group performance units granted	1,042,424	1,019,636	967,017	927,439	**3,956,516**
Of which number granted to the corporate officers	*68,500*	*68,500*	*61,000*	*20,000*	***218,000***
Number of beneficiaries	1,525	1,584	1,330	1,331	
Group performance unit characteristics					
Year paid	2015	2016	2017	2018	
Objectives	Objectives set for each of the 2012, 2013 and 2014 fiscal years	Objectives set for each of the 2013, 2014 and 2015 fiscal years	Objectives set for each of the 2014, 2015 and 2016 fiscal years	Objectives set for each of the 2015, 2016 and 2017 fiscal years	
Achievement of objectives	• Achievement of objectives for fiscal year 2012 • Objectives for fiscal year 2013 not achieved • Partial achievement of objectives for fiscal year 2014 at a rate of €7	• Objectives for fiscal year 2013 not achieved; • Partial achievement of objectives for fiscal years 2014 and 2015 at a rate of €7 and €9, respectively	• Partial achievement of objectives for fiscal years 2014 and 2015 at a rate of €7 and €9, respectively • A review will be conducted in 2017 to determine whether the 2016 objectives were achieved	• Partial achievement of objectives for fiscal year 2015 at a rate of €9 • A review will be conducted in 2017 and 2018 to determine whether the 2016 and 2017 objectives were achieved	
Unit value of Group performance units	€17, since the objectives were partially achieved	€0, since no objectives were 100% achieved in 2013, 2014 and 2015	Maximum €26, since the objectives were partially achieved for 2014 and 2015 year	Maximum €29, since the objectives were partially achieved for 2015 year	

Group performance shares

Summary of authorizations by the Shareholders' Meeting

Shareholders' Meeting authorizing the Group performance shares	4/22/2010	4/26/2012	4/25/2013	4/29/2014	4/29/2015
Performance conditions applied to Group performance shares	Grants made in 2010 and 2011	Grants made in 2012	Grants made in 2013	Grants made in 2014	Grants made in 2015

Summary of performance conditions

Performance conditions for grants made in 2015
(i) Nature of performance conditions and quantifiable objectives for each performance criterion

(a) Comparison of the average growth in Danone's consolidated net sales ("CA"), on a like-for-like basis, with that of a reference panel over a three-year period, i.e. 2015, 2016 and 2017:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive grant will be 100%; and
- if the Group's CA is less than the Median CA of the Panel, the definitive grant will be 0%, in accordance with the "no payment below the median" principle.

Definitions

Group CA	Average internal ("organic") growth in net sales (on a consolidated and like-for-like basis) in fiscal years 2015, 2016 and 2017.
Each Panel member's CA	Average internal ("organic") growth in net sales generated (on a consolidated and like-for-like basis) by the Panel member in fiscal years 2015, 2016 and 2017.
Panel CA	CAs of all Panel members.
Median CA of the Panel	Value of the Panel member's CA that divides the Panel CAs into two equal parts (i.e. such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a value less than or equal to the Median), it being specified that, if the Panel members are an even number, the Median CA of the Panel will be equal to the average of the two middle values of the Panel CAs.
Panel	Eight leading international groups in the food and beverage sector: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, The Kraft Heinz Company, Mondelēz International Inc., General Mills Inc. and Kellogg Company.

Other applicable rules

Ensure the consistency of the calculation method for the CAs of all Panel members and the CA of the Group over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure this consistency.
No publication or late publication of audited accounting or financial data	**Of a Panel member:** the Board of Directors may, exceptionally, exclude this Panel member through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting. **Of several Panel members:** the Board of Directors will make a duly justified decision at a later date which is mentioned in the Board of Directors' report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by the Company over the last three completed fiscal years for which financial statements were published by all the Panel members and by the Company.
Panel member subject to acquisition, absorption, dissolution, spin-off, merger or change in its business	The Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, exclude this Panel member, provided that it maintains the overall consistency of the peer group.
Recognition by the Board of Directors of fulfillment of this performance condition	The Board of Directors must state whether this performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) Improvement in growth in the Trading operating margin over a three-year period, i.e. for 2015, 2016 and 2017, on a like-for-like basis:
If the average growth in the Trading operating margin calculated over the three fiscal years (2015, 2016 and 2017) is

- positive (i.e. greater than or equal to +1 basis point): the definitive grant will be 100%;
- zero or negative: the definitive grant will be 0%.

Definitions

Average growth in Trading operating margin	Average growth in Trading operating margin on a like-for-like basis: • in 2015 compared to 2014; • in 2016 compared to 2015; and • in 2017 compared to 2016.
Net sales	Danone's consolidated net sales, as defined by IFRS.
Trading operating margin Trading operating income Like-for-like change	Financial indicators not defined by IFRS used by Danone, the calculation of which is indicated in the financial press releases published by the Company (see also section 3.6 *Financial indicators not defined by IFRS*).

Other applicable rules

Recognition by the Board of Directors of fulfillment of this performance condition	The Board of Directors must state whether this performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee.

(ii) Weighting of each performance criterion
For all beneficiaries, provided that the condition of continuous employment at the Group is met (see hereafter), two-thirds of the shares will be definitively granted subject to the achievement of the performance condition related to sales growth, and the remaining third will be granted subject to achievement of the performance condition related to the Trading operating margin.

(iii) No exceptions to the application of performance conditions
100% of the Group performance shares granted under this plan are subject to performance conditions.

(iv) Review of achievement of performance conditions for grants made pursuant to the resolution approved on April 29, 2015 (2015 Group performance share plans)
Concerning growth in the Trading operating margin for fiscal years 2015, 2016 and 2017, fulfillment of this condition will be reviewed in early 2018 after the closing of the 2017 accounts, it being stipulated that, at its meeting on February 22, 2016, the Board of Directors noted that growth in the Trading operating margin in 2015 relative to 2014, on a like-for-like basis, was +17 basis points.

Concerning growth in sales between 2015 and 2017, fulfillment of this condition will be determined in 2018, after the companies in the Panel have published their sales figures.

Performance conditions for grants made in 2010 and 2011

(i) Nature of performance conditions and quantifiable objectives for each performance criterion

- growth in the Group's sales (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates) ("CA"); and
- growth in free cash flow (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates) ("FCF").

The performance conditions are calculated for the first two years of the vesting period based on the following objectives:

- for grants approved in 2010: first and second year of the vesting period (2010 and 2011), average annual growth of 5% in CA and 10% in FCF over the period; and
- for grants approved in 2011: first and second year of the vesting period (2011 and 2012), average annual growth of 5% in CA and 10% in FCF over the period.

(ii) Weighting of each performance criterion

The achievement of each of these two criteria (subject to the requirement of continuous employment at the Group) determines the definitive grant of half of the Group performance shares granted to the beneficiary. Accordingly, and in all cases subject to a requirement of continuous employment at the Group:

- for beneficiaries who are corporate officers or Executive Committee members: the definitive grant of half of the shares will be subject to achievement of the performance condition related to FCF, and the definitive grant of the other half will be subject to achievement of the performance condition related to CA; and
- for the other beneficiaries: the definitive grant of shares representing a maximum of one-third of the grants will not be subject to a performance condition (see hereafter); the definitive grant of the remainder of the shares granted will be subject to achievement of the performance condition related to FCF for the first half, and achievement of the performance condition related to CA for the second half.

(iii) Exceptions to the application of performance conditions

Part of the Group performance shares granted pursuant to the resolution approved in 2010 could be made without performance conditions within the following limits:

- the grantees could only be Group employees, excluding corporate officers and Executive Committee members;
- these shares could not represent more than 25% of the total number of shares eligible to be granted pursuant to this authorization; and
- these shares could not represent more than 33% of the total number of shares granted for each respective employee.

(iv) Review of achievement of performance conditions

The Board of Directors on February 14, 2012 noted the achievement of the performance conditions of the 2010 Group performance share plan, i.e. for the 2010 and 2011 fiscal years: average annual growth in consolidated sales of 7.3% and growth in free cash flow of 14.3%.

The Board of Directors on February 18, 2013 noted the achievement of the performance conditions of the 2011 Group performance share plan, i.e. for the 2011 and 2012 fiscal years: average annual growth in sales of 6.6% and growth in free cash flow of 11.7%.

Performance conditions for grants made in 2012

(i) Nature of performance conditions and quantifiable objectives for each performance criterion

(a) Comparison of the average growth in the Group's net sales ("CA"), on a like-for-like basis, with that of a reference panel during the CA Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive grant will be 100%; and
- if the Group's CA is less than the Median CA of the Panel, the definitive grant will be 0%, in accordance with the "no payment below the median" principle.

Definitions

Group CA	Average internal ("organic") growth in the Group's sales during fiscal years 2012, 2013 and 2014 (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates).
Each Panel member's CA	Average internal ("organic") growth in the sales generated by the Panel member during fiscal years 2012, 2013 and 2014 (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates).
Panel CA	CAs of all Panel members.
CA Reference Period	First three years of the vesting period for each grant, the first year being the year in which the grant is approved (i.e. fiscal years 2012, 2013 and 2014).
Median CA of the Panel	Value of the Panel member's CA that divides the Panel CAs into two equal parts (i.e. such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a value less than or equal to the Median), it being specified that, if the Panel members are an even number, the Median CA of the Panel will be equal to the average of the two middle values of the Panel CAs.
Panel	Seven leading international groups in the food and beverage sector, i.e. Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, General Mills Inc., Kellogg Company and Kraft Foods Inc. (replaced by Kraft Food Group Inc. and Mondelēz International following the spin-off of Kraft Foods Inc. in 2012).

Other applicable rules

No publication or late publication of audited accounting or financial data	**Of a Panel member:** the Board of Directors may, exceptionally, exclude this Panel member through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting. **Of several Panel members:** the Board of Directors makes a duly justified decision at a later date which is mentioned in the Board of Directors' report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by Danone over the last three completed fiscal years for which financial statements were published for all the Panel members and for Danone.
Exclusion of a Panel member in case of acquisition, absorption, dissolution, spin-off, merger or change in its business	The Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, exclude this Panel member, provided that it maintains the overall consistency of the peer group.
Recognition by the Board of Directors of fulfillment of this performance condition	The Board of Directors must state whether this performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) Achievement by the Group of a free cash flow ("FCF") averaging at least €2 billion per year during the Reference Period

Definitions

FCF	The Group's free cash flow during the FCF Reference Period.
FCF Reference Period	First two years of the vesting period for each grant, the first year being the year in which the grant is approved.

(ii) Weighting of each performance criterion

The achievement of each of these two criteria (subject to the requirement of continuous employment at the Group) determines the definitive grant of half of the Group performance shares granted to the beneficiary. Accordingly, and in all cases subject to a requirement of continuous employment at the Group:

- for beneficiaries who are corporate officers or Executive Committee members: the definitive grant of half of the shares will be subject to achievement of the performance condition related to FCF, and the definitive grant of the other half will be subject to achievement of the performance condition related to CA; and
- for the other beneficiaries: the definitive grant of shares representing a maximum of one-third of the grants will not be subject to a performance condition (see hereafter); the definitive grant of the remainder of the shares granted will be subject to achievement of the performance condition related to FCF for the first half, and achievement of the performance condition related to CA for the second half.

(iii) Exceptions to the application of performance conditions

Some of the Group performance shares granted pursuant to the resolution approved in 2012 could be granted without performance conditions within the following limits:

- the grantees could only be Group employees, excluding corporate officers and Executive Committee members;
- these shares could not represent more than 25% of the total number of shares eligible to be granted pursuant to this authorization; and
- these shares could not represent more than 33% of the total number of shares granted for each respective employee.

(iv) Review of achievement of performance conditions

Concerning the average FCF level of at least €2 billion per year during the Reference Period, the Board of Directors, at its meeting on February 19, 2014, acknowledged that this objective had not been achieved. As a result, the share of Group performance shares granted corresponding to the FCF-related performance condition is zero, with an impact of (i) 50% on the number of Group performance shares granted to the corporate officers and Executive Committee members and, (ii) 33% on the number of Group performance shares granted to other beneficiaries.

On April 29, 2015, the Board of Directors noted that, based on the report of a financial advisor and at the recommendation of the Nomination and Compensation Committee, the average organic growth in Danone's sales in fiscal years 2012, 2013 and 2014 (i.e. 5%) was higher than the Median organic growth in sales of the Panel companies during the same period (i.e. 3.6%) and that the performance condition related to sales had therefore been achieved.

Consequently, only half of the Group performance shares granted in 2012 to the corporate officers and Executive Committee members were delivered, and two-thirds were delivered to the other beneficiaries.

Performance conditions for grants made in 2013

(i) Nature of performance conditions and quantifiable objectives for each performance criterion

(a) Comparison of the average growth in the Group's net sales ("CA"), on a like-for-like basis, with that of a reference panel over a three-year period, i.e. 2013, 2014 and 2015:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive grant will be 100%; and
- if the Group's CA is less than the Median CA of the Panel, the definitive grant will be 0%, in accordance with the "no payment below the median" principle.

Definitions

Group CA	Average internal ("organic") growth in the Group's net sales in fiscal years 2013, 2014 and 2015 (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates).
Each Panel member's CA	Average internal ("organic") growth in the net sales generated by the Panel member in fiscal years 2013, 2014 and 2015 (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates).
Panel CA	CAs of all Panel members.
Median CA of the Panel	Value of the Panel member's CA that divides the Panel CAs into two equal parts (i.e. such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a value less than or equal to the Median), it being specified that, if the Panel members are an even number, the Median CA of the Panel will be equal to the average of the two middle values of the Panel CAs.
Panel	Eight leading international groups in the food and beverage sector, i.e. Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc. (which became The Kraft Heinz Company in 2015), Mondelēz International Inc., General Mills Inc. and Kellogg Company.

Other applicable rules

Ensure the consistency of the calculation method for the CAs of all Panel members and the CA of the Group over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure this consistency.
No publication or late publication of audited accounting or financial data	**Of a Panel member:** the Board of Directors may, exceptionally, exclude this Panel member through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting. **Of several Panel members:** the Board of Directors will make a duly justified decision at a later date which is mentioned in the Board of Directors' report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by Danone over the last three completed fiscal years for which financial statements were published by all the Panel members and by Danone.
Exclusion of a Panel member in case of acquisition, absorption, dissolution, spin-off, merger or change in its business	The Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, exclude this Panel member, provided that it maintains the overall consistency of the peer group.
Recognition by the Board of Directors of fulfillment of this performance condition	The Board of Directors must state whether this performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) Achievement of Trading operating margin objectives set by the Board of Directors and announced to the market (the "Margin Objective") over a two-year period, i.e. for fiscal years 2013 and 2014:

- if the Margin Objective is achieved in both 2013 and 2014, the definitive grant will be 100%; and
- if the Margin Objective is not achieved in either 2013 or 2014 or if it is achieved in only one of these years, the definitive grant will be 0%.

Definitions

Margin Objective for 2013	Trading operating margin down by a maximum of 50 basis points on a like-for-like basis relative to the trading operating margin for fiscal year 2012.
Margin Objective for 2014	The higher of (i) a positive change (i.e. an increase in basis points) in the trading operating margin on a like-for-like basis relative to the trading operating margin for fiscal year 2013, and (ii) any trading operating margin objective for fiscal year 2014 that may be subsequently set by the Board of Directors and announced to the market.
Trading operating margin	Ratio of trading operating income to net sales.
Net sales	Danone's consolidated net sales, as defined by IFRS.
Trading operating income	Danone's operating income excluding "Other operating income (expense)". "Other operating income (expense)", in accordance with Recommendation 2009-R.03 of the CNC "on the format of financial statements of entities applying international accounting standards", comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major litigation. Moreover, since the implementation of revised IFRS 3, Business Combinations, "Other operating income (expense)" has also included costs to acquire companies in which the Group acquires a controlling interest.
Change in trading operating margin on a like-for-like basis	Increase or decrease, mainly after exclusion of the impact of: (i) changes in exchange rates, with both previous year and current year indicators calculated based on the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year and applied to both years), and (ii) changes in consolidation scope, with indicators related to the current year calculated on the basis of the scope of consolidation of the previous year.

Other applicable rules

"No payment below the market objectives" principle	In accordance with the "no payment below the market objectives" principle, in the event that the Board of Directors decides to revise its trading operating margin objective upward for 2013 and/or 2014, the Margin Objective would be automatically adjusted upward for the corresponding year on the basis of the trading operating margin objective as amended (to avoid any confusion, it should be noted that in the event that the trading operating margin objective announced to the market is revised downward, the amount of the Margin Objective will not be adjusted and will therefore be calculated on the basis of the initial operating margin objective announced to the market for the current year).
Recognition by the Board of Directors of fulfillment of this performance condition	The Board of Directors must state whether this performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee.

(ii) Weighting of each performance criterion

For all beneficiaries, provided that the condition of continuous employment at the Group is met (see hereafter), two-thirds of the Group performance shares will be definitively granted subject to achievement of the performance condition related to CA, and the remaining third will be granted subject to achievement of the performance condition related to the Trading operating margin.

(iii) No exceptions to the application of performance conditions

In accordance with best market practices and following discussions with shareholders, 100% of the Group performance shares granted under this plan are subject to performance conditions.

(iv) Review of achievement of performance conditions

Concerning the achievement of the Trading operating margin objectives in 2013 and 2014, the Board of Directors, at its meeting on February 19, 2014, acknowledged that this objective had not been achieved for fiscal year 2013. As a result, the share of Group performance shares granted in 2013 subject to the Trading operating margin performance condition is zero, with an impact of 33% on the number of Group performance shares delivered to all beneficiaries.

Concerning growth in sales between 2013 and 2015, fulfillment of this condition will be reviewed at the end of the first half of 2016, after the companies in the Panel have published their sales figures.

Performance conditions for grants made in 2014

(i) Nature of performance conditions and quantifiable objectives for each performance criterion

(a) Comparison of the average growth in the Group's net sales ("CA"), on a like-for-like basis, with that of a reference panel over a three-year period, i.e. 2014, 2015 and 2016:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive grant will be 100%; and
- if the Group's CA is less than the Median CA of the Panel, the definitive grant will be 0%, in accordance with the "no payment below the median" principle.

Definitions

Group CA	Average internal ("organic") growth in the Group's net sales in fiscal years 2014, 2015 and 2016 (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates and excluding changes in applicable accounting principles).
Each Panel member's CA	Average internal ("organic") growth in the net sales generated by the Panel member in fiscal years 2014, 2015 and 2016 (on a consolidated and like-for-like basis, i.e. excluding changes in scope and exchange rates and excluding changes in applicable accounting principles).
Panel CA	CAs of all Panel members.
Median CA of the Panel	Value of the Panel member's CA that divides the Panel CAs into two equal parts (i.e. such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a value less than or equal to the Median), it being specified that, if the Panel members are an even number, the Median CA of the Panel will be equal to the average of the two middle values of the Panel CAs.
Panel	Eight leading international groups in the food and beverage sector, i.e. Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc. (which became The Kraft Heinz Company in 2015), Mondelēz International Inc., General Mills Inc. and Kellogg Company.

Other applicable rules

Ensure the consistency of the calculation method for the CAs of all Panel members and the CA of the Group over the entire period under review	Restatements (mainly adjustments for changes in scope and/or exchange rates) may be made only to the extent strictly necessary to ensure that the method of calculating the CAs of all Panel members and the Group's CA is consistent over the entire period.
No publication or late publication of audited accounting or financial data	**Of a Panel member:** the Board of Directors may, exceptionally, exclude this Panel member through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting. **Of several Panel members:** the Board of Directors will make a duly justified decision at a later date which is mentioned in the Board of Directors' report to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the Panel members and by the Company over the last three completed fiscal years for which financial statements were published by all the Panel members and by the Company.
Exclusion of a Panel member in case of acquisition, absorption, dissolution, spin-off, merger or change in its business	The Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, exclude this Panel member, provided that it maintains the overall consistency of the peer group.
Recognition by the Board of Directors of fulfillment of this performance condition	The Board of Directors must state whether this performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) The average growth in the trading operating margin over a three-year period, i.e. for fiscal years 2014, 2015 and 2016:

- if the average growth in the Trading operating margin calculated over the three fiscal years (2014, 2015 and 2016) is positive (i.e. greater than or equal to +1 basis point), the definitive grant will be 100%;
- if the average growth in the Trading operating margin calculated over the three fiscal years (2014, 2015 and 2016) is equal to zero or negative, the definitive grant will be 0%.

Definitions

Average growth in Trading operating margin	Average growth in Trading operating margin on a like-for-like basis • in 2014 compared to 2013; • in 2015 compared to 2014; and • in 2016 compared to 2015.
Trading operating margin	Ratio of trading operating income to net sales.
Net sales	Danone's consolidated net sales, as defined by IFRS.
Trading operating income	Danone's operating income excluding "Other operating income (expense)". "Other operating income (expense)", in accordance with Recommendation 2009-R.03 of the CNC "on the format of financial statements of entities applying international accounting standards", comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major crisis and major litigations. Moreover, under revised IFRS 3, Business Combinations, in the "Other operating income (expense)" item the Group also presents (i) costs to acquire companies in which the Group acquires a controlling interest, (ii) revaluation variances recorded following a loss of control, and (iii) changes in additional purchase prices subsequent to the acquisition of a controlling interest.
Change in Trading operating margin on a like-for-like basis	Increase or decrease, mainly after exclusion of the impact of: (i) changes in exchange rates, with both previous year and current year indicators calculated based on the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year and applied to both years), (ii) changes in consolidation scope, with indicators related to the current year calculated on the basis of the scope of consolidation of the previous year, and (iii) changes in applicable accounting principles.

Other applicable rules

Recognition by the Board of Directors of fulfillment of this performance condition	The Board of Directors must state whether this second performance condition was met, through a duly justified decision taken at a later date and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee.

(ii) Weighting of each performance criterion
For all beneficiaries, provided that the condition of continuous employment at the Group is met (see hereafter), two-thirds of the shares will be definitively granted subject to achievement of the Performance Condition related to sales growth, and the remaining third will be granted subject to achievement of the Performance Condition related to the Trading operating margin.

(iii) No exceptions to the application of performance conditions
In accordance with best market practices and following discussions with shareholders, 100% of the Group performance shares granted under this plan are subject to performance conditions.

(iv) Review of achievement of performance conditions
Concerning growth in the Trading operating margin for fiscal years 2014, 2015 and 2016, fulfillment of this condition will be reviewed in early 2017 after the closing of the 2016 accounts, it being stipulated that, at its meeting on February 19, 2015, the Board of Directors noted that growth in the Trading operating margin in 2014 relative to 2013, on a like-for-like basis, was -12 basis points.

Concerning growth in sales between 2014 and 2016, fulfillment of this condition will be determined at the end of the first half of 2017, after the companies in the Panel have published their sales figures.

Vesting periods

Shareholders' Meeting authorizing the Group performance shares		**4/22/2010**		**4/26/2012**	**4/25/2013**	**4/29/2014**	**4/29/2015**
Plans	"3+2"	"4+0"	"3+2"	"4+0"	"4+0"	"4+0"	"4+0"
Share vesting period [(a)]	3 years	4 years	3 years	4 years	4 years	4 years	4 years
Share retention period [(b)]	2 years	–	2 years	–	–	–	–

(a) Shares are delivered to their beneficiaries at the end of the vesting period, after application of the performance and continuous employment conditions.
(b) The retention period begins on the share delivery date and applies only to "3+2" plans whose beneficiaries are subject to the French system of social security contributions.

Summary of the plans as of December 31, 2015

Characteristics of outstanding Group performance share plans in 2015, grants made under these plans and changes in these plans during 2015 (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers)

Outstanding Group performance share plans					
Shareholders' Meeting authorizing the GPS					4/22/2010
Number of GPS authorized by the Shareholders' Meeting					2,587,963
Of which number of GPS not granted					*1,229,737*
Date of Board of Directors' meeting authorizing the GPS	7/26/2010	4/28/2011	4/28/2011	10/20/2011	10/20/2011
Plans	"4+0"	"3+2"	"4+0"	"3+2"	"4+0"
Number of GPS granted	**377,665**	**276,023**	**420,288**	**11,000**	**6,350**
GPS characteristics					
Share delivery date	7/27/2014	4/29/2014	4/29/2015	10/21/2014	10/21/2015
Share retention period [a]	–	2 years	–	2 years	–
Performance conditions	• Average growth in consolidated sales of 5% over two fiscal years; • Average growth in free cash flow of 10% over two fiscal years.				
Review to determine whether performance conditions have been achieved	Achievement for both fiscal years determined by the Board (average growth in 2010 and 2011 (i) in consolidated sales of 7.3%, and (ii) in free cash flow of 14.3%).	Achievement for both fiscal years determined by the Board (average growth in 2011 and 2012 (i) in consolidated sales of 6.6%, and (ii) in free cash flow of 11.7%).			
Changes in 2015 and situation as of December 31, 2015					
Group performance shares as of December 31, 2014	**–**	**–**	**340,813**	**–**	**9,100**
Group performance shares granted in 2015 [b]	–	–	–	–	–
Of which Group performance shares granted to the corporate officers	–	–	–	–	–
Void or canceled Group performance shares in 2015	–	–	(10,119)	–	–
Of which Group performance shares canceled in 2015 due to non-fulfillment of some of the performance conditions	–	–	–	–	–
Transfer from "3+2" plan to "4+0" plans	–	–	–	–	–
Shares delivered in 2015	–	–	(330,694)	–	(9,100)
Of which shares delivered to the corporate officers	–	–	–	–	–
Of which shares delivered to the 10 employees (excluding corporate officers) who received the largest number of shares in 2015	–	–	*(60,600)*		*(8,000)*
Group performance shares as of December 31, 2015	**–**	**–**	**–**	**–**	**–**
Of which Group performance shares granted to the corporate officers [c]	–	*98,000*	–	–	–
Of which Group performance shares granted to members of the Executive Committee [c]	*21,150*	*137,000*	*24,300*	*11,000*	*4,000*
Of which number of Executive Committee member beneficiaries	*3*	*6*	*3*	*2*	*1*
Of which Group performance shares granted to the 10 Group employees (excluding corporate officers) who received the largest number of shares in 2015 [d]	–	–	–	–	–
Number of beneficiaries [e]	1,372	–	1,449	–	5
Void or canceled Group performance shares as of December 31, 2015	(108,845)	(21,943)	(138,386)	–	(1,250)

(a) The retention period begins on the share delivery date and applies only to "3+2" plans.
(b) 100% of grants are subject to performance conditions.
(c) As a reminder, all Group performance shares granted to Executive Committee members and the corporate officers are subject to performance conditions.

									Total
			4/26/2012		4/25/2013		4/29/2014	4/29/2015	
			2,568,986		1,268,724		1,262,056	1,287,584	
			1,784,674		*447,081*		*483,685*	*642,212*	
7/26/2012	7/26/2012	10/23/2012	7/26/2013	10/23/2013	7/24/2014	10/17/2014	7/23/2015		
"3+2"	"4+0"	"4+0"	"4+0"	"4+0"	"4+0"	"4+0"	"4+0"		
334,406	**446,506**	**3,400**	**817,993**	**3,650**	**776,521**	**1,850**	**645,372**	**4,121,024**

7/27/2015	7/27/2016	10/24/2016	7/27/2017	10/24/2017	7/25/2018	10/18/2018	7/24/2019	
2 years	–	–	–	–	–	–	–	
• Growth in sales greater than or equal to the median sales of the Panel over the 2012, 2013 and 2014 fiscal years; • Achievement of a consolidated free cash flow averaging at least €2 billion per year over the 2012 and 2013 fiscal years.			• Average growth in sales greater than or equal to the median sales of the Panel over the 2013, 2014 and 2015 fiscal years; • Achievement of a Trading operating margin level for 2013 and 2014.		• Average growth in sales greater than or equal to the median sales of the Panel over the 2014, 2015 and 2016 fiscal years; • Average growth in the Trading operating margin over the 2014, 2015 and 2016 fiscal years.		• Average growth in sales greater than or equal to the median sales of the Panel over the 2015, 2016 and 2017 fiscal years; • Improvement in growth in the Group's operating margin over three years (2015, 2016 and 2017) on a like-for-like basis.	
• Achievement of the sales criterion determined by the Board (average growth in 2012, 2013 and 2014 of 5% and median of the Panel of 3.6%). • The non-achievement of the free cash flow objective was noted by the Board.			• Sales growth objective from 2013 to 2015: the Board of Directors will conduct a review in 2016 to determine whether this criterion was achieved; • The non-achievement of the operating margin objective was noted by the Board.		A review will be conducted in 2017 by the Board of Directors to determine whether these criteria were achieved.		A review will be conducted in 2018 by the Board of Directors to determine whether these criteria were achieved.	

147,292	**238,860**	**2,268**	**471,530**	**1,936**	**737,346**	**1,850**	**–**	**1,950,995**
–	–	–	–	–	–	–	645,372	645,372
–	–	–	–	–		–	*36,000*	*36,000*
(12,148)	(18,296)	–	(41,216)	–	(53,485)	–	(5,739)	(141,003)
–	–	–	–	–	–	–	–	–
(7,281)	7,281	–	–	–	–	–	–	–
(127,863)	–	–	–	–	–	–	–	(467,657)
(47,875)	–	–	–	–	–	–	–	*(47,875)*
(13,750)	–	–	–	–	–	–		*(82,350)*
	227,845	**2,268**	**430,314**	**1,936**	**683,861**	**1,850**	**639,633**	**1,987,707**
137,000	–	–	*137,000*	–	*122,000*	–	*36,000*	*530,000*
202,000	*40,000*	–	*239,500*	–	*217,500*	–	*109,710*	*1,006,160*
7	*3*	–	*10*	–	*10*	–	*12*	
–	–	–	–	–	–	–	*103,790*	*103,790*
–	1,523	5	1,578	9	1,327	4	1,332	
(199,262)	(225,942)	(1,132)	(387,679)	(1,714)	(14,310)	–	(5,739)	(1,106,202)

(d) Of which 109,710 Group performance shares granted to 11 members of the Executive Committee, excluding corporate officers.
(e) Total number of beneficiaries for the "3+2" and "4+0" plans granted by the Board.

Impact in terms of dilution/ownership of the Company's share capital

Year ended December 31

	2014		2015	
	Number of shares	**Percentage of share capital [a]**	**Number of shares**	**Percentage of share capital [a]**
Grants during the fiscal year				
Group performance shares granted	778,371	0.12%	645,372	0.10%
Of which Group performance shares granted to all the corporate officers	*122,000*	*0.02%*	*36,000*	*0.01%*
Balance as of December 31 [b]				
Group performance shares not yet vested	1,950,995	0.30%	1,987,707	0.30%
Of which Group performance shares granted to all the corporate officers [c]	*375,500*	*0.06%*	*530,000*	*0.08%*

(a) Percentage of share capital at December 31 of the fiscal year in question.
(b) Balance of GPS not yet vested at December 31 of the fiscal year in question
(c) For fiscal year 2014, the number takes into account the cancellation of the 2012, 2013 and 2014 GPS of Bernard HOURS.

The number of Group performance shares granted in 2015 to Mr. Emmanuel FABER represented 0.005% of the Company's share capital at December 31, 2015 and 5.6% of the overall grant.

Former stock-option plans (as of December 31, 2015)

Summary of the plans in force

Characteristics of the plans in force and changes in these plans during 2015 (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers – Tables 8 and 9 of the French Financial Markets Authority nomenclature)

This information includes:

- two-for-one stock splits that occurred successively in June 2004 and June 2007; and
- the adjustments, following the June 25, 2009 share capital increase, to the number of stock-options granted and to the exercise prices of the plans in force as of that date. The maximum number of stock-options authorized by the various Shareholders' Meetings was not changed.

Stock-option plans in force								**Total**
Shareholders' Meeting authorizing the options	4/22/2005					4/26/2007	4/23/2009	
Stock-options authorized by the Shareholders' Meeting	6,000,000 [b]					6,000,000 [b]	6,000,000	
Of which stock-options not granted	*1,497,900* [c]					*476,942* [c]	*5,979,600*	
Date of Board of Directors' meeting authorizing the options	4/26/2007	10/19/2007	12/17/2007	4/29/2008	10/21/2008	4/23/2009 [d]	10/20/2009	
Total number of shares that can be subscribed or purchased								
Of which the number that can be subscribed or purchased by:								
Franck RIBOUD	424,000			212,000		164,300		
Emmanuel FABER	56,180			106,000		82,150		
Stock-options granted [a]	**2,633,517**	**28,408**	**327,078**	**2,762,403**	**31,941**	**2,704,611**	**20,400**	**8,508,358**
Stock-option characteristics								
First exercise date [e]	4/26/2011	10/19/2011	12/18/2009	4/29/2011	10/21/2011	4/23/2013	10/20/2013	
Expiry date	4/25/2015	10/18/2015	12/16/2015	4/28/2016	10/20/2016	4/22/2017	10/19/2017	
Exercise price	57.54	52.33	56.57	53.90	43.71	34.85	40.90	
Changes in 2015 and situation as of December 31, 2015								
Active stock-options as of December 31, 2014	**2,217,202**	**14,840**	**180,255**	**1,997,002**	**16,536**	**1,245,462**	**17,400**	**5,688,697**
Void or canceled stock-options in 2015	(112,466)	(6,784)	(63,198)	(2,191)	–	(14,734)	(1,800)	(201,173)
Stock-options exercised in 2015 [f]	(2,104,736)	(8,056)	(117,057)	(1,289,619)	(9,540)	(610,745)	(2,600)	(4,142,353)
Of which stock-options exercised by the corporate officers in 2015 [g]	*(480,180)*	–	–	*(212,000)*	–	*(164,300)*	–	*(856,480)*
Active stock-options as of December 31, 2015	**–**	**–**	**–**	**705,192**	**6,996**	**619,983**	**13,000**	**1,345,171**
Of which stock-options granted to the corporate officers [g]	–	–	–	*106,000*	–	*82,150*	–	*188,150*
Of which stock-options granted to members of the Executive Committee	–	–	–	*13,568*	–	*34,056*	–	*47,624*
Of which number of Executive Committee member beneficiaries	–	–	–	*2*	–	*4*	–	
Void or canceled stock-options as of December 31, 2015	**(490,515)**	**(19,504)**	**(171,875)**	**(522,747)**	**(6,148)**	**(501,379)**	**(4,000)**	**(1,716,168)**

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.

(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.

(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.

(d) Date of last grant of options to the corporate officers.

(e) The first exercise date corresponds to the end of the vesting period.

(f) 1,208,666 options were exercised at a weighted average price of €52.98 by the 10 employees (excluding the corporate officers). The number of shares thus exercised in 2015 is the highest.

(g) See details in section *Compensation and benefits paid to the corporate officers and governance bodies* hereafter. As of December 31, 2015, 100% of these stock-options were in the money relative to the DANONE share price on that date (€62.28 per share).

Impact in terms of dilution/ownership of the Company's share capital

Year ended December 31, 2009

	Number of shares	Percentage of share capital [a]
Grants during the fiscal year		
Stock-options granted	2,725,011	0.4%
Of which stock-options granted to all the corporate officers	*575,050*	*0.1%*

(a) Percentage of share capital on the grant date (date of the Shareholders' Meeting authorizing the stock-option grants).

Year ended December 31

	2014		2015	
	Number of shares	Percentage of share capital [a]	Number of shares	Percentage of share capital [a]
Balance as of December 31 [b]				
Active stock-options	5,688,697	0.88%	1,345,171	0.21%
Of which stock-options granted to all the corporate officers	*1,206,810*	*0.19%*	*188,150*	*0.03%*

(a) Percentage of share capital at December 31 of the fiscal year in question.
(b) Balance of exercisable stock-options at December 31 of the fiscal year in question.

Compensation and benefits paid to the corporate officers and governance bodies

Compensation and benefits paid to members of the Board of Directors and Executive Committee

Summary of compensation and benefits paid to members of the Board of Directors and Executive Committee

Year ended December 31

(in € millions)	2014	2015
Compensation paid to the corporate officers and Executive Committee members [a]	13.4	16.5
Attendance fees paid to Directors [b]	0.6	0.6
Compensation paid	**14.0**	**17.1**
Severance pay	2.1	–
Accounting value of Group performance shares granted [c]	9.1	8.2

(a) Annual and multi-annual fixed and variable compensation (gross amount excluding employer contributions), of which the variable portion totaled €8.4 million in 2015 (€7 million in 2014).
(b) The two corporate officers are not eligible to receive attendance fees.
(c) The Accounting value represents the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that the performance conditions have been satisfied (see details above and Note 7.4 of the Notes to the consolidated financial statements).

Compensation and benefits paid to members of the Board of Directors who are not corporate officers

Amount of annual compensation due and paid and benefits of any kind granted during fiscal years 2014 and 2015 to the members of the Board of Directors who are not corporate officers (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers – Table 3 of the French Financial Markets Authority nomenclature)

It should be noted that the two Directors representing employees have an employment contract within Danone and therefore receive compensation in that capacity which is unrelated to the duties they perform. As a result, this compensation is not disclosed.

Year ended December 31

	2014				2015			
(in €)	Directors' attendance fees [a]		Benefits of any kind	Total annual compensation	Directors' attendance fees [a]		Benefits of any kind	Total annual compensation
Name	**Amounts due**	**Amounts paid**	**Amounts due and paid**	**Amounts due and paid**	**Amounts due**	**Amounts paid**	**Amounts due and paid**	**Amounts due and paid**
Bruno BONNELL	38,000	38,000	–	38,000	50,000	50,000	–	50,000
Richard GOBLET D'ALVIELLA [b]	88,000	88,000	–	88,000	16,000	16,000	–	16,000
Jacques-Antoine GRANJON	20,000	20,000	–	20,000	25,000	25,000	–	25,000
Jean LAURENT	152,000	152,000	–	152,000	123,000	123,000	–	123,000
Gaëlle OLIVIER	26,000	26,000	–	26,000	65,000	65,000	–	65,000
Benoît POTIER	46,000	46,000	–	46,000	57,000	57,000	–	57,000
Isabelle SEILLIER	30,000	30,000	–	30,000	51,000	51,000	–	51,000
Mouna SEPEHRI	44,000	44,000	–	44,000	42,000	42,000	–	42,000
Jean-Michel SEVERINO	86,000	86,000	–	86,000	81,000	81,000	–	81,000
Virginia A. STALLINGS	42,000	42,000	–	42,000	61,000	61,000	–	61,000
Serpil TIMURAY [c]	–	–	–	–	43,000	43,000	–	43,000
Jacques VINCENT	9,000	9,000	–	9,000	–	–	–	–
Lionel ZINSOU-DERLIN	18,000	18,000	–	18,000	27,000	27,000	–	27,000
Total	**599,000**	**599,000**	**–**	**599,000**	**641,000**	**641,000**	**–**	**641,000**

(a) Gross amount due during the year before withholding tax.
(b) Mr. Richard GOBLET D'ALVIELLA's term of office as Director ended following the Shareholders' Meeting of April 29, 2015.
(c) Mrs. Serpil TIMURAY was appointed as Director during the Shareholders' Meeting of April 29, 2015.

Compensation and benefits paid to the corporate officers

Summary of compensation paid to the corporate officers

Total compensation due and value on the grant date of Group performance units and Group performance shares granted during fiscal years 2014 and 2015 to each corporate officer (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers – Table 1 of the French Financial Markets Authority nomenclature)

	Year ended December 31	
(in €)	**2014**	**2015**
Franck RIBOUD		
Annual compensation [a]	2,886,808	2,004,620
Multi-annual variable compensation (accounting value of Group performance units granted during the fiscal year) [b]	675,000	–
Long-term variable compensation (accounting value of Group performance shares granted during the fiscal year) [c]	2,513,500	–
Total	**6,075,308**	**2,004,620**
Emmanuel FABER		
Annual compensation(a)	1,458,935	2,244,620
Multi-annual variable compensation (accounting value of Group performance units granted during the fiscal year) [b]	486,000	580,000
Long-term variable compensation (accounting value of Group performance shares granted during the fiscal year) [c]	1,809,720	2,034,360
Total	**3,754,655**	**4,858,980**

(a) Amounts due, fixed and variable. See details hereafter.

(b) The maximum values are €29 per Group performance unit granted in 2015 and €26 per Group performance unit granted in 2014. The amounts paid relate to the GPU actually paid during the year. As a reminder, the maximum theoretical values are always €30 per GPU at the time of the grant.

(c) The amount is the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that the performance conditions have been satisfied (see details above and Note 7.4 of the Notes to the consolidated financial statements).

Details of annual compensation and benefits due and paid to the corporate officers

Amount of annual compensation due and paid and benefits of any kind granted during fiscal years 2014 and 2015 to the corporate officers (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers – Table 2 of the French Financial Markets Authority nomenclature)

Year ended December 31

(in €)	2014		2015	
Name	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Franck RIBOUD				
Annual fixed compensation [a]	1,287,500	1,287,500	2,000,000	2,000,000
Annual variable compensation	1,594,688	893,025	N/A	1,594,688
Benefits of any kind [c]	4,620	4,620	4,620	4,620
Annual compensation	2,886,808	2,185,145	2,004,620	3,599,308
Multi-annual variable compensation [b]	675,000	1,000,000	N/A	463,250
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [d]	N/A	N/A	N/A	N/A
Total	**3,561,808**	**3,185,145**	**2,004,620**	**4,062,558**
Emmanuel FABER				
Annual fixed compensation [a]	761,125	761,125	1,000,000	1,000,000
Annual variable compensation	693,190	355,320	1,240,000	693,190
Benefits of any kind [c]	4,620	4,620	4,620	4,620
Annual compensation	1,458,935	1,121,065	2,244,620	1,697,810
Multi-annual variable compensation [b]	486,000	560,000	580,000	350,625
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [d]	N/A	N/A	N/A	N/A
Total	**1,944,935**	**1,681,065**	**2,824,620**	**2,048,435**

(a) Gross amount. The amounts due correspond to amounts allocated in respect of the current fiscal year. The amounts paid correspond to amounts actually paid during the fiscal year and include amounts due in respect of the previous fiscal year.
(b) The amounts due correspond to the maximum value of the GPU during the year. The amounts paid correspond to the GPU actually paid during the year.
(c) Benefits of any kind correspond to the pool of cars and drivers made available to all executives.
(d) The two corporate officers are not eligible to receive attendance fees.

2015 annual fixed compensation
The fixed compensation of Mr. Franck RIBOUD, in his capacity as Chairman of the Board of Directors, due for 2015 remained stable relative to that received in 2014 and totaled €2 million.

The amount of this compensation was confirmed by the Board of Directors, at the recommendation of the Nomination and Compensation Committee, at its meeting on February 22, 2016 given, in particular, the expanded role of the Chairman of the Board and Mr. Franck RIBOUD's seniority at Danone. In addition, the Board of Directors stressed the exemplary nature and smoothness of the transition underway and believed that, in light of the effectiveness of the current scheme and the satisfactory pace of the transfer process, it was in Danone's interest that Mr. Franck RIBOUD continues to carry out more extensive duties as Chairman.

In 2015, in addition to organizing the work of the Board of Directors and as part of his enhanced duties as Chairman, Mr. Franck RIBOUD was actively involved in several projects, including in particular the following:

- creation and chairmanship of the Board of Directors' new committee, the Strategy Committee;
- regular high-level meetings with government authorities of several strategic countries of importance for Danone (Russia, China, Argentina, France, etc.);
- representation of Danone at major international economic forums (Boao Forum in China, Franco-German Meetings, Gaidar Forum in Russia, etc.);
- relations with Danone's longtime strategic partners, non-controlling shareholders of certain Danone subsidiaries (particularly in Russia) and companies in which Danone has a non-controlling interest (e.g. in Japan, North Africa and Latin America);
- involvement in certain negotiations, at the request of General Management;
- introduction of the new Chief Executive Officer to Danone's major strategic customers;
- active involvement in implementing the new initiatives related to Danone's dual economic and social project, including in particular the creation of the L3F Investment Fund in association with the Mars Company;

- participation in key Danone events as the embodiment of Danone's culture, strategy and history for managers and particularly new employees: speeches at the divisions' and subsidiaries' conventions and at several training seminars, visits to industrial sites, meetings with the management committees, hosting of Chairman's Day (forward-looking discussions with employees of various reporting levels from around the world), etc.;
- regular dialog with General Management on various matters proposed by it as part of the ongoing transfer process. For example, the Chairman of the Board shared his insight and experience with regard to certain projects and decisions taken by General Management in such areas as organization and innovation.

As planned, this transition period should be completed in 2017, after which time Mr. Franck RIBOUD will carry out his duties by exercising the traditional rights of a Board Chairman.

The fixed compensation due to Mr. Emmanuel FABER in his capacity as Chief Executive Officer for 2015 was €1 million. It was reviewed at the time of his appointment as Chief Executive Officer in September 2014 and has not changed since that date (his compensation as Deputy General Manager was constant since 2011). This compensation takes into account both his experience and his level of responsibility.

2015 annual variable compensation

Compensation target and annual cap set for 2015

The Board of Directors, at its meeting on February 22, 2016, at the recommendation of the Nomination and Compensation Committee, set the short-term variable compensation target to be paid in 2016 for fiscal year 2015, subject to performance conditions, at €1,240,000 for Mr. Emmanuel FABER.

Mr. Emmanuel FABER's short-term variable compensation target for his duties as Chief Executive Officer in 2015 was €1 million.

At the recommendation of the Nomination and Compensation Committee, his annual variable compensation for 2015 had been capped by the Board of Directors at 200% of his fixed compensation.

As a reminder, since his appointment as Chairman of the Board of Directors effective October 1, 2014, Mr. Franck RIBOUD no longer receives annual variable compensation for his duties as Chairman of the Board.

Review of the achievement of objectives and weightings

At its meeting on February 22, 2016, the Board of Directors, at the recommendation of the Nomination and Compensation Committee, determined the level of fulfillment for Emmanuel FABER's annual variable compensation.

Regarding the quantitative economic portion, after validation of the financial components by the Audit Committee, the Board of Directors determined that the rate of attainment of this component was 115% based on the achievement of the targets disclosed to the market, namely 4.4% net sales growth on a like-for-like basis, a 17 basis points increase in trading operating margin on a like-for-like basis and a free cash flow generation of €1,529 million without exceptional items. Concerning net sales, the Board of Directors found that its increase, while very solid in view of the market context and the volatile economy of some countries, came out slightly below the median of the guidance set between 4% and 5%. As for the operating margin, the Board recognized the effectiveness of the transformation initiatives aimed at structurally improving Danone's growth model to achieve a better balance between profitability and sales growth, while continuing to prioritize the investments necessary for Danone's future development. In this respect, the Board underscored better-than-expected performance, as for the FCF, the significant increase in which demonstrates the solidity of Danone's fundamentals in this area.

At this same meeting, the Board of Directors determined that the rate of attainment of the social and societal component was 150% of the target, particularly in light of the outstanding results achieved in terms of the commitment of Danone's teams, as measured by a recent anonymous opinion poll conducted by an independent firm in which more than 82% of Danone's employees around the world participated; the successful implementation of the "Campus for all" training programs in Danone's key geographical areas; ongoing improvement in work safety (further decrease of 14% in accident frequency); and attainment of the main objectives related to the definition and start of implementation of the Danone 2020 project, such as sharing "Roadmap Danone 2020" with Danone's various strategic stakeholders, defining the climate policy and finalizing the new "Beyond Budget" process (rolling forecasts instead of the traditional budget process). The Board of Directors also found that the attainment rate of the managerial component was 125% of the target, particularly in light of the creation of the new Executive Committee and its alignment with the strategic priorities, the commitment by the 200 managers of Danone's subsidiaries and principal corporate functions to support these priorities, and the attention given to the achievement of Danone's 13 business priorities for 2015.

It therefore set Mr. Emmanuel FABER's annual variable compensation for 2015 at 124% of the compensation target, i.e. €1,240,000. The details of this calculation are presented hereafter:

Indicators	Weighting	Percentage of fulfillment	Percentage after weighting	Fulfillment as amount *(in €)*
Economic	60%	115%	69%	€690,000
Social and societal	20%	150%	30%	€300,000
Managerial	20%	125%	25%	€250,000
2015 total variable compensation	100%		124%	€1,240,000

The details of the percentage of attainment of the economic component are described hereafter:

Indicators	Weighting	Percentage of fulfillment	Percentage after weighting
Net sales	25%	90%	22.5%
Margin	25%	130%	32.5%
FCF	10%	140%	14%
Total	60%	115%	69%

Annual variable compensation target for 2016

The target amount of the Chief Executive Officer's annual variable compensation for 2016, its components and the maximum compensation percentage are the same as the previous year. As in 2015, it will consist of three portions: an economic portion, calculated based on Danone's objectives communicated to the financial market, a social and societal portion, and a managerial portion with the same weightings.

In accordance with the French Financial Markets Authority recommendation no. 2012-02 of February 9, 2012, the expected level of fulfillment for each of these criteria was specifically predefined by the Board of Directors, at the recommendation of the Nomination and Compensation Committee, but cannot be disclosed publicly for reasons of confidentiality.

In accordance with the recommendations of the AFEP-MEDEF Code, the payment of this variable compensation, subject to performance conditions, will be the subject of a specific disclosure at the end of 2016. It will also be detailed in the 2016 Registration Document.

Details of Group performance units granted to the corporate officers

The Board of Directors, at the recommendation of the Nomination and Compensation Committee, grants Group performance units to the corporate officers each year (for more information, see section *General principles of Group performance units* above).

Grants during the year and history of Group performance unit grants to the corporate officers

It should be noted that, as part of the overall assessment of the Chairman of the Board's compensation, the Board of Directors decided that no Group performance units will be granted to him in 2016.

Year of grant	2012	2013	2014	2015
Date of Board of Directors' meeting granting the Group performance units	7/26/2012	7/26/2013	7/24/2014	7/23/2015
Of which granted to				
Franck RIBOUD				
Number of Group performance units	*27,250*	*27,250*	*25,000*	–
Maximum value of Group performance units granted during the year [a]	*817,500*	*545,000*	*675,000*	–
Amount paid [b]	*463,250*	*0*	*N/A*	*N/A*
Emmanuel FABER				
Number of Group performance units	*20,625*	*20,625*	*18,000*	*20,000*
Maximum value of Group performance units granted during the year [a]	*618,750*	*412,500*	*486,000*	*580,000*
Amount paid [b]	*350,625*	*0*	*N/A*	*N/A*
Group performance unit characteristics				
Year paid	2015	2016	2017	2018
Performance conditions [a]	Objectives set for each of the 2012, 2013 and 2014 fiscal years	Objectives set for each of the 2013, 2014 and 2015 fiscal years	Objectives set for each of the 2014, 2015 and 2016 fiscal years	Objectives set for each of the 2015, 2016 and 2017 fiscal years
Review to determine whether performance conditions have been achieved	• Achievement of objectives for fiscal year 2012 [c]; • Objectives for fiscal year 2013 not achieved [c]; • Partial achievement of objectives for fiscal year 2014 at a rate of €7 [c].	• Objectives for fiscal year 2013 not achieved [c]; • Partial achievement of objectives for fiscal years 2014 and 2015 at a rate of €7 and €9, respectively [c];	• Partial achievement of objectives for fiscal years 2014 and 2015 at a rate of €7 and €9, respectively [c]; • A review will be conducted in 2017 to determine whether the 2016 objectives were achieved.	• Partial achievement of objectives for fiscal year 2015 at a rate of €9 [c]; • A review will be conducted in 2017 and 2018 to determine whether the 2016 and 2017 objectives were achieved.
Unit value of Group performance units	€17 (since the 2013 objectives were not achieved and the 2014 objectives were partially achieved)	€0, since no objectives were 100% achieved in 2013, 2014 and 2015	Maximum €26 (since the 2014 and 2015 objectives were partially achieved)	Maximum €29 (since the 2015 objective was partially achieved)

(a) See details of these objectives above.
(b) Value determined considering the effective achievement of the objectives.
(c) See details of possible achievement of these objectives above.

As a reminder, the maximum theoretical values are always €30 per GPU at the time of the grant.

The performance conditions are presented in section *Group performance units annual objectives* above.

Amounts paid to the corporate officers in respect of Group performance units

Year ended December 31

(in €)	2014 [a]	2015 [b]
Franck RIBOUD	1,000,000	463,250
Emmanuel FABER	560,000	350,625

(a) Amounts paid in respect of Group performance units granted in 2011 given the achievement of performance conditions in 2011 and 2012 and the non-achievement of performance conditions for 2013 (see details above).
(b) Amounts paid in respect of Group performance units granted in 2012 given the achievement of performance conditions in 2012 and 2014 and the non-achievement of the performance condition for 2013 (see details above).

Details of Group performance shares granted to the corporate officers

Grant during the year and history of Group performance share grants to the corporate officers

Group performance shares granted to the corporate officers (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers – Tables 6, 7 and 10 of the French Financial Markets Authority nomenclature)

It should be noted that, as part of the overall assessment of the Chairman of the Board's compensation, the Board of Directors decided that no Group performance shares will be granted to him in 2016, as in 2015.

Outstanding Group performance share plans						
Shareholders' Meeting authorizing the GPS		4/22/2010	4/26/2012	4/25/2013	4/29/2014	4/29/2015
GPS authorized by the Shareholders' Meeting		2,587,963	2,568,986	1,268,724	1,262,056	1,287,584
Of which GPS not granted		*1,229,737*	*1,784,674*	*447,081*	*483,685*	*642,212*
Date of Board of Directors' meeting authorizing the GPS	7/26/2010	4/28/2011	7/26/2012	7/26/2013	7/24/2014	7/23/2015
Plans	"3+2" and "4+0"	"3+2" and "4+0"	"3+2" and "4+0"	"4+0"	"4+0"	"4+0"
Number of GPS granted	644,565	696,311	780,912	821,643	778,371	645,372
Group performance share characteristics for "3+2" plans						
Share delivery date	7/27/2013	4/29/2014	7/27/2015	7/27/2017	7/25/2018	7/24/2019
Share retention period [a]	2 years	2 years	2 years	–	–	–
	• Average growth in consolidated sales of 5% over two fiscal years; • Average growth in free cash flow of 10% over two fiscal years		• Growth in sales greater than or equal to the median sales of the Panel over the 2012, 2013 and 2014 fiscal years; • Achievement of a consolidated free cash flow averaging at least €2 billion per year over the 2012 and 2013 fiscal years	• Growth in sales greater than or equal to the median sales of the Panel over the 2013, 2014 and 2015 fiscal years; • Achievement of a Trading operating margin level for 2013 and 2014	• Growth in sales greater than or equal to the median sales of the Panel over the 2014, 2015 and 2016 fiscal years; • Average growth in the Trading operating margin over the 2014, 2015 and 2016 fiscal years.	• Growth in sales greater than or equal to the median sales of the Panel over the 2015, 2016 and 2017 fiscal years; • Improvement in the Trading operating margin over the 2015, 2016 and 2017 fiscal years
Review to determine whether performance conditions have been achieved	Achievement for both fiscal years determined by the Board (average growth in 2010 and 2011 (i) in consolidated sales of 7.3%, and (ii) in free cash flow of 14.3%).	Achievement for both fiscal years determined by the Board (average growth in 2011 and 2012 (i) in consolidated sales of 6.6%, and (ii) in free cash flow of 11.7%).	Achievement of the sales criterion (average growth in 2012, 2013 and 2014 of 5% and median of the Panel of 3.6%) and non-achievement of the free cash flow objective noted by the Board.	A review will be conducted by the Board of Directors at the end of the first half of 2016 to determine whether these criteria were achieved, following the recommendation of the Nomination and Compensation Committee.	A review will be conducted in 2017 by the Board to determine whether these criteria were achieved.	A review will be conducted in 2018 by the Board to determine whether these criteria were achieved.
Group performance shares granted to the corporate officers						
Franck RIBOUD						
Number of GPS	*38,750*	*40,000*	*54,500*	*54,500*	*50,000*	–
Value of GPS granted during the year [b]	*1,497,688*	*1,716,560*	*2,197,985*	*1,882,413*	*2,513,500*	–
Number of void or canceled GPS [c]	–	–	–	–	–	–
Number of GPS that have become available	*38,750*	*40,000*	*27,250*	–	–	–
Emmanuel FABER						
Number of GPS	*25,000*	*28,000*	*41,250*	*41,250*	*36,000*	*36,000*
Value of GPS granted during the year [b]	*966,250*	*1,201,592*	*1,663,613*	*1,424,775*	*1,809,720*	*2,034,360*
Number of void or canceled GPS [c]	–	–	–	–	–	–
Number of GPS that have become available	*25,000*	*28,000*	*20,625*	–	–	–

(a) The retention period starts from the delivery date. In addition, these shares are subject to a retention obligation, described in section Compensation and benefits paid to the corporate officers and governance bodies related to the *Obligation to retain Company shares resulting from grants of Group performance shares*.

(b) For fiscal years 2010, 2011, 2012, 2014 and 2015, the accounting value of GPS represented the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that the performance conditions have been satisfied (see details above and Note 7.4 of the Notes to the consolidated financial statements). For fiscal year 2013, the amount indicated reflects the non-achievement of the performance condition relating to the margin, i.e. a reduction of one-third of the value of the Group performance shares granted in July 2013.

(c) The notion of void or canceled Group performance shares covers the cases where the continuous employment condition was not satisfied and does not include the Group performance shares that were not granted because of the non-achievement of performance conditions.

Acquisition and delivery of Group performance shares by the corporate officers

Year ended December 31, 2015

	Date of Board of Directors' meeting granting the shares	Delivery date	Number of shares delivered	Share retention period [(a)]
Franck RIBOUD	7/26/2012	7/27/2015	27,250	2 years
Emmanuel FABER	7/26/2012	7/27/2015	20,625	2 years

(a) The retention period starts from the delivery date. In addition, these shares are subject to a retention obligation, described in section Compensation and benefits paid to the corporate officers and governance bodies related to the *Obligation to retain Company shares resulting from grants of Group performance shares*.

Obligation to retain DANONE shares resulting from grants of Group performance shares applicable to the corporate officers and other Executive Committee members

All corporate officers and other Executive Committee members are subject to an obligation to retain DANONE shares resulting from Group performance shares. They must retain (in registered form) a number of shares derived from each Group performance share plan granted as from July 26, 2010 (until termination of their corporate functions) corresponding to 35% of the capital gains upon acquisition, net of tax and social security contributions, which would be realized if all shares resulting from each Group performance share plan granted to the executive were sold.

Given the significant level of the obligation to retain shares applicable to the corporate officers and other Executive Committee members, the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, agreed it was not necessary to require them to purchase a certain number of DANONE shares at the end of the retention period for their shares subject to performance conditions.

In addition, at the proposal of the Nomination and Compensation Committee, the Board of Directors, at its meeting on February 14, 2012, decided to add to the current scheme an overall holding ceiling for shares resulting from the grant of shares subject to performance conditions or from exercises of stock-options, representing the equivalent in shares of four years of fixed compensation for the corporate officers and two years of fixed compensation for the other Executive Committee members.

The Board of Directors confirmed this retention obligation at the time of (i) the grant of Group performance shares approved by the Board of Directors on July 23, 2015, and (ii) its decision to propose the renewal of the terms of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER to the Shareholders' Meeting on February 22, 2016.

Former stock-option plans granted to the corporate officers

History of stock-option grants to the corporate officers

Stock-option plans in force				
Shareholders' Meeting authorizing the options		4/22/2005		4/26/2007
Stock-options authorized by the Shareholders' Meeting		6,000,000 [b]		6,000,000 [b]
Of which stock-options not granted		*1,497,900* [c]		*476,942* [c]
Board of Directors' meeting authorizing the stock-options	4/27/2006	4/26/2007	4/29/2008	4/23/09 [d]
Stock-options granted [a]	**2,045,853**	**2,633,517**	**2,762,403**	**2,704,611**
Stock-option characteristics				
First exercise date	4/27/2010	4/26/2011	4/29/2011	4/23/2013
Expiry date	4/26/2014	4/25/2015	4/28/2016	4/22/2017
Exercise price	46.92	57.54	53.90	34.85
Options granted to the corporate officers				
Franck RIBOUD				
Number of options	*212,000*	*424,000*	*212,000*	*164,300*
Value of options granted [e]	*2,088,000*	*5,846,000*	*3,142,000*	*1,573,250*
Emmanuel FABER				
Number of options	*56,180*	*56,180*	*106,000*	*82,150*
Value of options granted [e]	*553,320*	*774,595*	*1,571,000*	*786,625*

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.
(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.
(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.
(d) Date of last grant of stock-options to corporate officers.
(e) Represents the full fair value estimated as of the grant date in accordance with IFRS 2 before the adjustment to reflect the June 25, 2009 capital increase. See Note 7.4 of the Notes to the Consolidated financial statements.

Thus, as of December 31, 2015, the total number of void or canceled options represented 1,716,168 options out of a total 13,059,050 options granted.

Stock-options exercised by the corporate officers

Stock-options exercised in fiscal year 2015 by Messrs. Franck RIBOUD and Emmanuel FABER (with respect to grants made prior to the closing of the stock-option program in 2009) (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers – Table 5 of the French Financial Markets Authority nomenclature).

			Year ended December 31, 2015	
	Date of Board of Directors' meeting granting the options	**Exercise date**	**Number of options exercised**	**Average exercise price** *(in €)*
Franck RIBOUD	4/26/2007	2/25/2015	424,000	57.54
	4/29/2008	11/18/2015	212,000	53.90
	4/23/2009	11/23/2015	164,300	34.85
Emmanuel FABER	4/26/2007	3/25/2015	1,185	57.54
	4/26/2007	3/25/2015	54,995	57.54

Obligation to retain Company shares resulting from exercises of stock-options

All corporate officers and other Executive Committee members are subject to an obligation to retain DANONE shares resulting from exercises of stock-options. The Chief Executive Officer and the Chairman of the Board must retain (in registered form) a certain number of shares resulting from the exercise of options granted under each stock-option plan approved from January 1, 2007 until termination of their functions.

The Board of Directors decided (i) that this commitment to retain a portion of the shares would apply to a number of shares corresponding to 35% of the capital gain upon acquisition, net of tax and social security contributions, realized on all of the shares resulting from an exercise of stock-options by the executive concerned under this plan, and (ii) to make all other Executive Committee members subject to this obligation to retain shares under the same conditions.

In addition, at the proposal of the Nomination and Compensation Committee, the Board of Directors, at its meeting on February 14, 2012, decided to add to the current scheme an overall holding ceiling for shares resulting from shares subject to performance conditions or from exercises of stock-options, representing the equivalent in shares of four years of fixed compensation for General Management and two years of fixed compensation for the other Executive Committee members.

Moreover, in accordance with the AFEP-MEDEF Code and at the recommendation of the Nomination and Compensation Committee, the Board of Directors, at its meeting on February 22, 2016, re-examined and confirmed these obligations to retain shares resulting from the exercise of stock-options as part of the review of the compensation of the corporate officers and the renewal of their terms of office.

Contracts, plans and indemnities of the corporate officers

Summary of contracts, plans and indemnities applicable to the corporate officers

Contracts, plans and indemnities applicable to the Group's corporate officers during the year ended December 31, 2015 (information required by the French Financial Markets Authority recommendation related to disclosures in registration documents on the compensation of corporate officers – Table 11 of the French Financial Markets Authority nomenclature)

Name	Employment contract		Supplementary retirement plan		Indemnities or benefits due or likely to be due as a result of termination or change in function		Indemnities relating to a non-compete clause	
	Yes	No	Yes	No	Yes	No	Yes	No
Franck RIBOUD	x		x			x		x
Chairman of the Board								
Date of first appointment: 1992								
Date appointment ends: 2019 [a]								
Emmanuel FABER	x		x		x		x	
Chief Executive Officer								
Date of first appointment: 2002								
Date appointment ends: 2019 [a]								

(a) Subject to approval by the Shareholders' Meeting of April 28, 2016.

Severance pay of the corporate officers

Severance pay of Mr. Emmanuel FABER

In September 2014, at the time of the separation of the offices of Chairman of the Board and Chief Executive Officer, Mr. Emmanuel FABER was named Chief Executive Officer. At that time, the Board, at the recommendation of the Nomination and Compensation Committee, replicated the entire severance pay scheme for which Mr. Emmanuel FABER was already eligible as Deputy General Manager. The scheme was approved by the Shareholders' Meeting on April 29, 2015.

As part of the renewal of his term of office as Director and Chief Executive Officer, at its meeting on February 22, 2016 the Board of Directors decided, at the recommendation of the Nomination and Compensation Committee, to leave this scheme unchanged. It will be submitted to the Shareholders' Meeting for approval on April 28, 2016. Mr. Emmanuel FABER's severance pay has the following characteristics:

- the application of stringent performance conditions covers a five-year period preceding the date on which the corporate officer's duties end;
- the amount of the severance pay due in certain cases of termination of the corporate office (i) is capped at two years of gross compensation (fixed and variable) and (ii) in the event that it is paid in addition to the indemnity due in case of termination of the duties as a salaried employee, is included within a global cap, also limited to two years of gross compensation (fixed and variable), applicable to all severance pay paid, as the case may be, pursuant to the corporate office and the duties as a salaried employee; and
- payment of the indemnity is only being applicable in the event of forced termination, of whatever form, and linked to a change in control or of strategy.

All information concerning Mr. Emmanuel FABER's severance pay is provided in section 6.5 *Statutory auditors' special report on regulated agreements and commitments*.

Severance pay of Mr. Franck RIBOUD

Since October 1, 2014, Mr. Franck RIBOUD, now Chairman of the Board only, is no longer eligible for severance pay with respect to his term of office.

Suspension of the employment contract of the corporate officers

At the time of the renewal of their terms of office as Directors and at the recommendation of the Nomination and Compensation Committee, on February 22, 2016 the Board of Directors confirmed the position taken by it in September 2014 and decided that the employment contracts of Mr. Franck RIBOUD and Mr. Emmanuel FABER should be maintained (although they should remain suspended), given their age, personal situation and seniority as Danone employees. The Board considered this arrangement relevant for corporate officers with at least ten years of seniority at Danone in order to encourage the principle of internal promotion and sustainable management that Danone strives to implement, as terminating the employment contract could, on the contrary, dissuade internal candidates from accepting positions as corporate officers.

The Board believed that implementing the recommendations of the AFEP-MEDEF Code to permanently terminate these employment contracts would cause them to lose the rights and benefits gradually acquired under their employment contracts during their careers at Danone on the basis of seniority (i.e. 34 years for Mr. Franck RIBOUD and 18 years for Mr. Emmanuel FABER) and actual service, particularly the severance pay and long-term benefits such as participation in group plans, the total amount of which, in any case, would not exceed the cap of two years of compensation (fixed and variable).

In addition, the Board noted that the French Financial Markets Authority believes that a detailed explanation on the retention of a corporate officer's employment contract can justify the non-implementation of the recommendation of the AFEP-MEDEF Code.

Employment contract of the Chairman of the Board

As of December 31, 2015, Mr. Franck RIBOUD had been with Danone for 34 years, including more than 18 years as Chairman and Chief Executive Officer of Danone.

It should be noted that, at its July 21, 2004 meeting, the Board of Directors had updated the conditions under which the employment contract of Mr. Franck RIBOUD (which had been suspended on August 26, 1994 when he was appointed as corporate officer of Danone) would be resumed if his term of office ended, for whatever reason, and established that:

- the amount of time during which he exercised his duties as a corporate officer for the benefit of Danone will be fully taken into account with respect to seniority and his resulting rights within the framework of his employment contract;
- Danone agrees to offer him a position involving duties comparable to those currently exercised by the members of the Company's Executive Committee;
- the annual compensation that will be paid to him cannot be less than the total annual average compensation (gross base salary, benefits in kind and bonus of any type) allocated to all members of the Executive Committee during the 12 months preceding the resumption of his employment contract; and
- he will benefit from the supplementary retirement plan for executives based on his seniority as a corporate officer and under his employment contract.

Employment contract of the Chief Executive Officer

Concerning Mr. Emmanuel FABER, the Board of Directors, at its meeting on February 13, 2008, authorized an amendment to his employment contract aimed at determining the conditions under which his employment contract would be resumed (suspended when he was appointed as a corporate officer of the Company), assuming that his term of office had ended, for whatever reason. This amendment stipulates that:

- the amount of time during which he will have exercised his duties as a corporate officer for the benefit of Danone will be fully taken into account with respect to seniority and his resulting rights within the framework of his employment contract;
- Danone agrees to offer him a position involving duties comparable to those currently exercised by the members of Danone's Executive Committee;
- the annual compensation that will be paid to him cannot be less than the total annual average compensation (gross base salary, benefits in kind and bonus of any type) allocated to all members of the Executive Committee during the 12 months preceding the resumption of his employment contract;
- he will benefit from the supplementary retirement plan for executives based on his seniority as a corporate officer and under his employment contract; and
- the contractual indemnity due in the event of a breach of the employment contract will be canceled.

Non-compete indemnities

The non-compete clause currently applicable to Mr. Emmanuel FABER, Chief Executive Officer (there is no non-compete clause applicable to Mr. Franck RIBOUD, Chairman of the Board) enables Danone to either activate the clause for a period of 18 months in exchange for gross monthly financial compensation paid to him equivalent to 50% of his gross average fixed and target variable compensation paid over the last 12 months ("Consideration for non-compete clause"), or to release him from the clause with no financial compensation.

This non-compete clause aims to protect Danone, and potential non-compete indemnities constitute the necessary financial consideration for the restrictions imposed.

Moreover, to avoid any aggregation of (i) the indemnity provided for by Danone's collective agreement applicable to all Danone employees (the "Indemnity for termination of employment contract"), (ii) the indemnity due in certain instances of termination of the term of office of a corporate officer, and (iii) the Consideration for the non-compete clause, which would exceed twice the gross annual compensation (comprising both fixed and variable compensation) and which would therefore breach the recommendations of the AFEP-MEDEF Code, the Board of Directors' meeting on February 10, 2010, upon recommendation of the Nomination and Compensation Committee, amended Mr. Emmanuel FABER's suspended employment contract such that the non-compete clause may only be exercised by Danone in the event of resignation, in which event neither an indemnity for termination of the employment contract nor any indemnity due in certain cases of termination of their term of office would be paid.

Executives' supplementary retirement plan

Executives' retirement plan

The corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as senior executives, subject to the provisions of Article L. 137-11 of the Social Security Code. This retirement plan, introduced in 1976 as a way to promote loyalty among executives, was closed to all new beneficiaries on December 31, 2003.

Principal terms of the plan

Eligibility for this plan is subject to the following conditions:

- the group of potential beneficiaries is larger than just the corporate officers since it concerns a collective contractual commitment (see hereafter);
- this eligibility is subject to the condition that the beneficiary is performing his/her duties at Danone at the time of retirement, it being specified that as an exception to this principle, in the event of leaving Danone before the age of 55, the rights are forfeited and that, only in the event of dismissal after the age of 55, would the benefit of the plan be maintained provided that the beneficiary does not take up any employee position elsewhere. This last provision, although consistent with applicable French regulations, does not form part of the AFEP-MEDEF Code recommendations, however it enables the Company to protect all beneficiaries against the risk of termination after the age of 55 and before they have reached retirement age;
- beneficiaries must have at least five years of seniority at Danone;
- this benefit is taken into account by the Nomination and Compensation Committee and the Board of Directors when the total compensation of each corporate officer is set;
- the basis of calculation of the annuity corresponds to the average of the base salaries and annual variable compensation received by each beneficiary during the three full years of service at Danone preceding retirement, and the seniority taken into consideration includes the period corresponding to the term as corporate officer (the "Base"). To take a purely theoretical example, if Mr. Franck RIBOUD, who is not yet 62 years of age, were to retire in 2016, this average of the base salaries and annual variable compensation received for 2013, 2014 and 2015 would be €2,723,946;
- the plans are covered by plan assets with insurance companies; and
- the increase in the potential rights is progressive each year and represents only a limited percentage of the beneficiary's compensation. Thus:

  (i) the amount of the life annuity that would be attributed to Mr. Emmanuel FABER would correspond to: (i) 1.5% per year of seniority (including the period corresponding to the term as corporate officer) of the Base, for the portion of the Base falling between three and eight times the French social security ceiling, and (ii) 3% per year of seniority (including the period corresponding to the term as corporate officer) of this Base, for the portion that is higher than eight times the ceiling (this amount will, however, be capped on the basis of a maximum seniority of 20 years), less the full amount of the retirement rights acquired by Mr. Emmanuel FABER as a result of the implementation of Danone's non-contributory supplementary retirement plan. As of December 31, 2015, Mr. Emmanuel FABER had 18 years of seniority. The overall retirement package to which he may be entitled would provide him with an amount equal to 54% of that portion of his compensation exceeding eight times the French social security ceiling, as defined above. Nevertheless, in the event that Mr. Emmanuel FABER were to leave Danone before the age of 55, the potential benefit from this plan would be fully canceled;

  (ii) the amount of the life annuity that would be paid to Mr. Franck RIBOUD increased by an additional 2% each year until reaching the 65% cap in 2014, less the full amount of the retirement rights acquired by Mr. Franck RIBOUD during his professional life, including Danone's non-contributory supplementary retirement plan. As of December 31, 2015, Mr. Franck RIBOUD had 34 years of seniority at Danone. As a result of the application of the aforementioned cap, the overall retirement package to which he may be entitled would provide him with an amount equal to 65%. This mechanism is fully in line with the recommendation of the AFEP-MEDEF Code, to the extent that this plan was closed to new beneficiaries on December 31, 2003 and that the limit of 45% of the reference revenue referred to in said code does not apply to retirement plans closed to new beneficiaries (see section 6.5 *Statutory auditors' special report on regulated agreements and commitments*); and

  (iii) for each corporate officer, in the event of retirement without satisfying the conditions necessary for obtaining the full-rate social security pension, the annuity will be reduced by 1.25% per quarter between the age at which he retired and the age at which he would have received the full-rate social security pension; and
- the taxes and social security charges applicable to the plan are detailed as follows:

  (i) no charge is owed by the beneficiary during the build-up phase; and

  (ii) an employer contribution at a rate of 24% is owed by Danone.

Collective nature of the plan

The executives' supplementary retirement plan is a collective contractual commitment that benefits a large number of Danone executives:

- as of December 31, 2015, 125 executives who were classified as senior executives and who were members of the French retirement plan as of December 31, 2003 remained eligible for the plan (excluding beneficiaries who had already liquidated their rights);
- it should be noted that in 2009 more than 210 executives were eligible for this plan.

In this context, any amendment to this collective contractual commitment would require the individual agreement of each of the 125 people affected. Furthermore, entitlement to this collective contractual commitment constitutes an established right for each of these 125 beneficiaries which cannot be affected retroactively.

Consequences brought to the shareholders' attention
Accordingly, shareholders are advised that:

- the collective and contractual nature of the defined benefit plan is an obstacle to its modification and Danone reaffirms its wish to respect the contractual obligations that it legitimately assumed;
- this retirement plan was closed to new beneficiaries as of December 31, 2003;
- the size of the potential amounts under this plan in respect of the Chairman of the Board and the Chief Executive Officer is mainly a result of their seniority (34 years for Mr. Franck RIBOUD and 18 years for Mr. Emmanuel FABER) and not of using the percentage of the basis of calculation per year of seniority, which is limited to 2% per year for Mr. Franck RIBOUD and between 1.5% and 3% (see details above) per year for Mr. Emmanuel FABER;
- all the characteristics of these contractual commitments were submitted to them for their approval and were approved with a majority of 95% during a resolution on regulated agreements at the Shareholders' Meeting held in April 2008, including explicitly the specific confirmation of this retirement plan; and
- lastly, the size of the benefit resulting from this collective contractual commitment for the corporate officers concerned has been taken into account by the Nomination and Compensation Committee and by the Board of Directors in determining their overall compensation.

Danone's commitment to the corporate officers and Executive Committee members with respect to the retirement plan
As of December 31, 2015, the portion of the total amount of Danone's obligation relating to Danone's corporate officers and Executive Committee members under this defined benefit retirement plan amounted to €47 million.

As of December 31, 2015, the estimated amount of the annuity that would potentially be paid to Messrs. Franck RIBOUD and Emmanuel FABER would be €1,770,565 and €617,841, respectively. For Mr. Franck RIBOUD, all the annuities paid under the mandatory and supplementary retirement plans will be deducted from this potential amount. For Mr. Emmanuel FABER, this potential amount will be paid in addition to all the annuities paid under the mandatory and supplementary plans.

In addition, the corporate officers are eligible for the executives' supplementary retirement plan (defined contribution retirement plan set up for executives whose gross annual compensation is greater than or equal to three times the French social security ceiling). The contributions for this plan in respect of 2015 amounted to €33,324 for Messrs. Franck RIBOUD and Emmanuel FABER. The plan rules stipulate that the benefit under this plan will be deducted in full from any benefit under the defined benefit retirement plan.

Individual compensation of the corporate officers

The table summarizing the elements of compensation of the corporate officers and presented to the shareholders for consultation is provided in section 8.3 *Comments on the resolutions of the Shareholders' Meeting.*

Transactions completed in 2015 by members of the Board of Directors and Executive Committee involving DANONE shares

Name	Position	Type of shares	Type of transaction	Transaction date	Gross price per share *(in €)*	Number of shares	Total gross amount *(in €)*
Franck RIBOUD	Chairman of the Board of Directors	Shares	Exercise of purchase options	2/25/2015	57.54	424,000	24,396,960.00
		Shares	Disposal	2/25/2015	60.33	420,500	25,370,404.95
		Shares	Exercise of purchase options	11/18/2015	53.90	212,000	11,426,800.00
		Shares	Disposal	11/18/2015	63.70	207,660	13,227,734.34
		Shares	Exercise of purchase options	11/23/2015	34.85	164,300	5,725,855.00
		Shares	Disposal	11/23/2015	64.68	155,250	10,040,949.00
A legal person related to Franck RIBOUD		Shares	Disposal	2/23/2015	59.84	6,404	383,215.36
		Shares	Disposal	3/4/2015	61.45	6,404	393,533.48
A legal person related to Franck RIBOUD		Shares	Disposal	3/5/2015	62.07	1,960	121,657.20
Emmanuel FABER	Chief Executive Officer	Shares	Exercise of purchase options	3/25/2015	57.54	54,995	3,164,412.30
		Shares	Exercise of purchase options	3/25/2015	57.54	1,185	68,184.90
		Shares [a]	Subscription	6/3/2015	57.26	1,002	57,374.52
Bertrand AUSTRUY	Executive Committee member	Shares	Exercise of purchase options	3/2/2015	53.90	3,392	182,828.80
		Shares	Exercise of purchase options	3/2/2015	34.85	2,544	88,658.40
		Shares	Exercise of purchase options	3/2/2015	57.54	2,544	146,381.76
		Shares	Disposal	3/2/2015	61.73	3,392	209,385.45
		Shares	Disposal	3/2/2015	61.67	2,544	156,899.42
		Shares	Disposal	3/2/2015	61.77	2,544	157,153.31
		Shares [a]	Subscription	6/3/2015	57.26	22	1,259.72
		Other [b]	Subscription	6/11/2015	10.00	3,026	30,262.96
Marc BENOIT	Executive Committee member	Shares	Exercise of purchase options	2/26/2015	52.33	4,240	221,879.20
		Shares	Disposal	2/26/2015	61.85	4,145	256,356.23
		Shares	Exercise of purchase options	2/26/2015	53.90	8,480	457,072.00
		Shares	Disposal	2/26/2015	61.81	8,325	514,580.74
		Other [b]	Subscription	6/11/2015	10.00	4,000	40,000.00
Cécile CABANIS	Executive Committee member	Shares	Exercise of purchase options	3/2/2015	57.54	2,650	152,481.00
		Shares	Disposal	3/2/2015	62.11	2,650	164,584.08
Francisco CAMACHO	Executive Committee member	Shares	Exercise of purchase options	3/11/2015	57.54	7,102	408,649.08
		Shares	Disposal	3/11/2015	62.07	7,102	440,821.14

Name	Position	Type of shares	Type of transaction	Transaction date	Gross price per share *(in €)*	Number of shares	Total gross amount *(in €)*
Félix MARTIN GARCIA	Executive Committee member	Shares	Exercise of purchase options	2/26/2015	57.54	14,204	817,298.16
		Shares	Disposal	2/26/2015	60.91	14,204	865,118.77
		Shares	Exercise of purchase options	10/23/2015	53.90	26,500	1,428,350.00
		Shares	Disposal	10/23/2015	63.14	25,000	1,578,455.00
Jacques-Antoine GRANJON	Director	Shares [a]	Subscription	6/3/2015	57.26	108	6,184.08
Flemming MORGAN	Executive Committee member	Shares	Disposal	3/30/2015	62.92	2,372	149,246.24
		Shares	Disposal	10/28/2015	63.41	2,000	126,814.09
Jean-Philippe PARE	Executive Committee member	Shares	Exercise of purchase options	3/12/2015	57.54	9,858	567,229.32
		Shares	Disposal	3/12/2015	61.65	9,858	607,745.70
		Shares [a]	Subscription	6/3/2015	57.26	618	35,386.68
Benoît POTIER	Director	Shares [a]	Subscription	6/3/2015	57.26	138	7,901.88
Mouna SEPEHRI	Director	Shares [a]	Subscription	6/3/2015	57.26	107	6,126.82
Jean-Michel SEVERINO	Director	Shares [a]	Subscription	6/3/2015	57.26	107	6,126.82
Pierre-André TERISSE	Executive Committee member	Shares	Exercise of purchase options	2/24/2015	53.90	13,250	714,175.00
		Shares	Disposal	2/24/2015	60.28	13,250	798,710.00
		Shares	Exercise of purchase options	2/24/2015	34.85	4,560	158,916.00
		Shares	Disposal	2/24/2015	60.28	4,560	274,864.03
		Shares [a]	Subscription	6/3/2015	57.26	550	31,493.00
		Other [b]	Subscription	6/11/2015	10.00	1,026	10,262.96
Serpil TIMURAY	Director	Shares	Purchase	5/20/2015	63.35	4,000	253,392.00
Gustavo VALLE	Executive Committee member	Shares	Exercise of purchase options	3/2/2015	57.54	7,102	408,649.08
		Shares	Disposal	3/2/2015	62.11	7,102	441,093.86
		Shares	Exercise of purchase options	3/2/2015	53.90	8,480	457,072.00
		Shares	Disposal	3/2/2015	62.13	8,480	526,870.88
		Shares [a]	Subscription	6/3/2015	57.26	60	3,435.60
Lionel ZINSOU-DERLIN	Director	Shares [a]	Subscription	6/3/2015	57.26	104	5,955.04

(a) This transaction involves a subscription as part of the option offered to shareholders by the Shareholders' Meeting of April 29, 2015 to choose to receive payment of the dividend in cash or in new Company shares.

(b) This transaction involves a subscription as part of the annual capital increases reserved for employees of the Company and its French subsidiaries, with the subscription made to a Temporary Fund (Fonds Relais) with shares valued at €10 per share in 2015. At the completion of the capital increase, this Temporary Fund was merged into the "Fonds Danone" company investment fund.

In the case of corporate officers and Executive Committee members, an obligation to retain their shares resulting from Group performance shares and stock-options was established and is described in the above sections *Obligation to retain DANONE shares resulting from grants of Group performance shares applicable to the corporate officers and other Executive Committee members* and *Obligation to retain DANONE shares resulting from exercises of stock-options*.

6.4 INTERNAL CONTROL AND RISK MANAGEMENT

In accordance with Article L. 225-37 paragraph 6 of the French commercial code, section 6.4 *Internal control and risk management* represents the report of the Chairman of the Board of Directors on the internal control and risk management procedures implemented by Danone.

The Audit Committee examined this report of the Chairman of the Board of Directors, which was then reviewed and approved by Danone's Board of Directors on February 22, 2016, in accordance with the law of July 3, 2008.

General organization of internal control

Internal control objectives and framework used

Internal control is a process put in place by Danone's General Management, managers and operational teams. It is designed to provide reasonable assurance, albeit not absolute certainty, that the following main objectives are met:

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

Danone's internal control framework: DANgo

Danone's internal control system is adapted to its strategic policies and consistent with its international development. The internal control framework developed and used by Danone, DANgo (Danone Governing and Operating Processes), is based on the reference framework proposed in 2007 by the French Financial Markets Authority, together with its application guide, and updated in 2010. This reference framework relates to risk management and internal control procedures and describes the monitoring processes and the preparation of accounting and financial information. This reference framework is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) guidelines.

It was created in its present form in 2003 and greatly enhanced in 2005 and 2006 when Danone, a publicly traded corporation in the United States at the time, was subject to the Sarbanes-Oxley Act.

It includes process mapping, Standard Operating Models, Danone Operating Models and Danone Internal Control Evaluations. It is reviewed annually (see section *Control environment* hereafter).

In addition, this DANgo framework is supported by a software application of the same name accessible to everyone worldwide.

Scope of internal control

Danone's internal control system applies to all its fully consolidated subsidiaries and to some associates. In the specific case of very small or newly-acquired subsidiaries, a simplified framework focused on the DANgo "fundamentals" has been created to facilitate their integration and development and to ensure appropriate control of their financial and accounting processes.

During fiscal year 2015, 176 entities located in approximately 60 different countries and representing more than 99% of Danone's consolidated net sales were evaluated under its internal control system, including 44 entities using the framework focused on "fundamentals" controls.

Internal control participants

General Management

General Management is responsible for Danone's internal control system, while the Audit Committee is responsible for monitoring the effectiveness of Danone's control and risk management systems (see section 6.1 *Governance bodies*). To this end, General Management relies on the Finance Department and the operational reporting lines (Divisions, regions, business lines, subsidiaries).

Company Finance Department

The Company Finance Department is responsible for the Finance function within the entire Group, both directly through centralized functions (Financial Control, Consolidation, Reporting and Standards, Treasury and Financing, Tax, Strategy, Financial Communication, Acquisitions, Corporate Legal) and, through functional ties, with the finance directors of the various Divisions.

The Finance Department is also responsible for risk management, internal control and internal audit, which enables a focus on corporate governance and compliance-related topics.

The Chief Financial Officer, who reports to the Chief Executive Officer, is a member of the Executive Committee. The main heads of the Finance functions and Divisions are members of an Executive Finance Committee, which meets monthly.

Risk management

Since 2013, Danone has organized its risk identification and risk management system around two complementary processes:

- identification and management of operational risks, under the responsibility and monitoring of the Internal Control Department;
- identification and management of strategic risks, under the responsibility and monitoring of the Financial Controlling Department.

The process of identifying and managing Danone's risks is described hereafter in section *Risk identification and assessment*.

Financial Controlling department

Part of the Company Finance Department, the Financial Controlling Department is responsible for identifying and monitoring strategic risks. In particular, it oversees Danone's strategic risk identification and monitoring process. It is supported by several other teams, particularly Danone's operational teams, through various internal committees, including the Risks Executive Committee, and for the Finance business line, through the finance directors of the Divisions and regions (see section *Organization of the finance function* hereafter).

Internal Control Department

Part of the Financial Controlling Department, the Internal Control Department is composed of a five-member central team, which is supported by (i) an Asia-Pacific regional manager, and (ii) a large network of local internal controllers who generally report to the finance directors of the subsidiaries. These internal controllers ensure that the procedures defined by the Group are properly applied at their entities and organizations.

The Internal Control Department's main responsibilities are as follows:

- preparing and implementing DANgo, the Danone's internal control framework;
- defining (i) priorities related to internal control, and (ii) the methodology to be used for self-assessment, its testing and documentation;

- managing and analyzing (i) the internal control indicators, and (ii) the results of the assessments and action plans implemented by the community of internal controllers;
- establishing and monitoring operational risk mapping at the various levels of the organization and managing the network of internal controllers on priority actions to be defined in response to these risk maps;
- supporting and overseeing the international network of internal controllers through coordination, communication and training initiatives.

Internal Audit Department

The Internal Audit Department is part of the Financial Controlling Department. It reports functionally to the Chairman of the Audit Committee (see section 6.1 *Governance bodies*) and submits a report twice a year to the Audit Committee on internal audit activity.

The Internal Audit Department consists of a central team of audit directors and managers which oversees internal teams of auditors with the support of auditors from international audit firms (including KPMG) and manages a Singapore-based internal audit team. It conducts regular audits at the operating units as well as audits covering central and cross-functional issues. In 2009, the Internal Audit Department was certified, for the first time, by the French Institute for Internal Audit and Internal Control (IFACI) in accordance with International Internal Auditing Standards. The Internal Audit Department was again certified by IFACI in 2012 and then in 2015. The interim follow-up audits have always confirmed the IFACI certification.

This central unit is supported by the audits and supervision activities of other centralized functions (Food Safety, Quality, Industrial, Safety, Environment, Information Systems, Crisis Management, Organization, Human Resources, etc.).

Compliance Department

As part of General Secretary team, the Compliance Department directly reports to the General Secretary, to the Executive Committee and to the Audit Committee.

The Compliance Department mission mainly consists in protecting Danone from risks related to bribery, anti-competitive behavior, and non-compliance with data privacy rules. In this context, the Compliance Department is in charge of Danone fraud reporting and whistleblowing system (Dialert).

Other internal control participants

In Danone's largest and most complex subsidiaries, particularly in emerging countries, the local head of internal control is supported by a team of operational internal controllers, who are responsible for ensuring the proper operational application of internal control practices at the sites (warehouses, plants, etc.).

In addition, the operational line managers at the subsidiaries and headquarters play a major role in internal control and its implementation in their respective areas of responsibility, with support from the relevant corporate functions (mainly Finance, but also Human Resources, Sustainable Development, Environment, Safety, Quality, Information Systems, Legal, etc. – see section *Risk identification and assessment* hereafter).

Finally, (i) the DANgo steering and cross-functional coordination Committee, (ii) the Internal Control steering Committee, (iii) the Dialert Committee (fraud monitoring), and (iv) the Compliance Committee described hereafter are also involved in the management and continuous monitoring of internal control, with a view to ensuring, in particular, consistency with the operating activity at all levels.

Danone's overall internal control and risk management process

Internal control consists of the following five closely-related components:

- control environment;
- risk identification and assessment;
- control activities;
- dissemination of information;
- continuous monitoring.

They are implemented as described hereafter.

Control environment

The aim of the control environment is to make staff aware of the usefulness and necessity of internal control; it is the foundation of all the other components of internal control and imposes an ethical standard, discipline and an organization.

Danone's control environment is based on the following:

- Danone's values, which are widely communicated across all of the subsidiaries and Danone's dual economic and social project;
- the Business Conduct Policy, defined by the Group and conveyed through a Questions & Answers booklet updated in December 2011;
- the human resources and social policy, particularly with regard to employee development and training;
- the impetus given by the Board of Directors and the willingness to achieve continuous improvements in all operating procedures, as expressed by the Danone's General Management;
- the Danone Way approach, which is deployed in nearly all Danone's subsidiaries;
- an anti-fraud program, which has been deployed and operated by the Group for several years and which informs the subsidiaries' Management Committees and all employees of internal fraud and corruption risks. This anti-fraud program is based on seven "stages": (i) raising awareness, (ii) prevention, (iii) detection, (iv) investigation, (v) penalties, (vi) reporting and (viii) continuous improvement of the internal control system. In addition, since 2006 Danone has operated a whistleblowing system (Dialert), which focuses on internal control matters concerning (i) employees, (ii) suppliers and (iii) any failure to comply with the terms defined by the World Health Organization Code. The system's visibility was enhanced in 2010 through the gradual deployment of an introductory guide (Danone Inside Pack) for new employees, which highlights the Business Conduct Policy and the ethics hotline;
- the standardization of Danone's operating processes through the implementation of the DANgo framework and the regular use of a single integrated information system (Themis, see section *SAP/Themis integrated information system* hereafter) which contribute to the strength of the control environment;
- the DANgo framework (see section *Danone's internal control framework: DANgo)* above: accessible to all Danone employees in a user-friendly electronic version, it is subject to a systematic annual review by which the Group ensures that the DANgo internal control and best practices framework is kept up-to-date. DANgo is updated by (i) experts from the network of internal controllers and (ii) operational teams at various business lines, which enables

DANgo to be used by those in the various functions and allows the framework to be enhanced through best operating practices;

- in addition to DANgo, an intranet site for Danone's internal controllers and communities set up on the Danone Social Network present all the documents useful for internal control and contribute to the sharing of experiences and best practices in the area of internal control. These documents may also be accessed by all Danone employees and are updated regularly;
- the writing and distribution of internal control guidelines, which were reviewed in 2015.

Risk identification and assessment

Every company faces internal and external risks that may hinder the achievement of its objectives. The principal risks to which Danone believes it is exposed as of the date of this Registration Document are described in section 2.7 *Risk Factors*.

Danone has established a system for identifying and managing risks based on two distinct systematic risk identification processes.

Operational risks

The first process for risk identification and management focuses on operational risks related to the company's current activity and deficiencies identified by the internal control review (through the self-assessment and testing of control indicators, see section *Internal Control Department* above). A local standardized mapping of these deficiencies (Internal Control Deficiencies Impact Mapping) at the level of each operating unit makes it possible to classify them based on two categories qualifying (i) their potential financial impact on the company and (ii) the expected difficulty in resolving the deficiency under consideration. This mapping may then be used at different levels of the organization (management committee of the operating unit, region, division, function, etc.) as a prioritization tool for action plans to be implemented in order to reduce the identified risk.

Strategic risks

The second risk identification and management process focuses on strategic risks and takes the form of a risk mapping hierarchy based on their likelihood of occurrence and their estimated impact on the Company.

Methodology

This risk mapping is prepared and updated semi-annually by the Company Finance Department. The following methodology is used:

- identification of the risks and weaknesses considered strategic and/or structural of all activities of the subsidiaries covered;
- consolidation of the risks identified as material by Division and integration of systemic risks not perceptible at the subsidiary level;
- consolidation of the major risks of the Divisions at the Company level and integration of systemic risks not perceptible at the Division level;
- ranking of risks based on their likelihood of occurrence and estimated financial impact, at the level of a country, a Division or the Company;
- determination of preventive or corrective actions, which may be local or global depending on the case.

Risk monitoring

For each Division, the most significant risks are reviewed twice a year by the Division managers and Danone's Finance Control Director, who is also responsible for internal control, at special meetings attended by the general manager and finance director of each Division.

A review of the most significant risks is also presented twice a year by Danone's Finance Control Director to the Chief Executive Officer and the Chief Financial Officer. A mapping of Danone's major risks is assessed during these meetings, risk owners are systematically designated, and risk mitigation plans are reviewed and assessed. This work serves as the basis for the presentations made to Danone's Executive Committee and Audit Committee.

Other elements of the Danone's organization that contribute to risk identification and analysis

The existence of procedures – regarding the monitoring of competition, training, risk prevention and protection, etc. – and the initiatives taken by specialized departments – such as the Environment Department and the Quality and Safety Department for food – contribute to the identification and analysis of risks.

The Safety Department also helps to identify threats against Danone's employees and assets.

In addition, the Crisis Management Department uses information made available by the risk maps established at each Division level to identify potential crises and prepare the affected entities accordingly, ensuring that an appropriate response is provided for all crises, even if the related risk was not previously identified.

The identification and reporting of risks is also facilitated by the relatively low number of reporting levels within the Group, short decision-making channels and input from the operating units in strategic discussions. In addition, the Compliance Committee, a quarterly cross-functional committee led by the Compliance Department since 2015, was set up to deal with compliance issues. Since 2006, various central functions that collaborate on the quality of the control environment participate in this process.

Control activities

Control activities are intended to ensure the application of the standards, procedures and recommendations that contribute to the implementation of General Management's policies.

All the subsidiaries integrated into the DANgo scope use an annual self-assessment process. The largest of them follow a more detailed internal control review methodology that includes information flows, control points and tests conducted by management:

- the IT application that hosts the DANgo system allows subsidiaries to perform self-assessments and determine whether they are compliant with Danone's internal control framework. It also makes it possible to monitor any action plan that may be needed;
- the results of the subsidiaries' DANgo self-assessment campaign are sent periodically to the Internal Control Department, which analyzes them and sends relevant summaries to the various stakeholders. Appropriate action plans are put in place by the entities under the supervision of the Internal Control Department with a goal of continuous improvement and internal audits are subsequently carried out to validate that corrective measures have indeed been taken.

In addition, the performances and results of each operating unit in the area of internal control are regularly and systematically monitored by the entities' Management Committees.

Transmission of information

Appropriate information must be identified, collected, quantified and disseminated in a manner and within a timeframe that enables each person to assume his or her responsibilities.

To this end, Danone relies on:

- its organization and information system, which facilitate the communication of information needed for decision-making;
- the various intranet sites and documentation databases that enable information to be shared within Danone. This information includes not only financial information but also non-financial information that meets the needs of the various operating and administrative departments. Since 2012, Danone has deployed its social network (Danone Social Network), which is accessible to all, to transmit information and develop communication and experience sharing;
- the distribution of the DANgo framework by the Internal Control Department, which oversees, trains and coordinates the network of internal controllers:
  - it organizes working and annual training sessions for the network of internal controllers, including workshops and information-sharing seminars. More than 160 people attended the two sessions organized in 2015;
  - it is responsible for the training and integration of new internal controllers, including those working for newly-acquired companies;
  - it is also responsible for internal control training sessions open to all managers of the finance functions;
  - it communicates regularly at various levels of the organization (Corporate Committees, meetings at Division level with the finance directors or operational employees, systematic annual presentations to the general managers and finance directors of the regions, and participation in functional Management Committees).

Continuous monitoring

The internal control system is reviewed periodically so that its performance and effectiveness may be qualitatively assessed.

The continuous monitoring of control procedures is part of the ongoing activities of Danone and its subsidiaries.

The quality of the internal control system's steering and monitoring is ensured by two Committees, led by the Internal Control Department, which meet regularly:

- the DANgo steering and cross-functional coordination Committee, which consists of operational senior executives appointed as representatives of Danone's key functions: Research and Development, Purchasing, Operations, Marketing, Sales, Finance, Human Resources, Information Systems, etc.;
- the Internal Control steering Committee, which consists mainly of the heads of Danone's Finance function and the Divisions and meets quarterly.

In addition, the Audit Committee, as well as Danone's General Management, are informed at least twice a year of the status of the subsidiaries' self-assessment processes, the results thereof and the results of the audits conducted by the Internal Audit Department. The following year's targets are also presented as well as the priorities selected by the Internal Control and Internal Audit functions.

Monitoring of internal control indicators

The Internal Control Department has introduced and monitors internal control performance indicators (coverage rate, internal control intensity rate and deficiency rate on control points) to analyze and communicate the internal control results of the subsidiaries and of Danone together with a monitoring by geographic region and by Division.

The targets for these performance indicators are discussed by the Internal Control Steering Committee and by the DANgo and cross-functional coordination Steering Committee, and are then presented to Danone's Audit Committee (see section 6.1 *Governance bodies*), before being sent to the subsidiaries, which helps to harmonize and develop a shared vision of the internal control priorities.

In 2015, Danone's internal control key indicators remained relatively stable compared to 2014: the deficiency rate slightly decreased compared to 2014, while the coverage rate and intensity rate of subsidiaries increased.

Monitoring of internal fraud

Reporting

Danone has an annual internal fraud report that covers 140 entities, i.e. nearly all of its operating entities. The number of confirmed fraud cases reported by the subsidiaries fell in 2015 compared to 2014, mainly in certain emerging countries. In 2015, approximately 296 suspected cases were reported during the year; 215 of these cases were confirmed on average, the majority of which involved commercial relations with our customers or suppliers. None of these fraud cases had a significant impact on Danone's consolidated financial statements. In the majority of cases identified, the employment contracts of those involved were terminated following investigations of such fraud.

Dialert

Danone has also implemented a whistleblowing system (Dialert), which enables employees, suppliers and other third parties to confidentially report suspected fraud or cases of non-compliance (see also section *Control environment* above).

A meeting to monitor cases of fraud and suspected fraud is held every two weeks at Danone's headquarters to ensure the effective monitoring of fraud cases and their appropriate management with respect to ethics and internal control. To this end, detailed information on the nature of the main cases is collected and analyzed by the Dialert Committee (fraud monitoring), which consists of representatives of the Human Resources, Compliance and Internal Audit functions.

In 2015, Danone received approximately 130 alerts, 61 of which involved suspected fraud. Only a minority of these alerts were confirmed as cases of fraud.

Internal audit assignments

In 2015, the Internal Audit Department conducted 43 internal audits at subsidiaries or cross-company functions, based on the plan previously approved by the Audit Committee. These audits confirmed the overall level of reliability of the DANgo self-assessment performed by the subsidiaries.

Following each audit, an action plan is prepared by the management of the subsidiary to correct weaknesses identified in the audit report. The implementation of action plans is monitored by the operational and functional managers, under the supervision of the Internal Audit Department. In 2015, 27 short follow-up audits on implementation of action plans were conducted within 12 months of the initial audit, wherever possible.

Moreover, the Treasury and Financing, Information Systems, Environment, Legal and Crisis Management departments all arrange for audits and periodic reviews at the subsidiaries, in addition to the general internal audits.

Internal control process related to the preparation and processing of Danone's financial and accounting information

Organization of the finance function

The finance function's organization is based on:

- centralized functional departments: Treasury and Financing, Acquisitions, Strategy, Financial Control (to which the following departments report: (i) Consolidation, Reporting and Standards, (ii) Controlling, (iii) Internal Control, and (iv) Internal Audit), Financial Communication, Tax and Insurance;
- the finance department of each of the Divisions, which are organized into geographic regions that include operating units with, in some countries, a sharing of transactional functions (accounting, treasury, tax compliance) and certain specialized functions.

Production of financial and accounting information

Financial information is generated by a rigorous and comprehensive financial planning process. This process includes, in particular:

- a medium-term strategic plan;
- an annual budget process, preceded by the preparation of a framework defining key financial targets;
- two comprehensive month-by-month re-estimates of financial indicators projected to the year-end are performed, one in April and the other in October;
- monthly updated forecasts of certain financial indicators projected to the year end (monthly scorecards);
- monthly reports;
- monthly performance review meetings attended by the financial teams and the general managers of the Divisions.

The relevance of the financial indicators selected to monitor performance is reviewed on a regular basis.

In this context, each operating unit prepares a detailed monthly financial report and, twice a year, an exhaustive consolidation package used in the preparation of Danone's consolidated financial statements.

These consolidation packages are verified by a central team, which is also responsible for the elimination and consolidation entries and for analyzing and validating the most significant line items of the consolidated financial statements (intangible assets, financial assets, taxes, equity, provisions and liabilities).

In addition, the production of financial information includes the following preliminary control stages, carried out by the Consolidation, Reporting and Standards Department:

- validation by the central team, throughout the year, of the main accounting options adopted by the subsidiaries and central functions and simulation of complex transactions in the consolidation software;
- in-depth review of certain subsidiaries' monthly closings at the end of May and November (known as the hard close procedures) based on the specific risks and transactions identified for preparing the interim and annual consolidated financial statements, respectively;
- maintenance and implementation of a central tool called WeFi, which identifies the finance function's main organizational principles and processes and the accounting principles validated for Danone;
- meetings to share information and best practices are attended regularly by the main financial managers of each Division and some central department heads and training sessions covering specific accounting topics are also held regularly;
- (i) preparation meetings with the financial staff of Danone's main subsidiaries based on the specific transactions and risks identified, and (ii) presentations to the Audit Committee (specific transactions during the period, the main accounting options concerning the closing and the contemplated significant changes introduced by developments of the International Financial Reporting Standards) (see section 6.1 *Governance bodies*).

In addition, Danone's financial and accounting information is produced using the following applications.

SAP/Themis integrated information system

The management and optimization of information flows for the financial functions as well as the purchasing, industrial, quality, supply chain and sales functions, both within the subsidiaries and between them, is performed primarily through the SAP/Themis integrated information system. This application is being steadily deployed in all Danone subsidiaries and its features are constantly being improved.

As of December 31, 2015, the activities supported by Themis accounted for 82% of consolidated sales in the Fresh Dairy Products and Waters Divisions (excluding the Unimilk group's companies). The roll-out of Themis continued in the Unimilk group's companies in 2015.

The same information system is currently being rolled out at the subsidiaries of the Medical Nutrition and Early Life Nutrition Divisions (covering 66% of these two activities' total sales for the year ended December 31, 2015).

The data center's level of security, until then ensured by an infrastructure duplicated across two remote sites, was improved by the implementation of a Disaster Recovery site.

Consolidation and reporting software

Monthly financial reports, and more generally the financial information used to manage and control the activities of the operating units, are produced by a unified information system (SAP/Business Objects Financial Consolidation).

This same system is also used to produce the six-month and full-year consolidated financial statements. The procedures related to the security, use and development of new features of this consolidation system are documented.

Control environment

The control environment relating to the preparation and processing of Danone's financial and accounting information is based on the following:

- the organization of the finance function, which is based on central functional departments and the finance department of each of the Divisions (see section *Organization of the finance function* above). In all cases, the operating units are responsible for the production and content of their financial statements as well as their internal control;
- the DANgo control practices and procedures, which help to ensure the reliability of the processes for preparing the financial statements. Indeed, the DANgo framework includes many points that address the quality of the financial and accounting information;
- the controls carried out by the Consolidation, Reporting and Standards Department (see section *Production of financial and accounting information* above);
- the definition for the Company of the roles and skills required at the various levels of the financial organization and the development, as a result, of internal training programs;
- the production and communication of the Company's financial and accounting information via the unified tools described above;
- the single set of guidelines covering the Company's accounting procedures and principles, which are consistent with its internal control principles. Available on the WeFi intranet, these guidelines are accessible to all the finance function's employees.

Risk identification and assessment

The monitoring and management of the main risks identified related to the preparation and processing of Danone's financial and accounting information is organized as follows:

- the risks identified and the results obtained through the various approaches taken (DANgo) are used;
- the budgeting and strategic planning processes, performance monitoring, the regular meetings mainly attended by the finance functions (Controlling, Treasury and Financing, Consolidation, Reporting and Standards, Development) and the meetings of the Risks Executive Committee and the Executive Committee allow the main risks identified to be monitored and managed;
- the internal control system is also adapted based on the risks identified.

Control activities

Each Division has a finance department, which is responsible for monitoring performance, capital expenditure and operating cashflow, primarily through the rigorous financial planning and reporting process. The Divisions' finance departments are supported by the finance departments in the geographic regions and operating units, with the overall financial planning process administered by the Controlling Department.

Members of the central departments visit the operating units on a regular basis (performance monitoring, procedure reviews, pre-closing meetings, ad hoc audits, progress on improving internal controls, follow-up on action plans, and training in accounting standards). The appropriate documents are provided sufficiently well in advance for them to be reviewed by Danone's management bodies.

Twice a year, the general manager and finance director of each subsidiary along with their counterparts in the regions and Divisions provide written confirmation of compliance with Danone's applicable procedures and with all of the standards applicable to the financial information sent to the central teams. This confirmation is provided in a representation letter that covers the closing of the six-month and full year financial statements, including all subjects involving risk management, internal control and corporate law.

The control activities are therefore conducted at all of Danone's hierarchical and functional levels and include a variety of actions such as approving and authorizing, verifying and comparing, assessing operational performances, ensuring the protection of assets and monitoring the segregation of duties. The audits conducted independently by the Internal Audit Department provide appropriate validation.

Transmission of information

Danone's financial and accounting information is produced and communicated via the tools described above.

To disseminate financial information within Danone, each quarter the entire finance function can log onto a website where the Chief Financial Officer comments on the activity for the quarter, the year-to-date financial results and the main challenges for the Company.

Lastly, Danone's guidelines related to financial and accounting information (WeFi, DANgo, etc.) are accessible to all employees of the finance function and some are available to all Danone employees.

Continuous monitoring

One of the responsibilities of each Division's finance director and function manager is to improve the procedures used to prepare and process financial information. Detailed audits are conducted on the key control procedures in the preparation of financial information (particularly published disclosures) in the subsidiaries and in Danone's headquarters and on their effective application. Moreover, the internal audit assignments conducted in the operating units are aimed primarily at verifying the quality of the accounting and financial information. The Divisions' Finance Departments ensure that the action plans established subsequent to the above-mentioned internal and external audits have been carried out correctly.

Assessment

The procedures intended to control the accounting and financial information provided by the consolidated subsidiaries, as well as the internal control procedures used to prepare the consolidated financial statements, are adequate to provide reliable accounting and financial information.

Statutory auditors' report

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

Statutory auditors' report prepared in accordance with Article L. 225-235 of the French commercial code on the report prepared by the Chairman of the Board of Directors of Danone

To the Shareholders,

In our capacity as Statutory auditors of Danone, and in accordance with Article L. 225-235 of the French commercial code, we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French commercial code for the year ended December 31, 2015.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French commercial code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information;
- to attest that the report contains the other information required by Article L. 225-37 of the French commercial code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform due diligence procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information contained in the Chairman's report. These procedures mainly consist of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material deficiencies in the internal control procedures and in risk management relating to the preparation and processing of financial and accounting information that we may have identified in the course of our assignment are properly described in the Chairman's report.

On the basis of our work, we have no observations to make on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French commercial code.

Other information

We attest that the Chairman's report contains the other information required by Article L. 225-37 of the French commercial code.

Neuilly-sur-Seine and Paris-La Défense, March 7, 2016

The Statutory auditors

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

6.5 STATUTORY AUDITORS' SPECIAL REPORT ON RELATED PARTY AGREEMENTS AND COMMITMENTS

To the Shareholders,

In our capacity as Statutory auditors of your company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions as well as the notices of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement, without commenting as to whether they are beneficial or appropriate or ascertaining the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French commercial code concerning the implementation, during the year, of the agreements and commitments already approved by the shareholders' meeting.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of statutory auditors (Compagnie nationale des commissaires aux comptes) for this type of assignment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

1. Agreements and commitments submitted for approval by the Shareholders' Meeting

1.1. Agreements and commitments authorized during the past fiscal year

We inform you that we have not been advised of any agreement nor any commitment authorized since the closure of the past fiscal year to be submitted to the approbation of the Shareholders' General Meeting in accordance with Article L.225-38 of the French commercial code.

1.2. Agreements and commitments authorized since the end of the fiscal year

We were informed of the following agreements and commitments, authorized since the closure of the past fiscal year, which received prior authorization of your board of directors.

1.2.1. Renewal without changes of the undertaking concerning the indemnification conditions applicable to Mr. Emmanuel Faber, Chief Executive Officer, in certain cases of termination of his term of office

Person concerned

Mr. Emmanuel Faber, Chief Executive Officer

Nature, purpose and conditions

At the time of the appointment of Mr. Emmanuel Faber as deputy general manager, the Board of directors hold on February 13, 2008 unanimously approved, Mr. Emmanuel Faber abstaining, the principle and terms of his indemnification rights in certain cases of termination of his term of office.

On February 18, 2013, the Board of directors (excluding Mr. Emmanuel Faber who abstained from voting) unanimously decided, at the time of renewal of Mr. Emmanuel Faber's term of office subject to approval by the shareholders' meeting of April 25, 2013, to renew his rights to indemnity in certain cases of termination of his duties.

These rights to indemnity had been renewed on the same basis as that set by the Board of directors on February 10, 2010 and approved by the shareholders' meeting of April 22, 2010, subject to certain amendments made in order to ensure compliance with the provisions of the AFEP-MEDEF Code or to make the payment conditions more restrictive.

On September 2, 2014, in connection with the separation of the offices of Chairman of the Board of directors and Chief Executive Officer and Mr. Emmanuel Faber's appointment as Chief Executive Officer, the Board of directors (excluding Mr. Emmanuel Faber who abstained from voting) decided that his rights to indemnity should remain unchanged (as decided by the Board of directors meeting on February 18, 2013 and approved by your company Shareholders' meeting of April 25, 2013). These indemnification rights were approved by the Shareholders' meeting of April 29, 2015.

In the context of the renewal of Mr. Emmanuel Faber's term of office as Chief Executive Officer, on February 22, 2016, the Board of directors, acting on the recommendation of the Nomination and Compensation Committee, voted unanimously (Mr. Emmanuel Faber abstaining) to keep Mr. Emmanuel Faber's indemnification rights identical to those approved by the Shareholders' meeting of April 29, 2015. These indemnification rights are subject to the conditions precedent of (i) their approval by the Shareholders' meeting of April 28, 2016, and (ii) the renewal of Mr. Emmanuel Faber's term of office as Chief Executive Officer following the conclusion of that Shareholders' meeting.

The indemnification rights maintained by the Board of directors meeting of February 22, 2016 are described below.

(i) Amount of the Indemnity

Mr. Emmanuel Faber will receive, by way of indemnity (the "Indemnity") and subject to performance conditions, an amount equal to twice his gross annual compensation (including both fixed and variable compensation) received in respect of his term of office during the twelve months preceding the date of termination of said duties.

The sum of the amounts of (i) the indemnity provided under your company's collective agreement applicable to all of your Company employees (the "Indemnity for Termination of the Employment Contract"), with the portion of this indemnity that corresponds to the length of service acquired pursuant to the office being subject to performance conditions and (ii) the Indemnity must not exceed twice the gross annual compensation (including both fixed and variable compensation) received in respect of the term of office over the last twelve months.

In the event that the amount of the Indemnity and the amount of the Indemnity for Termination of the Employment Contract exceed this ceiling of twice the gross annual compensation, and to ensure strict compliance with this ceiling, the amount actually paid to Mr. Emmanuel Faber will first be charged to the Indemnity and then, where applicable, to the portion of the Indemnity for Termination of the Employment Contract subject to performance conditions and corresponding to the length of service acquired in respect of the term of office.

(ii) Cases of payment of the Indemnity

The Indemnity will be payable to Mr. Emmanuel Faber only in case of termination of his term of office as corporate officer related to a change in control or strategy, on the initiative of the Board of directors, regardless of the form of such termination, in particular dismissal or non-renewal (except in cases of serious misconduct, i.e. an extremely serious fault which precludes any continuation of his term of office, or gross negligence, i.e. an extremely serious fault committed with the intention of harming your company), and subject to the performance conditions being met. It is specified that "change of control" means any change in your company's legal situation resulting, in particular, from a merger, restructuring, sale, takeover bid or exchange offer, following which a shareholder that is a legal entity or individual, either alone or acting in concert, comes to hold, directly or indirectly, more than 50% of your company's share capital or voting rights.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, no payment of the Indemnity will be due if Mr. Emmanuel Faber is able to avail himself of his pension entitlements within a short period of time under the terms and conditions defined by the pension plans.

Given the automatic resumption of Mr. Emmanuel Faber's employment contract in the event of the termination of his term of office as a corporate officer, the Indemnity will be due if Mr. Emmanuel Faber ceases to carry out his duties under said employment contract or resigns from his salaried position within the three months following the date on which his term of office as a corporate officer came to an end due to a change of control.

Where applicable, no Indemnity pursuant to the office will be due if Mr. Emmanuel Faber resumes a salaried position and does not request that such position be terminated within the aforementioned three-month period.

(iii) Performance conditions governing payment of the Indemnity

Payment of the Indemnity will be based on:

a) the arithmetic average internal ("organic") growth in the Danone Group's net sales (the "Group's CA") over the five completed fiscal years preceding the date of termination of the term of the corporate officer (the "Reference Period"); and

b) the arithmetic average internal ("organic") growth in net sales recorded by the Panel members ("CA of the Panel") over the Reference Period.

For the application of these conditions, it is noted that:

- the Group's CA refers to the arithmetic average internal ("organic") growth in Danone Group's net sales over the Reference Period (on a consolidated basis and on a like-for-like basis, i.e. excluding changes in consolidation scope and exchange rates);
- the CA of each Panel member refers to the arithmetic average internal ("organic") growth in net sales recorded by said Panel member over the Reference Period (on a consolidated basis and on a like-for-like basis, i.e. excluding changes in consolidation scope and exchange rates);
- the Panel CAs refer to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (so that that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CA;
- the Panel consists of eight benchmark international groups in the food and beverage sector, namely Kellogg Company, Unilever N.V., Nestlé S.A., Kraft Heinz Company (Kraft Foods Group Inc. until 2014), Mondelēz International Inc., PepsiCo Inc., The Coca-Cola Company and General Mills Inc.

The Board of directors must determine whether these performance conditions are met within three months of the date of termination of the term of office of the corporate officer, through an explicit decision, duly justified and mentioned in the Board of directors' report to the Shareholders' meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

To ensure the comparability of the CAs used, it is specified that:

- restatements may be made (such as corrections related to changes in consolidation scope and exchange rates) to the strict extent necessary in order to ensure that the method of calculating the CAs of all Panel members and the Group's CA is consistent over the entire Reference Period;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of directors may, exceptionally, exclude this member from the Panel through a duly justified decision;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or are published late, the Board of directors will make a decision duly justified at a later date, on the basis of the most recent audited financial statements published by the members of the Panel and by your company over the last five fiscal years for which financial statements were published for all members of the Panel and for your company;
- the Board of directors may, through a duly justified decision taken at a later date, change the Panel members in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of one or more members of the Panel, provided that it maintains the overall consistency of the peer group.

Over the Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, 100% of the Indemnity will be paid to Mr. Emmanuel Faber; and
- if the Group's CA is lower than the Median CA of the Panel, no Indemnity will be paid to Mr. Emmanuel Faber.

In accordance with the amendment to Mr. Emmanuel Faber's employment contract (authorized by the Board of directors on February 10, 2010), it should be noted that the same performance conditions will apply to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of service acquired pursuant to the office and that the sum of the Indemnity pursuant to the office and of the Indemnity for Termination of the Employment Contract may not exceed twenty-four (24) months of gross fixed and variable compensation.

At the time of each renewal of Mr. Emmanuel Faber's term of office, these performance conditions and, where appropriate, the composition of the Panel will be reexamined by the Board of directors and, where appropriate, modified to take into account changes affecting your company and its business sectors.

(iv) Payment of the Indemnity

The amount of the Indemnity determined according to the above rules will be paid within 30 days of the date of the Board of directors' meeting which will decide whether the performance conditions governing payment of the Indemnity have been met.

Meanwhile, it is recalled that in accordance with Mr. Emmanuel Faber's employment contract, amended by authorization of the Board of directors on February 10, 2010, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to seniority acquired as part of his term of office will be adjusted automatically through the approval of this commitment.

Motives to justify the interest of this engagement for the Company
Your board of directors justified this engagement as follows:

The company put in place this system of indemnity in the event of termination of a corporate officer's term of office in order to attract and retain talents in an increasingly competitive environment while ensuring that the structure of executive corporate officers' total compensation, its components and amounts consider the company's general interest, the market practices and the expected level of performance. It is furthermore specified that the payment of this severance is limited to those provided by the AFEP-MEDEF Code and submitted to the fulfillment of performance conditions.

1.2.2. Amendment to the undertaking concerning the defined benefit pension plan of Mr. Emmanuel FABER, Chief Executive Officer

Person concerned
Mr. Emmanuel FABER, Chief Executive Officer

Nature, purpose and conditions
On February 13, 2008 and with Mr. Emmanuel Faber abstaining, the Board of directors unanimously confirmed your company's commitment on behalf of Mr. Emmanuel Faber, corporate officer, relative to the payment of a pension under a defined benefit pension plan in the form of an annuity (with a reversion option), calculated on the basis of the following elements:

- the basis of calculation for the annuity corresponds to the average of annual compensations and bonuses for the three full years of activity within the Group preceding the retirement, the seniority taken into consideration including the period corresponding to the term as corporate officer (the "Base");
- for each corporate officer, in the event of retirement without satisfying the conditions necessary for obtaining the Social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have profited of his full rate Social security pension will be applied to this annuity; and;
- the amount of the life annuity that would be attributed to Mr. Emmanuel Faber would correspond to: (i) 1.5% per year of seniority (including the period corresponding to the term as corporate officer) of this Base, for the portion of the Base falling between three and eight times the French social security ceiling, and (ii) 3% per year of seniority (including the period corresponding to the term as corporate officer) of this Base, for the portion that is higher than eight times the ceiling (this amount will, however, be capped on the basis of a maximum seniority of 20 years), less the full amount of the retirement rights acquired by Mr. Emmanuel Faber resulting from the implementation of your company's non-contributory supplementary retirement plan.

Mr. Emmanuel Faber is eligible to benefit from this pension plan only if he is performing his duties within the Group at the time of retirement (it being specified that, in the event that the person leaves the Group before reaching the age of 55 years old, all acquired rights will be lost, and that in the event such officer is terminated after the age of 55 years old, the benefit derived from this plan will be preserved, on condition that the person does not take up a salaried position).

At its February 22, 2016 meeting and in connection with the renewal of Mr. Emmanuel Faber's term of office as Chief Executive Officer, the Board of directors, acting on the recommendation of the Nomination and Compensation Committee, voted unanimously (Mr. Emmanuel Faber abstaining) to:

- recognize that Mr. Emmanuel Faber cumulates 18 years seniority at Danone and took note of your company's existing pension obligations toward Mr. Emmanuel Faber and approved by the Shareholders Meeting of April 29, 2008;
- decide, in accordance with articles L. 225-22-1 and L.225-42-1 of the French commercial code (as amended by law No. 2015-990 of August 6, 2015 known as the Macron law), (i) to subordinate the annual increase of his conditional rights that may be granted starting from the renewal of his term of office as Chief Executive Officer to the performance condition described below, and (ii) to submit the increase of these conditional future rights to retirement benefit to the approval of the Shareholders' meeting of April 28, 2016.

(i) Performance condition related to the increase in conditional pension rights
As of the Shareholders' meeting of April 28, 2016, the increase in Mr. Emmanuel Faber's pension rights for each fiscal year will depend on:

a) the arithmetic average internal ("organic") growth in the Danone Group's net sales (the "Group's CA") during the fiscal year and five prior fiscal years (the "Reference Period"); and

b) the arithmetic average internal ("organic") growth in net sales by members of the Panel (the "CA of the Panel") during Reference Period.

it being noted that the terms "CA of the Group", "CA of each member of the Panel", "CA of the Panel", "Median CA of the Panel" and "Panel" are defined as indicated above in section 1(iii) for the performance conditions of the indemnity for termination of Mr. Emmanuel Faber's corporate officer term of office, and that the Board of directors may apply the principles described in that paragraph to ensure the comparability of sales (CA) used.

During the Reference Period (namely at the end of each fiscal year):

- if the Group's CA is equal to or greater than the Median CA of the Panel, the increase in Mr. Emmanuel Faber's conditional future rights to retirement benefit for the fiscal year will be acquired (subject to the fulfillment of other conditions laid down by the plan);
- if the Group's CA is less than the Median CA of the Panel, Mr. Emmanuel Faber will not qualify to receive an increase of conditional future rights to pension benefits for that fiscal year (expressed as a percentage of the Base);

it being noted that in all cases, the amount of the annuity that would be paid to Mr. Emmanuel Faber will remain capped on the basis of 20 years' maximum seniority, minus the sum of pension benefits acquired by Mr. Emmanuel Faber due to the implementation of the supplementary pension plan fully funded by your company.

(ii) Determination as to whether the performance condition has been satisfied and whether to increase pension benefits
Each year, prior to the Shareholders' meeting held to approve the previous financial statements, the Board of directors shall issue a statement as to whether this performance condition has been satisfied, based on the report of a financial advisor, and will determine the increase of Mr. Emmanuel Faber's pension benefits for the said financial year, through duly justified decisions taken after recommendations from the Nomination and Compensation Committee.

Motives to justify the interest of this engagement for the Company
Your board of directors justified this engagement as follows:

The undertaking concerning the defined benefit pension plan constitutes a measure aiming at retaining senior executives over the long term; the benefit of the defined benefit pension plan being acquired only in case of performance of duties within the Group when the beneficiary reaches 55 years old.

1.3. Agreements and commitments of prior fiscal years not submitted to the approbation of the precedent General Assembly

We were informed of the following agreement authorized during the 2014 fiscal year. This agreement was not submitted to the approbation of the shareholders' general assembly called to approve the financial statements for 2014 because it was concluded after this date. This agreement will be submitted to the approbation of the shareholders' general meeting called to approve the 2015 financial statements.

Reallocation of resources in connection with the danone.communities project

Persons concerned
Mr. Franck RIBOUD, Chairman of the Board of directors, and Mr. Emmanuel FABER, Chief Executive Officer, both directors of the danone.communities mutual investment fund (SICAV).

Nature, purpose and conditions
On December 11, 2014, the Board of directors (with Mr. Franck Riboud and Mr. Emmanuel Faber abstaining) unanimously authorized your company to sign an agreement with the danone.communities, SICAV, in order to reallocate a portion of its investment in danone.communities by reducing its investment in the SICAV in order to increase by the same amount its investment in the FPS danone.communities. Based on this authorization, on June 12, 2015, your company signed a memorandum of agreement with the danone.communities SICAV in order to allow the transactions that would implement this reallocation. Pursuant to this agreement, Danone completed, in June and July 2015, the following transactions:

- partial divestment from the SICAV through the SICAV's purchase of shares held by Danone at their net asset value, in accordance with the SICAV by-laws, for a total of €11.4 million;
- acquisition of existing shares in the FPS from the SICAV at a price equal to the net asset value for a total amount of €1.4 million;
- subscription of new shares in the danone.communities FPS at a price based on the most recent audited net asset value as of December 31, 2014, adjusted for fund-raising calls, for a total amount of €6.1 million; and
- reinvestment in the danone.communities SICAV of the balance of the amounts obtained by your company in connection with the abovementioned partial divestment for a total amount of €3.8 million.

As of December 31, 2015 and following these transactions, Danone owns approximately 17% of the share capital in the SICAV danone.communities and 63.6% of the share capital of the FPS.

It should be noted that the FPS shares are not fully paid in (current paid-in ratio of 68.2%) and that your company has therefore pledged to pay in the outstanding amount on the shares it owns, when called by the FPS, which represents a maximum total amount of €3.7 million. In that regard, the memorandum of agreement reached between the SICAV and Danone makes reference to Danone's right to be reimbursed for the value of the shares it owns in order to pay for fund calls with respect to the unpaid shares it owns in the FPS.

Lastly, the governance of danone.communities was not affected by these transactions, and in particular the management of the SICAV and FPS continues to be performed by independent management companies.

Motives to justify the interest of this engagement for the Company
Your board of directors justified this engagement as follows:

This reallocation ensures to danone.communities, a specialized professional investment fund (Fonds Professionnel Spécialisé – FPS) (formerly venture capital mutual investment fund (FCPR)), supplementary resources aimed at pursuing ongoing projects and developing new projects in the context of the replication of existing models, without increasing Danone's total commitment within the investment company with variable capital (Société d'Investissement à Capital Variable – SICAV) danone.communities.

2. Agreements and commitments already approved by the Shareholders' meeting

2.1. Agreements and commitments approved in prior fiscal years

2.1.1. Whose implementation continued during the past fiscal year

In accordance with Article R. 225-30 of the French commercial code, we were informed that the implementation of the following agreements and commitments, already approved by the Shareholders' meeting, continued during the past fiscal year.

Cooperation agreement in connection with the danone.communities project

Persons concerned
Mr. Franck RIBOUD, Chairman of the Board of directors, and Mr. Emmanuel FABER, Chief Executive Officer, both directors of the danone.communities mutual investment fund (SICAV).

Nature, purpose and conditions
On April 26, 2007, within the framework of the danone.communities project, your company's Board of directors unanimously authorized the signing of a cooperation agreement established between your company, the danone.communities mutual investment fund (Société d'Investissement à Capital Variable – SICAV), the danone.communities FCPR (venture capital fund, now FPS), and companies of the Crédit Agricole group, namely IDEAM (which was merged into Amundi in 2011) and Crédit Agricole Private Equity (now renamed Omnes Capital), respectively management companies for the SICAV and the FPS, it being specified that as of the date of this meeting, Mr. Jean Laurent, Director of your company, was also the Chairman of the Board of directors of Calyon, a subsidiary of the Crédit Agricole group, and abstained from voting. This agreement governs the relations between your company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the danone.communities SICAV by your company for a maximum amount of €20 million, as well as the annual financial contribution by your company of a maximum amount of €1.5 million for the first fiscal year, it being specified that this amount must be revised annually by your company's Board of directors.

On February 19, 2015, the Board of directors unanimously (Mr. Franck Riboud and Mr. Emmanuel Faber abstaining) set your company's annual financial contribution for 2015 at a maximum of €3.7 million (the total amount of financial contributions from your company towards danone.communities for the 2015 fiscal year thus amounted to €3.6 million).

The Board of directors will make a determination on the amount of your company's annual financial contribution for the 2016 fiscal year.

2.1.2. Which were not implemented during the past fiscal year

In addition, we were informed of the following agreements and commitments, already approved by the Shareholders' meeting during previous fiscal years and which were not implemented during the past fiscal year.

2.1.2.1. Commitments with respect to the Chairman of the Board of directors relative to the conditions under which his employment contract would be resumed following the expiration of his term of office

Person concerned
Mr. Franck RIBOUD, Chairman of the Board of directors.

Nature, purpose and conditions
On July 21, 2004, the Board of directors (excluding Mr. Franck Riboud who abstained from voting), on the recommendation of the Nomination and Compensation Committee, unanimously updated the conditions under which the employment contract of Mr. Franck Riboud (which was suspended on August 26, 1994 when he was appointed as a corporate officer of your company) would be resumed if his term of office ended, for whatever reason, and established that:

- the amount of time during which he exercised his duties as a corporate officer for the benefit of your company will be entirely taken into account with respect to seniority and his resulting rights within the framework of his employment contract;
- your company undertakes to offer him a position involving duties comparable to those currently exercised by the members of your company's Executive Committee;
- the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the 12 months preceding the resumption of his employment contract; and
- he will benefit from your company's defined benefit pension plan based on his seniority as a corporate officer and his seniority under his employment contract.

2.1.2.2. Commitment concerning the defined benefit pension plan of Mr. Franck RIBOUD, Chairman of the Board of directors

Person concerned
Mr. Franck RIBOUD, Chairman of the Board of directors

Nature, purpose and conditions
On February 13, 2008, the Board of directors (excluding Mr. Franck Riboud who abstained from voting) unanimously confirmed your company's commitment with respect to Mr. Franck Riboud, a corporate officer, relative to the payment of a pension under a defined benefit pension plan in the form of an annuity (with a reversion option), calculated based on the following elements:

- the basis of calculation for the retirement guarantee corresponds to the average of annual base salaries and bonuses for the last three entire years of activity within the Group. The length of service taken into account would include the period corresponding to the term of office;
- in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have received his full rate social security pension will be applied to this annuity;
- the amount of the annuity that would be paid to Mr. Franck Riboud would correspond to 2% of this calculation base per year of service (this amount will, however, be capped at 65% of the calculation base), less the full amount of the retirement rights vested by Mr. Franck Riboud during his professional life, including the supplementary pension plan fully funded by your company.

Mr. Franck Riboud is eligible to benefit from this pension plan only if he was performing his duties within the Group at the time of retirement (it being specified that in the event the person leaves the Group before reaching the age of 55, all the rights acquired will be lost, and that in the event such officer is laid off after the age of 55, the benefit derived from this plan will be preserved, on condition that the person does not take up a salaried position).

On February 22, 2016, upon renewing the term of office of Mr. Franck Riboud as Chairman, the Board of directors, acting on the recommendation of the Nomination and Compensation Committee, voted unanimously (with Mr. Franck Riboud abstaining) to:

- take due note of existing retirement commitments taken by your company on behalf of Mr. Franck Riboud, approved by the Shareholders' meeting of April 29, 2008 and submitted to shareholders for an advisory opinion as part of the so-called say on pay resolutions approved by the Shareholders' meetings of April 29, 2014 and April 29, 2015;
- observed that in light of his length of service at Danone, Mr. Franck Riboud had in 2014 reached the ceiling on annuity payments that he was eligible to receive; and
- then noted that given the absence of any annual increase in his conditional rights to a pension during his future term of office, there was no need to consider performance conditions or submit these conditional rights to the Shareholders' meeting of April 28, 2016.

2.1.2.3. Commitments with respect to Mr. Emmanuel Faber, Chief Executive relative to the conditions under which his employment contract would be resumed of the expiration of his term of office

Person concerned
Mr. Emmanuel FABER, Chief Executive Officer

Nature, purpose and conditions
On February 13, 2008, the Board of directors (excluding Mr. Emmanuel Faber who abstained from voting) unanimously authorized an amendment to your company's employment contract with Mr. Emmanuel Faber, for the purpose of determining the conditions under which his employment contract would be resumed (it was suspended when he was appointed a corporate officer of your company), assuming that his term of office ends for whatever reason.

This amendment provides that:

- his entire length of service as a corporate officer on behalf of your company will be taken into account with respect to seniority and to his resulting rights within the framework of his employment contract;
- your company undertakes to offer him a position involving duties comparable to those currently exercised by the members of your company's Executive Committee;

- the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the 12 months preceding the resumption of his employment contract;
- he will benefit from your company's defined benefit pension plan based on his seniority as a corporate officer and his seniority under the employment contract; and
- the contractual indemnity due in the event of the termination of his employment contract will be canceled.

2.1.2.4. Amendments to the suspended employment contracts of Mr. Franck RIBOUD, Chairman of the Board of directors, and Mr. Emmanuel FABER, Chief Executive Officer

Persons concerned
Mr. Franck RIBOUD, Chairman of the Board of directors, and Mr. Emmanuel FABER, Chief Executive Officer.

Nature, purpose and conditions
On February 10, 2010, the Board of directors amended the suspended employment contracts of both Mr. Franck Riboud and Mr. Emmanuel Faber (both corporate officers abstained from voting) in order that:

- the indemnity provided under your company's collective agreement applicable toyou're your Company employees (the "Indemnity for Termination of the Employment Contract") is (i) subject to a limit of two years' fixed and variable gross compensation and (ii) in the event of the payment of both the Indemnity for Termination of the Employment Contract and the indemnity due in certain instances of the termination of the term of office of a corporate officer, included in an overall limit, also subject to a limit of two years' fixed and variable gross compensation, applicable to all termination indemnities paid in respect of a term of office or an employment contract;
- the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office of the person concerned is subject to the same performance conditions as the indemnity due in certain instances of the termination of the term of office of the corporate officer;
- in the exclusive event that a change in control results in the termination of his term of office as a corporate officer, the person concerned may, provided he has not committed serious misconduct or gross negligence, request the termination of his employment contract in the form of termination within three months from the date of the termination of his term of office as a corporate officer (i.e. the date on which his employment contract is resumed).

In the event of the amendment of the performance conditions applicable to the indemnity due in certain instances of the termination of the term of office of a corporate officer, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office will be automatically amended.

The portion of the Indemnity for Termination of the Employment Contract which is subject to performance conditions and which corresponds to the seniority acquired in respect of the term of office will be subject to the agreement of the Board of directors and the approval of the shareholders on each occasion the term of office is renewed.

In addition, the non-compete clause included in the suspended employment contract of Mr. Emmanuel Faber was amended such that it can only be exercised by your company and result in the payment of consideration in the event of resignation. It should be noted that Mr. Franck Riboud is not subject to a non-compete clause.

2.2. Agreements and commitments approved during the past fiscal year

We were also informed of the implementation of the following agreements and commitments, already approved by the Shareholders' meeting of April 29, 2015 on the basis of the Statutory auditors' special report of March 10, 2015, during the past fiscal year.

2.2.1. Amendment to the syndicated facilities agreement of December 18, 2014 with J.P. Morgan Group

Person concerned
With Mrs. Isabelle SEILLIER, a director of your company and a managing director at J.P. Morgan Chase Group.

Nature, purpose and conditions
On July 27, 2011, the Board of directors voted unanimously (with Mrs. Isabelle SEILLIER abstaining) to authorize your company to enter into a syndicated facilities agreement and all related contractual documents with J.P. Morgan Europe Limited and J.P. Morgan Limited (hereinafter "J.P. Morgan").

On July 28, 2011, your company therefore entered into a syndicated facilities agreement with J.P. Morgan and several other banks. This agreement provides for the establishment of a €2 billion (multi-currency) revolving credit line, combined with a €300 million "swingline" facility, up to a maximum principal amount of €2 billion. The agreement's initial term was five years, with the possibility of renewal for up to two additional years subject to banks' approval. Interest due by your company on the amounts used with respect to this syndicated facilities agreement are calculated using market rates (EURIBOR, EONIA or equivalent foreign currency indices), plus a margin and potential mandatory costs under certain conditions. A utilization fee is added to the interest due based on the credit portion used and, if the facility is not drawn down, a non-utilization fee equivalent to a percentage of the margin is owed.

This syndicated facilities agreement was amended in 2012 and 2013 in order to extend its term by two additional years and add a credit utilization fee in certain cases and an additional margin for drawdowns in U.S. dollars, following authorizations from the Board of directors (voting unanimously, with Mrs. Isabelle SEILLIER abstaining).

On December 11, 2014, the Board of directors (with Mrs. Isabelle SEILLIER abstaining) voted unanimously to authorize your company to enter into a new amendment to the syndicated facilities agreement in order to (i) reduce the applicable margin and the non-utilization fee, (ii) eliminate the additional margin for drawdowns in U.S. dollars, (iii) extend the term of the facility up to five years after the signature date of the amendment, with the option to extend it by two additional years, subject to the banks' agreement and under the same terms and conditions as the original syndicated facilities agreement, and (iv) make other changes of a technical or legal nature to reflect changes in current legislation and market practices.

On December 18, 2014, your company therefore amended the syndicated facilities agreement accordingly, with the approval of all the banks party to the syndicated facility (including J.P. Morgan).

J.P. Morgan's commitment in its capacity as lender on the syndicated facilities agreement continues to be €210 million, or 10.5% of the total, i.e. the same percentage as the other banks having the first rank in the syndicated facilities agreement. Fees and interest owed by your company to J.P. Morgan are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to fees and interest due to the other banks having a first rank in the facilities agreement.

This amendment to the syndicated facilities agreement was approved by the Shareholders' meeting of April 29, 2015.

No amount was drawn under this syndicated facilities agreement in 2015.

In 2015, your company paid J.P. Morgan a total of €201,359.38 in fees related to these credit facilities (non-utilization fees).

In accordance with the extension clause in the amendment to the syndicated facilities agreement, the agreement was extended for an additional year (until December 18, 2020) without any modification to the credit terms, following the agreement obtained from all banks party to the syndicated credit facilities agreement (including J.P. Morgan) in November 2015.

2.2.2. Subscription agreement of January 12, 2015 in connection with a bond issue

Person concerned
Mrs. Isabelle SEILLIER, Director of Danone and executive officer of the group J.P. Morgan Chase.

Nature, purpose and conditions
On December 11, 2014, the Board of directors (excluding Mrs. Isabelle SEILLIER who abstained from voting) unanimously authorized your company to enter into subscription agreements with J.P. Morgan group in connection with bond issues to be carried out by your company.

In accordance with this authorization, on January 12, 2015, within the scope of a €1.3 billion bond issue under the EMTN program in two tranches (one €550 million tranche with a maturity of five years and one €750 million tranche with a maturity of ten years), your company entered into a subscription agreement with the banks responsible for placing the bonds (including J.P. Morgan Securities PLC), under the terms of which said banks underwrote your company's entire bond issue, which they then immediately placed with investors wishing to participate in the issue.

The commitment to subscribe gave rise to a fee of 0.21% of the nominal amount of the bonds issued, i.e. €1.3 billion, equally divided among the banks responsible for placing the bonds (including J.P. Morgan Securities PLC), as these fees are proportional to the banks' underwriting commitments, which were all of the same amount (subject to rounding rules).

Accordingly, the fee paid to each of the banks responsible for placing the bonds, including J.P. Morgan Securities PLC, amounted to €390,000.

This agreement had already produced its effects when it was approved by the Shareholders' General Assembly of April 29, 2015 and there was no other effect than those initially described.

Neuilly-sur-Seine and Paris La Défense, March, 7, 2016

The Statutory auditors

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

7.1 COMPANY'S SHARE CAPITAL 306

Share capital as of December 31, 2015 306

Transactions on the share capital in the last five fiscal years 306

7.2 TREASURY SHARES AND DANONE CALL OPTIONS HELD BY THE COMPANY AND ITS SUBSIDIARIES 307

Authorization granted to the Company to buy back its own shares 307

Authorization to cancel shares and reduce the share capital following the buyback by the Company of its own shares 307

DANONE call options held by the Company 307

Liquidity contract 308

Transactions on Company shares in 2015 and situation as of December 31, 2015 309

7.3 AUTHORIZATION TO ISSUE SECURITIES THAT GIVE ACCESS TO THE SHARE CAPITAL 310

Summary of financial authorizations in force as of December 31, 2015 310

Financial authorization subject to approval by the Shareholders' Meeting 311

Changes in share capital and in the rights attached to shares 311

7.4 FINANCIAL INSTRUMENTS NOT REPRESENTING CAPITAL 312

Powers of the Board of Directors 312

Delegation of powers to the General Management 312

Bonds outstanding as of December 31, 2015 312

7.5 DIVIDENDS PAID BY THE COMPANY 312

Dividend pay-out policy 312

Dividend paid in respect of 2015 fiscal year 312

Dividends paid in respect of the three previous fiscal years 313

Dividends forfeited to the French State 313

7.6 VOTING RIGHTS, CROSSING OF THRESHOLDS 313

Voting rights 313

Crossing of thresholds 314

7.7 SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2015 AND SIGNIFICANT CHANGES OVER THE LAST THREE FISCAL YEARS 315

Share ownership structure as of December 31, 2015 315

Significant changes in Company's share ownership over the last three fiscal years 316

Survey of the Company's identifiable shareholders 317

Employee shareholding 317

7.8 MARKET FOR THE COMPANY'S SHARES 318

Listing markets and indexes 318

Stock price and trading volumes 318

7.9 FACTORS THAT MIGHT HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER 319

7.10 CHANGE OF CONTROL 321

7

Share capital and share ownership

7.1 COMPANY'S SHARE CAPITAL

Share capital as of December 31, 2015

	As of December 31, 2015
Nominal amount *(in €)*	163,737,800
Number of shares	654,951,200

Shares are fully paid-up, are all of the same class and have a nominal value of €0.25. Each share gives a right to ownership of a proportion of the Company's assets, profits and liquidation surplus, based on the percentage of share capital that it represents.

Transactions on the share capital in the last five fiscal years

Effective date of the transaction	**Shares created/ (cancelled) by the transaction** *(number of shares)*	**Type of transaction**	**Nominal amount of the transaction** *(in €)*	**Amount of share capital after the transaction** *(in €)*	**Shares making up the share capital after the transaction** *(number of shares)*
May 5, 2011	939,160	Capital increase reserved for employee members of a company savings plan	234,790.00	162,215,250.00	648,861,000
December 13, 2011	(6,614,427)	Capital decrease by cancellation of shares	(1,653,606.75)	160,561,643.25	642,246,573
May 11, 2012	915,427	Capital increase reserved for employee members of a company savings plan	228,856.75	160,790,500.00	643,162,000
February 18, 2013	(8,800,000)	Capital decrease by cancellation of shares	(2,200,000.00)	158,590,500.00	634,362,000
May 13, 2013	918,000	Capital increase reserved for employee members of a company savings plan	229,500.00	158,820,000.00	635,280,000
July 26, 2013	(4,252,000)	Capital decrease by cancellation of shares	(1,063,000.00)	157,757,000.00	631,028,000
June 3, 2014	11,932,014	Capital increase for the payment of the dividend in shares	2,983,003.50	160,740,003.50	642,960,014
June 5, 2014	831,986	Capital increase reserved for employee members of a company savings plan	207,996.50	160,948,000.00	643,792,000
June 11, 2015	838,052	Capital increase reserved for employee members of a company savings plan	209,513.00	161,157,513.00	644,630,052
July 23, 2015	10,321,148	Capital increase for the payment of the dividend in shares	2,580,287.00	163,737,800.00	654,951,200

7.2 TREASURY SHARES AND DANONE CALL OPTIONS HELD BY THE COMPANY AND ITS SUBSIDIARIES

This section 7.2 is a description of the share buyback program set up in accordance with Articles 241-1 et seq. of the General Regulations of the French Financial Markets Authority.

Authorization granted to the Company to buy back its own shares

Existing authorization

The Shareholders' Meeting of April 29, 2015 authorized the Board of Directors, for an 18-month period, to buy back a number of shares representing a maximum of 10% of the share capital of the Company at a maximum purchase price of €70 per share. This authorization cancelled and replaced the authorization previously granted by the Shareholders' Meeting of April 29, 2014.

This authorization was used during fiscal year 2015 (see section *Transactions on Company shares in 2015 and situation as of December 31, 2015* hereafter).

Authorization subject to approval by the Shareholders' Meeting

The Board of Directors will submit a new authorization, valid for 18 months, to the Shareholders' Meeting to be held on April 28, 2016 to buy back up to 10% of the total number of shares comprising the share capital of the Company (i.e. for information purposes, 65,495,120 shares as of December 31, 2015, representing a maximum potential purchase amount (excluding transaction fees) of approximately €4.9 billion) at a maximum purchase price of €75 per share.

Subject to approval of the authorization by the Shareholders' Meeting of April 28, 2016, the buyback by the Company of its own shares may be executed for the purpose of:

- the allocation of shares with respect to the exercise of stock-options by employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancellation of shares within the maximum legal limit; and
- animating DANONE stock market pursuant to a liquidity contract concluded with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

Share buybacks may be carried out, in whole or in part, by acquisition, sale, exchange or transfer, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF), through a systematic internalizer or over-the-counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or derivative instrument (including in particular any future or any option), except the sale of put options.

These transactions may be carried out during an 18-month period beginning April 28, 2016 (with the exception of periods of public tender offer on the Company's shares) within the limits allowed by the applicable regulations.

Authorization to cancel shares and reduce the share capital following the buyback by the Company of its own shares

The Shareholders' Meeting of April 29, 2015 granted an authorization to the Board of Directors for 24 months to cancel shares acquired in the context of a share buyback program subject to a limit of 10% of the existing share capital as of the day of the Meeting.

This authorization was not used during fiscal year 2015.

DANONE call options held by the Company

Purchase of DANONE call options by the Company in 2011

On October 25, 2011, as part of its share buyback program, the Company acquired DANONE call options to hedge part of the stock-options granted to some of its employees and corporate officers and still in force, as a substitute for their existing hedge by treasury shares held.

Prior to this date, in order to satisfy its legal obligations, the Company held treasury shares specifically allocated to hedge these stock-option plans. These treasury shares were earmarked for gradual release into circulation on the market as and when beneficiaries exercised stock-options until the expiry of the plans still in force, i.e. until October 2017. In order to limit the dilutive effect of the exercise of these options, in 2011 the Company decided to hedge part of these stock-options by the acquisition of DANONE call options, as a substitute for the treasury shares held.

A total of 6.6 million DANONE call options representing around 1.02% of the share capital were thus acquired from a financial institution. The Company's intention is to exercise these call options at any time until the expiry of the last stock-option plans still in force (i.e. until October 2017), in order to comply with its commitments to deliver shares to stock-option holders.

The 6.6 million treasury shares held until then to hedge the stock-options concerned were reallocated with a view to their cancellation and were subsequently canceled on December 13, 2011.

DANONE call options held by the Company as of December 31, 2015

		Movements during the period			
(number of options except percentage)	**As of December 31, 2014**	**Purchases**	**Expired options**	**Options exercised**	**As of December 31, 2015**
Number of options	**998,621**	–	–	(622,885)	**375,736**
Percentage of the Company's share capital	**0.2%**	–	–	–	**0.1%**

Open positions in equity derivatives on the Company's shares as of December 31, 2015

Open positions in equity derivatives on the Company's shares as of December 31, 2015

	Open long positions		Open short positions	
	Call options purchased	**Forward purchases**	**Call options sold**	**Forward sales**
Number of shares	375,736	–	–	–
Maximum maturity weighted average	04/27/2017	N/A	N/A	N/A
Exercise price weighted average *(in €)*	35.16	N/A	N/A	N/A

Additional information on open positions on DANONE call options held by the Company as of December 31, 2015

Board of Directors' meeting authorizing the stock-option plans subject to hedging	10/21/2008	4/23/2009	10/20/2009
Number of DANONE call options hedging stock-option plans	4,896	358,746	12,094
Expiry date of DANONE call options hedging stock-option plans	10/20/2016	4/22/2017	10/19/2017
Exercise price of DANONE call options hedging stock-option plans *(in € per share)*	43.71	34.85	40.90

Liquidity contract

On January 17, 2014 and for a period of one year with tacit renewal, the Company concluded, with an investment service provider, Rothschild & Cie Banque, a liquidity contract, in accordance with the Ethical Charter drawn up by the Association Française des Marchés Financiers (AMAFI) and recognized by the French Financial Markets Authority, with a view to supporting the market for DANONE shares on Euronext Paris.

This liquidity contract was implemented in connection with the share buyback programs authorized by the Company's Shareholders' Meeting.

Resources related to the liquidity contract

Resources allocated	**For the implementation of the liquidity contract**	**Position as of December 31, 2015**
Amount *(in €)*	–	6,220,000
Number of shares	120,000	–

Transactions on Company shares in 2015 and situation as of December 31, 2015

		Movements during the period					
(in number of shares except percentage)	**As of December 31, 2014**	**Buybacks**	**Exercise of DANONE calls**	**Sales/ Transfers**	**Delivery of shares following exercises of stock-options**	**Delivery of Group performance shares**	**As of December 31, 2015**
Acquisitions	**30,769,360**	–	–	–	–	–	**30,769,360**
Liquidity contract	**–**	602,195	–	(602,195)	–	–	**–**
Hedging of stock-options and Group performance shares	**7,163,935**	–	622,885	–	(4,142,353)	(467,657)	**3,176,810**
Share cancellations	**–**	–	–	–	–	–	**–**
Shares held by the Company	**37,933,295**	–	–	–	–	–	**33,946,170**
Shares held by Danone Spain	**5,780,005**	–	–	–	–	–	**5,780,005**
Total shares held by the Group	**43 713 300**	**602 195**	**622 885**	**(602 195)**	**(4 142 353)**	**(467 657)**	**39 726 175**

Treasury shares held by the Company as of December 31, 2015

(in €, except percentage and share numbers)	As of December 31, 2015
Number of DANONE shares	33,946,170
Percentage of the share capital	5.2%
Value of DANONE shares held by the Company	
Nominal value	8,486,543
Gross value	1,696,313,274

Average price of buybacks and sales of DANONE shares in 2015 and transaction fees

(in € per share)	Year ended December 31, 2015
Average price of buybacks	
Liquidity contract	59.19
Exercise of DANONE call options [(a)]	35.16
Average price of sales	
Liquidity contract	59.27
Transaction fees [(b)]	€0.2 million

(a) Exercise price of DANONE call options, excluding premium paid in 2011 for their acquisition.
(b) Total amount.

Market value of DANONE shares held by Danone and its consolidated subsidiaries

(in € except share price in € per share and number of shares)	As of December 31, 2015
Number of DANONE shares	39,726,175
Closing price	62.28
Value of DANONE shares held by the Group	
At closing price	2,474,146,179
At closing price +10%	2,721,560,797
At closing price -10%	2,226,731,561

7.3 AUTHORIZATION TO ISSUE SECURITIES THAT GIVE ACCESS TO THE SHARE CAPITAL

Summary of financial authorizations in force as of December 31, 2015

The existing authorizations for the issuance of ordinary shares and securities, with or without preferential subscription rights, in force as of December 31, 2015 are provided in the following table.

All these authorizations were approved by the Shareholders' Meeting of April 29, 2015 for a period of 26 months, i.e. until June 29, 2017, except the authorization to grant Group performance shares, which expired on December 31, 2015.

Maximum amounts of share capital authorized		**Authorization type**	**Individual maximum amounts authorized**	**Use in 2015**	**Balance available as of December 31, 2015**
(nominal amount)			*(nominal amount or percentage of share capital)*		*(nominal amount or percentage of share capital)*
Maximum amount applicable to all dilutive and non-dilutive issuances: €56.3 million (approximately 34.4% [a] of share capital)	Maximum amount applicable to non-dilutive issuances: €56.3 million (approximately 34.4% [a] of share capital)	Capital increase with preferential subscription rights for shareholders	€56.3 million (approximately 34.4% [a] of share capital) [b]	–	€56.3 million
	Maximum amount applicable to dilutive issuances: €16 million (approximately 9.8% [a] of share capital)	Capital increase without preferential subscription right but with a right of first refusal for shareholders	€16 million (approximately 9.8% [a] of share capital) [b]	–	€16 million
		Overallotment (as a % of initial issuance)	15% [b]	–	–
		Public exchange offer initiated by the Company	€16 million (approximately 9.8% [a] of share capital) [b]	–	€16 million
		Contributions in kind	10% of share capital		10% of share capital
		Capital increase reserved for employees and/or executives	€3.2 million (approximately 2.0% [a] of share capital)	€209,513	€3.2 million [c]
		Grants of Group performance shares (GPS)	0.2% of share capital as of the closure of the Shareholders' Meeting	645,372 shares granted (approximately 0.1% of share capital)	0.1% of share capital as of the closure of the Shareholders' Meeting
–	–	Incorporation of reserves, earnings, premiums or other sums	€40.2 million (approximately 24.6% [a] of share capital)		€40.2 million

(a) The percentage of share capital is calculated for information purposes only on the basis of the share capital as of December 31, 2015 (unless otherwise indicated).
(b) All issuances of securities representing debts pursuant to these authorizations ((i) capital increase with preferential subscription right, (ii) capital increase without preferential subscription right but with priority right for shareholders, (iii) over-allotment option, and (iv) public tender offer initiated by the Company) may not exceed a ceiling representing a principal amount of €2 billion (or the counter-value of this amount).
(c) The capital increase reserved for Group employees approved by the Board of Directors on February 19, 2015 and implemented in June 2015 used the authorization approved by the Shareholders' Meeting held on April 25, 2013 (and not the authorization approved by the Shareholders' Meeting held on April 29, 2015). The nominal amount of the new capital increase reserved for employees, approved by the Board of Directors on February 22, 2016 and to be completed in June 2016, will be deducted from the maximum amount of €3.2 million approved by the Shareholders' Meeting of April 29, 2015.

Employee shareholding

Capital increase reserved for employees in 2015

The Shareholders' Meeting of April 25, 2013 authorized the Board of Directors, for a period of 26 months, to carry out capital increases reserved for employee members of a company savings plan (Plan d'Épargne Entreprise – PEE), within the limit of a nominal amount of €3.1 million. This authorization, which was in force until June 2015, was renewed by the Shareholders' Meeting of April 29, 2015 for a period of 26 months, within the limit of a nominal amount of €3.2 million.

Pursuant to the authorization of the Shareholders' Meeting of April 25, 2013, in June 2015 the Company carried out a capital increase reserved for employee members of a company savings plan (through a temporary fund later merged into the "Fonds Danone" company investment fund) for a nominal amount of €209,513, representing the issuance of 838,052 new shares, i.e. approximately 0.13% of the Company's share capital.

Capital increase reserved for employees underway

Pursuant to the authorization of the Shareholders' Meeting of April 29, 2015, at its meeting on February 22, 2016 the Board of Directors decided to carry out a capital increase reserved for employee members of a company savings plan for a maximum subscription amount of €80 million, representing a maximum of 1,644,061 new shares (i.e. approximately 0.25% of the Company's share capital) based on a discounted DANONE share price of €48.66. The actual amount subscribed will be determined in June 2016.

Financial authorization subject to approval by the Shareholders' Meeting

The Shareholders' Meeting of April 28, 2016 will be asked to renew the authorization to grant Group performance shares (GPS), in accordance with the conditions set out in the table hereafter:

			Maximum amount authorized
			Ordinary shares
	Authorization date	**Expiry date**	*(nominal amount of the issue)*
Grants of Group performance shares (GPS)	April 28, 2016	December 31, 2016	0.2% of the share capital as of the closure of the Shareholders' Meeting, and included in the maximum amount of €16 million common to the dilutive issuances carried out based on the financial authorizations approved by the Shareholders' Meeting of April 29, 2015

Changes in share capital and in the rights attached to shares

Any changes in the share capital or the rights attached to the shares comprising the share capital are subject to applicable legal provisions, as the by-laws do not contain any specific provisions related thereto.

7.4 FINANCIAL INSTRUMENTS NOT REPRESENTING CAPITAL

Powers of the Board of Directors

The Combined Shareholders' Meeting of April 23, 2009, decided to delete Article 27.I.9 of the Company's by-laws (which reserved the authority to decide on or authorize bond issuances to the Shareholders' Meeting), in order to recognize the Board of Directors' authority in principle in this area, pursuant to the first paragraph of Article L. 228-40 of the French commercial code.

Delegation of powers to the General Management

At its meeting of October 22, 2015, the Board of Directors decided to renew, for a period of one year, the authorization granted to General Management to issue, in France or abroad (including, in particular, in the United States of America by means of private placements to institutional investors), ordinary bonds, subordinated debt securities or complex securities (whether fixed-term or perpetual) or any other type of negotiable debt instrument for up to a maximum outstanding principal amount at any time of €10 billion (or the equivalent amount in any other currency or unit of account).

Bonds outstanding as of December 31, 2015

As of December 31, 2015, the total outstanding principal amount on bonds issued by the Company (the Group's only bond issuer) was €8,262 million (amount recognized in the consolidated financial statements).

7.5 DIVIDENDS PAID BY THE COMPANY

Dividend pay-out policy

Rules set out by law and the Company's by-laws

In accordance with law, the following is withheld from earnings from which, if applicable, past losses have already been deducted, (i) at least 5% for the creation of the legal reserve, a deduction that will cease to be mandatory when the legal reserve has reached one-tenth of the share capital, but that will be reinstituted if, for any reason whatsoever, the legal reserve falls below this amount, and (ii) any sums to be allocated to reserves in accordance with the law. The balance, to which are added retained earnings, represents the distributable earnings.

Under the terms of the by-laws, the amount necessary to constitute a first dividend payment to shareholders is deducted from the distributable earnings: this amount corresponds to interest of 6% per annum on the amount of their shares that has been paid up and not reimbursed, it being specified that if in a given fiscal year earnings are not sufficient to make this payment, the shortfall may be paid by deduction from the earnings of subsequent fiscal years.

Any remaining balance is available for allocation by the annual Shareholders' Meeting, in accordance with a proposal by the Board of Directors, to shares as dividends or, in full or in part, to any reserve accounts or to retained earnings.

The reserves available to the Shareholders' Meeting can be used, if it so decides, to pay a stock dividend. In this case, the decision will expressly indicate those accounts to which the stock dividend will be charged.

Company's pay-out policy

The dividend pay-out policy, defined by the Board of Directors, is based on an analysis that takes into account the history of dividend payments, the Company's financial position and results, and the pay-out practices of Danone's business sector.

Dividend paid in respect of 2015 fiscal year

A dividend of €1.60 per share will be proposed at the Shareholders' Meeting of April 28, 2016 in respect of shares for which the dividend entitlement date is January 1, 2015. If this dividend is approved, the share will trade ex-dividend from May 5, 2016 and the dividend will be payable from May 9, 2016.

Dividends paid in respect of the three previous fiscal years

Dividend relating to fiscal year [a]	Dividend per share *(in € per share)*	Dividend approved *(in € millions)*	Dividend paid [b] *(in € millions)*
2012	1.45	933	858
2013	1.45	915	299 [c]
2014	1.50	966	311 [c]

(a) Paid in the following year.

(b) Treasury shares held directly by the Company do not carry the right to receive a dividend. However, the Company's shares held by its Danone Spain subsidiary carry the right to receive a dividend.

(c) The Shareholders' Meetings of April 29, 2014 and April 29, 2015 decided that each shareholder could choose to receive payment of the dividend in cash or in DANONE shares. The amount of the dividend paid in cash corresponded to the dividend paid to those shareholders who did not opt for payment in shares.

Dividends forfeited to the French State

In accordance with the law, dividends that have not been claimed within five years revert to the French State.

7.6 VOTING RIGHTS, CROSSING OF THRESHOLDS

Voting rights

Double voting rights

The Extraordinary Shareholders' Meeting of October 18, 1935 decided to include in the Company's by-laws, the grant of double voting rights, under the conditions provided by law, in relation to the portion of the share capital that they represent, to all fully paid-up shares for which evidence is provided that they have been registered in the name of the same shareholder for at least two years, as well as – in the event of a capital increase through capitalization of reserves, earnings or additional paid-in capital – to registered shares granted free of charge to a shareholder in consideration of existing shares in respect of which he enjoys said rights. This statutory double voting right has been maintained since its creation in 1935 and coexists, in the same conditions, with the one created by the law 2014-384 of March 29, 2014, said "Florange Law"; nor the Board of Directors of Danone nor its shareholders have proposed its suppression when the legal double voting right for public companies was instituted.

Double voting rights cease in the event of a transfer or conversion into bearer shares, unless otherwise provided for by law. Double voting right may moreover be deleted by an extraordinary Shareholders' Meeting's decision and after ratification by the Special Shareholders' Meeting gathering all double voting right beneficiaries. A merger with another company shall not affect double voting rights, which can be exercised within the absorbing company if its by-laws have instituted this procedure.

Limitation on voting rights at Shareholders' Meeting

Principle of limitations on voting rights

The Extraordinary Shareholders' Meeting of September 30, 1992 decided to create, within Danone's by-laws, a clause limiting the voting rights, considering the weak participation rate of shareholders at Meetings, and so as to avoid that a shareholders exercise too much of an influence of realise a takeover by stealth of the Company. Hence, the by-laws provide that, at Shareholders' Meetings, no shareholder may cast more than 6% of the total number of voting rights attached to the Company's shares in his or her own right or through proxy (*mandataire*), in respect of single voting rights attached to shares which he or she holds directly and indirectly and of powers which have been granted to him or her. Nevertheless, if, additionally, he or she enjoys double voting rights in a personal capacity and/or in the capacity of agent, the limit set above may be exceeded by taking into account only the extra voting rights resulting therefrom. In such a case, the total voting rights that he or she represents shall not exceed 12% of the total number of voting rights attached to the Company's shares.

In accordance with Article 26 II of the Company's by-laws, this limitation applies when:

- the total number of voting rights taken into account is calculated as of the date of the Shareholders' Meeting and is brought to the attention of shareholders at the opening of the Shareholders' Meeting;
- the number of voting rights held directly and indirectly refers particularly to those attached to shares held personally by a shareholder, shares held by a corporation he or she controls within the meaning of Article L. 233-3 of the French commercial code and shares assimilated with shares held, as defined by the provisions of Articles L. 233-7 et seq. of the French commercial code;
- in respect of voting rights used by the Chairman of the Shareholders' Meeting, those attached to shares for which a proxy form has been returned to the Company without naming a proxy and which, individually, do not violate the applicable limitations, are not taken into account.

This limitation of voting rights at Shareholders' Meetings was implemented by the Company in respect of the MFS group (see section 7.7 *Share ownership structure as of December 31, 2015 and significant changes over the last three fiscal years* for more information on the interest held by the MFS group in the Company's share capital).

Exceptions to limitations on voting rights

In accordance with Article 26 II of the Company's by-laws, the aforementioned limitations shall become null and void if any individual or corporate entity, acting alone or in concert with one or more individuals or corporate entities, were to come into possession of at least two-thirds of the total shares of the Company as a result of a public tender offer for all the Company's shares. The Board of Directors shall formally acknowledge that the limitations have become null and void and shall complete the corresponding modifications to the by-laws.

In addition, in accordance with the general regulations of the French Financial Markets Authority, the effects of the limitations provided for in the preceding sections shall be suspended at the first Shareholders' Meeting following the close of a takeover bid if the bidder, acting alone or in concert, were to come into possession of more than two-thirds of the total shares or total voting rights of the company concerned.

Lastly, following adoption of the 16th resolution by the Shareholders' Meeting of April 22, 2010, the limitations on voting rights shall be suspended for a Shareholders' Meeting if the number of shares present or represented at such meeting reaches or exceeds 75% of the total number of shares carrying voting rights. In such event, the Chairman of the Board of Directors (or any other person who is presiding over the meeting in his absence) shall formally acknowledge the suspension of said limitation when the Shareholders' Meeting is opened.

Reasons for the limitation of voting rights for shareholders

The Board of Directors has, on several occasions, reviewed this clause limiting voting rights at Shareholders' Meetings and, notably following discussions with its shareholders, has concluded that this voting rights limitation is in the interest of all the Company's shareholders. Thus:

- considering the effective participation rate at Shareholders' Meetings (which remains far below the average participation rate to the CAC 40's shareholders' meetings), this limitation prevents shareholders from influencing corporate decisions in a manner that would be disproportionate to the actual size of their shareholding, particularly in the event of a low quorum or when a simple majority is sufficient for the adoption of a corporate decision (with a quorum for Shareholders' Meetings of 50%, 25% of the votes could be sufficient to adopt or reject a corporate decision);
- considering Danone's disperse shareholding, in case of absence of such a limitation mechanism, a shareholder could take control of the Company "by stealth", i.e. without being obliged to launch a public tender offer, and to enable existing shareholders to dispose of their shareholdings in the Company under satisfactory conditions. Therefore, the clause limiting voting rights is indeed aimed at requiring at any time, any shareholder wishing to take control of the Company, to launch a takeover bid over all the Company's shares, to offer a control premium, and, when required, to respect price conditions as set by the French Market Authority. In this regard, this provision provides protection for all the shareholders and guarantees them the best valuation for their shares;
- this clause of the by-laws does not, under any circumstances, constitute an obstacle to a takeover bid on the Company, since the clause becomes automatically null and void for the first General Meeting subsequent to a takeover bid resulting in, one or more shareholders acting in concert, to come to own more than two-thirds of the Company's share capital or voting rights;
- the validity of clauses limiting voting rights has been recognized by the French commercial code and, the fact that several CAC 40 companies, having also a disperse shareholding, have implemented a similar mechanism in their by-laws, illustrates that it is useful;
- the limitation clause does not affect, in any ways, the economic rights of the shareholders that would be concerned by the measure in the sense that such shareholder can receive the full dividend attached to the shares he holds.

Like other CAC 40 companies, in 2007, the Shareholders' Meeting rejected a resolution aimed at removing this statutory clause limiting voting rights at Meeting.

In 2010, following discussions with its shareholders, the Board considered it would be appropriate to amend the terms of the voting rights limitation mechanism in order to introduce the automatic suspension of the limitation process for any Shareholders' Meeting at which a sufficiently high quorum is achieved. Indeed, whereas this limitation appears appropriate and justified in the event of a low quorum, it appears superfluous in the event of a high quorum, since such a quorum would ensure all shareholders could express their opinion without the risk of distortion. For this reason, this limitation is suspended, in respect of any Meeting at which the number of shares whose shareholders are present or represented reaches or exceeds 75% of the total number of shares with voting rights. This suspension mechanism based on the quorum, offers an additional guarantee to Danone's shareholders, as it ensures the voting rights limitation would be objectively activated.

In the event that a shareholder acquires a significant non-controlling interest in the Company's share capital, the quorum should automatically increase and would facilitate the suspension of the clause, while ensuring that said shareholder was not able to influence proceedings at the Shareholders' Meeting in a manner disproportionate to his or her shareholding.

The quorum achieved at the Shareholders' Meeting of April 29, 2015 was 52.5%.

Crossing of thresholds

In addition to the legal obligation to inform the Company and the French Financial Markets Authority in the event of a crossing, in either direction, of any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, one-third, 50%, two-thirds, 90% or 95% of the Company's share capital or voting rights, within four trading days of crossing such shareholding threshold (Article L. 233-7 of the French commercial code), any individual or entity that comes to acquire or ceases to hold in any manner whatsoever, within the meaning of Articles L. 233-7 et seq. of the French commercial code, a fraction equivalent to 0.5% of the voting rights or a multiple thereof must, within five trading days of crossing such threshold, notify the Company of the total number of shares or securities giving future access to the capital and the total number of voting rights that said individual or entity holds alone, or indirectly, or in concert, by registered mail with return receipt to the Company's registered office. If the threshold is crossed as a result of a purchase or sale on the market, the period of five trading days begins as from the date of trade and not the date of delivery.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

7.7 SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2015 AND SIGNIFICANT CHANGES OVER THE LAST THREE FISCAL YEARS

Share ownership structure as of December 31, 2015

It should be noted that double voting rights are granted to all fully paid-up shares held in registered form in the name of the same shareholder for at least two years (see section 7.6 *Voting rights, crossing of thresholds*).

As of December 31, 2015, shareholders having declared that they own more than 1.5% of the Company's voting rights (on the basis of the declarations of crossing statutory thresholds received by the Company) are the following:

Shareholders	Number of shares held	% of share capital	Number of gross voting rights	% of gross voting rights [a]	Number of net voting rights	% of net voting rights [b]
MFS Group [c][d]	83,804,278	12.8%	69,417,105	10.1%	69,417,105	10.8% [d]
Sofina & Henex group	14,110,330	2.2%	21,554,500	3.1%	21,554,500	3.3%
First Eagle Investment Management	14,797,091	2.3%	14,797,091	2.2%	14,797,091	2.3%
Amundi Asset Management	11,447,283	1.7%	11,447,283	1.7%	11,447,283	1.8%
Harris Associates L.P.	11,277,884	1.7%	11,277,884	1.6%	11,277,884	1.7%
CDC group	10,823,151	1.7%	10,823,151	1.6%	10,823,151	1.7%
Norges Bank	9,357,050	1.4%	9,357,050	1.4%	9,357,050	1.5%
Employee shareholding "Fonds Danone" company investment fund	8,190,638	1.3%	15,850,814	2.3%	15,850,814	2.5%
Treasury shares – the Company	33,946,170	5.2%	33,946,170	5.0%	–	–
Treasury shares – Danone Spain subsidiary	5,780,005	0.9%	5,780,005	0.8%	–	–
Others	451,417,320	68.9%	480,550,869	70.2%	480,550,869	74.5%
Total	**654,951,200**	**100.0%**	**684,801,922**	**100.0%**	**645,075,747**	**100.0%**

(a) The percentage of gross voting rights is calculated taking into account the shares held by the Company and its subsidiaries, which are stripped of voting rights.
(b) The number of net voting rights (or voting rights "exercisable in a Shareholders' Meeting") is calculated excluding shares stripped of voting rights.
(c) See section *Significant changes in Company's share ownership structure over the last three fiscal years* hereafter for details on MFS group's positions.
(d) The voting rights of MFS group were capped at 6% at the Shareholders' Meeting of April 29, 2015 in accordance with Article 26 II of the by-laws of the Company (see section 7.6 *Voting Rights, crossing of thresholds* above for details on limitations on voting rights at Shareholders' Meetings).

As of December 31, 2015, the total number of the Company's shares held by the 15 members of the Board of Directors and the 12 members of the Executive Committee (including one Director), i.e. a total of 26 people, was 628,170 shares, representing 0.10% of the Company's share capital.

There is no clause in the Company's by-laws giving preferential rights for the acquisition or sale of Company shares.

Lastly, as of December 31, 2015, the portion of the Company's share capital held by shareholders in registered form on the Company share register (*nominatif pur*) and in registered form on the books of a financial intermediary (*nominatif administré*) and pledged was not material.

To the Company's knowledge, on the basis of threshold crossing statements made to the French Financial Markets Authority, no shareholder other than the MFS group held a stake of more than 5% in the Company's share capital or voting rights as of December 31, 2015.

Significant changes in Company's share ownership over the last three fiscal years

Share ownership and voting rights of the Company's principal shareholders

Year ended December 31

	2015			2014			2013		
Shareholders	**Number of shares**	**% of total shares**	**% of net voting rights [a]**	**Number of shares**	**% of total shares**	**% of net voting rights [a]**	**Number of shares**	**% of total shares**	**% of net voting rights [a]**
MFS group [b]	83,804,278	12.8%	10.8%	80,984,423	12.6%	10.3%	68,665,265	10.9%	8.7%
Sofina & Henex group	14,110,330	2.2%	3.3%	13,957,819	2.2%	4.4%	13,584,541	2.2%	4.0%
First Eagle Investment Management	14,797,091	2.3%	2.3%	12,681,299	2.0%	2.0%	–	–	–
Amundi Asset Management	11,447,283	1.7%	1.8%	13,574,413	2.1%	2.1%	14,048,609	2.2%	2.3%
Harris Associates	11,277,884	1.7%	1.7%	19,551,538	3.0%	3.1%	14,426,983	2.3%	2.4%
CDC group	10,823,151	1.7%	1.7%	10,557,910	1.6%	1.7%	9,145,941	1.4%	1.5%
Norges Bank	9,357,050	1.4%	1.5%	9,665,010	1.5%	1.5%	10,761,115	1.7%	1.8%
Natixis Asset Management [c]	10,720,048	1.6%	0.8%	12,363,241	1.9%	1.1%	14,651,596	2.3%	1.5%
Employee shareholding "Fonds Danone" company investment fund	8,190,638	1.3%	2.5%	8,429,898	1.3%	2.6%	8,269,252	1.3%	2.6%
Treasury shares – the Company	33,946,170	5.2%	–	37,933,295	5.9%	–	38,828,409	6.2%	–
Treasury shares – Danone Spain subsidiary	5,780,005	0.9%	–	5,780,005	0.9%	–	5,780,005	0.9%	–
Others	440,697,272	67.3%	73.7%	418,218,922	65.0%	71.3%	432,772,057	68.6%	75.2%
Total	**654,951,200**	**100.0%**	**100.0%**	**643,792,000**	**100.0%**	**100.0%**	**631,028,000**	**100.0%**	**100.0%**

(a) This percentage excludes shares held by the Company and its subsidiaries, which are stripped of voting rights.

(b) See hereafter for details on MFS group's position.

(c) Natixis Asset Management indicated that it held 5,310,766 voting rights as of December 31, 2015 and that this number of voting rights (gross and net) that it owns in the Company is less than the number of shares that it holds, as some of its clients retain the voting right attached to the shares it manages.

Interest held by the MFS group

The Massachusetts Financial Services group ("MFS") has gradually increased its stake in the Company's share capital to 12.8% as of December 31, 2015.

Until August 2012, the MFS group declared that it recognized separately the DANONE securities held by the various entities within its group. Prior to that date, two MFS group entities, MFS Investment Management and MFS Institutional Advisors, Inc., had made separate declarations of crossing thresholds to the Company.

On August 13, 2012, Massachusetts Financial Services Company indicated to the Company that it had, on August 8, 2012, in accordance with the provisions of Article 223-12-II-1 of the general regulations of the French Financial Markets Authority, abandoned its disaggregation policy, which had aimed to recognize separately in two groups of companies the stakes in the Company's share capital owned. This decision has resulted, since August 8, 2012, in the aggregation at Massachusetts Financial Services Company level of all the DANONE shares held by the MFS group.

This decision also led the MFS group to declare the crossing of a threshold to the French Financial Markets Authority on August 10, 2012. Abandoning this disaggregation policy led the MFS group to cross the legal thresholds of 5% of capital and voting rights of the Company (declaration No. 212C1042).

On November 14, 2014, MFS declared to the French Financial Markets Authority that it had increased its shareholding in Danone above the 10% threshold (declaration No. 214C2390).

On April 29, 2015, MFS declared to the French Financial Markets Authority that it had increased its voting rights in Danone above the 10% threshold and that it held 68,202,789 shares representing the same number of voting rights, i.e. 10.59% of the share capital and 10.02% of the voting rights. On that occasion, MFS declared that it did not plan to acquire control of the Company and did not intend

to request the appointment of a member of the Board of Directors (declaration No. 215C0556).

Finally, MFS indicated to the Company that the number of (gross and net) voting rights of the Company it holds, is less than the number of shares it owns, as certain of its clients retain the voting ability on the shares whose management is assigned to MFS. Thus, as of December 31, 2015, MFS informed the Company that it held 83,804,278 DANONE shares (approximately 12.8% of the share capital), including 69,417,105 shares (approximately 10.6% of the capital) for which MFS exercises voting rights and 14,387,173 shares (approximately 2.2% of the capital) for which MFS clients have retained voting rights.

Other significant changes during the last three fiscal years

During fiscal years 2013 to 2015, Harris Associates, a US subsidiary of the Natixis group, increased its stake in the Company's share capital to 1.7% of the Company's shares as of December 31, 2015.

In 2014, the First Eagle group became a shareholder in the Company and held 2.3% of the Company's shares as of December 31, 2015.

No statement regarding the crossing of legal thresholds in respect of the share capital or voting rights of the Company was published by the French Financial Markets Authority in fiscal year 2015, with the exception of that of MFS described above.

To the best of the Company's knowledge, no other significant changes in the Company's shareholding structure have taken place during the past three fiscal years.

Survey of the Company's identifiable shareholders

Under the terms of its by-laws and in accordance with the legislation and regulations, the Company may, at any time, ask the entity responsible for clearing shares (Euroclear France) for the name (or legal name), nationality, and address of the holders of shares or other securities conferring immediate or future voting rights at its Shareholders' Meetings, along with the number of securities held by each of them and, if applicable, any restrictions placed upon such securities. Euroclear France obtains the information requested from account-holding custodians affiliated to it, which are obliged to provide such information.

At the request of the Company, the above information may be limited to those individuals holding a number of securities as determined by the Company.

The following table provides an analysis of the Company's shareholders on the basis of the survey of identifiable bearer shareholders the Company conducted in December 2015:

		Percentage of share capital
Institutional investors		**77%**
Including	*France*	*16%*
	United Kingdom	*11%*
	Switzerland	*6%*
	Rest of Europe	*15%*
	North America	*45%*
	Asia Pacific	*6%*
	Rest of the World	*1%*
Individual shareholders and "Fonds Danone" company investment fund		**11%**
Shares held by the Company and its subsidiaries		**6%**
Other		**6%**
Total		**100%**

Employee shareholding

Each year, the Company carries out a capital increase reserved for Group employee members of a company savings plan.

As of December 31, 2015, to the Company's knowledge, the number of the Company's shares held directly or indirectly by employees of the Company and of companies related to it, and, in particular, those that are subject to collective management or conditions prohibiting their disposal, either within the framework of a French company savings plan (Plan d'Épargne Entreprise) or through French company investment funds (Fonds Communs de Placement Entreprise – FCPE) (the "Fonds Danone" company investment fund and the company investment funds of other Group subsidiaries), was 8,340,955, i.e. 1,27% of the Company's share capital.

Only the supervisory board of the "Fonds Danone" FCPE is authorized to vote on behalf of the shares held by the FCPE. As an exception to this principle, in accordance with the decisions taken by the supervisory board, holders of shares in the FCPE may be consulted directly by referendum in the event that the supervisory board has a split vote. The supervisory board is currently composed of (i) four employee members representing current and former employees, who are appointed by the representatives of the various trade unions representing the Company's employees in accordance with the French labor code, and of (ii) four members representing the Company and appointed by the Group's management.

7.8 MARKET FOR THE COMPANY'S SHARES

Listing markets and indexes

Listing markets

The Company's shares are listed on Euronext Paris (Compartment A – Deferred Settlement Department; ISIN Code: FR 0000120644; ticker: "BN") and also have a secondary listing on the Swiss Stock Exchange (SWX Suisse Exchange).

Between 1997 and 2007, the Company's shares were also listed on the New York Stock Exchange in the form of American Depositary Shares (ADS). Due to the low trading volume of these ADS on this market, in 2007 the Group decided to delist the shares from that market and to deregister them with the Securities and Exchange Commission, pursuant to the U.S. Securities Exchange Act of 1934.

The Group nevertheless maintains a sponsored Level 1 program of American Depositary Receipts (ADR), which are traded over the counter through the OTCQX platform under the symbol DANOY (each ADR representing one-fifth of a DANONE share). OTCQX is an information platform representing over 300 international groups and enabling them to access US investors while guaranteeing price transparency.

Indexes

The Company's shares are included in the following indexes:

- CAC 40, the principal index of Euronext Paris;
- Eurostoxx 50, which lists the 50 largest market capitalizations in the euro zone.

The Company is also included in the main social responsibility indexes such as Dow Jones Sustainability Index, Vigeo (World 120, Eurozone 120, Europe 120 and France 120) and Ethibel Sustainability Index (ESI) (Excellence Europe and Excellence Global) comprise the best-performing companies selected annually based on strict criteria such as the quality of corporate governance, social responsibility policy, their criteria relating to innovation, and their economic performance.

Stock price and trading volumes

Year ended December 31, 2015

	Number of shares traded		Volumes traded		Stock price	
	Total *(in number of shares)*	Daily average *(in number of shares)*	Total amount traded *(in € billions)*	Monthly average stock price *(in € per share)*	High *(in € per share)*	Low *(in € per share)*
January	47,139,066	2,244,717	2.66	56.12	60.53	51.88
February	43,230,076	2,161,504	2.56	59.24	62.38	56.82
March	38,060,946	1,730,043	2.36	62.24	63.39	60.80
April	39,987,564	1,999,378	2.62	65.47	67.74	61.85
May	32,491,537	1,624,577	2.05	63.30	65.58	61.03
June	44,142,193	2,006,463	2.68	60.79	64.08	57.99
July	36,201,045	1,573,958	2.19	60.84	63.33	57.33
August	36,034,833	1,715,944	2.09	59.19	63.49	51.73
September	42,277,780	1,921,717	2.32	54.46	56.52	52.88
October	39,855,284	1,811,604	2.39	59.70	65.16	55.15
November	30,758,583	1,464,694	1.98	64.29	66.35	62.28
December	35,274,965	1,603,407	2.21	62.68	66.50	60.35

Source: Euronext Paris. Includes over-the-counter transactions.

7.9 FACTORS THAT MIGHT HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER

In accordance with article L. 225-100-3 of the French commercial code, the factors that might have an impact in the event of a tender offer are set out hereafter:

(i) Structure of the Company's share capital

Details of the structure of the Company's share capital are provided in section 7.7 *Share ownership structure as of December 31, 2015 and significant changes over the last three fiscal years.*

(ii) By-Laws' restrictions to the exercise of voting rights

The Company's by-laws provide for a system of limitation of voting rights, described in section 7.6 *Voting rights, crossing of thresholds*. The Shareholders' Meeting of April 22, 2010 has decided to include a mechanism for suspending this limitation if the number of shares present or represented at a Shareholders' Meeting reaches or exceeds 75% of the total number of shares carrying voting rights.

In addition, the Company's by-laws provide for a reporting obligation for anyone who would hold or cease to hold a fraction equal to 0.5% of voting rights or a multiple thereof, beginning when one of the thresholds is crossed. This mechanism is described in section 7.6 *Voting rights, crossing of thresholds*.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

On the date hereof, the Company is not aware of any clause of agreements providing for preferential terms of sale or acquisition concerning at least 0.5% of the capital or voting rights of the Company.

(iii) Direct or indirect holdings in the Company's share capital of which the Company is aware

Details of the Company's shareholder structure are provided in section 7.7 *Share ownership structure as of December 31, 2015 and significant changes over the last three fiscal years.*

(iv) Holders of securities providing special control rights over the Company and description of such rights

None.

(v) Control mechanisms provided for any employee shareholding program, when such control rights are not exercised by employees

Only the supervisory board of the "Fonds Danone" company investment fund (which on December 31, 2015 held 1.3% of the share capital and 2.5% of the net voting rights) has the authority to decide how to respond to a possible tender offer. As an exception to this principle, holders of shares in the company investment fund may be consulted directly by referendum if the supervisory board were to have a split vote.

(vi) Agreements between shareholders of which the Company is aware and that could impose restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no agreement exists between shareholders that could impose restrictions on the transfer of the Company's shares and the exercise of voting rights.

(vii) Rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws

With the exception of the rules, approved by the shareholders at the Shareholders' Meeting of April 29, 2014, concerning the appointment of the Directors representing employees (see section 6.1 *Governance bodies*), there are no specific rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws.

(viii) Powers of the Board of Directors in the event of a public tender offer

Pursuant to the resolution approved by shareholders at the April 29, 2015 Shareholders' Meeting, the Board of Directors is prohibited from implementing the Company share repurchase program during a public tender offer involving the Company's shares. The Shareholders' Meeting of April 28, 2016 will be asked to renew this prohibition.

In addition, following the amendment of Article L. 233-32 of the French commercial code by law No. 2014-384 of March 29, 2014 aimed at recapturing the real economy (the "Florange law"), in accordance with the decision of the Shareholders' Meeting of April 29, 2015, the Board of Directors may not decide to issue shares and securities

with or without preferential subscription rights (other than capital increases reserved for employees and managers and grants of Group performance shares) during periods when the Company's shares are the subject of a public tender offer.

(ix) Agreements signed by the Company that are amended or terminated in the event of the change of control of the Company

- Danone granted put options to certain non-controlling shareholders of its subsidiaries relating to their shares, which may be exercised during a public tender offer. The amount of such options is set out in Notes 3.4 and 3.5 of the Notes to the consolidated financial statements.
- In 2005, the Company and the Arcor group signed an agreement governing relations between Danone and Arcor within the joint venture named Bagley Latino America, a leader in biscuits in Latin America, in which the Company holds a 49% equity interest. In the event of a change of control of the Company, the Arcor group will have the right to have the Company repurchase all of its interest held in Bagley Latino America, for an amount equal to its fair value.
- Under the terms of contracts regarding the use of mineral springs, in particular *Volvic* and *evian* in France, the Group has very old and privileged relations with local municipalities in which these springs are located. It is difficult for the Company to assess with certainty the impact on these contracts of any change in its control.
- The stock-option plans, as well as Group performance units (GPU) and Group performance shares (GPS) plans, that were put in place by the Company for the benefit of certain employees and its corporate officers (*mandataires sociaux*), include specific provisions in the event of a change of control of the Company resulting from a public tender offer on the Company's securities, described in section 6.3 *Compensation and benefits for corporate officers and governance bodies*.
- The Group's syndicated facility agreement includes a change of control clause, which offers the lending banks an early redemption right in the event of a change of control of the Company, if it is accompanied by a downgrade of its rating by the rating agencies to "sub-investment grade". This syndicated facility agreement signed on December 18, 2014 represents a principal amount of €2 billion.
- The Company's EMTN program, the Company's bond issue in the US in June 2012 and certain bank credit facility also include a similar feature in the event of a change of control of the Company (see Note 10.3 of the Notes to the consolidated financial statements).

(x) Agreements providing for indemnities to be paid to employees and corporate officers of the Company in the event that they resign, or their employment is terminated in the absence of a real and serious cause, or if their employment expires due to a public tender offer

The indemnities that would be paid to the Company's executive directors and officers (*mandataires sociaux*) in certain circumstances are described in section 6.3 *Compensation and benefits for executives and governance bodies*.

7.10 CHANGE OF CONTROL

To the Company's knowledge, no agreement exists which, if implemented, could, at a future date, lead to a change of control of the Company.

8.1 SHAREHOLDERS' MEETINGS 324

8.2 DRAFT RESOLUTIONS PRESENTED AT THE SHAREHOLDERS' MEETING 325

Resolutions within the authority of the Ordinary Shareholders' Meeting **325**

Resolutions within the authority of the Extraordinary Shareholders' Meeting **328**

8.3 COMMENTS ON THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING 330

Approval of the statutory and consolidated financial statements for fiscal year 2015 (1st and 2nd resolutions) **330**

Allocation of earnings and dividend proposal (3rd resolution) **330**

Composition of the Board of Directors (4th to 6th resolutions) **331**

Renewal and appointment of the Statutory auditors (7th to 10th resolutions) **333**

Approval of agreements and commitments referred to in the Statutory auditors' special report (11th to 13th resolutions) **334**

Advisory opinion on the components of compensation of corporate officers (14th to 15th resolutions) **336**

Share buyback (16th resolution) **342**

Allocations of Group Performance Shares (17th resolution) **342**

8.4 SPECIAL REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING 345

Combined Shareholders' Meeting of April 28, 2016 (17th resolution) **345**

8

Combined Shareholders' Meeting of April 28, 2016

8.1 SHAREHOLDERS' MEETINGS

The Board of Directors convenes Shareholders' Meetings in accordance with French law.

Meetings shall be held in the town in which the registered office is located or in any other locality, depending on the decision made in such regard by the person calling the meeting, and at the venue specified in the notice of meeting.

When properly convened and constituted, the Shareholders' Meeting represents all the shareholders. Its resolutions are binding on all, even dissenting, incompetent, or absent shareholders.

All shareholders may participate to Shareholders' Meetings, regardless of the number of shares held, subject to the loss of rights incurred under any applicable laws or regulations, subject to proof of identity and share ownership.

Shareholders may choose between one of the three following participation options:

- attend the Meeting in person by requesting an admission card;
- give a proxy to the Chairman of the Shareholders' Meeting or any other natural or legal person of their choice; or
- vote by correspondence.

In accordance with Article R. 225-85 of the French commercial code, the right to attend the Shareholders' Meeting requires the registration of the securities in the name of the shareholder or of the authorized intermediary acting on his/her behalf (pursuant to the seventh paragraph of Article L. 228-1 of the French commercial code), on the second business day preceding the Meeting, either in the Company's registry of registered shares or in the registry of bearer securities maintained by the authorized intermediary.

In accordance with Article R. 225-85 of the French commercial code, the registration of securities in the registry of bearer securities maintained by the authorized intermediary shall be established by a certificate of participation issued by the intermediary (as the case may be, by electronic means under the conditions set forth in Article R. 225-61 of the French commercial code), and attached to the correspondence voting form, the proxy voting form or of the request for an admission card completed in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Shareholders may appoint any individual or legal entity of their choice as a proxy holder to be represented at a Shareholders' Meeting. Proxies, as well as any proxy revocations, must be evidenced in writing and notified to the Company or to its authorized representative (BNP Paribas Securities Services). Proxies may be revoked in the same forms as those required for the designation of the proxy holder, including by electronic means if need be. The owners of shares that are properly registered in the name of an intermediary under the conditions provided for in Article L. 228-1 of the French commercial code may be represented by a registered intermediary under the conditions provided for in said Article.

Minors and incompetent persons shall be represented by their legal guardians and trustees, who do not need to be shareholders themselves. A corporate entity shall be legitimately represented by any legal representative so entitled or by an individual specially empowered for said purpose.

The Company's by-laws allow for shareholders to participate in Shareholders' Meetings through electronic means, and a website will be specially configured for the Shareholders' Meeting of April 28, 2016, enabling shareholders to vote online before the Meeting. The electronic signature of the proxy or mail-in voting forms may be carried out using a procedure consistent with the terms defined in Articles R. 225-79 (for proxies) and R. 225-77 (for votes by correspondence) of the French commercial code.

Holders of bearer shares may also use the online VOTACCESS platform for the Shareholders' Meeting of April 28, 2016 (as was already the case for the Shareholders' Meeting of April 29, 2015). This facility has been available, since the Shareholders' Meeting of April 25, 2013, to all shareholders for whom the account-holding institution has adhered to the VOTACCESS system and, since the Shareholders' Meeting of April 29, 2014, to all holders of a minimum of one bearer share. This platform allows holders of bearer shares to send their voting instructions electronically, request an admission card and appoints or revokes a proxy, before the Shareholders' Meeting is held.

Finally, the Board of Directors may decide that any vote cast during a Shareholders' Meeting may be expressed by videoconference or by any telecommunication mean enabling the shareholder to be identified, in accordance with the terms set forth in the applicable legislation and regulations.

Upon decision of the Board of Directors, the shareholders can follow the Shareholders' Meeting in real time or in replay during one year on the Danone's website.

Danone also publishes on its website a report on the Shareholders' Meeting, including in particular the main presentations to shareholders.

8.2 DRAFT RESOLUTIONS PRESENTED AT THE SHAREHOLDERS' MEETING

The draft resolutions listed hereinafter were approved by the Board of Directors on February 22, 2016. Additional draft resolutions may be included in the agenda of the Shareholders' Meeting pursuant to article L. 225-105 of the French Commercial Code.

The final draft of the resolutions proposed to the Shareholders' Meeting will be published on the Group's website (www.danone.com) and in the notice as specified in article R. 225-81 of the French Commercial Code.

Resolutions within the authority of the Ordinary Shareholders' Meeting

First resolution

(Approval of the statutory financial statements for the fiscal year ended December 31, 2015)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors, approves the statutory financial statements of the Company for the fiscal year ended December 31, 2015, which include the balance sheet, the income statement and the notes, as presented, and which show earnings amounting to €2,216,728,877.62, as well as the transactions reflected therein and summarized in these reports.

Second resolution

(Approval of the consolidated financial statements for the fiscal year ended December 31, 2015)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors, approves the consolidated financial statements of the Company for the fiscal year ended December 31, 2015, which include the balance sheet, the income statement and the notes, as presented, as well as the transactions reflected therein and summarized in these reports.

Third resolution

(Allocation of earnings for the fiscal year ended December 31, 2015 and setting of the dividend at €1.60 per share)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors:

- acknowledges that the earnings for fiscal year 2015 amount to €2,216,728,877.62;
- acknowledges that retained earnings amount to €2,752,307,994.85;

totaling earnings available for allocation of profits of €4,969,036,872.47;

- decides to allocate the total earnings as follows:
  - to dividends in the amount of €1,047,921,920;
  - to retained earnings in the amount of €3,921,114,952.47.

The Shareholders' Meeting therefore decides the payment of a dividend of €1.60 per share.

When paid to individuals domiciled in France for tax purposes, the dividend is fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.

The ex-dividend date is May 5, 2016 and the dividend will be payable on May 9, 2016.

In accordance with the provisions of Article L.225-210 of the French commercial code, the Shareholders' Meeting decides that the amount of the dividend corresponding to the shares held by the Company on the payment date will be allocated to the "retained earnings" account.

As a reminder, the dividends distributed for the three previous fiscal years were as follows:

		Dividend distributed per share [a]
Fiscal year	**Number of shares**	*(in €)*
2012	643,162,000	1.45
2013	631,028,000	1.45 [b]
2014	643,792,000	1.50 [b]

(a) Dividend fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.
(b) The Shareholders' Meeting has offered to each shareholder of the Company the option for the payment of the dividend either in cash or in shares.

Fourth resolution

(Renewal of the term of office of Mr. Franck RIBOUD as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mr. Franck RIBOUD as Director for the three-year period set forth in the by-laws.

Mr. Franck RIBOUD's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2018.

Fifth resolution

(Renewal of the term of office of Mr. Emmanuel FABER as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mr. Emmanuel FABER as Director for the three-year period set forth in the by-laws.

Mr. Emmanuel FABER's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2018.

Sixth resolution

(Appointment of Mrs. Clara GAYMARD as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, appoints Mrs. Clara GAYMARD as Director for the three-year period set forth in the by-laws.

Mrs. Clara GAYMARD's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2018.

Seventh resolution

(Renewal of the term of office of PricewaterhouseCoopers Audit as Statutory Auditor)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and having acknowledged the expiration of the term of office of PricewaterhouseCoopers Audit as Statutory Auditor, renews its term of office for a legal period of six years, *i.e.* until the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2021.

Eighth resolution

(Appointment of Ernst & Young Audit as Statutory Auditor)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and having acknowledged the expiration of the term of office of Ernst & Young et Autres as Statutory Auditor, appoints Ernst & Young Audit as Statutory Auditor for a legal period of six years, *i.e.* until the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2021.

Ninth resolution

(Appointment of Mr. Jean-Christophe GEORGHIOU as Substitute Statutory Auditor)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and having acknowledged the expiration of the term of office of Mr. Yves NICOLAS as Substitute Statutory Auditor, appoints Mr. Jean-Christophe GEORGHIOU as Substitute Statutory Auditor of Pricewaterhouse Coopers Audit for a legal period of six years, *i.e.* until the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2021.

Tenth resolution

(Renewal of the term of office of Auditex as Substitute Statutory Auditor)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and having acknowledged the expiration of the term of office of Auditex as Substitute Statutory Auditor, renews its term of office for a legal period of six years, *i.e.* until the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year ended December 31, 2021.

Eleventh resolution

(Approval of an agreement referred to in Articles L. 225-38 et seq. of the French commercial code entered into with the mutual investment fund (SICAV) danone.communities)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors concerning the related-party transactions, approves the new agreement authorized by the Board of Directors entered into during the fiscal year ended on December 31, 2015 with the mutual investment fund (SICAV) danone.communities, as mentioned in such reports.

Twelfth resolution

(Approval of the undertakings referred to in Article L.225-42-1 of the French commercial code regarding Mr. Emmanuel FABER's severance package in certain cases of termination of his office)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors concerning the related-party transactions, approves the undertakings referred to in Article L.225-42-1 of the French commercial code and relating to the severance package in certain cases of termination of Mr. Emmanuel FABER's term of office mentioned in such reports.

Thirteenth resolution

(Approval of the undertakings referred to in Articles L.225-22-1 and L.225-42-1 of the French commercial code regarding Mr. Emmanuel FABER's retirement commitments)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors concerning the related-party transactions, approves the conditional future rights that would be granted to Mr. Emmanuel FABER, as from the renewal of his term of office by this Shareholders' Meeting, in connection with defined benefit retirement obligations that satisfy the characteristics of plans mentioned in Article L.137-11 of the French social security code and are subject to the provisions of Articles L. 225-22 and L. 225-42-1 of the French commercial code, as stated in such reports.

Fourteenth resolution

(Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2015 to Mr. Franck RIBOUD, Chairman of the Board of Directors)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF corporate governance code for listed companies, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, issues a favorable opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2015, to Mr. Franck RIBOUD, Chairman of the Board of Directors, as presented in such report.

Fifteenth resolution

(Advisory opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2015 to Mr. Emmanuel FABER, Chief Executive Officer)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF corporate governance code for listed companies, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, issues a favorable opinion on the components of compensation due or awarded for the fiscal year ended December 31, 2015 to Mr. Emmanuel FABER, Chief Executive Officer, as presented in such report.

Sixteenth resolution

(Authorization granted to the Board of Directors to purchase, retain or transfer Company' shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the description of the program established in accordance with Articles 241-1 et seq. of the general regulations of the French Financial Markets Authority:

1. Authorizes the Board of Directors to purchase, retain or transfer the Company's shares, on one or more occasions, within the context of a share repurchase program, pursuant to the provisions of Articles L.225-209 et seq. of the French commercial code and European Regulation 2273/2003 of December 22, 2003 implementing European Directive 2003/6/EC of January 28, 2003.

   The Company may repurchase its own shares for any of the following purposes:

   - the allocation of shares with respect to the exercise of stock purchase options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
   - the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
   - the sale of shares to employees (either directly or through employee savings mutual funds) within the context of employee shareholding plans or company savings plans;
   - the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
   - the later delivery of shares as payment or for exchange in the context of external growth transactions;
   - the cancelation of shares within the maximum legal limit; and/or
   - supporting the market for the shares pursuant to a liquidity contract concluded with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

   Within the limits permitted by applicable regulations, the shares may be acquired, sold, exchanged or transferred, in whole or in part as the case may be, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF) or via a systematic internalizer or over the counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or instrument (including in particular any future or any option) except the sale of put options, in the conditions set out by applicable regulations.

2. Decides that these transactions may be completed at any time, except during the period of a public tender offer on the Company's shares, and within the limits allowed by applicable regulations.

3. Decides that the maximum purchase price may not exceed €75 per share (excluding acquisition costs).

   In the event of a capital increase by incorporation of premiums, reserves or earnings through free allocations of shares or in the event of a stock split or a reverse stock split or any other

transaction relating to the share capital, the price indicated above will be adjusted by a multiplying factor equal to the ratio between the number of shares comprising the share capital before the transaction and the number of shares comprising the share capital after the transaction.

4. Acknowledges that the maximum number of shares that may be purchased under this authorization may not, at any time, exceed 10% of the total number of shares comprising the share capital (*i.e.*, on an indicative basis, 65,495,120 shares as of December 31, 2015, without taking into account the shares already held by the Company, representing a maximum theoretical purchase amount (excluding acquisition costs) of €4,912,134,000), it being specified that (i) this limit applies to an amount of the Company's capital that will be, if necessary, adjusted to take into account the transactions affecting the share capital following this Meeting and (ii) in accordance with Article L.225-209 of the French commercial code, when shares are repurchased to enhance liquidity under the conditions set out in the general regulations of the French Financial Markets Authority, the number of shares taken into account for the calculation of the above-mentioned 10% limit corresponds to the number of shares purchased, minus the number of shares resold during the authorization. The acquisitions made by the Company may not under any circumstances result in the Company holding more than 10% of its share capital, either directly or indirectly through subsidiaries.

   Furthermore, the number of shares acquired by the Company to be retained and later delivered for payment or exchange in the context of an external growth transactions may not exceed 5% of its share capital.

5. Delegates full powers to the Board of Directors with the ability to sub-delegate in accordance with the conditions set out by law, to:
   - place all orders on any market or carry out any transaction over the counter;
   - enter into any agreements for, among other purposes, the maintenance of the shares purchase and sale registries;
   - allocate or re-allocate the shares acquired to the various objectives under the applicable legal and regulatory conditions;
   - prepare all documents, file all declarations, issue all statements and carry out all formalities with the French Financial Markets Authority or any other authority regarding the transactions carried out pursuant to this resolution;
   - define the terms and conditions under which, where applicable, the rights of holders of securities giving access to the Company's share capital will be preserved in accordance with regulatory provisions; and
   - carry out all other formalities and, generally, take any necessary measures.

The Board of Directors will inform the Shareholders' Meeting of the transactions carried out pursuant to this resolution.

This authorization is granted for an 18-month period as from the date of this Meeting and supersedes with effect from this day the authorization granted by the Shareholders' Meeting of April 29, 2015 in its 19th resolution.

Resolutions within the authority of the Extraordinary Shareholders' Meeting

Seventeenth resolution

(Authorization granted to the Board of Directors to allocate existing or newly issued shares of the Company, without preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, in accordance with Articles L.225-197-1 et seq. of the French commercial code:

1. Authorizes the Board of Directors to freely allocate, on one or more occasions, shares of the Company, existing or to be issued, to members of staff or to certain categories thereof that it shall select among eligible employees and corporate officers of the Company and of affiliates of the Company within the meaning of Article L.225-197-2 of the French commercial code. If the shares allocated are to be issued, this authorization will result, after the expiration of the vesting period(s), in a capital increase through the incorporation of reserves, earnings or premiums in favor of the beneficiaries of said shares.

2. Decides that the Board of Directors will proceed with the allocations and will determine the identity of the beneficiaries of said allocations.

3. Decides that the allocation of shares in accordance with this authorization may not represent a number of existing or newly issued shares exceeding 0.2% of the Company's share capital at the end of this Meeting; this percentage shall be calculated without taking into account the adjustments that may be made in accordance with any applicable legal and regulatory requirements or any contractual provisions providing for any other adjustments as the case may be, to protect the rights of the holders of securities or other rights giving access to the share capital. It is noted that the nominal amount of the existing or newly issued shares allocated pursuant to this authorization shall be deducted from the limits provided for in paragraph (a) of the 20th and 21st resolutions submitted to the Shareholders' Meeting of April 29, 2015.

4. Decides that the existing or newly issued shares allocated pursuant to this authorization may be allocated, in accordance with legal requirements, to corporate officers of the Company, provided that the total thereof does not represent more than 0.03% of the Company's share capital at the end of this Meeting (subject to any adjustment mentioned in the preceding paragraph).

5. Decides that the allocation of shares to their beneficiaries will become final after a vesting period, the duration of which will be set by the Board of Directors and shall not be less than three years. The beneficiaries must hold said shares for a duration set by the Board of Directors and the holding period may not be less than two years after the final allocation of such shares. However, if the vesting period for all or a part of one or more allocations is a minimum of four years, the Shareholders' Meeting authorizes the Board of Directors not to impose any holding period for the shares in question. It is reminded that the Board of Directors may provide for longer vesting and holding periods than the aforementioned minimum durations.

6. Expressly subjects the final allocation of all existing or newly issued shares under this resolution to the achievement of the performance conditions determined by the Board of Directors and presented in the Board of Directors' report.

7. Decides, moreover, that, in the event that the disability of the beneficiary corresponds to a classification in the second or third

of the categories provided in Article L.341-4 of the French social security code, the shares will be definitively allocated to the beneficiary before the end of the remaining vesting period. Said shares will be freely transferable from delivery.

8. Acknowledges that this authorization entails ipso jure the waiver by the shareholders of their preferential subscription right to the shares that would be issued as a result of this resolution, to the benefit of the beneficiaries.

9. Grants full powers to the Board of Directors, with the ability to sub-delegate in accordance with the conditions set out by law, to implement this resolution, within the conditions set forth above and within the limits authorized by applicable laws and regulations, and in particular to determine, if applicable, the terms and conditions of the issuances that will be completed as a result of this authorization, as well as the dividend entitlement dates of the newly issued shares, acknowledge the share capital increases, amend the Company's by-laws accordingly, and more generally complete all formalities useful for the issuance, listing and financial servicing of securities issued as a result of this resolution and take all useful and necessary steps in accordance with applicable laws and regulations.

This authorization is granted until December 31, 2016.

Each year, the Board of Directors will inform the Ordinary Shareholders' Meeting, in accordance with legal and regulatory requirements, and in particular Article L.225-197-4 of the French commercial code, of the transactions completed pursuant to this resolution.

Eighteenth resolution

(Powers to carry out formalities)

The Shareholders' Meeting gives full powers to any bearer of an original, a copy or an excerpt of these minutes to make all legal and administrative formalities and carry out all filings and any publicity required by applicable laws and regulations.

8.3 COMMENTS ON THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING

TABLE OF CONTENTS

Approval of the statutory and consolidated financial statements for fiscal year 2015 (1st and 2nd resolutions) 330

Allocation of earnings and dividend proposal (3rd resolution) 330

Composition of the Board of Directors (4th to 6th resolutions) 331

Renewal and appointment of the Statutory auditors (7th to 10th resolutions) 333

Approval of agreements and commitments referred to in the Statutory auditors' special report (11th to 13th resolutions) 334

Advisory opinion on the components of compensation of corporate officers (14th to 15th resolutions) 336

Share buyback (16th resolution) 342

Allocations of Group Performance Shares (17th resolution) 342

Approval of the statutory and consolidated financial statements for fiscal year 2015 (1st and 2nd resolutions)

We request that you approve the Company's statutory and consolidated financial statements for the fiscal year ended December 31, 2015.

In accordance with Article 223 *quater* of the French tax code, it is stipulated that the total amount of expenses and charges referred to in paragraph 4 of Article 39 of the French tax code totaled €368,956 during the year under review, and that the tax borne as a result of these expenses and charges totaled €140,203.

Allocation of earnings and dividend proposal (3rd resolution)

You are asked to:

- acknowledge that earnings for fiscal year 2015 totaled €2,216,728,877.62;
- acknowledge that retained earnings amount to €2,752,307,994.85;

totaling earnings available for allocation of profits of €4,969,036,872.47;

- decide to allocate total earnings available for allocation as follows:
  - to dividends in the amount of €1,047,921,920;
  - to retained earnings in the amount of €3,921,114,952.47.

The amount of €1,047,921,910, distributed to shareholders enables the payout of a dividend of €1.60 per share.

Where this is paid to individuals domiciled in France for tax purposes, the dividend is fully eligible for the 40% tax allowance provided for in Article 158-3.2° of the French tax code.

The ex-dividend date is May 5, 2016 and the dividend will be payable as from May 9, 2016.

In accordance with Article L. 225-210 of the French commercial code, the amount of the dividend corresponding to the shares held by the Company on the payment date will be allocated to the "retained earnings" account.

Dividends paid in respect of the last three fiscal years

Fiscal year	Number of shares	Dividend distributed per share [a] (in €)
2012	643,162,000	1.45
2013	631,028,000	1.45 [b]
2014	643,792,000	1.50 [b]

(a) Dividend fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.
(b) The Shareholders' Meeting has offered to each shareholder of the Company the option of receiving the dividend in cash or in shares.

Composition of the Board of Directors (4th to 6th resolutions)

We request that you renew the terms of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER as Directors for the three-year period set forth in the by-laws. These renewed terms of office would expire at the end of the 2019 Shareholders' Meeting to approve the 2018 financial statements.

We also request that you appoint Mrs. Clara GAYMARD as a Director for the three-year period set forth in the by-laws. Her term of office would also expire at the end of the 2019 Shareholders' Meeting.

The Board of Directors noted that, if all its proposals are approved by the Shareholders' Meeting, the changes in the Board's composition will allow the Board to continue the ongoing improvement in Danone's governance.

Accordingly, the Board's composition at the end of the 2016 Shareholders' Meeting would compare with its composition at the end of the 2015 Shareholders' Meeting as follows:

- its independence rate would rise from 77% to 79%;
- the percentage of women Directors would increase from 38% to 43%;
- the average age of Directors would fall from 55.4 to 56.4;
- the average length of a Director's term of office would increase from 6.9 years to 7.3 years;
- its international composition would fall from 31% to 29%.

The Board notes that in recent years it has made a commitment to shareholders to pay close attention to its membership when proposing resolutions to the Shareholders' Meeting, notably with respect to its independence, the percentage of women Directors and the diversity of its expertise and its members.

Renewal of Mr. Franck RIBOUD's term of office (4th resolution)

The February 22, 2016 meeting of the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, reviewed the situation of Mr. Franck RIBOUD, whose reappointment as a Director is proposed to you.

1. Situation of Mr. Franck RIBOUD with respect to rules on multiple directorships
The Board reviewed the situation of Mr. Franck RIBOUD with respect to rules on multiple directorships and concluded that these rules had been fully respected. Currently, Mr. Franck RIBOUD is a Director at only one other listed company (Renault).

The biography and list of all responsibilities and positions held by Mr. Franck RIBOUD as of December 31, 2015 and during the past five years is found above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors.*

2. Combined employment contract and corporate officer term of Mr. Franck RIBOUD
The Board notes that the employment contract of Mr. Franck RIBOUD, who joined Danone as an employee in 1981, was suspended when he was appointed as a corporate officer of Danone. In 2014, in connection with the separation of the Chairman of the Board and Chief Executive Officer offices as well as his appointment as Chairman of the Board of Directors, the Board confirmed that his employment contract should be maintained and remain suspended.

The Board felt that this system should be kept in place, given Mr. Franck RIBOUD's age, personal situation and seniority as a Danone employee.

The Board feels that the provisions of the AFEP-MEDEF Code with respect to the cancellation of the employment contracts of corporate officers are not relevant for directors who have at least ten years' seniority at Danone. The Board feels that these provisions hinder promotions from within the Company and are contrary to the principle of management continuity that Danone strives to implement. Moreover, the cancellation of the employment contract could dissuade in-house candidates from accepting positions as corporate officers. The implementation of these recommendations would also have had the effect of depriving Mr. Franck RIBOUD of rights attached to his employment contract, these rights having steadily vested over the years of his professional career at Danone based on his seniority (34 years) and his effective work, including in particular the severance pay and long-term benefits (such as participation in group plans), benefits that in any event could not exceed the ceiling of two years worth of compensation (fixed and variable).

The Board also noted that the French Financial Markets Authority holds that a reasoned explanation for maintaining the employment contract of a corporate officer justifies waiving the AFEP-MEDEF Code recommendation.

3. Mr. Franck RIBOUD's attendance rate
Over the past three years, Mr. Franck RIBOUD's attendance rate was 100% at meetings of the Board and Strategy Committee.

4. Obligation to retain shares issued through the exercise of stock options and performance shares
In 2007, the Board instituted an obligation for corporate officers and for all Executive Committee members to retain shares issued through the exercise of stock options and performance shares, with the retention amount set at 35% of the net capital gain on acquisition.

The Board expanded this system in 2012 by setting an overall objective on the number of DANONE shares to be retained in the case of performance shares or shares created through the exercise of stock options, with the number of shares to be retained equal to four years' fixed compensation in the case of corporate officers and two years' fixed compensation in the case of other Executive Committee members. Once this threshold is attained the share retention obligation is considered to have been fulfilled.

The share retention obligation was reviewed by the Board in connection with the renewal of Mr. Franck RIBOUD's term of office. The Board concluded that this share retention obligation was sufficiently demanding. Specifically, the Board felt that given its high level, the mechanism was comparable to and made it possible to achieve the same objective as the AFEP-MEDEF Code, which calls for the purchase of shares following the lock-up period for performance shares.

Renewal of Mr. Emmanuel FABER's term of office (5th resolution)

The February 22, 2016 meeting of the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, reviewed the situation of Mr. Emmanuel FABER, whose reappointment as a Director is proposed to you.

1. Situation of Mr. Emmanuel FABER with respect to rules on multiple directorships
The Board reviewed the situation of Mr. Emmanuel FABER with respect to rules on multiple directorships and concluded that these rules had been fully respected. Currently, Mr. Emmanuel FABER is not a director of any other listed company. The biography and list of all responsibilities and positions held by Mr. Emmanuel FABER as of December 31, 2015 and during the past five years is found above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Combined employment contract and corporate officer term of Mr. Emmanuel FABER
The Board notes that the employment contract of Mr. Emmanuel FABER, who joined Danone as an employee in 1997, was suspended when he was appointed as a corporate officer of Danone. In 2014, when he was appointed Chief Executive Officer, the Board confirmed that his employment contract should be maintained and remain suspended.

The Board felt that this system should be kept in place, given Mr. Emmanuel FABER's age, personal situation and seniority as a Danone employee.

The Board feels that the provisions of the AFEP-MEDEF Code with respect to the cancellation of the employment contracts of corporate officers are not relevant for directors who have at least 10 years' seniority at Danone. The Board feels that these provisions hinder promotions from within the Company and are contrary to the principle of management continuity that Danone strives to implement. Moreover, the cancellation of the employment contract could dissuade in-house candidates from accepting functions as corporate officers. The implementation of these recommendations would also have had the effect of depriving Mr. Emmanuel FABER of rights attached to his employment contract, these rights having steadily vested over the years of his professional career at Danone based on his seniority (18 years) and effective work, notably the severance pay and long-term benefits (such as participation in group plans), benefits that in any event could not exceed the ceiling of two years worth of compensation (fixed and variable).

Besides, the Board noted the fact that the French Financial Markets Authority (*"Autorité des Marchés Financiers"*) considers that a detailed explanation of the maintenance of the executive's employment contract justifies the non-compliance with the Code's recommendation.

3. Mr. Emmanuel FABER's attendance rate
Over the past three years, Mr. Emmanuel FABER's attendance rate was 100% at meetings of the Board and committees on which he served, *i.e.* the Social Responsibility Committee and Strategy Committee.

4. Obligation to retain shares issued through the exercise of stock options and performance shares
In 2007, the Board instituted an obligation for corporate officers to retain shares issued through the exercise of stock options and performance shares, with the retention amount set at 35% of the net capital gain on acquisition.

The Board expanded this system in 2012 by setting an overall objective on the number of DANONE shares to be retained in the case of performance shares or shares created through the exercise of stock options, with the number of shares to be retained equal to four years' fixed compensation in the case of corporate officers and two years' fixed compensation in the case of other Executive Committee members. Once this threshold is attained the share retention obligation is considered to have been fulfilled.

The share retention obligation was reviewed by the Board in connection with the renewal of Mr. Emmanuel FABER's term of office. The Board concluded that this share retention obligation was sufficiently demanding. Specifically, the Board felt that given its high level, the mechanism was comparable to and made it possible to achieve the same objective as the AFEP-MEDEF Code, which calls for the purchase of shares following the lock-up period for performance shares.

Appointment of a new Director (6th resolution)

The February 22, 2016 meeting of the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, reviewed the situation of Mrs. Clara GAYMARD, whose appointment as a Director is proposed to you.

1. Mrs. Clara GAYMARD's skills and expertise
A French national, Mrs. Clara GAYMARD, 56, is a graduate of the Ecole Nationale d'Administration (ENA, class of 1986, Denis Diderot).

Mrs. Clara GAYMARD has exercised numerous high government functions in France, starting with the French Public Audit Office (*Cour des comptes*) as an auditor and then as a public auditor. She then became the assistant to the head of French Trade Office in Cairo (1991-1993), then headed up the European Union office (sub-directorate for Northern-Southern Europe) in the foreign economic relations department (DREE) of the Ministry of the Economy and Finance. In June 1995, she was named director of the office of Colette CODACCIONI, Minister for Solidarity between Generations. She was then appointed Assistant Director of SME Support and Regional Action at the DREE (1996-1999) before being named head of the SME Mission (1999-2003). From 2003, she served as Goodwill Ambassador in charge of foreign investments and as President of the French Agency for International Investments (AFII). She joined General Electric (GE) in 2006, where she became President of GE France and then President of the Northwest Europe region from 2008 to 2010. Still serving as Chairman and CEO of GE France, in 2009 Clara GAYMARD was named Vice-President of GE International for Government Sales and Strategy, and then in 2010 Vice-President for Governments and Cities, under the chairmanship of Jeffrey R.

IMMELT. In 2014, she was member of the negotiating team on the acquisition of Alstom's power business. At the end of 2015, Clara GAYMARD left her post at the head of GE France in order to devote herself to directors' terms of office and the Raise Endowment Fund.

The Board notes that her proven experience as a manager, successful international experience and excellent understanding of Danone's key markets make her a major asset for the work of the Board of Directors.

2. Situation of Mrs. Clara GAYMARD with respect to rules on multiple directorships

The February 22, 2016 meeting of the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, reviewed the situation of Mrs. Clara GAYMARD with respect to statutory rules and AFEP-MEDEF Code recommendations on multiple directorships. The Board concluded that the rules had been fully respected in her case. Mrs. Clara GAYMARD is currently a director at only one other listed company (Veolia).

The biography and list of all responsibilities and positions held by Mrs. Clara GAYMARD as of December 31, 2015 and during the past five years is found above in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

3. Mrs. Clara GAYMARD's situation with respect to independence rules

In reviewing her potential appointment as a Director, the February 22, 2016 Board of Directors' meeting, acting on the recommendation of the Nomination and Compensation Committee, determined that Mrs. Clara GAYMARD qualifies as an independent Director based on AFEP-MEDEF Code independence criteria (see section 6.1 *Governance bodies, Review of Directors' independence)*. In particular, the Board noted the absence of any significant business relations between Mrs. Clara GAYMARD and Danone.

Renewal and appointment of the Statutory auditors (7th to 10th resolutions)

Having noted the expiration of the Principal and Substitute Statutory auditors' terms of office, we ask that you renew PricewaterhouseCoopers' term of office as Principal Statutory auditor (7th resolution) and appoint Ernst & Young Audit (in the context of the renewal of Ernst & Young) as Principal Statutory auditor (8th resolution) each for a six-year term as authorized by the law. We also ask that you appoint Mr. Jean-Christophe GEORGHIOU as a Substitute Statutory auditor for PricewaterhouseCoopers for the six-year term authorized by statute (9th resolution) and renew for the same period the term of office of the firm Auditex as a Substitute Statutory auditor for Ernst & Young (10th resolution). These terms of office would end following the 2022 Shareholders' Meeting.

The selection process for the Statutory auditors was conducted by Danone's Audit Committee (consisting entirely of independent Directors). The Committee submitted its recommendation to the February 22, 2016 Board of Directors' meeting to forgo a tender offer and instead renew the current Principal Statutory auditors' terms, in accordance with applicable regulations and the recent European audit reform. In this respect, it is noted that regarding Ernst & Young, due to a restructuration of the statutory auditors' terms of office within this entity, Ernst & Young Audit would be appointed as Principal Statutory auditor in the context of the renewal of Ernst & Young.

The Audit Committee stressed that Danone had changed the composition of its Statutory auditors' panel six years ago with the appointment of Ernst & Young to replace Mazars, and that PricewaterhouseCoopers, a Statutory auditor for Danone since 1992, would be reappointed for one last six-year term in accordance with applicable regulations. The Committee thus sought to provide continuity and add value, especially during this time of Danone's major transformation and governance changes. In its recommendation, the Audit Committee also noted the Statutory auditors' high level understanding of Danone's activities and organization. Through a survey sent to a representative sample of chief financial officers of Danone subsidiaries, the Committee also verified that the current Principal Statutory auditors have the necessary expertise and skills as well as a network of sufficiently autonomous and independent entities to fulfill the requirements related to Danone's geographic footprint.

The Audit Committee also noted that for the years 2010 to 2015 statutory audit fees and fees directly related to statutory audits represented on average 91% of the total fees owed to PricewaterhouseCoopers and 96% to Ernst & Young (statutory audit fees accounting for 64% and 75%, respectively). Fees received by the Statutory auditors for the past two years are presented above in section 4.3 *Fees paid by the Group to the Statutory auditors and members of their network*. The Statutory auditors also confirmed their independence in accordance with Article L. 822-10 of the French commercial code.

In order to strengthen the independence and objectivity of the Statutory auditors as well as the quality of the audits, the allocation of countries audited and the work performed at the corporate office by the respective Principal Statutory auditors was reassessed following the 2015 audit. As required by law, the partners signing the 2016 audits will also be rotated at each audit firm.

Lastly, the Statutory auditors have already let it be known that they would accept their new term of office in the event of a favorable vote on these resolutions.

Approval of agreements and commitments referred to in the Statutory auditors' special report (11th to 13th resolutions)

We are asking you to approve the regulated agreements and commitments referred to in Articles L. 225-38 *et seq.* of the French commercial code, which were authorized by the Board of Directors and are presented below.

It should be noted that only new agreements and commitments are submitted to the Shareholders' Meeting for a vote. However, for information purposes, the Statutory auditors' special report (that appears above in section 6.5 *Statutory auditors' special report on related party agreements and commitments* describes agreements and commitments authorized in previous years and that carried over to 2015 and were reviewed by the Board at its February 22, 2016 meeting. The Board strives to keep shareholders well informed as to the execution of regulated agreements authorized in previous years and that remain in effect in the future.

Approval of the reallocation of resources in connection with the danone.communities project (11th resolution)

You are asked, first, to approve the new agreement on the reallocation by Danone of its resources used to fund the danone.communities project, authorized by the Board in 2014 and entered into in 2015.

On December 11, 2014, the Board of Directors (with Mr. Franck RIBOUD and Mr. Emmanuel FABER abstaining) unanimously authorized the Company to sign an agreement with the danone.communities mutual investment fund (*Société d'Investissement à Capital Variable* – SICAV) in order to reallocate a portion of its investment in danone.communities by reducing its investment in the SICAV in order to increase by the same amount its investment in the specialized professional investment fund (*Fonds Professionnel Spécialisé* – FPS), formerly the danone.communities venture capital fund (*Fonds Commun de Placement à Risque* – FCPR). This reallocation makes it possible to provide the FPS with additional resources that can be used to pursue existing projects and develop new ones by replicating existing models without increasing Danone's overall commitment to danone.communities.

Based on this authorization, on June 12, 2015 the Company signed a memorandum of agreement with the danone.communities SICAV in order to lay the groundwork for the transactions that would implement this reallocation. Pursuant to this agreement, Danone completed the following transactions in June and July 2015:

- partial divestment from the SICAV through the SICAV's purchase of shares held by Danone at their net asset value, in accordance with the SICAV by-laws, for a total of €11.4 million;
- acquisition of existing shares in the FPS from the SICAV at a price equal to the net asset value for a total amount of €1.4 million;
- subscription of new shares in the danone.communities FPS at a price based on the most recent audited net asset value as of December 31, 2014, adjusted for fund-raising calls, for a total amount of €6.1 million;
- reinvestment in the danone.communities SICAV of the balance of the amounts obtained by the Company in connection with the abovementioned partial divestment for a total amount of €3.8 million.

As of December 31, 2015 and following these transactions, Danone owns approximately 17% of the share capital in the SICAV and 63.6% of the share capital of the FPS.

It should be noted that the FPS shares are not fully paid in (current paid-in ratio of 68.2%) and that the Company has therefore pledged to pay in the outstanding amount on the shares it owns, when called by the FPS, which represents a maximum total amount of €3.7 million. In that regard, the memorandum of agreement reached between the SICAV and Danone makes reference to Danone's right to be reimbursed for the value of the shares it owns in order to pay for fund calls with respect to the unpaid shares it owns in the FPS.

Lastly, the governance of danone.communities was not affected by these transactions, and in particular the management of the SICAV and FPS continues to be performed by independent management companies.

The danone.communities project, which was approved at the Shareholders' Meeting of April 26, 2007, is described in section 5.3 *Funds sponsored by Danone*.

Approval of severance pay for Mr. Emmanuel FABER in certain cases of termination of his term of office (12th resolution)

In light of the reappointment of Mr. Emmanuel FABER, Chief Executive Officer, for another term as Director, it is your responsibility to vote on the renewal of his severance pay in the event he ceases to exercise his functions.

On September 2, 2014, in connection with the separation of the offices of Chairman of the Board of Directors and Chief Executive Officer and Mr. Emmanuel FABER's appointment as Chief Executive Officer, the Board of Directors (excluding Mr. Emmanuel FABER who abstained from voting) decided that his rights to severance pay should remain unchanged (as decided by the Board of Directors' meeting on February 18, 2013 and approved by the 2013 Shareholders' Meeting). This severance pay was approved by the 2015 Shareholders' Meeting.

In view of renewal of Mr. Emmanuel FABER as Chief Executive Officer, on February 22, 2016, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, voted unanimously (with Mr. Emmanuel FABER abstaining) to keep Mr. FABER's severance pay identical to the benefit approved by the 2015 Shareholders' Meeting.

The severance pay maintained by the Board meeting of February 22, 2016 is described above in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.

Approval of Mr. Emmanuel FABER's retirement benefits (13th resolution)

In light of the reappointment of Mr. Emmanuel FABER, Chief Executive Officer, for another term as Director, it is your responsibility to vote on the Company's defined benefit retirement plan for Mr. Emmanuel FABER at the April 28, 2016 Shareholders' Meeting.

In accordance with the provisions of Article L. 225-42-1 of the French commercial code introduced by law No. 2015-990 of August 6, 2015 (Macron law), if a corporate officer's term is renewed, future conditional rights on behalf of the corporate officer involving defined benefit retirement plans covered by Article L. 137-11 of the French social security code and subject to the provisions of Articles L. 225-22 and L. 225-42-1 of the French commercial code must be submitted to the Shareholders' Meeting, which votes on this renewal.

Mr. Emmanuel FABER is eligible to participate in the "Group Directors' retirement plan" established by Danone in 1976 in the context of measures aimed at retaining senior executives, and closed to new

beneficiaries since December 31, 2003. This plan represents a defined benefit retirement plan satisfying the characteristics of plans referenced in Article L.137-11 of the French social security code.

Danone's commitment involves the payment of an annuity (with a reversion option) calculated on the basis of the following:

- the calculation basis for the annuity corresponds to the average of annual base salaries and bonuses for the last three full years of work at Danone before retirement, with the length of service taken into account including the period corresponding to corporate officer term (the "Basis");
- the amount of the annuity that would be paid to Mr. Emmanuel FABER would correspond to (i) 1.5% per year of seniority (including the corporate officer term) of the Basis, for the tranche of the Basis between three and eight French social security ceilings, and (ii) 3% per year of seniority (including the period corresponding to the corporate officer term) of the Basis, for the tranche that is higher than these eight ceiling levels;
- in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have received his full rate social security pension will be applied to this annuity;
- the annuity amount will nevertheless be capped on the basis of 20 years maximum seniority less the full amount of pension rights acquired by Mr. Emmanuel FABER in the context of the supplementary pension plan fully funded by the Company.

Mr. Emmanuel FABER currently has a total of 18 years' seniority at Danone; his potential future benefits may therefore increase for another two years (while Mr. Franck RIBOUD, whose potential benefits reached their ceiling in 2014 and can no longer increase, that is not subject to the provisions of the Macron law).

In accordance with the Macron law, the February 22, 2016 Board of Directors' meeting, acting on the recommendation of the Nomination and Compensation Committee, decided to (i) subject the annual increase in Mr. Emmanuel FABER's retirement benefits to a performance condition starting with the renewal of his term in 2016 and (ii) subject this increase in these conditional future retirement benefits to the approval of the April 28, 2016 Shareholders' Meeting. This decision by the Board was the subject of a special disclosure on Danone's website.

This performance condition is identical to the one applicable to the severance pay granted to Mr. Emmanuel FABER in the event he should cease to exercise the function of Chief Executive Officer. Namely, for each fiscal year starting with the April 28, 2016 Shareholders' Meeting, the annual increase in his retirement benefits will depend on:

a) the arithmetic average of internal ("organic") growth in the Danone Group's net sales (the "Group's CA") during that fiscal year and the five previous fiscal years (the "Reference Period");

b) the arithmetic average of internal ("organic") growth in net sales recorded by the Panel members ("CA of the Panel") over the Reference Period.

During the Reference Period (*i.e.* at the end of each fiscal year):

- if the Group's CA is equal to or greater than the Median CA of the Panel, the increase in Mr. Emmanuel FABER's conditional retirement benefits for the fiscal year will vest (provided that the other conditions stipulated in the retirement plan have been fulfilled);
- if the Group's CA is less than the Median CA of the Panel, Mr. Emmanuel FABER will not qualify to receive an increase in conditional pension benefits for that fiscal year (expressed as a percentage of the Basis relative to the number of years' seniority);

For the application of these conditions, it is noted that:

- the Group's CA refers to the arithmetic average internal ("organic") growth in Group net sales over the Reference Period (on a consolidated and like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the CA of each Panel member refers to the arithmetic average internal ("organic") growth in net sales recorded by said Panel member over the Reference Period (on a consolidated and like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the Panel CAs refer to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CA;
- the Panel consists of eight benchmark international groups in the food and beverage sector, namely Unilever N.V., Nestlé S.A., Kraft Heinz Company (Kraft Foods Group Inc. until 2014), Mondelez International Inc., PepsiCo Inc., The Coca-Cola Company, General Mills Inc. and Kellogg Company.

To ensure the comparability of CAs used, it is specified that:

- restatements may be made (such as corrections related to changes in consolidation scope and exchange rates) to the strict extent necessary in order to ensure that the method of calculating the CAs of all Panel members and the Group's CA is consistent over the Reference Period;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member from the Panel through a duly justified decision;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or are published late, the Board of Directors will make a decision duly justified at a later date, on the basis of the most recent audited financial statements published by the members of the Panel and by Danone over the last five fiscal years for which financial statements were published for all members of the Panel and for Danone;
- the Board of Directors may, through a duly justified decision taken at a later date, change the Panel members in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of one or more members of the Panel, provided that it maintains the overall consistency of the peer group.

Each year, prior to the Shareholders' Meeting held to approve the previous fiscal year's financial statements, the Board of Directors will issue a statement as to whether this performance condition has been satisfied, based on the report of a financial advisor, and will determine the increase in Mr. Emmanuel FABER's pension benefits for said fiscal year, through duly justified decisions taken after a recommendation from the Nomination and Compensation Committee.

It should be noted that in all cases, the amount of the annuity that would be paid to Mr. Emmanuel FABER will remain capped on the basis of 20 years' maximum seniority, less the sum of pension benefits vested by Mr. Emmanuel FABER in the context of the supplementary pension plan fully funded by Danone.

Advisory opinion on the components of compensation of corporate officers (14th to 15th resolutions)

Reminder of the principles of the Group's compensation policy for corporate officers

Compensation for Danone's corporate officers is:

- appropriate and balanced in its various components, while favoring the award of a main part in the form of a variable multi-annual compensation;
- determined in line with that of other directors and senior executives of Danone's subsidiaries worldwide.

Compensation of the Chief Executive Officer

The Chief Executive Officer's compensation is divided into three distinct components: annual compensation, variable multi-annual compensation and variable long-term compensation, whose principles are described hereafter.

The Nomination and Compensation Committee conducts an in-depth study of best practices in the market on the basis of (i) a benchmark prepared by an external consultant, whose objectivity was verified by including large international companies listed in France (CAC 40), and (ii) a panel of eight leading international groups in the food and beverage sector (the same panel as used for the performance conditions of Group performance shares and severance pay for corporate officers, and including Unilever N.V., Nestlé S.A., PespiCo Inc., The Coca-Cola Company, the Kraft Heinz Company, Mondelez International Inc., General Mills Inc. and Kellogg Company).

The Nomination and Compensation Committee determines the Chief Executive Officer's compensation by taking into account:

- on the one hand, that the mid-term and long-term portion is sufficiently significant in relation to his annual compensation (to motivate him to work in a long-term perspective);
- on the other hand, that the portion subject to performance conditions is also sufficiently significant when compared to the fixed portion so as to ensure effective alignment of his interests with the general interest of Danone and shareholders.

In addition, the Nomination and Compensation Committee determines this overall compensation by integrating the potential benefit that comes from the supplementary pension plan.

The performance conditions are established so as to be both complementary and stable over the long term. They are drawn up with reference to Danone's objectives communicated to the market. In addition, these performance conditions reflect compensation best practices, such as the integration of internal and external performance conditions, the latter being drawn up according to the "no pay below median" principle. The Nomination and Compensation Committee is therefore particularly careful to ensure that the performance criteria for compensation are demanding and reward long-term performance in line with market expectations.

The compensation policy implemented is based on simple, stable and transparent principles: thus Group performance units have been awarded since 2005 and Group performance shares since 2010. All the components of compensation of corporate officers, as well as an assessment of whether they have been achieved, are published on the Company's website and in the Registration Document (see section 6.3 *Compensation and benefits for corporate officers and governance bodies*). Lastly, for several years, Danone has communicated with shareholders regularly on this subject.

Mr. Emmanuel FABER's 2015 annual compensation consists of the following items:

- fixed compensation totaling €1 million, which is reviewed after relatively lengthy intervals (this fixed compensation was reviewed for Mr. Emmanuel FABER when he was appointed Chief Executive Officer in September 2014 and has remained unchanged since then; his compensation as Deputy General Manager was unchanged since 2011) and takes into account both his experience and level of responsibilities;
- targeted annual variable compensation of €1 million representing 100% of his fixed compensation and able to reach a maximum of 200% of his fixed compensation, with no minimum or guaranteed floor.

The annual variable compensation was calculated on the basis of performance conditions set previously and consisting of the following:

- an economic, quantitative portion, established using targets disclosed by Danone to the market, representing 60% of the target and with a variation range of between 0% and 120%, consisting of the following items:
  - for 25%, organic growth in net sales, with a variation range of between 0% and 50% of the target;
  - for 25%, increase in trading operating margin, with a variation range of between 0% and 50% of the target;
  - for 10%, free cash-flow in millions of euros, with a variation range of between 0% and 20% of the target;
- a social and societal portion, established with reference to Danone's objectives (job security, employee training, development of young talent, environmental parameters and societal initiatives), representing 20% of the target and with a variation range of between 0% and 40%, consisting of the following items:
  - for 10%, achievement of "100,000 talents" development program;
  - for 10%, achievement of the main objectives related to the definition and launch of the Danone 2020 program;
- a managerial portion, calculated using objectives related to the development of Danone's business (product innovations, market share, market penetration in new regions and implementation of strategic plans), representing 20% of the target and with a variation range of between 0% and 40%, consisting of the following items:
  - for 10%, managing of Danone leaders teams;
  - for 10%, achievement of the Executive Committee's annual business priorities for 2015, with the same range.

At its February 22, 2016 meeting, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, determined the attainment level for Emmanuel Faber's annual variable compensation. Regarding the economic, quantitative portion, after validation of the financial components by the Audit Committee, the Board of Directors determined that the rate of attainment of the economic component was 115%, based on the achievement of targets disclosed to the market, namely 4.4% net sales growth on a like-for-like basis, +17 basis points rise in trading operating margin on a like-for-like basis and a free-cash flow generation of €1.529 million without exceptional items. Concerning net sales, the Board of Directors considered that its progression, while being very solid in view of the market context and the volatile economy

of some countries, came out slightly below the guidance's median fixed between 4 and 5%. Concerning the operating margin, the Board recognizes the effectiveness of transformation actions aiming at structurally improving Danone's growth model towards a better balance between profitability and sales growth, while continuing to prioritize the investments necessary for the company's future development. As such, the Board highlights that the performance exceed expectations, as does the FCF, the significant progression of which proves the solidity of Danone's fundamentals in this area.

At this same meeting, the Board of Directors decided that the rate of attainment of the social and societal component was 150% of the target, notably in light of the achievement of remarkable results in terms of Danone's teams' commitment, as demonstrated by a recent anonymous opinion poll carried out by an independent firm with the participation of more than 82% of Danone's employees around the world; the success of the implantation of the "Campus for all" development programme in Danone's key geographical areas; the ongoing improvement of working conditions (further decrease of 14% of the frequency of accidents); the realization of major objectives related to the definition and the start of the deployment of the Danone 2020 project such as, the sharing of "Roadmap Danone 2020" with Danone's different strategic stakeholders, the definition of the climate policy, and the finalization of the new "Beyond Budget" process (rolling forecasts instead of the traditional budget process. Furthermore, the Board of Directors considered that the attainment rate of the managerial component was 125% of the target, notably in consideration of the creation of a new Executive Committee and its alignment on strategic priorities as well as the commitment by the 200 managers of subsidiaries and principal Danone corporate functions to support the priorities, and finally the attention given to the achievement of the Executive Committee's 13 business priorities for 2015.

It therefore established Mr. Emmanuel FABER's annual variable compensation for the 2015 fiscal year at 124% of the target compensation, or €1,240,000. The details of this calculation is indicated below:

Indicators	**Weighting**	**Percentage fulfillment**	**Percentage after weighting**	**Fulfillment amount** *(in €)*
Economic	60%	115%	69%	€690,000
Social and societal	20%	150%	30%	€300,000
Managerial	20%	125%	25%	€250,000
2015 total variable compensation	**100%**	–	**124%**	**€1,240,000**

The percentage fulfillment of the economic portion is presented below:

Indicators	**Weighting**	**Percentage fulfillment**	**Percentage weighting**
Sales	25%	90%	22.5%
Trading operating margin	25%	130%	32.5%
Free cash-flow	10%	140%	14%
Total	**60%**	**115%**	**69%**

In 2015, medium- and long-term variable compensation consisted of the following components:

- medium-term variable compensation in the form of Group performance units paid subject to multi-year performance conditions over three years;
- long-term variable compensation, in the form of Group performance shares subject to long-term performance conditions based on internal performance criteria related to targets disclosed to the market by Danone and external performance criteria related to a comparison of Danone's performance with a peer group. Danone's Group performance share grant program is therefore in line with best practices for the market (see comments on the 17th resolution below).

Compensation of the Chairman of the Board of Directors

The separation of the offices of the Chairman of the Board and the Chief Executive Officer as part of the reorganization of Danone's General Management led to Mr. Franck RIBOUD's compensation being reviewed in its entirety.

The level of compensation was established in light of Mr. Franck RIBOUD's seniority at Danone, the expanded scope of his duties as Chairman and his active role in the transition since the Board of Directors deemed it to be in the interests of Danone for Mr. Franck RIBOUD to play an expanded role during the transition period.

In view of these considerations, the Board, upon recommendation of the Nomination and Compensation Committee, decided that Mr. Franck RIBOUD would receive an annual fixed compensation, of €2 million, with no other compensation (annual variable compensation, Group Performance Units, Group Performance Shares).

As part of his expanded responsibilities as Chairman, Mr. Franck RIBOUD performed the following duties in 2015:

- created and chaired the new Strategy Committee, a subcommittee of the Board of Directors;
- met regularly with the highest-level governmental officials in several key and strategic countries for Danone (Russia, China, Argentina, France, etc.);
- represented Danone at leading international economic forums (Boao forum in China, Franco-German meetings, Gaidar Forum in Russia, etc.);
- maintained relations with Danone's historical and strategic partners, non-controlling interests of certain Danone subsidiaries (notably in Russia) or companies in which Danone holds non-controlling interests (e.g. in Japan, North Africa and Latin America);
- participated in certain negotiations at the request of General Management;
- introduced the new Chief Executive Officer to Danone's large strategic customers;
- actively participated in the launch of new initiatives in connection with Danone's dual economic and social project, in particular the creation of the L3F investment fund alongside Mars;
- participated in key events in the life of the Company as part of the mission to instill Danone's company culture, strategy and history in managers and especially new employees. In that regard, he attended conferences held by various Company divisions and subsidiaries as well as several training seminars, visited industrial plants, met with management committees and hosted the Chairman's Day (discussions with employees from all different management and employee levels and from around the world), etc.;
- held regular discussions with General Management on a wide range of topics chosen at its initiative as part of the ongoing efforts to pass on his knowledge. The Chairman of the Board therefore shared his insights and experience on certain projects and decisions of General Management, notably with respect to the corporate organization and innovation.

This transition period is set to conclude in the course of 2017 as planned, at which point Mr. Franck RIBOUD will continue his functions by exercising the traditional role of a Chairman of the Board. The Board, upon recommendation of the Nomination and Compensation Committee, will then examine the Chairman's compensation.

Concerning the components of compensation due or awarded in respect of the fiscal year ended December 31, 2015 to Mr. Franck RIBOUD, Chairman of the Board of Directors (14th resolution)

The shareholders are asked to issue an opinion on the following components of compensation due or awarded to Mr. Franck RIBOUD, Chairman of the Board of Directors for the fiscal year just ended.

The sections referenced in the following table are those in section 6.3 *Compensation and benefits for corporate officers and governance bodies*.

(in €)	**Amount or value for accounting purposes submitted to a vote at the 2016 Shareholders' Meeting**	**Presentation**
Components of compensation owed or granted to Mr. Franck RIBOUD, Chairman of the Board of Directors, for the fiscal year just ended		
Fixed compensation	2,000,000	The amount of his compensation was determined on the basis of the expanded scope of the Chairman's duties assumed by Mr. Franck RIBOUD and the exemplary and particularly smooth nature of the transition currently under way. This transition phase is scheduled for completion in the course of 2017, at which point Mr. Franck RIBOUD will then continue his functions by exercising the traditional role of a Chairman of the Board. With regard to the complementary tasks entrusted to Mr. Franck RIBOUD, he chairs and leads the Strategy Committee, ensures compliance with the values of Danone and its culture, may represent Danone in its high-level relations (at the request of the Chief Executive Officer) on a national and international level, may be consulted on any significant events concerning Danone's strategy and participates in internal meetings with managers and teams (see section on *Details of annual compensation and benefits due and paid to corporate officers*).
Annual variable compensation	Not applicable	Mr. Franck RIBOUD does not receive any annual variable compensation.
Deferred variable compensation	Not applicable	Danone does not offer any deferred variable compensation to corporate officers.
Multi-annual variable compensation (*i.e.* Group performance units)	Not applicable	Mr. Franck RIBOUD does not receive any GPU.
Extraordinary compensation	Not applicable	Danone has not introduced a system of extraordinary compensation for corporate officers.
Stock options, performance shares (*i.e.* Group performance shares) and other long-term compensation	Not applicable	Not applicable, he most recent grant of stock-options to corporate officers occurred in November 2009.
	Not applicable	Mr. Franck RIBOUD does not receive any GPS.
Director's attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or corporate officers do not receive attendance fees.
Value of benefits of any kind	4,620	Benefits in kind correspond to the Company's pool of cars and drivers.
Components of compensation due or awarded in respect of the fiscal year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for regulated agreements and commitments		
Severance pay	Not applicable	As part of his new duties, Mr. Franck RIBOUD waived his severance pay benefit as a corporate officer. It should be noted that Mr. Franck RIBOUD also benefits from severance pay as part of his suspended employment contract (for more details, see section on *Suspension of the employment contract of corporate officers*).
Non-compete indemnity	Not applicable	A non-compete clause does not apply to Mr. Franck RIBOUD.
Supplementary retirement plan	No amount due for the fiscal year just ended	Corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers (125 persons still benefit from this plan). This retirement plan was closed to any new beneficiaries as of December 31, 2003. Since 2014, Mr. Franck RIBOUD's retirement benefits have been capped. Mr. Franck RIBOUD's potential future benefits can no longer increase through his new term, as such, the French law No. 2015-990 of August 6, 2015 (Macron law) does not apply to him. It is reminded that Mr. Franck RIBOUD's supplementary retirement plan was approved by the Shareholders' Meeting of April 29, 2008 in its 14th resolution. Eligibility for this plan is subject to the conditions described in the section *Obligations relative to executives' supplementary retirement plans*.

Concerning the components of compensation due or awarded in respect of the fiscal year ended December 31, 2015 to Mr. Emmanuel FABER, Chief Executive Officer (15th resolution)

The shareholders are asked to issue an opinion on the following components of the compensation due or awarded to Mr. Emmanuel FABER, Chief Executive Officer.

The sections referenced in the following table are those in section 6.3 *Compensation and benefits for corporate officers and governance bodies.*

(in €)	**Amount or value for accounting purposes submitted to a vote at the 2016 Shareholders' Meeting**	**Presentation**
Components of compensation owed or granted to Mr. Emmanuel FABER, Chief Executive Officer, for the fiscal year just ended		
Fixed compensation	1,000,000	Given Mr. Emmanuel FABER's new functions, his compensation was reviewed in its entirety. It takes into account his experience and level of responsibility.
Annual variable compensation	1,240,000	Annual variable compensation is granted subject to performance conditions, which are calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of economic, social and managerial objectives described in the *Principles applicable to annual variable compensation*. The principles and the calculation of this annual variable compensation are detailed above. With respect to the fulfillment assessment of the various annual variable compensation criteria, see section *2015 annual short-term variable compensation*.
Deferred variable compensation	Not applicable	Danone does not offer any deferred variable compensation to its corporate officers.
Multi-annual variable compensation (i.e. Group performance units) [a]	580,000	A total of 20,000 2015 GPU were granted to Mr. Emmanuel FABER on July 23, 2015. The general principles and annual targets for GPU granted in 2015 are described in the sections *General principles of Group performance units* and *Description of the Group performance units program (multi-annual variable compensation).*
Extraordinary compensation	Not applicable	Danone has not introduced a system of extraordinary compensation for corporate officers.
Stock-options, performance shares (i.e. Group performance shares) and other long-term benefits [b]	Not applicable	Not applicable, the most recent grant of stock-options to corporate officers occurred in November 2009.
	2,034,360	A total of 36,000 2015 GPS were granted to Mr. Emmanuel FABER on July 23, 2015. The general principles and annual targets for GPS granted in 2015 are described in the sections *General principles applicable to Group performance shares* and *Description of the Group performance shares program (long-term variable compensation).*
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or corporate officers do not receive attendance fees.
Value of benefits of any kind	4,620	Benefits in kind correspond to the Company's pool of cars and drivers.
Components of compensation due or awarded in respect of the fiscal year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for regulated agreements and commitments		
Severance pay	No amount due for the fiscal year just ended	Severance pay for corporate officers is subject to performance conditions. In addition, the amount of this pay was capped and the circumstances under which it is paid out have been limited. All information on Mr. Emmanuel FABER's severance pay is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments.*

(a) Maximum value of GPU granted during the year given the partial fulfillment of the 2015 target, or €29 per GPU.
(b) Represents the estimated value of GPS as of the grant date, in accordance with IFRS 2, *Share-based payment*.

(in €)	**Amount or value for accounting purposes submitted to a vote at the 2016 Shareholders' Meeting**	**Presentation**
Non-compete indemnity	No amount due for the fiscal year just ended	The non-compete clause currently applicable to Mr. Emmanuel FABER allows Danone, at its discretion, to activate the clause for a period of 18 months, provided it pays out a gross monthly indemnity that corresponds to 50% of his average gross base salary and his target bonus paid out during the previous 12 months, or to release him from this commitment without any financial consideration. To avoid a situation of multiple offices being held in a manner incompatible with AFEP-MEDEF Code recommendations, the Board of Directors' meeting of February 10, 2010, acting on the recommendation of the Nomination and Compensation Committee, amended the suspended employment contract of Mr. Emmanuel FABER such that the non-compete clause may only be exercised by the Company in the case of his resignation, in which case no indemnity for the termination of the employment contract or any other indemnity due in certain cases of his ending his term of office would be paid.
Supplementary retirement plan	No amount due for the fiscal year just ended	Corporate officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers (125 persons still benefit from this plan). This retirement plan was closed to any new beneficiaries as of December 31, 2003. In compliance with the French law 2015-990 of August 6,2015 (Macron law), the conditional future rights that will be granted to Mr. Emmanuel FABER, upon the renewal of his term of office in April 2016, in connection with defined benefit retirement obligations that satisfy the characteristics of plans mentioned in Article L. 137-11 of the French social security code and are subject to the provisions of Articles L. 225-22 and L. 225-42-1 of the French commercial code, will be submitted to the Shareholders' Meeting's approval and the annual increase in Mr. Emmanuel FABER's retirement benefits starting with his renewal will be subject to a performance condition. All information on Mr. Emmanuel FABER's defined benefit retirement plan and performance condition relating to increase of future retirement rights is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.

Share buyback (16th resolution)

Description of the authorization

We ask you to renew the authorization granted to your Board to purchase, hold or transfer Company shares within the scope of a buyback program coming under the provisions of Articles L. 225-209 *et seq*. of the French commercial code and European Regulation 2273/2003 of December 22, 2003 implementing European Directive 2003/6/EC of January 28, 2003.

A description of the share buyback program set up in accordance with Articles 241-1 *et seq*. of the general regulations of the French Financial Markets Authority is given in section 7.2 *Treasury shares and Danone call options held by the Company and its subsidiaries*.

The buyback by Danone of its own shares may be implemented for any of the following purposes:

- the allocation of shares with respect to the exercise of stock purchase options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of Group performance shares to employees and/or corporate officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancellation of shares within the maximum legal limit; and/or
- supporting the equity market for the DANONE shares pursuant to a liquidity contract entered into with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

These transactions may not be carried out during periods of public tender offers on the Company's shares.

Depending on the case, the shares may be acquired, sold, exchanged or transferred, in whole or in part, on one or more occasions, by any means or in any markets, including through multilateral trading systems or a systematic internalizer, or over the counter, including through purchases or sales of blocks of shares (without limiting the portion of the share buyback program that may be completed this way). These means include the use of any financial contract or forward financial instrument (including in particular any forward agreement or option), except the sale of put options, in the conditions set out by applicable regulations.

The maximum number of shares that may be purchased would represent 10% of the share capital, or 65,495,120 shares as of December 31, 2015, at a maximum purchase price of €75 (net of acquisition costs), resulting in a maximum theoretical total purchase amount of €4,312,134,000. The latter figure is for information purposes only, as it does not include shares already held by the Company.

This authorization would be given for an 18-month period and would supersede with effect from its adoption the 19th resolution approved by the 2015 Shareholders' Meeting.

Justification for the authorization request

It is important for Danone and its shareholders that your Board continues to have the necessary powers to carry out transactions involving the Company's shares.

These transactions enable the Board to make payments in Company shares in the context of external growth transactions and to offer shares to Danone's employees and corporate officers, notably as part of allocations of shares subject to performance conditions.

In 2015, therefore, the share buyback program implemented resulted in the acquisition of 1.2 million shares for the purpose of granting shares to Danone's corporate officers and eligible employees and in connection with a liquidity agreement.

It should be noted, insofar as it is necessary, that the Company purchased call options on DANONE shares in 2011 to cover a portion of the stock purchase option plans granted to certain employees and corporate officers. These calls, which represented a total of 0.1% of the Company's share capital as of December 31, 2015, may be exercised at any time to allow Danone to fulfill its obligations to deliver shares to these beneficiaries.

In accordance with the regulations of the French Financial Markets Authority, share buyback transactions are disclosed in detail each week on the Company's website.

Allocations of Group Performance Shares (17th resolution)

Context of the authorization request

Your Board of Directors, upon recommendation of the Nomination and Compensation Committee asks you to renew the authorization granted to it at the 2015 Shareholders' Meeting for a period of one year (until December 31, 2015), to allocate shares subject to performance conditions ("Group performance shares" or "GPS").

Identical structure and dilutive effect

The new resolution is based on a structure which is identical to that adopted in 2015 and brings no change in terms of dilution (0.2% of share capital).

The main characteristics of this new resolution are as follows:

- authorization to allocate Group performance shares is again proposed for one year (until December 31, 2016). A vote will thus enable shareholders to ensure in 2016 that, as in 2015, based on a strict and precise definition of performance conditions, the expected level of objectives would continue to be sufficiently ambitious and motivating in line with the Group's performance;
- group performance shares could only be allocated to employees and executive corporate officers, since the Chairman of the Board is not eligible in 2016, as in 2015;
- maintenance of a single reference period of three years applicable to all performance conditions;
- performance conditions that are demanding and adapted to Danone's current environment, based in equal parts on (i) an external performance criteria based on the average growth in Danone's net sales (consolidated) relative to that of a Panel of food and beverage industry companies, and (ii) an internal performance criteria based on the improvement of Danone's

trading operating margin on a like-to-like basis. The Board emphasizes that these two objectives are complementary in nature and reflect the key indicators monitored by investors and analysts to measure the performance of companies in the food and beverage sector;

- stability of performance conditions. The Board considers that a certain degree of consistency in performance conditions is an essential factor for long-term value creation. In that regard, the Board of Directors proposes to shareholders performance conditions that will continue to include growth in the Group's sales and trading operating margin;
- all 100% of the shares granted remain subject to performance conditions.

The Board of Directors emphasizes its desire for performance share grants to continue to adhere to governance principles and best practices, which in addition to the aforementioned items include the following:

- involvement at every stage (allocation, review of fulfillment of performance conditions, etc.) by the Nomination and Compensation Committee, entirely composed of independent Directors;
- compliance with best market practices concerning ceilings, applicable to GPS allocations as percentages of the share capital, as well as sub-ceilings for allocations to executive officers;
- continuation by the Board of its policy for the allocation of "4+0" GPS, applied since 2013 to corporate officers, as recommended by the Nomination and Compensation Committee, henceforth extended to all beneficiaries in order to increase the length of the vesting period, thus conforming to financial market best practices, notwithstanding shorter time periods now authorized by law no. no. 2015-990 of August 6, 2015 (Macron law);
- stability of allocation periods, with the main allocation generally taking place yearly at the Board meeting convened to approve the interim financial statements, *i.e.* at the end of July;
- adherence to stringent ethical rules, including the prohibition for beneficiaries who are members of the Executive Committee to use any hedging instrument in respect of GPS and shares stemming from GPS allocations, and the holding obligation of a significant number of shares stemming from GPS allocations, periodically set by the Board, until the termination of their duties within the Company.

Description of the authorization

1. Nature of the authorization
We request that you authorize the Board of Directors, until December 31, 2016, to freely allocate, subject to performance conditions, shares of the Company, existing or to be issued, to employees or to certain categories thereof that it shall select among eligible employees, and to corporate officers of the Company and of affiliates of the Company within the meaning of Article L.225-197-2 of the French commercial code. It should be noted that approximately 1,300 people benefit from such share allocations each year.

2. Maximum amount of the authorization
These allocations may not represent a number of existing or newly issued shares exceeding 0.2% of Danone's share capital, as determined at the end of the 2016 Shareholders' Meeting, which corresponds to the same amount as that approved by the 2015 Shareholders' Meeting.

The nominal amount of the existing or newly issued shares allocated under this authorization would apply to the limits of 35% of the share capital set forth in the 20th resolution (non-dilutive issuances with preferential subscription right) and of 10% of the share capital set forth in the 21st resolution (dilutive issuances without preferential subscription right, but with a priority period) of the 2015 Shareholders' Meeting.

This number of shares does not reflect potential adjustments that may be made in accordance with applicable legal and regulatory requirements and, where applicable, to contractual provisions calling for other adjustments in order to maintain the rights of holders of securities or other rights giving access to the share capital. Thus to the extent that share allocation plans include adjustment clauses to the number of shares granted in the event of transactions involving the share capital during the vesting period, the application of these adjustment clauses could result in the final number of allocated shares exceeding 0.2% of the share capital.

3. Sub-ceiling for allocations to corporate officers
Shares allocated pursuant to this authorization may be allocated, subject to performance conditions, to executive corporate officers, but within the maximum limit of 0.03% of the Company's share capital at the end of the 2016 Shareholders' Meeting (subject to the same potential adjustments mentioned in point 2 above).

In 2015, a total of 36,000 performance shares were allocated to Mr. Emmanuel FABER, Chief Executive Officer (only corporate officer beneficiary to an allocation of shares), corresponding to 0.01% of Danone's share capital and 5.6% of all performance shares allocated by Danone in 2015.

4. Vesting period
4.1 The allocation of shares to their beneficiaries will become final after a vesting period, the duration of which will be set by the Board of Directors and shall not be less than three years.

4.2 In principle, the beneficiaries must hold said shares for a duration of at least two years after the final allocation of such shares. However, if the vesting period for all or a part of one or more allocations is a minimum of four years, the Board of Directors may not impose any lock-up period for the shares in question.

4.3 Since July 2013, in order to increase the duration of the vesting period, the Board of Directors decided to grant performance shares solely in the form of "4+0", corresponding to a vesting period of four years and no lock-up period (rather than granting performance shares in the form of "4+0" to non-French residents and in the form of "3+2" for individuals domiciled in France for tax purposes). Notwithstanding the provisions of French law 2015-990 of August 6, 2015 (Macron law), which reduced the vesting period for shares subject to performance conditions, Danone decided to maintain a four-year vesting period. Nevertheless, the corporate officers and the members of the Executive Committee remain subject to the requirement that they hold a significant number of shares stemming from GPS allocations until the termination of their duties (see section 6.3 *Compensation and benefits for corporate officers and governance bodies*).

5. Conditionality of the definitive allocation of shares

The definitive allocation of shares either in existence or to be issued will necessarily be subject to (i) the fulfillment of the performance conditions to be determined by the Board of Directors in accordance with the terms described hereafter (the "Performance Conditions") and (ii) a condition of continued employment within the Group (see point 5.2 hereafter).

5.1 Performance conditions

The Performance Conditions applied by your Board would be as follows:

(i) These conditions are composed of two complementary criteria, evenly weighted, indicative of Danone's performance and adapted to the specific nature of its business, namely:

(a) Comparison of the arithmetic average internal ("organic") consolidated net sales growth (the "CA") of Danone on a like-for-like basis with that of a reference panel for a period of three years, *i.e.* 2016, 2017 and 2018:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive allocation shall be 100%;
- if the Group's CA is less than the Median CA of the Panel, the definitive allocation will be 0%, in accordance with the "no pay below median" principle.

Where:

- the Group's CA refers to Danone's arithmetic average internal ("organic") consolidated net sales growth during the fiscal years 2016, 2017 and 2018 (on a consolidated and like-for-like basis);
- the CA of each Panel member refers to the arithmetic average internal ("organic") net sales growth recorded by the said member of the Panel during the fiscal years 2016, 2017 and 2018 (on a consolidated and like-for-like basis);
- the Panel CAs refers to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel refers to eight benchmark multinational groups in the food and beverage sector, namely: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, The Kraft Heinz Company, Mondelez International Inc., General Mills Inc. and Kellogg Company;
- restatements (mainly adjustments of scope and/or foreign exchange effects) will be made only to the extent strictly necessary in order to ensure the consistency of the calculation method for the CAs of all Panel members and the CA of the Group over the entire period under review;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member of the Panel through a duly justified decision taken at a later date that is mentioned in the Report of the Board of Directors to the Shareholders' Meeting;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or published late, the Board of Directors will make a decision duly justified at a later date and described in the Report of the Board of Directors to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the members of the Panel and by the Company over the three latest completed fiscal years for which financial statements were published by all members of the Panel and by the Company;
- the Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group;
- the Board of Directors must state whether this first performance condition was attained, on the basis of a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor;

(b) The improvement in trading operating margin on a like-for like basis, over a period of three years, *i.e.* the years 2016, 2017 and 2018:

- if the change in trading operating margin on a like-for-like basis and calculated over the three years (2016, 2017 and 2018) is equal to or greater than +35 basis points, the definitive allocation will be 100%;
- if the change in trading operating margin on a like-for-like basis and calculated over the three years (2016, 2017 and 2018) is lower than +35 basis points, the definitive allocation will be 0%;

(ii) Where:

- the "trading operating margin", "net sales" and the change on a "like-for like basis" are financial indicators used by Danone and not defined by IFRS and whose calculation is specified in the financial press releases issued by the Company (see also section 3.6 *Financial indicators not defined by IFRS*);
- the Board of Directors will need to state whether this second performance condition has been fulfilled through a duly informed decision made at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, upon the recommendation of the Nomination and Compensation Committee;
- for all beneficiaries, provided that the condition of continued employment at Danone is met (see point 5.2 below), 50% of the shares will be definitively allocated subject to the fulfillment of the Performance Condition related to sales growth, and 50% will be allocated subject to the achievement of the Performance Condition related to the trading operating margin.

5.2 Condition of continued employment at Danone

The beneficiary of a share allocation who leaves Danone before the end of the vesting period may not retain his or her shares except in the case of legally mandated early departure (including death and disability) and in exceptional cases determined by the Board of Directors.

Moreover, it should be noted that the GPS plans allocated as of July 26, 2010 provide that all GPS beneficiaries may be exempted from the conditions of continuous employment and performance in the event of the Company's change of control (see section 7.10 *Change of control*).

6. Impact in terms of dilution/ownership of the Company's share capital

The Board wishes to point out that Danone's policy concerning authorizations to grant stock-options and performance shares has always had a limited impact in terms of the dilution/ownership of share capital.

Thus:

- the outstanding number of stock-options net yet exercised as of December 31, 2015 totaled 5,688,697 options, or 0.88% of the share capital;
- as of December 31, 2015, the outstanding number of performance shares granted but not yet definitively vested totaled 1,987,707 shares, or 0.30% of the share capital;
- the number of shares that may be issued through allocations of performance shares under this resolution may not exceed 0.2% of the share capital;

which represents a total of around 1,38% of the share capital.

8.4 SPECIAL REPORT OF THE STATUTORY AUDITORS TO THE SHAREHOLDERS' MEETING

Combined Shareholders' Meeting of April 28, 2016 (17th resolution)

Statutory auditors' report on the authorization to freely allocate existing shares or shares to be issued

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

To the Shareholders,

In our capacity as Statutory auditors of your Company, and in execution of our assignment pursuant to Article L. 225-197-1 of the French commercial code, we hereby present our report on the proposed authorization to freely allocate existing shares or shares to be issued, to employees or certain categories thereof and to corporate officers of your Company or related companies as defined by Articles L. 225-197-2 of the French commercial code. You are being asked to vote on this proposed authorization.

Your Board of Directors proposes, based upon its report, that you authorize it to freely allocate existing shares or shares to be issued, until December 31, 2016.

It is the responsibility of the Board of Directors to prepare a report on this transaction, which it hopes to carry out. Our duty is to provide you with our observations, if any, on the information thus provided to you on the proposed transaction.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaires aux comptes*) for this type of assignment. These procedures consist in verifying that the methods proposed and disclosed in the Board of Directors' report comply with the statutory requirements.

We have no observation to make regarding the information provided in the Board of Directors' report on the proposed authorization to freely allocate shares.

Neuilly-sur-Seine and Paris La Défense, March 7, 2016

The Statutory auditors

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

CROSS-REFERENCE TABLES 348

Cross-reference table to the Annual Financial Report 348

Cross-reference table to the provisions of Annex 1 of the 809/2004 Regulation of the European Commission 349

Cross-reference table with the Management Report, parent company Danone and Danone Group 352

LIST OF SUBSIDIARIES 353

Appendix

CROSS-REFERENCE TABLES

Cross-reference table to the Annual Financial Report

In order to facilitate the reading of this Registration Document, the cross-reference table hereafter enables to identify the main information required in accordance with Article L. 451-1-2 of the French monetary and financial code and Article 222-3 of the general regulations of the French Financial Markets Authority.

Annual Financial Report		Sections of the Registration Document
1.	**Company financial statements**	4.2
2.	**Consolidated financial statements**	4.1
3.	**Management report (within the meaning of the French monetary and financial code)**	
3.1	Information required by Articles L. 225-100 and L. 225-100-2 of the French commercial code	
	Analysis of the business trends	2.5, 3.1 to 3.5
	Analysis of the results	2.2, 3.2
	Analysis of the financial position	3.3, 3.4
	Major risk factors and uncertainties	2.7
	Table of the capital increases delegations	7.3
3.2	Information required by Article L. 225-100-3 of the French commercial code Elements that might have an impact in the event of a public tender offer	7.9
3.3	Information required by Article L. 225-211 of the French commercial code Share buyback programs of the Company	7.2
4.	**Statements of the persons responsible for the Annual Financial Report**	1.3
5.	**Statutory auditors' report on the Company's financial statements and the consolidated financial statements**	4.1, 4.2
6.	**Information on the fees of the Statutory auditors**	4.3
7.	**Report of the Chairman of the Board of Directors on the corporate governance, the internal control and risk management procedures (Article L. 225-37 of the French commercial code)**	6.1, 6.3, 6.4
8.	**Statutory auditors' report on the report of the Chairman on the internal control and risk management**	6.4

Cross-reference table to the provisions of Annex 1 of the 809/2004 Regulation of the European Commission

This cross-reference table identifies the main information required by Annex 1 of the 809/2004 Regulation of the European Commission dated April 29, 2004. This table refers to the sections of this Registration Document on which the information related to each item is indicated.

Document of registration relating to shares		Sections of the Registration Document
1.	**Persons responsible**	
1.1	Identity	1.3
1.2	Statement	1.3
2.	**Statutory auditors**	
2.1	Identity	1.1
2.2	Potential change	1.1
3.	**Selected financial information**	
3.1	Historical financial information	1.2
3.2	Financial information for interim periods	N/A
4.	**Risk factors**	2.7
5.	**Information about the issuer**	
5.1	History and development of the Company	
5.1.1	*Legal and commercial name*	*1.1*
5.1.2	*Registration place and number*	*1.1*
5.1.3	*Incorporation date and term*	*1.1*
5.1.4	*Registered office, legal form, applicable legislation, country of incorporation, address and telephone number of the registered office*	*1.1*
5.1.5	*Important events in the business development*	*2.1 to 2.6, 3.1, 3.5*
5.2	Investments	
5.2.1	*Principal investments made*	*3.1, 3.3*
5.2.2	*Principal investments in progress*	*3.1, 3.3*
5.2.3	*Principal future investments*	*3.1, 3.3, 3.5*
6.	**Business overview**	
6.1	Principal activities	
6.1.1	*Nature of operations and principal activities*	*2.2 to 2.5, 3.1, 3.5*
6.1.2	*Development of new products and/or services*	*2.3, 2.4*
6.2	Principal markets	2.2, 2.4
6.3	Exceptional events	N/A
6.4	Dependence of the issuer	N/A
6.5	Competitive position of the issuer	2.2, 2.5
7.	**Organizational structure**	
7.1	Brief description of the Group	2.6
7.2	List of the significant subsidiaries	2.6, 4.1
8.	**Property, plants and equipment**	
8.1	Material tangible fixed assets	2.5, 4.1
8.2	Environmental issues	2.5, 5.1, 5.2
9.	**Operating and financial review**	
9.1	Financial position	3.1 to 3.4, 4.1

	Document of registration relating to shares	Sections of the Registration Document
9.2	Operating results	
9.2.1	*Significant factors materially influencing the operating income*	*2.2, 2.7, 3.2, 4.1*
9.2.2	*Evolution of net sales or net revenues*	*2.2, 3.2, 4.1*
9.2.3	External factors materially influencing the operations	2.5, 2.7
10.	**Capital resources**	
10.1	Issuer's capital resources	3.4, 4.1, 7.1
10.2	Cash-flows	3.3, 4.1
10.3	Information on the borrowing requirements and funding structure of the issuer	3.4, 4.1
10.4	Restrictions on the use of capital resources	3.4, 4.1
10.5	Anticipated sources of funds	3.4, 4.1
11.	**Research and development, patents and licenses**	2.5, 3.1
12.	**Trend information**	
12.1	Most significant recent trends since the end of the last fiscal year	3.5
12.2	Events that are reasonably likely to have a material effect on the issuer's prospects	3.5
13.	**Profit forecasts or estimates**	N/A
14.	**Administrative and senior management**	
14.1	Information on the members	6.1, 6.2
14.2	Conflicts of interests	6.1
15.	**Remuneration and benefits**	
15.1	Remuneration and benefits in kind	6.3
15.2	Provisions for retirement obligations	6.3
16.	**Functioning of the board and management**	
16.1	Expiration date of the terms of office	6.1, 6.2
16.2	Services agreements relating to the members of the Board and of the management	6.1
16.3	Information about the Audit Committee, the Nomination and Compensation Committee and the Social Responsibility Committee	6.1
16.4	Corporate governance	6.1
17.	**Employees**	
17.1	Number of employees	5.2
17.2	Shareholdings and stock-options	6.3
17.3	Arrangements involving the employees in the capital of the issuer	5.2
18.	**Major shareholders**	
18.1	Shareholding of the issuer	7.7
18.2	Voting rights	7.6
18.3	Control of the issuer	7.7
18.4	Change of control	7.10
19.	**Related party transactions**	3.1
20.	**Financial information concerning the issuer's assets and liabilities, financial position and profits and losses**	
20.1	Historical financial information	1.2, 4.1, 4.2
20.2	Pro forma financial information	N/A
20.3	Financial statements	1.2, 4.1, 4.2

Document of registration relating to shares		Sections of the Registration Document
20.4	Auditing of historical annual financial information	
20.4.1	*Statement of audit of the historical financial information*	*1.2, 4.1, 4.2*
20.4.2	*Other information audited by the auditors*	*1.2, 3.5, 4.1, 4.2*
20.4.3	*Financial data not extracted from audited financial statements of the issuer*	*3.6*
20.5	Date of latest financial information	December 31, 2015
20.6	Interim and other financial information	
20.6.1	*Half yearly and quarterly financial information*	*N/A*
20.6.2	*Interim Financial Information*	*N/A*
20.7	Dividend policy	7.5
20.7.1	*Amount of the dividend per share*	*7.5*
20.8	Legal and arbitration proceedings	3.1
20.9	Significant change in the issuer's financial or commercial position	3.5
21.	**Additional information**	
21.1	Share Capital	
21.1.1	*Amount of issued and authorized capital*	*7.1, 7.3*
21.1.2	*Shares not representing capital*	*N/A*
21.1.3	*Shares held by the issuer or its subsidiaries*	*7.2, 7.7*
21.1.4	*Convertible securities, exchangeable securities or securities with warrants*	*7.3*
21.1.5	*Acquisition rights and/or obligations over authorized but unissued capital or an undertaking to increase the capital*	*7.3*
21.1.6	*Options on the capital of Group members*	*4.1, 7.9*
21.1.7	*History of share capital*	*7.7*
21.2	Incorporation documents and by-laws	
21.2.1	*Objects and purposes*	*1.1*
21.2.2	*Administrative, management and supervisory bodies*	*6.1*
21.2.3	*Rights, preferences and restrictions attaching to shares*	*7.5, 7.6*
21.2.4	*Change of shareholders' rights*	*7.3, 7.6, 8.1*
21.2.5	*Invitation to shareholders' meetings and conditions of admissions*	*7.6, 8.1*
21.2.6	*Provisions that may delay, defer or prevent a change of control*	*7.9, 7.10*
21.2.7	*Declarations of crossing statutory thresholds*	*7.6*
21.2.8	*Stringent conditions than required by the law for any change in the capital*	*7.3*
22.	**Material contracts**	3.1
23.	**Third party information and statement by experts and declarations of any interest**	
23.1	Identity	4.4
23.2	Statement	4.4
24.	**Documents available to the public**	3.7
25.	**Information on holdings**	2.6, 4.1, 7.2, Appendix List of subsidiaries

Cross-reference table with the Management Report, parent company Danone and Danone Group

This Registration Document includes all the items of the Management Report as required pursuant to Article L. 225-100 and subsequent, L. 232-1, II, L. 233-26 and R. 225-102 and subsequent of the French commercial code.

Management Report	Sections of the Registration Document
Financial position and activity of the Company and of the Group during the fiscal year	2.2 to 2.5, 3.1 to 3.4, 4.2
Information on trends and outlook	3.5
Material events occurred since the end of the fiscal year	3.5
Research and development activities	2.5, 3.1
Activities of the Company's subsidiaries	2.2, 3.1 to 3.4
Acquisition of significant equity interests or control in companies headquartered in France	N/A
Amount of dividends distributed during the last three fiscal years	7.5
Changes to the presentation of the Company's financial statements	4.2
Injunctions or financial penalties for antitrust practices	N/A
Information relating to suppliers and clients' terms of payment	4.2
Directorship and offices held by each corporate officers	6.2
Indication on the use of financial instruments by the Company and the Group	2.7, 3.3, 4.1, 4.2
Analysis of the business performance, results and financial position of the Company and of the Group during the fiscal year	2.2 to 2.5, 3.1 to 3.4, 4.2
Description of the major risk factors and uncertainties of the Company and of the Group	2.7, 3.5
Company's exposure to price, credit, liquidity and cash-flows risks	2.7, 4.2
Information relating to the breakdown of the share capital	7.7
Shares held by the subsidiaries of the Company	7.2
Employee shareholding on the last day of the fiscal year	7.7
Summary statement of the transactions relating to shares carried out by executives	6.3
Table and report on the share capital increase delegations	7.3
Compensation and benefits of any kind paid to each corporate officer	6.3
Table of the Company's financial results over the last five years	4.2
Information required by Article L. 225-211 of the French commercial code in case of transactions carried out by the Company on its own shares	7.2
Information required by Article L. 225-100-3 of the French commercial code that may have an impact regarding a public tender offer	7.9
Information required by Article L. 225-102-1 of the French commercial code relating to social and environmental consequences of the Company's business and to its societal commitments	5.2

LIST OF SUBSIDIARIES

The following table lists by country, the companies included in the Group's scope of consolidation, whether directly, indirectly or fully consolidated and whether accounted for using the equity method as of December 31, 2015.

Name	Country
DANONE DJURDJURA	Algeria
DANONE TESSALA BOISSONS	Algeria
ADVANCED MEDICAL NUTRITION SA	Argentina
AGUAS DANONE DE ARGENTINA SA	Argentina
BAGLEY ARGENTINA SA	Argentina
DANONE ARGENTINA SA	Argentina
DAN-TRADE SA	Argentina
KASDORF SA	Argentina
LAS MAJADAS SA	Argentina
LOGISTICA LA SERENISIMA	Argentina
NUTRICIA-BAGO SA	Argentina
DANONE MURRAY GOULBURN PTY LTD	Australia
NUMICO RESEARCH AUSTRALIA PTY LTD	Australia
NUTRICIA AUSTRALIA HOLDINGS PTY LTD	Australia
NUTRICIA AUSTRALIA PTY LTD	Australia
DANONE GESMBH	Austria
MILUPA GMBH	Austria
NUTRICIA GMBH	Austria
DANONE LLC	Azerbaijan
GRAMEEN DANONE FOODS LIMITED	Bangladesh
DANONEBEL	Belarus
JLLC DANONE SHKLOV	Belarus
JLLC PRUZHANY JLLC	Belarus
BIALIM BELGIQUE SA	Belgium
DANONE FINANCE INTERNATIONAL	Belgium
DANONE WATERS BENELUX	Belgium
NV DANONE SA	Belgium
NV NUTRICIA BELGIË	Belgium
FAN MILK SARL	Benin
AGUAS MINERAIS BACCARELLI LTDA	Brazil
BAGLEY DO BRASIL ALIMENTOS LTDA	Brazil
CPN MINERACAO	Brazil
DANONE LTDA	Brazil
MINERAÇÃO JOANA LEITE LTDA	Brazil
NUTRIMED INDUSTRIAL LTDA	Brazil
SUPPORT PRODUTOS NUTRICIONAIS LTDA	Brazil
TINGUA EMPRESA DE MINERACAO E AGUAS LTDA	Brazil
IBIC SDN BHD	Brunei

Name	Country
DANONE SERDIKA	Bulgaria
FAN MILK BURKINA FASO SARL	Burkina Faso
DAIRYLICIOUS PRODUCTS INC	Canada
DANONE INC	Canada
YASHILI INTERNATIONAL HOLDINGS LTD	Cayman Islands
AGUAS DANONE DE CHILE SA	Chile
BAGLEY CHILE SA	Chile
DANONE CHILE SA	Chile
ASIA HOST INVESTMENTS LTD	China
DANONE ASIA HOLDINGS PTE LTD	China
DANONE ASIA PACIFIC MANAGEMENT CO LTD	China
DANONE DAIRY BEIJING CO LTD [a]	China
DANONE DAIRY SALES SHANGHAI CO LTD	China
DANONE DAIRY SHANGHAI CO LTD [a]	China
DANONE PREMIUM BRANDS (SHANGHAI) TRADING CO LTD	China
DANONE YILI DRINKS TRADING (SHENZHEN) CO LTD	China
DANONE YILI (HUIZHOU) BEVERAGES CO LTD	China
DANONE YILI TRADING (SHENZHEN) CO LTD	China
DUMEX BABY FOOD CO LTD	China
HUBEI FREALTH DAIRY CO LTD [a]	China
HUBEI DANONE FOOD & BEVERAGE CO LTD	China
INNER MONGOLIA MENGNIU DAIRY (GROUP) CO LTD	China
INNER MONGOLIA MENGNIU DANONE DAIRY CO LTD	China
MENGNIU DAIRY (JIAOZUO) CO LTD [a]	China
MENGNIU DAIRY (MEISHAN) CO LTD [a]	China
MENGNIU DAIRY (QINGYUAN) CO LTD [a]	China
MENGNIU DAIRY (TAI'AN) CO LTD [a]	China
MENGNIU DAIRY (TIANJIN) CO LTD [a]	China
MENGNIU HIGH TECHNOLOGY DAIRY (BEIJING) CO LTD [a]	China
MENGNIU HIGH TECHNOLOGY DAIRY (MA'ANSHAN) CO LTD [a]	China
NANJING ZILE BEVERAGE INDUSTRY CO LTD	China
NINGXIA MENGNIU DAIRY CO LTD [a]	China
NUTRICIA EARLY LIFE NUTRITION (SHANGHAI) CO LTD	China
NUTRICIA PHARMACEUTICAL (WUXI) CO LTD	China
NUTRICIA TRADING (SHANGHAI) CO LTD	China
NUTRICIA (CHINA) MEDICAL NUTRITION CO LTD	China
DANONE (CHONGQING) FOOD & BEVERAGE CO LTD	China
DANONE (FENGRUN) FOOD & BEVERAGE CO LTD	China
DANONE (GUANGDONG) DRINKING WATER CO LTD	China
DANONE (CHINA) FOOD & BEVERAGE CO LTD	China
DANONE (GUANGDONG) HOD DEVELOPMENT CO LTD	China
DANONE (SHANGHAI) HOLDING CO LTD	China

(a) Company not directly held by Danone but subsidiary of a company consolidated using the equity method.

Name	Country
DANONE (SHAN'XI) FOOD & BEVERAGE CO LTD	China
DANONE (WUHAN) FOOD & BEVERAGE CO LTD	China
DANONE (HENAN) FOOD & BEVERAGE CO LTD	China
SHANDONG DANONE FOOD & BEVERAGE CO LTD	China
SHENZHEN DANONE YILI DRINKS CO LTD	China
SICHUAN DANONE FOOD & BEVERAGE CO LTD	China
TONGLIAO MENGNIU DAIRY CO LTD [a]	China
DANONE ALQUERIA SA	Colombia
DANONE BABY NUTRITION COLOMBIA	Colombia
NUTRICIA COLOMBIA LTDA	Colombia
DANONE DOO	Croatia
NUTRICIA AMERICAS NV	Curacao
DAIRY JV (CIS) HOLDINGS (CYPRUS) LIMITED	Cyprus
DANONE AS	Czech Republic
NUTRICIA AS	Czech Republic
NUTRICIA DEVA AS	Czech Republic
AQUA D'OR MINERAL WATER AS	Denmark
DUMEX NUTRITION LTD AS	Denmark
EMIDAN AS	Denmark
FAN MILK INTERNATIONAL AS	Denmark
INC SHANGHAI (HOLDING) LTD AS	Denmark
INTERNATIONAL NUTRITION CO LTD AS	Denmark
NUTRICIA AS	Denmark
DANONE DAIRY FARM SAE	Egypt
DANONE EGYPT SAE	Egypt
NUTRICIA EGYPT SERVICES LLC	Egypt
DANONE FINLAND OY	Finland
NUTRICIA BABY OY	Finland
NUTRICIA MEDICAL OY	Finland
BLEDINA	France
COMPAGNIE GERVAIS DANONE	France
DAN INVESTMENTS	France
DANONE BABY AND MEDICAL HOLDING	France
DANONE CORPORATE FINANCE SERVICES	France
DANONE DAIRY ASIA	France
DANONE NUTRICIA AFRICA & OVERSEAS	France
DANONE PRODUITS FRAIS FRANCE	France
DANONE RESEARCH	France
ÉVIAN RESORT	France
FERMINVEST	France
FPS danone.communities	France
HEALTH FOR LIFE CAPITAL FPCI	France

(a) Company not directly held by Danone but subsidiary of a company consolidated using the equity method.

Name	Country
HOLDING INTERNATIONALE DE BOISSONS	France
ID LOGISTICS FRANCE 4	France
NUTRICIA NUTRITION CLINIQUE SAS	France
PRODUITS LAITIERS FRAIS ESPAGNE	France
PRODUITS LAITIERS FRAIS EST EUROPE	France
PRODUITS LAITIERS FRAIS SUD EUROPE	France
SOCIÉTÉ ANONYME DES EAUX MINERALES D'ÉVIAN	France
SOCIÉTÉ DES EAUX DE VOLVIC	France
STEP ST JUST	France
STONYFIELD FRANCE	France
MILUPA GMBH	Germany
MILUPA NUTRICIA GMBH	Germany
NUTRICIA GMBH	Germany
DANONE GMBH	Germany
DANONE PENSIONS MANAGEMENT GMBH	Germany
DANONE WATERS DEUTSCHLAND GMBH	Germany
NUTRICIA DEUTSCHLAND GMBH	Germany
NUTRICIA GRUNDSTÜCKSVERWALTUNGS GMBH	Germany
FAN MILK LTD	Ghana
DANONE GALAKTOKOMIKA PROIONTA	Greece
NUMIL HELLAS SA	Greece
DANONE DE GUATEMALA SA	Guatemala
CHINA MENGNIU DAIRY COMPANY LIMITED	Hong Kong
COFCO DAIRY INVESTMENTS LIMITED	Hong Kong
DANONE NUTRICIA EARLY LIFE NUTRITION (HONG KONG) LIMITED	Hong Kong
DANONE NUTRICIA ONLINE DISTRIBUTION HK LTD	Hong Kong
NUTRICIA (ASIA PACIFIC) LIMITED	Hong Kong
NUTRICIA CLINICAL (HONG KONG) LIMITED	Hong Kong
PROMINENT ACHIEVER LIMITED	Hong Kong
DANONE MAGYARORSZAG KFT	Hungary
NUMIL HUNGARY KFT	Hungary
DANONE FOOD & BEVERAGES INDIA PRIVATE LTD	India
DANONE INDIA PRIVATE LTD	India
DANONE NARANG BEVERAGES PRIVATE LTD	India
NUTRICIA INTERNATIONAL PRIVATE LTD	India
YAKULT DANONE INDIA PVT LTD	India
PT AQUA GOLDEN MISSISSIPPI	Indonesia
PT DANONE INDONESIA	Indonesia
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia
PT NUTRICIA MEDICAL NUTRITION	Indonesia
PT SARIHUSADA GENERASI MAHARDHIKA	Indonesia
PT SUGIZINDO	Indonesia

Name	Country
PT TIRTA INVESTAMA	Indonesia
PT TIRTA SIBAYAKINDO	Indonesia
PT WINDU INTI EXPO	Indonesia
AL SAFI DANONE FOR DAIRY PRODUCTION AND DISTRIBUTION LLC [a]	Iraq
DAMAVAND MINERAL WATER CO	Iran
DANONE DAIRY PARS	Iran
MASHHAD MILK POWDER INDUSTRIES CO	Iran
DANONE LTD	Ireland
GLENISK LTD	Ireland
NUTRICIA INFANT NUTRITION LTD	Ireland
NUTRICIA IRELAND LTD	Ireland
NUTRICIA MEDICAL IRELAND LTD	Ireland
STONYFIELD EUROPE LTD	Ireland
STRAUSS HEALTH LTD	Israel
DANONE SPA	Italy
MELLIN SPA	Italy
NUTRICIA ITALIA SPA	Italy
DANONE NUTRICIA COTE D'IVOIRE SA	Ivory Coast
FAN MILK COTE D'IVOIRE SA	Ivory Coast
DANONE JAPAN	Japan
YAKULT HONSHA CO LTD	Japan
DANONE	Kazakhstan
DANONE BERKUT LLP	Kazakhstan
NUTRICIA KAZAKHSTAN LLP	Kazakhstan
TOO UNIMILK KAZAKHSTAN	Kazakhstan
BROOKSIDE AFRICA LIMITED	Kenya
BROOKSIDE DAIRY LIMITED [a]	Kenya
SIA NUTRICIA	Latvia
UAB NUTRICIA BALTICS	Lithuania
DANONE RE	Luxembourg
PLF LICENSING SARL	Luxembourg
ICE MIDCO LIMITED SA	Luxembourg
DANONE DUMEX (MALAYSIA) SDN BHD	Malaysia
DANONE INFORMATION SERVICES ASIA PACIFIC SDN BHD	Malaysia
INC CONTRACT MANUFACTURERS SDN BHD	Malaysia
AGUAS EMBOTELLADAS LOS PINOS	Mexico
AGUAS PURIFICADAS NATURALES	Mexico
BONAFONT SA DE CV	Mexico
COMPANIA GENERAL DE AGUAS S DE RL DE CV	Mexico
DANONE BABY NUTRITION MEXICO SA DE CV	Mexico
DANONE DE MEXICO	Mexico
DANONE HOLDING DE MEXICO	Mexico

(a) Company not directly held by Danone but subsidiary of a company consolidated using the equity method.

Name	Country
DANONE MEDICAL NUTRITION MEXICO SA DE CV	Mexico
DERIVADOS LACTEOS FLN-DDM SA DE CV	Mexico
DISTRIBUIDORA SEMILLA SAPI DE CV	Mexico
ENVASABON S DE RL DE CV	Mexico
ENVASADORA AUGUABON S DE RL DE CV	Mexico
ENVASADORA DE AGUAS EN MEXICO	Mexico
ENVASADORA LA SUPREMA, SA DE CV	Mexico
GRUPO CUZCO INTERNATIONAL S DE RL DE CV	Mexico
LIQUIMEX SA DE CV	Mexico
NOMISER SA DE CV	Mexico
ORGANIZACIÓN DE AGUAS DE MÉXICO SA DE CV	Mexico
AGRIGENE	Morocco
CENTRALE DANONE	Morocco
FROMAGERIE DES DOUKKALA	Morocco
LAITPLUS	Morocco
LES TEXTILES	Morocco
SOCIETE DU THERMALISME MAROCAIN (SOTHERMA)	Morocco
DANONE MOZAMBIQUE LIMITADA	Mozambique
DAN TRADE BV	Netherlands
DANONE BABY AND MEDICAL NUTRITION BV	Netherlands
DANONE BABY AND MEDICAL NUTRITION NEDERLAND BV	Netherlands
DANONE CIS HOLDINGS BV	Netherlands
DANONE FINANCE NETHERLANDS BV	Netherlands
DANONE MEDICAL NUTRITION HOLDING BV	Netherlands
DANONE MEDICAL NUTRITION INTERNATIONAL BV	Netherlands
DANONE NEDERLAND BV	Netherlands
DANONE TRADING ELN BV	Netherlands
DANONE TRADING MEDICAL BV	Netherlands
HELDINVEST BV	Netherlands
INFANT NUTRITION MANAGEMENT 1 BV	Netherlands
INFANT NUTRITION MANAGEMENT 2 BV	Netherlands
INFANT NUTRITION MANAGEMENT 3 BV	Netherlands
NUTRICIA CUIJK BV	Netherlands
NUTRICIA EXPORT BV	Netherlands
NUTRICIA INTERNATIONAL BV	Netherlands
NUTRICIA MEDICAL DEVICES BV	Netherlands
NUTRICIA NEDERLAND BV	Netherlands
NUTRICIA POLAND BV	Netherlands
NUTRICIA RESEARCH BV	Netherlands
NV NUTRICIA	Netherlands
SORGENTE BV	Netherlands
SORGENTE HOLDING BV	Netherlands

Name	Country
DANONE NUTRICIA NZ LTD	New Zealand
NUTRICIA LTD	New Zealand
NUTRITIONAL PACKERS LTD	New Zealand
ABEBA ADEWARA VENTURES LTD	Nigeria
FAN MILK PLC	Nigeria
NUTRICIA NORGE AS	Norway
NUTRICIA PAKISTAN (PRIVATE) LIMITED	Pakistan
DANONE PARAGUAY SA	Paraguay
DANONE UNIVERSAL ROBINA BEVERAGES INC	Philippines
DANONE SP ZOO	Poland
NUTRICIA POLSKA SP ZOO	Poland
NUTRICIA ZAKLADY PRODUKCYNE SP ZOO	Poland
NUTRIMED SP ZOO	Poland
WOMIR SPA	Poland
ZYWIEC ZDROJ SA	Poland
DANONE PORTUGAL SA	Portugal
MILUPA COMERCIAL SA	Portugal
NUTRICIA ADVANCED MEDICAL NUTRITION UNIPESSOAL LDA	Portugal
DANONE BABY NUTRITION SRL	Romania
DANONE SRL	Romania
NDL FRIGO LOGISTICS SRL	Romania
DANONE INDUSTRIA LLC	Russia
DANONE TRADE LLC	Russia
DANONE VOLGA	Russia
LLC MASLENITSA	Russia
LLC UNIMILK	Russia
LLC UNIMILK INVEST	Russia
LLC URAL BABY FOOD	Russia
LLC VERBILOVSKOE	Russia
NDL HOLDING RUSSIA BV	Russia
ND LOGISTICS FRESH LLC	Russia
NUTRICIA ADVANCED LLC	Russia
NUTRICIA LLC	Russia
JSC ISTRA – NUTRICIA BABY FOODS	Russia
OJSC KINGISEPPSKIY MOLOCHNIY KOMBINAT	Russia
OJSC MASLODELNY KOMBINAT CHANOVSKY	Russia
OJSC STARITSKY SYR	Russia
OJSC TVERMOLOKO	Russia
JSC DANONE RUSSIA	Russia
DANONE EL SALVADOR SA DE CV	Salvador
ALSAFI DANONE COMPANY LIMITED	Saudi Arabia
DANONE BABY NUTRITION OPERATIONS SAUDI ARABIA	Saudi Arabia

Name	Country
ND LOGISTICS LLC [a]	Saudi Arabia
DANONE ASIA BABY NUTRITION GC PTE LTD	Singapore
DANONE ASIA BABY NUTRITION PTE LTD	Singapore
DANONE ASIA PACIFIC HOLDINGS PTE LTD	Singapore
DANONE ASIA PACIFIC MANUFACTURING PTE LTD	Singapore
DANONE ASIA PTE LTD	Singapore
DANONE DAIRY INVESTMENTS INDONESIA	Singapore
DANONE DUMEX EARLY LIFE NUTRITION SINGAPORE PTE LTD	Singapore
DANONE PROBIOTICS PTE LTD	Singapore
DANONE SINGAPORE HOLDINGS PTE LTD	Singapore
DANONE WATERS CHINA HOLDING PTE LTD	Singapore
MYEN PTE LTD	Singapore
PTNIS HOLDING SINGAPORE PTE LTD	Singapore
PTSH HOLDING SINGAPORE PTE LTD	Singapore
DANONE SPOL SRO	Slovakia
NUTRICIA SPOL SRO	Slovakia
DANONE SOUTHERN AFRICA PTY LTD	South Africa
IDL FRESH SOUTH AFRICA PTY LTD	South Africa
MAYO DAIRY (PROPRIETARY) LTD	South Africa
NUTRICIA SOUTHERN AFRICA PTY LTD	South Africa
DANONE PULMUONE COMPANY LIMITED	South Korea
AGUAS FONT VELLA Y LANJARON SA	Spain
BAGLEY LATINO AMERICA SA	Spain
DAIRY LATAM SL	Spain
DANONE SA	Spain
ILTESA – INDUSTRIAS LACTEAS DE CANARIAS SA	Spain
NUMIL NUTRICIÓN SRL	Spain
NUTRICIA SRL	Spain
PRODUITS LAITIERS FRAIS IBERIA SL	Spain
WATER LATAM SL	Spain
DANONE AB	Sweden
NUTRICIA NORDICA AB	Sweden
OSTERLENMEJERIET	Sweden
PRO VIVA AB	Sweden
DANONE AG	Switzerland
DANONE FINANCIAL SERVICES SA	Switzerland
ÉVIAN – VOLVIC SUISSE SA	Switzerland
MILUPA SA	Switzerland
NUTRICIA SA	Switzerland
BROOKSIDE DAIRY TANZANIA LTD [a]	Tanzania
DUMEX LTD	Thailand
FAN MILK TOGO SA	Togo

(a) Company not directly held by Danone but subsidiary of a company consolidated using the equity method.

Name	Country
SOCIÉTÉ DE COMMERCE ET DE GESTION (SOCOGES)	Tunisia
SOCIÉTÉ TUNISIENNE DES INDUSTRIES ALIMENTAIRES (STIAL)	Tunisia
DANONE HAYAT IÇECEK VE GIDA SA	Turkey
DANONE TIKVESLI GIDA VE TAS	Turkey
NUMIL GIDA ÜRÜNLERI AS	Turkey
SIRMAGRUP IÇECEK AS	Turkey
BROOKSIDE DAIRY UGANDA LTD [a]	Uganda
DANONE LLC	Ukraine
DANONE DNIPRO LLC	Ukraine
LLC UNIMILK (UKRAINE)	Ukraine
LLCFI NUTRICIA UKRAINE	Ukraine
PJSC GALAKTON	Ukraine
PJSC KREMENCHUG DAIRY PLANT	Ukraine
ALC HOLDING 1 LIMITED [a]	United Arab Emirates
BROOKSIDE HOLDINGS LIMITED	United Arab Emirates
DANONE BABY NUTRITION MIDDLE EAST HOLDING LIMITED	United Arab Emirates
NUTRICIA MIDDLE EAST DMCC	United Arab Emirates
DANONE LTD	United Kingdom
NUTRICIA LTD	United Kingdom
COMPLAN FOODS LIMTED	United Kingdom
DANONE FINANCING UK LTD	United Kingdom
DANONE HOLDINGS (UK)	United Kingdom
DANONE WATERS (UK & IRELAND) LTD	United Kingdom
NUTRICIA (COW & GATE, MILUPA) HOLDINGS LTD	United Kingdom
SCIENTIFIC HOSPITAL SUPPLIES (UK) LTD	United Kingdom
SCIENTIFIC HOSPITAL SUPPLIES HOLDINGS LTD	United Kingdom
SHS INTERNATIONAL LTD	United Kingdom
UK HOLDINGS CAP (COMMONWEALTH, ASIA AND PACIFIC) LTD	United Kingdom
DANONE DAIRY HOLDINGS INC	United States
DANONE FOODS INC	United States
DANONE NORTH AMERICA LLC	United States
DANONE WATER HOLDINGS LLC	United States
DANONE WATERS OF AMERICA INC	United States
DANONE-NUTRICIA EARLY LIFE NUTRITION INC	United States
DANNON PR INC	United States
HAPPY FAMILY HOLDING COMPANY	United States
HARMLESS HARVEST	United States
HEALTHY FOOD HOLDINGS INC	United States
HF OFFICE LLC	United States
NL YOGURT INC	United States
NURTURE INC	United States
NUTRICIA NORTH AMERICA INC	United States

(a) Company not directly held by Danone but subsidiary of a company consolidated using the equity method.

Name	Country
STONYFIELD FARM INC	United States
SWIRL HOLDING CORPORATION	United States
THE DANNON COMPANY INC	United States
THE YOCRUNCH COMPANY LLC	United States
THE YOFARM COMPANY INC	United States
THE YOGURT CULTURE COMPANY LLC	United States
YOCREAM INTERNATIONAL INC	United States
YOCREAM OREGON LLC	United States
YOGURT HOLDINGS II INC	United States
YOHO II IP SUB	United States
COMPANIA SALUS SA	Uruguay
FORT MASIS SA	Uruguay
DANONE VIETNAM COMPANY LTD	Vietnam
YAKULT VIETNAM CO LTD	Vietnam

Financial communication calendar 2016

February 23, 2016
2015 Full–year Results

April 19, 2016
2016 First-Quarter Sales

April 28, 2016
Shareholders' Meeting

July 28, 2016
2016 First-Half Results

October 18, 2016
2016 nine-month Sales

LEARN MORE:
WWW.DANONE.COM



ECONOMIC AND SOCIAL REPORT



INTEGRATED REPORT



REGISTRATION DOCUMENT



FOCUS WEB 2015

DANONE
15, RUE DU HELDER - 75439 PARIS CEDEX 09

VISITORS:
17, BOULEVARD HAUSSMANN - 75009 PARIS
TEL. +33 1 44 35 20 20

INVESTORS RELATIONS:
TEL. +33 1 44 35 20 76

FREE SHAREHOLDERS NUMBER:
0 800 320 323 (FREE FROM LAND LINES IN CONTINENTAL FRANCE)
OR +33 1 58 16 71 75
(FROM FOREIGN COUNTRIES)

DANONE