

# Danone ONE PLANET. ONE HEALTH

## WHITEWAVE ACQUISITION

Becoming a Leader in  
Plant-Based Products

## EMMANUEL FABER, CHAIRMAN & CEO

Strengthened Leadership  
Organization and  
Governance Model

## COMPANY VISION

What's Behind  
Our New Company  
Signature



ANNUAL REPORT 2017



Each time we eat  
and drink, we can vote  
for the world we want.

## About Danone

Dedicated to bringing health through food to as many people as possible, Danone is a leading global food and beverage company built on four businesses: Essential Dairy and Plant-Based Products, Waters, Early Life Nutrition and Advanced Medical Nutrition. Danone aims to inspire healthier and more sustainable eating and drinking practices, in line with its vision—‘Danone, One Planet. One Health’—which reflects a strong belief that the health of people and the health of the planet are interconnected. Building on health-focused categories, Danone commits to operating in an efficient and responsible manner to create and share sustainable value. Danone holds itself to the highest standards in doing business, as reflected by its ambition to become one of the first multinationals certified as a B Corp. With products sold in over 120 markets, Danone generated sales of €24.7 billion in 2017. Danone’s portfolio includes leading international brands (*Activia, Actimel, Alpro, Aptamil, Danette, Danio, Danonino, evian, Nutricia, Nutrilon, Volvic*, among others) as well as strong local and regional brands (including *AQUA, Blédina, Bonafont, Cow & Gate, Horizon, Mizone, Oikos, Prostokvashino, Silk and Vega*).

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Visit our Integrated Annual Report:  
[iar2017.danone.com](http://iar2017.danone.com)



# 21 Years of Passionate Leadership

## A Pioneer's Perspective on an Extraordinary Adventure

Franck Riboud, who was at the helm of the company for more than two decades, played a pivotal role in making Danone one of the most influential food companies in the world. Besides driving the company's development and performance through his leadership, he was also the man who led the efforts to define Danone's mission.

**x6**

Market capitalization increased nearly six-fold between 1996 and 2017 (from €7.9 billion to over €46.9 billion<sup>(1)</sup>)

**€3.49**

Recurring earnings per share (EPS) from €0.89 in 1996 to €3.49 in 2017

**66%**

From ~20% of turnover generated outside of Europe in 1996 (40% in France) to 66% in 2017

**€1.90**

Dividends from €0.32 per common share in 1996 to €1.90 in 2017



Bringing health through food to as many people as possible

<sup>(1)</sup> December 31, 2017.



1997

Danone refocuses on fresh dairy products, beverages and biscuits, its three business lines offering the greatest scope for international growth.

2006

Danone articulates its mission: 'Bringing health through food to as many people as possible.'

2007

With the acquisition of Numico and the divestiture of its biscuits business, Danone includes Early Life Nutrition and Advanced Medical Nutrition in its portfolio and goes 100% for health-focused categories.

2001

Danone launches Danone Way, a program that promotes social and environmental responsibility across the company.

Danone launches Danone Communities, two years after Franck Riboud and Nobel Peace Prize-winner Muhammad Yunus met, and created Grameen Danone Foods.

2008

The Danone Fund for Nature (which will become the Livelihoods Fund in 2011) is launched. One year later, Danone Ecosystem Fund will be launched.

1996

Franck Riboud becomes Danone's second CEO succeeding his father, Antoine.

2010

In Russia, Danone teams up with Unimilk, the country's top producer of fresh dairy products to create Danone-Unimilk, the new leader for dairy products in the C.I.S.<sup>(1)</sup> area.

2011

Danone deploys Dan'Cares, a program providing basic healthcare coverage to employees across the world.

2012

Emerging countries account for more than half of Danone sales and are home to 60% of Danone employees.

2014

Franck Riboud initiates a planned succession process with Emmanuel Faber becoming CEO.

2017

Franck Riboud becomes Honorary Chairman.

“Leading Danone for more than 20 years has been a wonderful adventure for me. An adventure as much as a passion—a passion for products, brands, clients, consumers, as well as for the company’s employees. A passion for growth, performance and competition. A passion for innovation, agility and action. A passion for diversity and for our unique culture rooted in the fundamental belief that sustainable growth cannot take place without having social and environmental responsibility constantly in mind. Alongside Danone’s employees, I have held this strong, incredibly challenging belief for more than 20 years. Together, we have worked to maintain the balance between our diverse short-term interests and long-term performance and growth goals, all while negotiating with stakeholders that hold opposing points of view as well as constantly acknowledging and managing the outcomes of our decisions. I have found these apparent contradictions and tensions to be incredibly fruitful. I’ve enjoyed discussing and debating with shareholders, trade unions and clients, and drawing inspiration from conflicting ideas to find new solutions, driven by the dual belief that it is in Danone’s interest to serve not only a financial purpose but also a societal one. With Emmanuel Faber now serving as Chairman and CEO, Danone will continue to stay true to its unique vision, which is the key to our success and sustainable future. The adventure is far from over.”



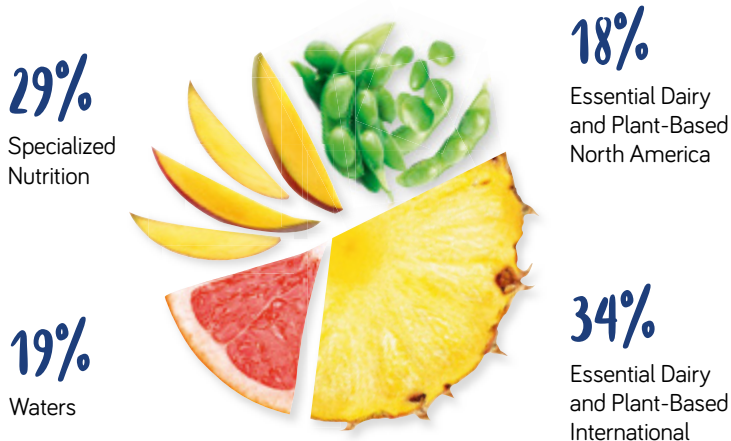
(1) Commonwealth of Independent States.

# Danone at a Glance

## A Global Leader with a Health-Focused Portfolio in Food and Beverages

**Our Mission:** *'Bringing health through food to as many people as possible.'*

### Sales by Reporting Entity



### Top 3 Brands



as % of 2017 sales

### Leading Positions<sup>(1)</sup>

**No. 1 WORLDWIDE**

- Fresh Dairy Products
- Plant-Based Products

**No. 1 EUROPE**

- Advanced Medical Nutrition

**No. 2 WORLDWIDE**

- Early Life Nutrition
- Packaged Waters (by volume)

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



## A Strong Performance

€24.7bn

sales

+2.5%<sup>(1)</sup>

sales growth

+70bps<sup>(2)</sup>

recurring operating margin expansion

+14.2%<sup>(3)</sup>

recurring earnings per share (EPS) growth

## A Global Presence

100,000+

employees in over 60 countries

120+

countries where Danone products are available across the globe

66%

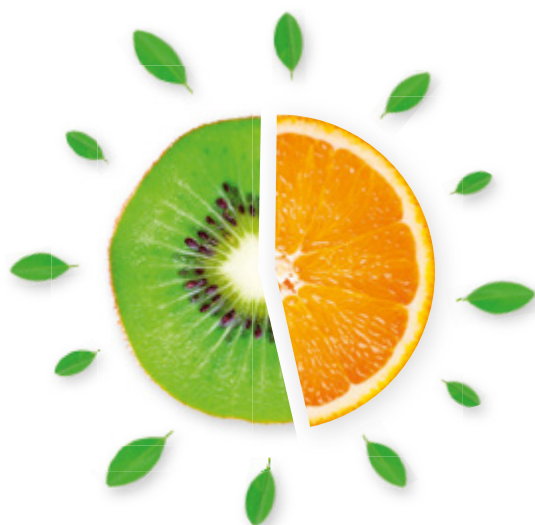
of sales outside Europe

## Sales by Region

53%

EUROPE  
NORAM

Europe,  
U.S.A.,  
Canada

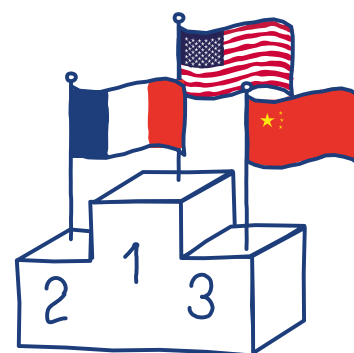


47%

REST OF  
THE WORLD

Asia-Pacific,  
Latin America,  
Middle East,  
Africa,  
C.I.S.<sup>(4)</sup>

## Top 3 Countries



as % of 2017 sales

## External Evaluation

VIGEO EIRIS

65/100

'Advanced Performer' status for our Corporate Social Responsibility performance

CDP WATER

A List

'Leadership' level awarded for the second year in a row

MSCI

AAA

rate awarded for our Environmental, Social and Governance (ESG) performance

CDP CLIMATE CHANGE

A-

'Leadership' level for our climate change overall strategy

(1) Like-for-like, New Danone (including WhiteWave starting in April 2017).

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

(3) At constant exchange rate.

(4) Commonwealth of Independent States.

# 2017 Key Milestones

April 12

## COMPLETION OF THE WHITEWAVE ACQUISITION

With WhiteWave, we have found a perfect match to build a global leader leveraging consumer trends and expectations for healthier and more sustainable eating and drinking choices. The former Danone Dairy and WhiteWave activities in North America have been combined into a new subsidiary that has been incorporated as a Public Benefit Corporation, and is now the largest company of this type in the world. In the U.S., this entity is one of the top 15 food and beverages companies and the largest refrigerated dairy company, excluding cheese.

See p. 23



March 8



## LAUNCH OF OUR FIRST GLOBAL PARENTAL POLICY

A program recognized by the UN Women's HeForShe initiative for having a positive impact on all parents in our company—both men and women.

See p. 54

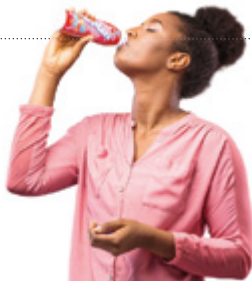
March 2



## CREATION OF NATURALL BOTTLE ALLIANCE TO DEVELOP 100% BIO-BASED BOTTLES

We have joined forces with Nestlé Waters and U.S. startup Origin Materials to develop a plastic bottle made from 100% bio-based and renewable resources. Pilot production has already begun, and the first bottles will reach store shelves in 2020.

See p. 43



May 23

## LAUNCH OF FANMAXX

Fan Milk launches *FanMaxx* in Ghana, an innovative long-shelf-life, creamy drinkable yogurt and the first of its kind in West Africa. Danone and its partner Abraaj invest \$25 million USD, adding three new production lines to its factory in Accra to sustain the growing demand for its products on the Ghanaian market.

See p. 25

April 27



## AMBITION TO BECOME A B CORP AT GLOBAL LEVEL

Danone CEO Emmanuel Faber announces the company's ambition to strengthen its relationship with B Lab and design a roadmap for Danone to obtain B Corp certification as a global entity. The public statement is the first of its kind by a multinational corporation, signaling an acceleration of the B Corp movement.

See p. 15



Discover the video on:  
[iar2017.danone.com](http://iar2017.danone.com)

June 22



DANONE  
ONE PLANET. ONE HEALTH

NEW SIGNATURE:

## DANONE, ONE PLANET. ONE HEALTH

Danone launches its first-ever company signature, 'One Planet. One Health', which reflects the vision that our health is connected with and interdependent on the health of our planet. 'One Planet. One Health' is a call to all consumers and everyone who has a stake in food to join the ongoing Food Revolution and create a movement aimed at nurturing the adoption of healthier and more sustainable eating and drinking habits.

See p. 14



May



### APTAMIL PROFUTURA TAKES OFF IN CHINA

Successful launch in China of our pioneering Early Life Nutrition product, *Aptamil Profutura*. We also launch two stores on the Chinese e-commerce app WeChat to better connect with millennial parents.

See p. 35

September



### LAUNCH OF NEOCATE SPLASH IN THE U.S.

To meet the rising prevalence of food allergies in children, we launch the first and only hypoallergenic, ready-to-use formula designed to help meet the complete nutritional requirements of children aged one and older with cow's milk allergy.

See p. 37

September



### GIRLS HAVE THEIR OWN DANONE NATIONS CUP

The Danone Nations Cup, the world's biggest football tournament for children aged from 10 to 12, opens the first all-girl tournament in addition to the current competition, involving girls teams from six countries in 2017.



September



### RELAUNCH OF HISTORIC YOGURT RANGE

Danone reinvents its iconic yogurt portfolio in France and Spain, with a new range of yogurts reconnecting with naturality (milk and ferments—nothing more, nothing less): the *Danone Le Nature* range, with 100% local milk and 100% natural ingredients, and *Danone 1919*, inspired by the recipe of the first Danone yogurt launched a century ago.

See p. 24

September 12

### EVIAN UNVEILS CARBON-NEUTRAL BOTTLING SITE

After six years of transformation, *evian* unveils a state-of-the-art bottling site, fully upgraded and perfectly integrated into its environment. The new site is 100% powered by renewable energy and is carbon neutral, marking a milestone in the brand's commitment to achieving global carbon neutrality by 2020.

See p. 29



November 7

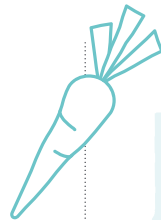
# 10

### YEARS OF DANONE COMMUNITIES

We celebrate the 10<sup>th</sup> anniversary of our Danone Communities fund, created to reduce malnutrition and bring access to safe drinking water. Today, we are helping 10 social businesses to grow around the world for the benefit of 1 million people.

See p. 50

September 28



### DANONE MANIFESTO VENTURES INVESTS IN YOOJI

Danone Manifesto Ventures invests in French startup Yooji, founded in 2012 and offering small-portioned organic frozen baby food recipes. A new milestone, after having invested in French food startup Michel et Augustin and Farmer's Fridge, a U.S. company that distributes freshly-prepared food through refrigerated vending machines.

See p. 47

December 1



## EMMANUEL FABER BECOMES CHAIRMAN & CEO

Danone's Board of Directors unanimously votes to combine the functions of Chairman and Chief Executive Officer. Emmanuel Faber, who has served as CEO since 2014, is appointed Chairman and CEO of Danone. He succeeds Franck Riboud who takes up the role of Honorary Chairman.

See p. 12



# Letter from the Chairman and CEO

EMMANUEL FABER

2017 has been a pivotal year for the execution of our transformation agenda through strategic actions. A year of intense construction to strengthen Danone as an even more resilient company. We are well-prepared to seize tomorrow's opportunities and can build on the right portfolio of products and brands to serve our consumers meaningfully in a balanced array of geographies. We can count on the combined strength, competencies and expertise of our fully committed teams.

Historically, our company has always been one that is in motion and that has successfully transformed itself while remaining faithful to its vision. Twenty years ago, we were a European champion active in some twenty categories of products. Today, we have become a world leader in four businesses: Essential Dairy and Plant-Based Products, Waters, Early Life Nutrition and Advanced Medical Nutrition. In other words: a unique health-focused portfolio that allows Danone to be a key player in the Food Revolution.



From a geographical perspective, more than 65% of our sales are now generated outside of Europe, especially in the U.S., where we have doubled the size of our business following the WhiteWave acquisition.

Globally speaking, we ended the year with a very strong set of results and delivery on all of our 2017 financial objectives, despite volatile food and beverage markets and rising input costs. Serving our gradual acceleration of sales growth along the year, the performance of our Specialized Nutrition activities in particular has been consistently strong, especially in China—a market where our brands have responded adequately and with great agility to rising consumer demand. Our Waters division, across plain waters and aquadrinks, performed well in all regions both in terms of volume and value, benefiting from market trends toward healthier hydration. We saw a strong acceleration in the category, with a return to growth in China. Despite some headwinds, our Essential Dairy and Plant-Based division has shown resilience and its performance has been gradually improving. We're seizing opportunities, notably through the appeal of local yogurt and dessert brands like *Les 2 Vaches* in France or *Light & Free* in the U.K. which, though small, are growing strongly. The plant-based business has seen an uplift in the second part of the year, with impressive sales growth in the last quarter from brands like *Vega*, *Silk*, *So Delicious* and *Alpro*.

Overall, our 2017 performance reflects the strength of our expanded portfolio of consumer-trusted brands, acceleration in product innovation and activation, and the solid execution of our strategy and financial roadmap. The year 2017 was marked by the WhiteWave acquisition, positioning Danone as a global leader in plant-based and organic products. The integration is going well and we are reaping considerable benefits already in terms of synergies, ahead of plan. We closed the year with an accelerated sales growth, outperforming the industry average, along with strong margin improvement, free cash flow above €2 billion and double-digit recurring earnings per share growth at constant exchange rate fully in line with our full year guidance.

Protein, the €1 billion savings program by 2020 that was launched at the beginning of 2017, is on track and will give us the momentum to reinvest part of the savings into relevant growth projects.

# We aim to provide more choice for different moments of the day, while inspiring healthier and more sustainable eating and drinking practices.

## BUILDING A UNIQUE AND DIVERSIFIED HEALTH-FOCUSED PORTFOLIO TO INSPIRE THE FOOD GENERATION

We aim to provide more choice for different moments of the day, while inspiring healthier and more sustainable eating and drinking practices. This year, combining Danone and WhiteWave was a strategic step in strengthening and diversifying our offer. We are now able to serve people looking for plant-based options as part of their diet, whether for health reasons, or for social or environmental convictions.

We have a unique portfolio of brands across our four businesses that strongly connect with consumer trends and demands. We truly believe that not only our global brands, but especially our strong local brands will help us keep Danone closely focused on the eating habits of people and their communities, while providing locally relevant solutions to health and sustainability challenges.

We continue to inspire better choices by improving the nutritional quality of our food and beverages, innovating with on-the-go formats and packaging adapted to new consumption patterns, and aiming to be where our consumers are. We do this by combining the strength and innovation expertise of a global organization with an in-depth

+14.2%<sup>(1)</sup>  
RECURRING  
EPS GROWTH  
~

(1) At constant exchange rate.

# 14.36%

RECURRING OPERATING  
MARGIN

~

understanding of local tastes and social habits. Today, more than 55% of our portfolio consists of local brands such as *La Serenísima* in Argentina, *Blédina* in France, *Prostokvashino* in Russia, *Mizone* in China or *AQUA* in Indonesia. We continue to expect those local brands to drive growth.

#### 'DANONE, ONE PLANET. ONE HEALTH': AN AMBITIOUS COMPANY VISION TO PREPARE THE FUTURE

People today have quite different expectations for brands. They pay more attention to what they eat and drink, how ingredients are sourced, and how food and beverages are produced, marketed and distributed. They are mindful of a brand's environmental and social practices, and they want to know the people behind the brand. Transparency is key.

No other time has offered as many opportunities to rethink how we produce food. We want to be a catalyst of this change. 'Danone, One Planet. One Health' is

We will continue to disrupt our innovation, distribution, sales and marketing models to better engage with consumers.

our vision that speaks directly to this generation of people around the world who are looking to reclaim sovereignty over what they eat and drink—the food generation. It drives our strategic decisions to deliver the healthier, more sustainably produced food and drink choices that people have come to expect from us. In addition, we'll continue our work to promote regenerative agriculture, to encourage a circular economy and to offer a diverse range of nutritious, minimally processed products.

We believe the food generation will request evidence of the intent of the people behind the brands.

We believe that B Corp certification is an external recognition of our sustainable practices that will reinforce trust with consumers, retailers, civil society and governments while bringing us a crucial competitive advantage. Beyond B Corp certification for a number of our small and large local entities (Happy Family, Danone Dairy Spain, Danone Dairy U.K., Danone Aguas Argentina, Les Prés Rient Bio), we are working to become a B Corp on a global level as a completion of our commitment to sustainable business and to Danone's longstanding dual project of economic success and social progress.

#### RECONNECTING OUR BRANDS AND OUR CONSUMERS TO THE FOOD ECOSYSTEM

To play a key role in the Food Revolution, our brands must first support the social and cultural values people have about food. They must sharpen and share their point of view on how they impact people's health or the planet's health—or both. We are constantly strengthening the sustainability of our brands, in addition to their connection to and impact on local ecosystems—through responsible sourcing, production and distribution. The inauguration of our carbon-neutral *evian* bottling facility in France in 2017 was a proud milestone-moment for our company.

#### A STRENGTHENED CORPORATE GOVERNANCE AND MANAGEMENT ORGANIZATION

In 2017, we reached the end of a three-year transition process initiated by Franck Riboud in 2014, leading to my new role as Chairman and CEO. The decision was made to recombine these responsibilities to strengthen the relationship between the Board and the Management Team, enabling Danone to adapt more quickly to challenges and opportunities in the fast-changing consumer and retail environment. To that end, I have also decided to streamline



the Executive Committee from 12 to 7 members, so we'll have a closer, more efficient and cohesive team. This new structure allows us to be more agile and reactive to evolutions in industry trends. In parallel, I strengthened the role of the Danone Executive Leadership Team (DELT), which is composed of a number of key transversal functions and all of the regional business Vice Presidents. Together, they are now appointed to help set the company's global agenda through a local leadership lens, making strategic decisions as close as possible to local and regional consumer realities on the ground.

### A NEW HONORARY CHAIRMAN

After more than 20 years of working with Franck Riboud, it's an emotional and important time for me. I am truly honored to also serve as Chairman and would like to wholeheartedly thank Franck Riboud for the visionary leadership he has brought to Danone during his chairmanship and throughout his distinguished career with the company. He now serves as Honorary Chairman, Director of the company and member of the Strategic Committee of the Board, continuously contributing his extensive experience and valued perspective.

As Chairman, and with the support of the Board, I will continue to ensure that we will lead the way in creating and sharing sustainable value.

### KEY PRIORITIES FOR 2018

In line with our 2020 agenda, the priorities we are setting for ourselves are accelerating growth, maximizing efficiency and pursuing disciplined capital allocation.

Our growth acceleration strategy will lean on the development of purpose-led, activist brands, which will become the new standard across the company in line with our 'Danone, One Planet. One Health' vision. We will also continue to disrupt our innovation, distribution and marketing models to better engage with consumers. Finally, our continued shift toward new channels, including e-commerce platforms, will be key to driving new opportunities.

In the meantime, Danone is continuing to implement its transformation with the integration of WhiteWave and the global roll-out of our ambitious €1bn savings program by 2020. We have started 2018 with stronger foundations, giving us confidence that we will deliver double-digit recurring earnings per share growth<sup>(1)</sup>.



To succeed on this path, I know I can count on the incredible energy of more than 100,000 Danoners, working every day to bring our unique vision to life.

With your constant support, our commitment to social and economic progress, and passion for bringing health through food to as many people as possible, we will continue to generate profitable sustainable growth now and for many years to come.

**+2.5%<sup>(2)</sup>**  
 NET SALES  
 GROWTH ACROSS  
 CATEGORIES

*E. Faber*

(1) At constant exchange rate, excluding Yakult Transaction Impact.  
 (2) Like-for-like, New Danone.

# New Leadership Organization

## Supporting Danone's Vision and Strategy

The year 2017 has brought a new milestone in our transformation journey, with Emmanuel Faber taking up the combined role of Chairman and Chief Executive Officer to further cement the relationship between Danone's Board of Directors and management team, and a streamlined Executive Committee to foster better collaboration and faster decision-making.

### AN ENHANCED BOARD LEADERSHIP STRUCTURE AND BALANCED BOARD OF DIRECTORS

On December 1, 2017, Emmanuel Faber took up the combined role of Chairman and CEO of the company. Marking the end of a successful three-year leadership transition process that was initiated in 2014, Franck Riboud stepped down from his role as Chairman to become honorary Chairman of Danone. He continues to serve as a director of the company and member of the Strategic Committee of the Board. Current Director Benoît Potier, Chairman and CEO of Air Liquide, has succeeded Franck Riboud as Chairman of the Strategic Committee.

In addition, Danone will be appointing a new Lead Independent Director with expanded duties to reinforce the Board's leadership structure. At the end of 2017, Danone announced that it will ask its shareholders to approve the appointment of Michel Landel as Board Member from the next Shareholders' Meeting on April 26, 2018. Following his appointment, Michel Landel will take on the responsibility of Lead Independent Director and Chairman of the Nomination and Remuneration Committee, as per the Board's decision.

These changes are part of the Board's ongoing and proactive focus on adding relevant international and consumer sector expertise to its structure in order to ensure impactful contributions, while meeting the highest independence and diversity criteria.



“The combination of the Chairman and CEO roles reflects the culmination of a planned leadership transition process. I have full trust that Emmanuel Faber will provide strong and stable leadership as Danone continues to evolve.”

**FRANCK RIBOUD**, Honorary Chairman of the Board





**MEMBERS OF THE EXECUTIVE COMMITTEE**  
(from left to right):

**BERTRAND AUSTRUY**  
Executive Vice President,  
Human Resources  
and General Secretary

**FRANCISCO CAMACHO**  
Executive Vice President,  
Essential Dairy and Plant-  
Based

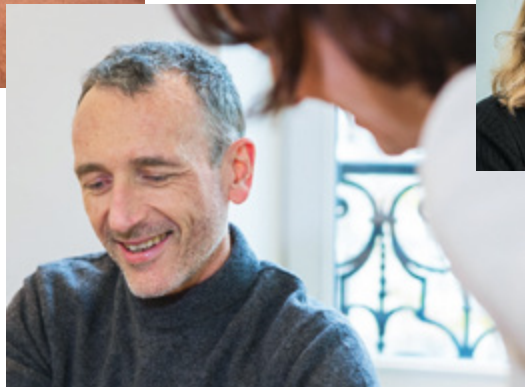
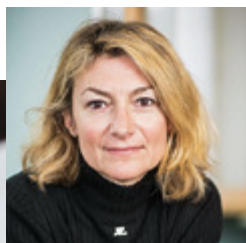
**EMMANUEL FABER**  
Chairman of the Board  
and Chief Executive Officer

**BRIDGETTE HELLER**  
Executive Vice President,  
Early Life Nutrition and  
Advanced Medical Nutrition

**HENRI BRUXELLES**  
Executive Vice President,  
Waters and Africa

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

**VÉRONIQUE  
PENCHIENATI-BOSETTA**  
(below):  
Executive Vice President,  
Growth and Innovation.  
Member of the Executive  
Committee as of  
February 1, 2018.



“With the full support of the Board, we will continue to create value by remaining focused on our 2020 objectives and driving strong, sustainable growth and profitability across our categories. The strength of Danone, and of our more than 100,000 employees, lies in our shared conviction that our business is creating value for our shareholders, while having a positive impact for all of our stakeholders.”

**EMMANUEL FABER**, Chairman and CEO

**A STREAMLINED EXECUTIVE COMMITTEE  
SUPPORTED BY A NEW EXECUTIVE  
LEADERSHIP TEAM**

Danone streamlined its Executive Committee to contribute to a better execution of its vision and strategy, enhance collaboration and promote efficient and agile decision-making in a climate of fast-moving industry trends. The committee is now comprised of three business and three functional leaders under CEO Emmanuel Faber’s leadership.

To ensure focus on its priorities, our Executive Committee has delegated a series of strategic, management and execution responsibilities to the Danone Executive Leadership Team. Also known as the DELT, this team was created in 2017 to foster collective business intelligence and to increase speed of execution at the local level to fully capture Danone’s growth potential. The DELT consists of regional business leaders who influence the company’s business agenda with a local leadership perspective, and also of strategic transversal functions that mirror the company’s priorities with the SVP CCPO (Cycles & Procurement), the Non-Executive Chairman, Asia and the SVP Corporate Affairs and Sustainability Integration.



For more information on our leadership organization and Board of Directors:  
[iar2017.danone.com](http://iar2017.danone.com)

# Our Vision

# Danone,

# One Planet. One Health

In 2017, Danone unveiled a refreshed logo and its very first company signature: 'One Planet. One Health.' These words reflect our vision that the health of people and the health of the planet are interconnected. It is a call to action for all consumers and everyone who has a stake in food to join the ongoing Food Revolution and be part of a movement aimed at nurturing the adoption of healthier, more sustainable eating and drinking habits.

## RECONNECTING PEOPLE WITH THE FOOD THEY EAT

At Danone, we believe that each time we eat and drink, we can vote for the world we want to live in. This powerful idea is at the heart of the ongoing Food Revolution, a movement which is inspired by people who care about where their food comes from, how it was grown, how it arrived in their hands and how it impacts their health and the health of the planet. We call these people the food generation.

At Danone, we believe that global food and retail companies can play an important role in this revolution through a transformation of their business models, moving away from standardized food systems to new models based on local diets and leveraging local sourcing.

We believe a healthy body needs healthy food. And healthy food needs a healthy planet. All with healthy ecosystems and strong, resilient social structures. We believe in a food and water ecosystem that works in harmony with people, communities and the environment.

Our dream is to make the Danone logo a symbol of positive change to build a healthier world through food. With our company brand idea, we can bring together our mission, values, brands and social initiatives. The Danone company brand will allow us to turn our uniqueness into a driver of growth and add extra equity to our brands to build consumer trust.

## THE CHILD STAR: AN ICON INVITING EVERYONE TO JOIN THE MOVEMENT

Together, the new signature and logo—a refinement of our child gazing up at a star—carry a sense of optimism for positive change while embodying the same pioneering spirit the company has always had. In 1972, Antoine Riboud, the first Danone Chairman and CEO, said, "There is only one earth, we only live once." Those words kick-started a vision that lives on today: to bring health to our planet and to generations of people through our company and its ecosystems, now and in the future.



"Consumers are craving change. They expect large organizations like Danone to bring our scale of impact to change the world for the better. 'One Planet. One Health' is a rallying call to everyone to join the Food Revolution. And we aim to make that Revolution a reality for as many people as possible, across the world."

**EMMANUEL FABER,**  
Chairman and CEO of Danone

## Non-GMO

A significant part of our U.S. dairy portfolio is now Non-GMO Project Verified, following the Dannon Pledge to use fewer, more natural and non-GMO ingredients, and to boost our sustainable agricultural practices.



## Plant-Based Products

The WhiteWave acquisition expands our existing portfolio to include a wide variety of organic and plant-based products, leveraging our commitment to offer consumers healthier, great-tasting options.

## 170,000 Children

'Mum, Dad, I Prefer Water' is one of the many examples of Danone's key educational programs promoting the healthy benefits of water. This specific program reaches 170,000 children in Poland, every year.

## Circular Economy

As part of our partnership with the Ellen MacArthur Foundation, we are now a core partner in the New Plastics Economy Initiative to rethink and redesign the future of packaging, starting with plastics.



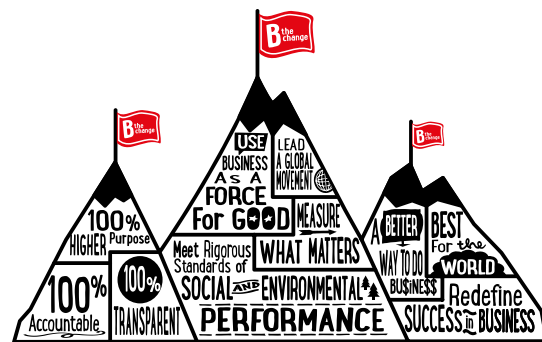
# Our Ambition

## Toward B Corp Certification as a Mark of Trust

In this increasingly complex world, big brands and companies are fundamentally challenged as to whose interests they really serve. At Danone, we are convinced that addressing this issue in straight and simple terms is the best way for our company and our brands to reinforce trust with employees, consumers, partners, retailers, civil society and governments. That is why we joined the B Corp movement.

### B CORP IS A MOVEMENT FOR BUSINESSES SEEKING TO COMBINE FINANCIAL SUCCESS WITH SOCIAL AND ENVIRONMENTAL GOALS

Our ambition to obtain this certification is an expression of our long-time commitment to sustainable business and to Danone's dual project of economic success and social progress. At the end of 2017, five Danone subsidiaries were certified as a B Corp, and about the same number are close to reaching that same goal. While attaining B Corp status has so far been the domain of small and medium privately held companies, Danone has been partnering with B Lab—the non-profit organization accrediting B Corp certification—since 2015 to help define a B Corporation model suitable for publicly listed multinationals. It is a significant step toward making sustainable business mainstream—which we believe to be the future.



**WHAT IS B CORP?** B Corp is a sustainable business certification launched in the U.S. in 2006 that has been gaining momentum around the world. In line with Danone's vision, the B Corp movement works to drive a cultural shift to redefine business success. Today, there are more than 2,300 B Corps in 50 countries. B Lab, a non-profit organization, accredits B Corp certification to for-profit companies that demonstrate high standards of social and environmental performance. Danone's ambition is to be among the first food multinational companies to obtain a global certification. We are partnering with B Lab to build the roadmap toward this goal.

## 5 subsidiaries

By the end of 2017, the following Danone subsidiaries were B Corp certified: Danone Dairy Spain, Happy Family, Danone Aguas Argentina, Les Prés Rient Bio (*Les 2 Vaches*) and Danone Dairy U.K.



In 2017, our newly created North American entity that brings together the former WhiteWave activities and Danone's historic dairy business in the U.S., was incorporated as a Public Benefit Corporation. Our subsidiary has thus officially been given the legal mandate to serve the interests of not only shareholders, but also society at large through a clearly defined purpose and targeted goals. Our newly created North American subsidiary is on track to achieve B Corp certification.



"This is an important milestone not only because of the business value, but also because of the shared value it brings to people and the planet."

#### DOUGLAS MCMILLON,

President and CEO of Walmart in response to Emmanuel Faber's announcement that Danone aims to seek B Corp certification as a global entity.

# Our Operational Framework

## Expressing our Vision Through Brands

At Danone, we are committed to offering our consumers products that nourish and protect both the health of people and the health of the planet.

**O**ur portfolio of products offers both an array of healthier choices to be enjoyed on a daily basis and more specific nutritional solutions for every stage of life that we design and develop in a responsible way. We aim to contribute to a more sustainable food system by building efficient resource cycles throughout the whole food chain, from production to consumption. Every day, we embrace our commitment to encouraging healthier and more sustainable eating and drinking habits through our food categories, brands and services. Our Alimentation Tree is the framework we use to help us organize the activities of our brands around this ambition.

**The leaves represent nine health priorities** to which Danone contributes through its products and brands. We focus on healthy categories through dairy and plant-based products, waters, early life nutrition and advanced medical nutrition. In the past three years, we have improved the nutritional profile of more than 20% of our products so we can offer the best food and beverages.

**The roots of the tree show the actions our brands can take to address environmental challenges**, such as fighting climate change, preserving the water cycle, fostering sustainable agriculture, and developing responsible packaging.

**The trunk illustrates how our Manifesto—or purpose-led —brands** are the main vehicles to impact a greater number of people by providing unique food and beverages based on ingredients sourced in a sustainable way and tailored to local and specific needs. Every day, we strive to improve our brands to make sure that they bring value and have a positive impact on the health of both people and the planet.

“All our brands will have a purpose. We’ll launch specific, significant projects benefiting people’s and the planet’s health for each of them.”

**VÉRONIQUE PENCHIENATI-BOSETTA,**  
Executive Vice President, Growth and Innovation

“Circular economy, especially when it comes to plastic, water or milk cycles, is a major game changer. Let’s embrace it to protect, fuel and grow our business through meaningful brands.”

**KATHARINA STENHOLM,**  
Senior Vice President, Chief Cycles and Procurement Officer

### 5 pioneering purpose-led brands

We are continually working to grow and elevate our portfolio of Manifesto—or purpose-led —brands.

#### AQUA

making water a source of socio-economic wealth

#### Danonino

contributing to children’s full development and autonomy

#### Fostimel

fighting disease-related malnutrition by meeting specific dietary needs

#### Aptamil

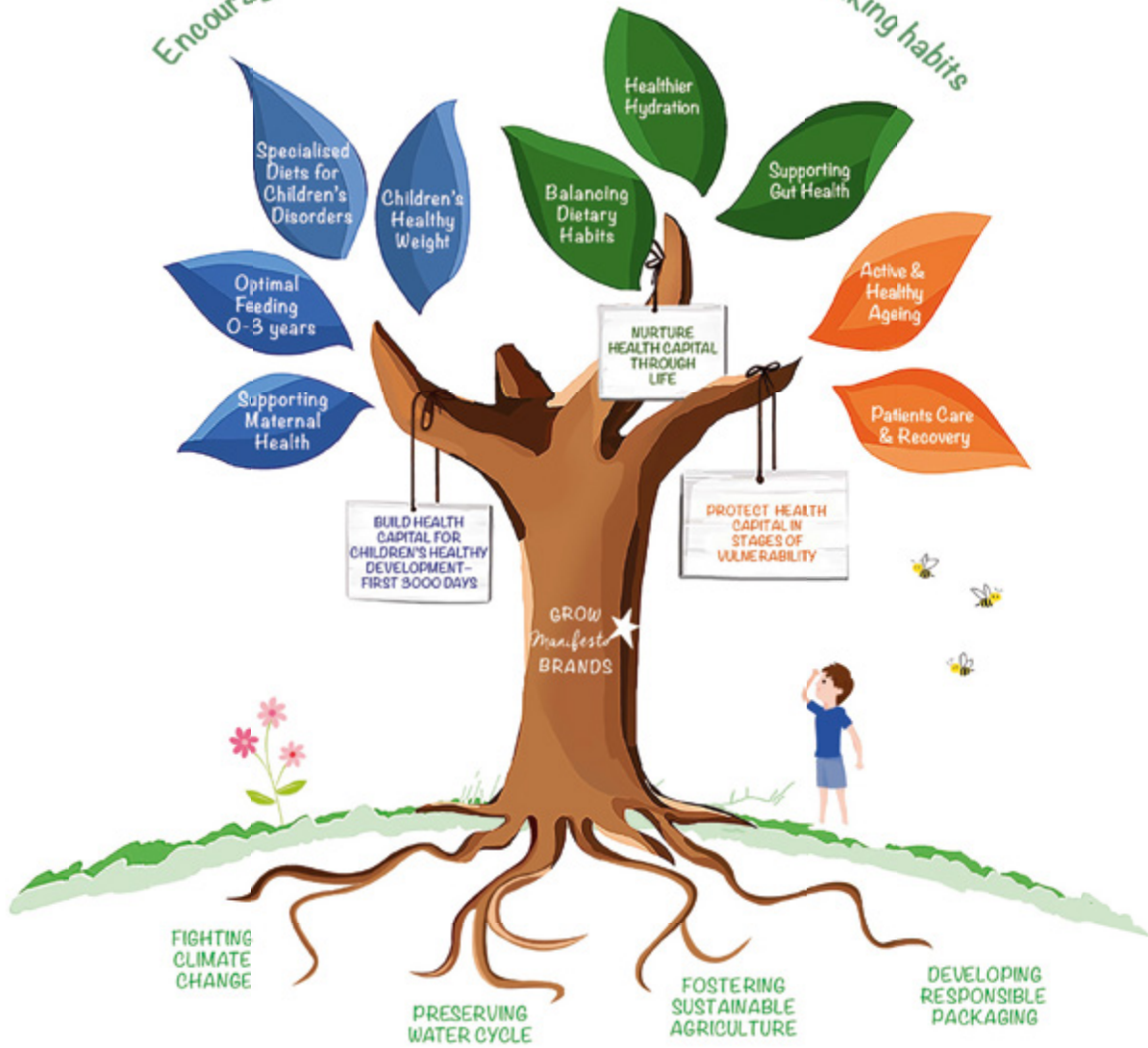
helping children grow up healthy and build health capital from their very first days

#### Phosphatine

breaking the cycle of anemia in Africa

# Alimentation

Encourage healthier, more sustainable, eating and drinking habits



Impacting positively local communities







## OUR PRODUCTS

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# Developing Brands for a Healthier World

At Danone, we strive to meet the needs of our consumers through health-focused and sustainably produced food and beverages. We are developing purpose-led brands and we are accelerating our innovation efforts.

# Offering a Wide Range of Healthy and Tasty Choices

In response to increased demand, we are driving our portfolio of locally anchored brands for greater impact, while continuing to promote our iconic regional and global brands. To do so, we are working to innovate, interact with consumers in compelling ways and shift toward new digital consumer insights and channels. In line with our 'Danone, One Planet. One Health' vision, we also commit to using our natural resources better to offer sustainably produced food and beverages.

## FAST PROTOTYPING FOR INNOVATION

Danone relies on new models of fast prototyping—developing and testing prototypes at rapid rates of iteration—to glean consumer feedback and quickly make improvements before launching new products, packaging options or flavors. This ensures we bring the best, most innovative products to market even quicker.



**ON-THE-GO,  
WHEREVER,  
WHENEVER**

As more people eat and drink on-the-go, Danone provides healthier solutions that fit those needs. We are constantly pushing our innovations with ready-to-use packaging, from on-the-go yogurt pouches to sports-cap water bottles, in addition to new straw-in-the-lid formats for drinkable yogurts, a rapidly growing sector in several key geographies. In parallel, we are expanding in new channels such as convenience stores, e-commerce, street vendors and vending machines to reach consumers wherever they are.

## MEETING THE FOOD GENERATION'S NEEDS

Danone plays a key role in the ongoing Food Revolution, based on the strength of our health-focused portfolio, our social and environmental commitments, and our history of being ahead of the curve on consumer and social trends. Today's consumers want healthier and responsibly produced food and drinks. To meet those needs, we strive to deliver healthy products and better-for-you alternatives for moments of indulgence, brought by purpose-led brands. We offer diverse choices and solutions for different occasions and moments of the day.

We pay great attention to transparency via better labeling and clear ingredient lists. And we work on the availability of our products via multiple retail channels, including digital formats such as mobile apps and marketplace platforms, which are important drivers of sales.

## LEVERAGING OPPORTUNITIES FOR GROWTH

In 2017, our acquisition of WhiteWave brought together two leaders in food and beverages with complementary portfolios in some of the fastest-growing, health-focused categories, including organic, non-GMO and plant-based products. We saw our North American business double—and

the newly formed combined entity offers us greater scale and expertise. Danone's important geographic presence in Europe aims to accelerate *Alpro's* continent-wide growth. Our distribution channels in other parts of the globe, such as Latin America, also allow for multiple expansion opportunities of plant-based products. Furthermore, we can now build on expertise in both dairy fermentation and plant-based innovation to develop and enhance our range of offerings.

## A UNIQUE HEALTH-FOCUSED PORTFOLIO

Danone is a global leader with a health-focused portfolio in food and beverages, with many of our brands ranked number one in their key markets. We continually refine and build our portfolio based on our core values: inspiring healthier eating and drinking choices while promoting a model that creates social and economic value. Our Specialized Nutrition activity—comprising Early Life Nutrition and Advanced Medical Nutrition—accounts for our most rapidly growing business through a 100% health-focused portfolio of science-based solutions, designed to impact the health of those who need it most, from preterm babies to elderly patients.





### EVOLVING FASTER THROUGH NEW PARTNERSHIPS AND MODELS

To meet consumer demand with new products and flavors, we are working with data analysis tools such as Google Analytics and fast prototyping. This leads to exciting innovations such as *Lemonades*, launched in select cities in China. This allows us to capitalize on the flexible marketing opportunities that smaller brands provide, as well as to quickly fine-tune and deliver in-demand products to match consumer needs. Relying on these techniques, we have seen a big upturn in brands such as *Ser* in Argentina and *Dan'Up* in Mexico or France's *Les 2 Vaches*, which saw double-digit growth in 2017.

### LOCAL AGILITY, GLOBAL EFFICIENCY IN DRIVING INNOVATION

More than 55% of Danone's portfolio consists of local brands—and this strikes a powerful balance for our business. As we continue to activate local brands with regional relevance, we can also leverage them with the strength of our global expertise in areas of innovation, research, and distribution. This gives us a unique competitive advantage in that we are able

to keep an ear to the ground on local trends, quickly adapt to changing needs, innovate faster, and keep in step with local cultures and eating traditions. In addition, we can apply a global model of valorization to our portfolio of local brands, providing consumers with distinct products.

### PREMIER ON DIFFERENTIATION

Danone keeps the pace by implementing differentiation strategies across its portfolio. Our aim is to enhance value and a sense of pleasure for the consumer, from creating new types of yogurts with fruits and grains to collectible bottles for our beverages.





# ESSENTIAL DAIRY & PLANT-BASED PRODUCTS

We are improving and expanding our portfolio into on-trend food and drink categories to offer healthier, nourishing and tasty choices across our different markets. Innovating to meet the different ways people shop and consume today is adding value to our Essential Dairy and Plant-Based business.

“We want to offer wider-ranging food and drink choices that can become a natural part of consumers’ healthy eating habits throughout the day, adapted to today’s needs and lifestyles.”

**FRANCISCO CAMACHO,**  
Executive Vice President,  
Essential Dairy and Plant-Based

Demand is growing for more nourishing, natural and sustainably produced products that can be consumed at different moments of the day. By expanding into the complementary area of plant-based food and drinks through the acquisition of WhiteWave, we have created a greater range of better-for-you options. We continued our innovation efforts through both local and international brands, promoting tasty and convenient alternatives to meet new eating trends. This has enabled us to capitalize on growth opportunities across multiple markets.

We continued to develop our fresh dairy activities in key regional markets like North America, C.I.S.<sup>(1)</sup>, Latin America and also Europe and Africa. In general, smaller brands, innovations and new formats for on-the-go consumption have delivered notable growth. We continued to register progress for international brands like *Activia* and *Danone*, among others, through product innovation, packaging, brand image building and advertising. In the C.I.S. region in particular, Danone generated solid growth, reflecting our ongoing efforts to enhance brand portfolio valorization to offset declining volumes in low value-added segments.

In North America, our yogurt business continued to gain market share in 2017, with strong growth in emerging segments such as plant-based yogurts, smart calories and family nutrition. Our plant-based food

and beverage business benefited from a meaningful improvement of *Silk* nut-based beverages and continued strong momentum for *Vega* and *So Delicious* frozen desserts and novelties. Coffee creamers and beverages also enjoyed robust growth, driven by an acceleration of the portfolio’s seasonal flavored and plant-based creamers, and the continued expansion of *STōK* cold-brew iced coffee beverages.

Efforts continued to improve our fresh dairy category across Europe while *Alpro*’s plant-based offer has registered nearly double-digit growth across its European markets. *Alpro* is now Danone’s second-largest Essential Dairy and Plant-Based brand in Europe, after *Activia*.

## BEING AN ESSENTIAL PART OF CONSUMERS’ LIVES

Combining our research into milk, ferments and probiotics that support gut health drove new opportunities to meet increasing demand



**No.1  
WORLDWIDE**

**in Fresh Dairy and  
Plant-Based Products**



(1) Commonwealth of Independent States.





for healthier options. We continued to improve the nutritional value of our ranges, making natural products richer in essential nutrients and limited in fat and sugars. This led to a number of product launches including *Activia* with a new mix of grains and fruits in Europe and the expansion of high-protein, zero-added-sugar yogurts in the U.S., U.K. and Mexico through brands like *Oikos*, *Light & Free* and *Vitalinea*. We also innovated across our *Horizon* organic premium dairy range in the U.S., launching vitamin D-enhanced milks, protein-rich single-serve milk formats and lactose-free options. We aim to bring a choice of delicious and nutritious options for people throughout the day, including tasty treats for a moment of indulgence.

#### INNOVATING TO MEET THE WAY PEOPLE EAT AND DRINK TODAY

More urban lifestyles and increased snacking outside the home are changing shopping and eating habits. We have made it easier for people to find healthy options, wherever they are, through a broader offer, innovative packaging and new retail channels.

Innovation is driven by upstream research close to local needs, using analytics and fast

prototyping to tailor packaging options and bring new products to market more quickly. Launches in 2017 included new single portion *Oikos* yogurts in Europe and the expansion of our innovative pouch format for healthy snacking into Mexico and Brazil as well as across local dairy brands in Europe. In Russia, the successful introduction of a new straw-in-the-lid format for on-the-go consumption was extended from *Activia* drinking yogurts to *Danissimo Shake & Go* dairy drinks.

#### TRUSTED BRANDS THAT CONNECT WITH LOCAL NEEDS

We built on people's close connection with local brands to bring new eating experiences—whether to satisfy a specific nutritional or care purpose, for family eating or simple indulgence.

Our *Prostokvashino* and *Tëma* dairy brands in Russia innovated with new recipes containing locally sourced fruits and featured the farmers who supply milk on our packaging. We continued to expand successful local brands like *Fan Milk* in Ghana as well as *Mayo* and *Ultramel* in South Africa to increase consumer choice in Africa.

### Strengthening our complementary dairy and plant-based offer in the U.S.

In April 2017, the acquisition of WhiteWave made us a leader in plant-based foods in the U.S. and in refrigerated dairy<sup>(2)</sup>, strengthening our market presence and reach. With a unified sales force from day one, we have already begun to capitalize on our complementary expertise and innovative capabilities to better serve both customers and consumers. Doubling our size in the U.S. with a broad dairy and plant-based offer, we've expanded distribution into convenience stores like 7/11, added new products into natural food channels and increased availability of fresh and long-life options in increasingly popular bulk-buying clubs and online shopping. Underlining the value we bring to retail partners, in June, Walmart selected our U.S. subsidiary as its yogurt category advisor.

<sup>(2)</sup> Excluding cheese.



# ESSENTIAL DAIRY PRODUCTS

“We have an extraordinary opportunity to deliver the benefits of dairy and plant-based categories through the power of Danone’s local and international brands.”

**BERNARD DUCROS,**  
Vice President, Essential Dairy & Plant-Based Europe

Fermented dairy products are a traditional part of many food cultures across the world. Building on the proximity of our brands, our dairy portfolio reflects the simple, natural and sustainable way we meet people’s desire for better-for-you, great-tasting and locally produced foods.



## Feel Good About What You Eat

DANONE LAUNCHED *LIGHT & FREE* GREEK-STYLE YOGURT WITH 0% FAT AND 0% ADDED SUGAR IN THE U.K. With an aspirational ‘Feel free to...’ message for people to make an individual choice for their body and well-being, *Light & Free* has reached 4 million households. In Mexico, *Vitalinea*’s lighter yogurt brand saw sales more than double in 2017, boosted by four new flavors and its zero-added-sugar promise. *Oikos Triple Zero*, launched two years ago in the U.S., has continued to be a best-selling yogurt innovation, helped by a sponsorship with the NFL (National Football League) and attractive packaging that communicates the benefits of this healthy, high-protein snack.

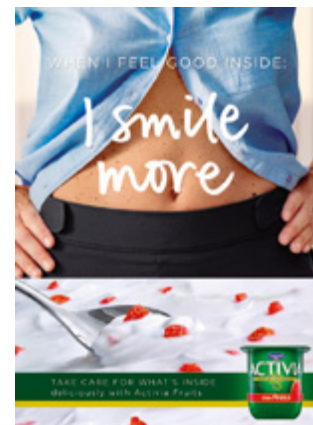


## Natural, Simple & Good for You

THROUGH THE INCREDIBLE POWER OF LIVE FERMENTS, yogurts have a high concentration of essential nutrients. Since 1919, Danone has continued to develop its fermentation expertise to promote yogurt as an essential part of healthier daily eating. In 2017, *Danone Le Nature* launched an expanded yogurt range in France and Spain with a focus on natural goodness. It includes *Danone 1919*, inspired by the recipe of the first Danone yogurt launched nearly a century ago. Made from 100% local milk and 100% natural ingredients, Danone yogurts are a great example of simple good food: tasty, healthy and good for the local economy.

## Care for What’s Inside

ACTIVIA’S CAMPAIGN IN SPAIN, FRANCE AND ITALY acted as a reminder of the role of yogurts with probiotics in digestive comfort.





## Expanding Dairy Choices in Ghana

FAN MILK LAUNCHED its new creamy drinkable yogurt in Ghana. Enriched with calcium and vitamins and with a four-month shelf-life, *FanMaxx* is a healthy and nourishing choice suited to the cold chain constraints of the Ghanaian and other African markets. Fan Milk, which traditionally sells products through a network of street vendors, is expanding distribution of its new *FanMaxx* into over 7,000 shops and retail outlets across the country.



## New Recipes Combining Probiotics with Superfruits

WE CONTINUE TO EXPLORE how the probiotics in fermented milks contribute in a natural way to supporting our gut health and immune system. In 2017, in various European countries, we launched new *Actimel* flavor ranges with superfruits such as blueberry, pomegranate and yuzu, packed with essential vitamins and minerals.



## New Drinkable Organic Dairy Products in France

LES 2 VACHES LAUNCHED ITS FIRST RANGE OF DRINKABLE YOGURTS MADE FROM ORGANIC FRUITS AND MILK IN OCTOBER 2017. For the past 11 years, the brand has worked with local producers in France, partnering with them to switch to organic production through a concept of open farms, training and the sharing of sustainable practices. Today, 40 farmers in the Normandy region contribute 16 million liters of organic milk a year used for *Les 2 Vaches* yogurts and desserts.



## Products for Life on the Move in Mexico

IN MEXICO, 60% OF CONSUMPTION TAKES PLACE ON THE STREETS. For people picking up breakfast at local shops or convenience stores, *Dan'Up's* yogurt drink delivers an energy boost in a new 350 ml format. For parents looking to feed their kids on the way home from school, the new *Danonino* pouch offers an easy-to-handle yogurt treat that's a nutritious alternative to a sugary snack.

## Transparent on our Commitments to U.S. Consumers

APRIL 2016, WE LAUNCHED THE U.S. DANNON PLEDGE on sustainable agriculture, naturality and transparency. We've supported farmers in converting 40,000 acres to non-GMO crops, and providing non-GMO feed to 15,000 cows. In 2017, our *Danimals* kids smoothie yogurts became Non-GMO Project Verified, evolving market-share growth and demonstrating consumer support for our pledge commitments. We also launched a new non-GMO milk offer through our new in-house brand *Left Field Farms* and will be introducing non-GMO options into our *Horizon* premium dairy range.



# PLANT-BASED PRODUCTS

Our strategic move into plant-based food and drinks reflects our desire to bring a wider choice to all consumers, especially the growing number of 'flexitarians' looking to diversify their protein sources, and people with dietary constraints or preferences.

The acquisition of WhiteWave has enriched our portfolio with complementary products and consumer-loved brands. These include *Alpro's* plant-based food and drinks, *Silk's* nut and soy milk range and plant-based nutrition shakes from *Vega*.

"Now a leading food and beverage company in the U.S., we can leverage our scale and multi-category portfolio to better serve our customers and consumers in an evolving retail environment."

**MARIANO LOZANO,**  
Vice President, Essential Dairy and Plant-Based North America and CEO, Danone North America.

## So Delicious: A New Bottle of Dairy-Free Goodness

FROM THE CREATION of its first dairy-free frozen dessert some 30 years ago, *So Delicious* has built up a broad range of dairy-free cheeses, milks, yogurt alternatives and other desserts. This year, the brand brought a premium touch to its almond milks with the introduction of a new premium bottle format.



## Silk: Innovating to Promote Taste and Health

AMERICAN CONSUMERS ARE INCREASINGLY PASSIONATE ABOUT PLANT-BASED PRODUCTS. Through a focus on taste and nutrition, *Silk* has expanded its range of nut and soy-based drinks, yogurt and ice-cream alternatives. In 2017, the brand innovated to launch new protein nut milks, introduced large-size bottle formats to meet today's shopping trends and applied tailored marketing to raise awareness about the health and environmental benefits of plant-based products.



## Vega: Fueling a Feel-Good Factor in a Bar

VEGA HAS GROWN A DEDICATED FOLLOWING OF CONSUMERS IN NORTH AMERICA who choose its vegan nutritional powders for their different eating, health or fitness goals. The 2017 sales growth was boosted by the introduction of new formats — ready-to-drink protein shakes as well as meal, nutritional and protein bars. In fact, a significant portion of Vega's business is generated through online sales—a growing channel for shoppers in health and well-being categories.



## Alpro: Increasing In-Store Opportunities to Enjoy Plant Power

FOR 35 YEARS, Alpro has pioneered plant-based food and drinks across Europe, achieving nearly double-digit growth and consolidating its market-leading position in this fast-growing category in 2017. The brand has begun to draw on Danone's geographic and distribution presence to accelerate growth. From research on the consumer and shopper journey, Alpro worked with its retailers to develop its health and well-being category. By improving product choice, growing shelf space and enhancing awareness in-store, it has helped grow the Alpro brand, further increase sales for the retailers and better reflect the products people are looking for.

## COFFEE & COFFEE CREAMERS

### Becoming an Everyday Part of U.S. Coffee Culture

According to the National Coffee Association's 2017 National Coffee Drinking Study, half of all coffee consumed is whitened and sweetened. In the U.S. where coffee is the nation's favorite hot drink, creamers represent a \$3.2 billion USD category that is growing fast, especially among millennial coffee drinkers.



With a multi-brand and multi-segment offer—from flavored, half-and-half creamers, to better-for-you and plant-based options—Danone has created a leading position in the U.S. coffee creamer category. We continued to outpace market growth in 2017, innovating in flavors and the way we distribute our creamers.

For convenience stores, coffee is a key way of attracting and retaining customers. Our products serve 75,000 dedicated coffee stations in stores and food outlets across the U.S., giving consumers a choice of coffee creaming options and good visibility for our different brands.

We have continued innovating to be part of this evolving coffee culture. STōK, a ready-to-drink cold brew coffee, developed via an in-house startup, has seen significant sales growth from its launch in 2016.





# WATERS

Danone is one of the world's leading natural bottled water companies.

This leadership in the water segment is the result of a keen eye toward consumer trends, constant innovation and fully embedding healthy hydration into our global business strategy.

“Our main focus is to enhance the experience of drinking plain water— that’s the core of our business, and the healthiest choice you can make.”

**HENRI BRUXELLES,**  
Executive Vice President, Waters and Africa

**D**ue to rising consumer demand for healthier hydration options, our Waters business delivered a solid profitable growth driven by both plain waters and aquadrinks.

It enjoyed an accelerated dynamic in China in the second half of the year, on the back of a gradual growth rebound on the market and successful renovation and innovation plans around the *Mizone* aquadrink brand.

## INNOVATION AND PORTFOLIO DEVELOPMENT AT OUR CORE

We are constantly innovating to add value for the consumer with premium products and activating our brands to encourage healthier drinking habits, including with new flavors. In addition, we research and develop new formats to meet people’s needs at every age and for any occasion, from one-the-go



## Share of natural water within our Waters business

sports bottles to small, easy-to-grip formats for children. In 2017, our aquadrinks portfolio accounted for 1/3 of the division's sales. We are developing it with more offerings around the globe—introducing new ranges of lemonades, orangeades, tea infusions, and all-natural energy drinks—meeting a growing consumer demand for healthier and pleasurable options. Adhering to high standards in terms of natural ingredients, more than 95% of our aquadrinks contain less than 5 grams of sugar per 100 ml, encouraging switching to healthier solutions.

### FOCUSING ON LOCAL BRANDS

More than 70% of our water brands are local and activated through premium packaging with cultural references that resonate with consumers in their respective countries. *Sirma* in Turkey and *Bonafont* in Mexico are two recent examples of strong heritage brands that developed iconic collectible bottles in 2017. We also engage with communities through locally relevant activations, such as the Carrera *Bonafont* 5K race for women in Mexico. In 2017, we renovated our *Mizone* brand in China with even more culturally relevant packaging and marketing,



in partnership with key social media influencers and regional celebrities. In Argentina, *Villa del Sur Levité* saw strong growth with our expansion into new aquadrink flavors, including lemonades and orangeades. Additionally, Indonesia's leading *AQUA* brand also launched a recycling campaign in conjunction with the Maybank Bali Marathon.

### KEEPING OUR BRANDS RELEVANT AND EXCITING

Precision marketing is a key way to test product evolution, digitally engage consumers with our brands and attain insights to create better brand narratives. *Volvic* in France connected with e-gamers on Twitch, the world's leading video platform and community for gamers, with messages related to heroes and characters in the e-gamer universe to land a crafted message directly to a targeted consumer. In November 2017, *Volvic* won the *Grand Prix Data & Créativité* for its precision marketing campaign.

*evian* launched a partnership with Snapchat, putting a Snapcode on 500 million bottles—mainly in Europe and the U.S.—that allowed consumers to use a Snap 'face in video' lens to place their face in an animation of a famous *evian* dancing baby. These projects were a fun, interactive way to inspire consumers to connect with the brands. Our local Philippine brand, *B'live*, is also gaining momentum backed by a vibrant, fully digitized marketing strategy.

### EDUCATION OUTREACH TO PROMOTE HEALTHY HYDRATION

Through awareness campaigns, reaching millions of people, Danone puts its commitment to help spread the word about healthy hydration in action. We support education programs in primary schools in Poland, Uruguay and Indonesia, among others, to teach children the importance of staying well hydrated, with plain water as the best choice they can make. We have learned from liquid intake studies across the world that on average 49% of people in the countries where we operate, drink less than the recommended daily total water intake by EFSA<sup>(1)</sup>. Developing healthy hydration habits from an early age can help make a lifelong shift toward better health and we want to be a part of the solution.

### PRESERVING WATER RESOURCES

Danone promotes sustainable water practices throughout its operations. We are constantly striving to protect and restore our natural water ecosystems in cooperation with local communities and stakeholders, such as our work with *Association pour la Protection de l'Impluvium de l'Eau Minérale d'Évian* (APIEME) in France, *Parque Salus* in Uruguay and *Villavicencio Reserva Natural* in Argentina. Examples also include our program in Spain with *Lanjarón* natural mineral water, where proceeds go directly toward cleaning up the beaches in the country. Danone has a partnership with the global environmental convention Ramsar<sup>(2)</sup> to raise awareness and promote the sustainable use and management of wetlands.



### evian: reaching carbon neutrality

This year, *evian* unveiled a state-of-the-art carbon-neutral bottling site, an important milestone in *evian's* roadmap to become a global carbon-neutral brand by 2020. The site, fully powered by renewable energy, is the largest food production site in France to become carbon neutral. The transformation of the *evian* bottling facility involved the installation of new technology and implementation of high-quality processes across the site, aimed at reducing the carbon footprint across all aspects of the bottling production life cycle, including design, production, transportation and recycling. At the end of 2017, *evian* bottles contained 25% of recycled plastic on average across the range, three years ahead of the commitments set at the COP21.

(1) EFSA: European Food Safety Authority.

(2) The Convention on Wetlands, called the Ramsar Convention, is an intergovernmental treaty that provides the framework for national action, and international cooperation for the conservation and wise use of wetlands and their resources.



# INNOVATION IN PACKAGING



## All Shapes and Sizes

**PACKAGING INNOVATION IS A KEY FOCUS FOR OUR RESEARCH & INNOVATION TEAMS.** Part of our strategy for healthy hydration is to develop fun bottles and to create formats for all consumers, whatever the occasion. For kids, this includes bottles with smaller and easier-to-grasp shapes, animated with cartoon and movie characters that they love, and wide-mouth and sports-cap formats.

To meet the demands of on-the-go packaging, *Volvic* launched a 33 cl sports cap in 2017, while *evian* demonstrated a strong dynamic with sports-cap bottles in the U.S. For Japan, it is all about small formats: the brand released a tiny 20 cl bottle that fits nicely into popular vending machines.

## Surprising and Fun Designs by Local Artists

In 2017, our water brand *Bonafont* partnered with artist Lourdes Villagomez in Mexico to release a colorful new limited edition. Meanwhile, in Turkey, *Sirma* launched a city design line featuring colorful graphics of Istanbul, Izmir and Ankara, which boosted the brand's growth considerably.



## Elegant No-Wrap Pack

**EVIAN UNROLLED A DISRUPTIVE NEW MULTIPACK TECHNOLOGY FOR THE 1.25 LITER PRESTIGE BOTTLES** that uses no shrink-wrapped plastic but relies on a few small dots of adhesive to hold the pack together. Not only does the pack have a premium look and feel, it also reduces plastic usage. Launched in France in 2016, the new packs rolled out in the U.S. in 2017 and will see wider expansion around the world.



## New Cast of Characters

**TO MAKE WATER MORE FUN FOR KIDS, WE HAVE DEVELOPED BOTTLES SHAPED LIKE POPULAR SUPERHEROES AND ICONIC CHARACTERS.** *Volvic* introduced collectible water bottles and multipacks featuring characters from Disney's *Frozen*. The brand has also partnered with *Star Wars: The Last Jedi* to unveil a new label design and collectible glow-in-the-dark bottles to coincide with the film's release in December 2017. Other brands sporting Disney characters include *Font Vella* in Spain, *Bonafont* in Mexico and Brazil, *Żywiec Zdrój* in Poland, and *AQUA* in Indonesia.

# AQUADRINKS



## evian and Kusmi Tea, a Perfect Blend

IN 2017, EVIAN LAUNCHED A NEW LINE OF TEA-BASED BEVERAGES WITH FRENCH BRAND KUSMI TEA, available in France and Switzerland, and targeting urban consumers seeking premium beverages. All recipes are low in calories, contain 95% *evian* natural mineral water and are made with natural ingredients. The product line offers limited editions and seasonal blends, and contains no preservatives, sweeteners or artificial coloring. In 2017, the brand's teas and infusions saw a doubling of sales.

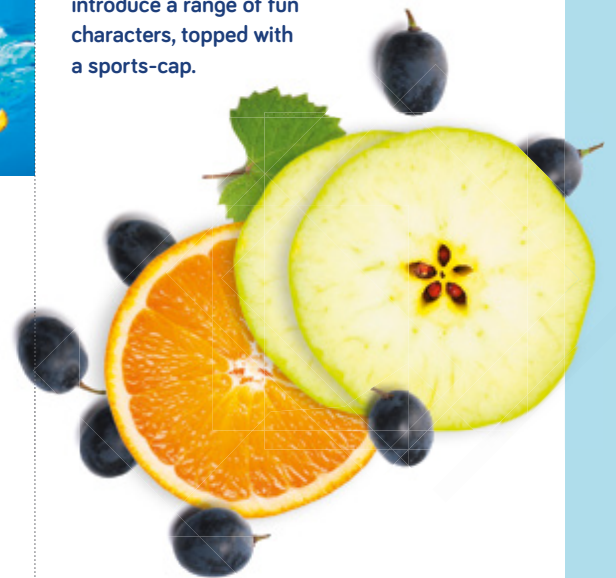


## Mizone: Natural Energy in a Fast-Paced World

IN CHINA, DANONE RENOVATED ITS HUGELY POPULAR *MIZONE* BRAND WITH A FRESH LOOK AND NEW FLAVORS, AND LAUNCHED A NEW LINE OF NATURAL ENERGY DRINKS, *MIZONE PRO*, CONTAINING NATURAL INGREDIENTS such as green tea and ginseng extract. With an eye on the young adult core audience, we applied disruptive designs to the brand, including fast prototyping, and partnerships with more than 100 social media influencers. Launched in a few major Chinese cities primarily in impulse-purchasing channels, *Mizone Pro* shows a promising start. This year, *Mizone* is unveiling even more inventive flavors and a new format to keep up with the ever-changing tastes of Chinese consumers. In addition, we also introduced a new low-sugar brand called *Lemonades*, with three flavors, launched in partnership with popular all-female pop music groups.

## Successful Relaunch of Bonafont Kids

In Mexico, we just relaunched *Bonafont Kids* with no added sugar and zero artificial flavors to help make the great taste of water-based beverages flavored with natural fruits one of the healthiest options on the market. Plus the redesigned packages introduce a range of fun characters, topped with a sports-cap.





# SPECIALIZED NUTRITION

Specialized Nutrition comprises Early Life Nutrition (ELN) and Advanced Medical Nutrition (AMN). These two businesses represent a portfolio of science-based nutritional solutions designed to positively impact health through food for people who need it most, and at the most critical times of their lives, from preterm infants to old age.

“Specialized Nutrition truly speaks to our ‘Danone, One Planet. One Health’ vision because we don’t just look at the nutritional component of health—we look at taking care of and contributing to the well-being of our consumers and of the planet.”

**BRIDGETTE HELLER,**  
Executive Vice President,  
Early Life Nutrition and  
Advanced Medical Nutrition

In 2017, Danone’s Specialized Nutrition activity saw a growth of 9.3%<sup>(1)</sup> globally, including significant growth in China, a key geography for both our Early Life and Advanced Medical Nutrition products. This success is driven by a focused growth strategy in each of the two businesses and synergies between them in key areas such as food allergy prevention and management.

## FOSTERING SYNERGIES

Our Early Life Nutrition and Advanced Medical Nutrition teams are working hand in hand to foster research synergies, encourage cross-fertilization and strengthen our leadership position. One key area of collaboration is food allergy—from prevention in early life to early diagnosis and dietary management of the condition. They also work together to educate parents, caregivers and healthcare professionals on the science behind the management of allergies and the role of gut microbiota in strengthening the immune system of infants and children. The *Nutricia* brand is an important asset for both businesses, with a legacy in healthcare of more than 120 years.

(1) Like-for-like New Danone.

## INNOVATING WITH WORLD-CLASS RESEARCH

Our scientific teams are present in 55 countries, with a world-class research and development facility, Nutricia Research in the Netherlands, focused on delivering evidence-based, specialized nutrition for people of all ages. Our teams develop medical nutrition products that impact the health of the most vulnerable







populations, including infants, children and patients. In addition, dedicated teams research the field of early life nutrition, focusing on optimal growth and development, digestive function and building resilience. In 2017, we opened a Design Kitchen at Nutricia Research to conduct fast prototyping of new products. There, our Food Science & Design team explores innovative sustainable ingredient alternatives to meet tomorrow's nutritional needs, such as mushroom protein.

#### MEETING GROWING DEMAND FROM CHINA

China is a country of key focus for both our Specialized Nutrition businesses. The country has a growing aging population and is the world's largest market for infant milk formula. Advanced Medical Nutrition brands like *Neocate* and Early Life Nutrition brands like *Aptamil* and *Nutrilon* have high value share in China. As for Early Life Nutrition, our top-line infant formula brands are continuing to gain market share despite intense competition. Danone has also differentiated itself by keeping pace with the fast-changing consumer demands in the country. In 2017, we advanced our partnerships with e-commerce channels

such as JD.com to distribute our infant formula brands. We also created digital brand experiences via social media apps like WeChat through strategic partnerships.



#### NUTRICIA RESEARCH IN FIGURES

**+400 employees**

in Utrecht, The Netherlands  
(and 900 worldwide)

**+100 peer-reviewed scientific publications**

each year

**4 academic professorships**

# Early Life Nutrition

Early Life Nutrition (ELN) is a thriving business at Danone, with nearly 10% growth in 2017. The driving force behind this success is our portfolio of science-based products that, alongside parent education, including breastfeeding support, provide optimal nutritional solutions for infants and young children.

In North America, the Early Life Nutrition business also saw double-digit growth, benefiting from the positive sales performance of our organic baby food brand *Happy Family*.

In China, parents are extremely quality and safety-conscious when it comes to infant milk formulas, and Danone has a strong foothold in the region thanks to our in-demand, trusted product portfolio, including brands from Europe and New Zealand. In 2017, we leveraged the strength of our key international brands *Aptamil* and *Nutrilon* with two well-executed and complementary marketing agendas. We also launched our ultra-premium brand *Aptamil Profutura*.

“In China, we are successfully meeting rising consumer demand for high quality and trusted Early Life Nutrition products through our internationally recognized brands like *Aptamil* and *Nutrilon*, and diversifying our distribution into specialized stores and e-commerce platforms.”

**KATTY LAM**, Regional Vice President, ELN Greater China



## Happy Family's See-Through Pouches

IN 2017, DANONE'S ORGANIC FOOD BRAND *HAPPY FAMILY* BECAME THE FIRST NATIONAL BRAND IN THE U.S. to offer fully transparent baby food pouches. *Happy Family's* new Clearly Crafted product line showcases 'goodness you can see' with clear plastic packaging made without BPA or phthalates, recipes listed directly on the pouches (not just the ingredients list), and the USDA-Certified Organic and Non-GMO Project Verified labels. The product line includes 12 varieties of organic fruit and vegetable purees for babies four months and older, and are available through U.S. e-commerce channels Amazon, Babies "R" Us and Diapers.com, as well as retail outlets. The *Happy Family* brand posted a double-digit growth in 2017.





## U.K. Cow & Gate's Digital Approach

VIA OUR MULTI-PLATFORM DIGITAL SUPPORT NETWORK, pregnant women and mothers can access a unique set of services and information focused on early life nutrition, including a 24/7 care line, website and Facebook page.

## The Crucial First 1,000 Days

'WE MAKE EVERY DAY COUNT FOR YOU AND YOUR BABY' is our Early Life Nutrition motto. We are committed to protecting and promoting breastfeeding and work to ensure that all babies get the best possible nutrition for the first 1,000 days, a critical window of opportunity for lifelong health, as described in our 'Commitment to Health and Nutrition in the First 1,000 Days' pledge. To fulfill these commitments, we are dedicated to collaborating with over 150 stakeholder organizations at global, regional and local levels. We also work to support mothers with information and services via healthcare channels and professional services.



## Poland Reaches Out to Pharmacies

In 2017, we successfully launched a partnership with key pharmacy clients in Poland to implement both a promotional and educational strategy. The program is offering special support for First 1,000 Days shelves, as well as window and in-store displays.

## Connecting with Millennial Parents in China

IN 2017 WE BOLSTERED OUR TWO INFANT FORMULA BRANDS, *Aptamil* and *Nutrilon*, by launching two hugely successful marketing platforms targeted to two distinct Chinese consumer groups. For *Aptamil*, our 'Raise Them Ready' campaign connects with young parents focused on raising strong, independent kids, while *Nutrilon* speaks to 'nature-loving' parents. We debuted *Nutrilon*'s new purpose via a partnership with an e-commerce live event on JD.com that drew 2.3 million viewers. Both brands also saw the launch of their first WeChat stores, tapping into the more than 800 million active users on the app.



# Advanced Medical Nutrition

Advanced Medical Nutrition (AMN) posted a strong growth in 2017, driven by all regions, notably China, Turkey and Latin America. Innovation is central to our success, with patient-centered products, like *Neocate Splash* and *Neocate Syneo* for the dietary management of severe cow's milk allergy, leading the way in 2017.

In 2017, AMN continued to drive its healthcare transformation strategy of delivering evidence-based products and services centered on patient needs at specific stages of disease in targeted therapeutic (disease) areas. AMN focuses on providing innovative solutions in paediatric nutrition (including food allergies and faltering growth) as well as adult nutrition (addressing age-related frailty and malnutrition due to disease).

Driven by its purpose of pioneering nutritional solutions for longer, healthier lives, Danone's AMN division has a cultural imperative that every employee commits to, placing the patient at the center of all activity to ensure that every individual patient receives the best possible care.

“Our ambition is to establish medical nutrition as an integral part of healthcare, and that drives us to deliver innovative products, clinical evidence and services that help healthcare professionals deliver the best possible care for their patients.”

**DOMINIQUE POIROUX,**  
Executive Vice President, Advanced Medical Nutrition



## Developing Home Care Services

AS PRESSURE ON HEALTHCARE SYSTEMS INCREASES with rising costs associated with aging and chronic disease, our AMN teams are also focusing on the development of our home care business, bringing medical nutrition products and the services of healthcare nursing staff to patients at home, such as in the Benelux, Poland and the U.K.

## Reaching Healthcare Professionals and Carers Online

IN THE U.K., U.S. AND SPAIN, we created awareness for our nutritional solutions for better patient care, among more than 18,000 healthcare professionals and specialists. For parents and carers of children with cow's milk allergy, we partnered with Allergy U.K. to provide support services such as the website [cowsmilkallergy.co.uk](http://cowsmilkallergy.co.uk). On the platform, which has 90,000 visitors a month, carers can find important information about food allergies and the diagnosis of food-allergic conditions. In 2017, we paved the way for the launch of a truly innovative personalized chatbot service to support parents in the diagnosis process of cow's milk allergy, which enhanced our ability to support patients and ultimately deliver better care.



# INNOVATION

## Innovating for Infants, Children and Teens with Cow's Milk Allergy



In 2017, we launched the first and only hypoallergenic, ready-to-use amino-acid based formula for food-allergic children and teenagers in the U.S. *Neocate Splash* is nutritionally complete and can be consumed on-the-go, without having the hassle of measuring and mixing a hypoallergenic formula. Designed to meet the rising prevalence of food allergies, *Neocate Splash* comes in an unflavored variety and in grape, tropical fruit and orange flavors.

Launched late in 2016, *Neocate Syneo* continued to perform well in the U.S. market in 2017. Backed by extensive clinical research, *Neocate Syneo* is the first and only hypoallergenic formula containing a unique blend of both prebiotics and probiotics to help support the development of a balanced gut microbiota in infants suffering from cow's milk allergy, multiple food allergies and related gastrointestinal conditions.









## OUR PEOPLE & PARTNERS

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Creating  
Change  
Together

From Danone employees, consumers, farmers, suppliers, retailers and partners to researchers, NGOs, citizens and social innovators: we are working together to change the way we grow, produce, sell, distribute and consume food.



# DANONE EMPLOYEES

## United to Deliver on Our Mission

At Danone, more than 100,000 people are united by a single mission: bringing health through food to as many people as possible. Across the world, our employees, whatever their role, are passionate and committed to leading the change to encourage more sustainable and healthier eating and drinking practices.



YING JIE

**YING JIE YAP,**  
Junior Operations System & Demand Planning Manager  
Danone Early Life Nutrition, Singapore

“I am contributing to the Food Revolution by ensuring Danone can supply products to those in need. Part of my job is to plan the availability of finished goods like tailored nutrition products that cater to the special needs of Singaporean children who require a particular diet. These products are only produced in certain factories, which means we need to carefully forecast what to produce and where to send it. That way we can ensure a continuous supply and nurture young children through healthier food.”

“My challenge is to deliver what the consumer expects at every point of sale. The only way to do this is to have an outstanding team that works with clear values and objectives. Danone has a unique and powerful culture that gives every employee the freedom, autonomy and responsibility to do things better. The Food Revolution is underway. Every day my team and I are working to bring healthy hydration to as many people as possible and make Danone’s mission a reality.”



GONZALO

**GONZALO VELAZCO,**  
Supply Chain Director,  
Danone Waters, Argentina



# TRADE UNIONISTS

## Advancing Together for Social Progress

Our commitment to social dialogue recognizes that employees are key in our business success. Over 40 years, we've developed a series of international agreements for a common set of policies across the company that guide dialogue at local level. This framework helps us to better engage and include all employees in improving our collective performance.



**BETTINA**

**BETTINA THEISSIG,**  
Chairwoman, Works Council, Milupa, Germany

Bettina's unwavering interest in the condition of employees and protection of their rights prompted her to join Milupa's Works Council in 2002. She is now Chairwoman of Milupa's Works Council and Representative to the Works Council of Danone's sites in Germany. She is also a member of the Board of Directors representing Danone's employees.

"The relationship between Danone and its employees is eye-to-eye. Different opinions and approaches are discussed democratically so that decisions can be understood and respected. This creates trust. Danone produces healthy products out of conviction. Through mutual trust, people can communicate and demonstrate the company's strategy for healthy nutrition at work and in their everyday lives. We walk the talk together."

"The current features of the world's economy make it essential but also more challenging that companies and trade unions engage. The IUF/Danone engagement allows us to undertake pioneering work, seeking to set standards within Danone that exceed those of our international framework. The recent agreement in defense of stable employment is an example of that. It is a commitment that management will engage in good faith discussions with International Union of Food Workers (IUF) affiliates to ensure that the agreement meaningfully impacts local and national Danone employment practices."



**RON**

**RON OSWALD,**  
Former Secretary General of the International  
Union of Food Workers (IUF)

As part of his duties, Ron worked to ensure that members have the universal right to form and join unions as well as the fundamental right to collective bargaining.

# FARMERS

## A Commitment to Sustainable Agriculture

We work with 140,000 dairy farmers around the world as well as with producers of cereals, fruits and other raw ingredients. The health of their business and local environment is the starting point for the food and beverages through which we can foster healthier and more sustainable eating and drinking practices.

“From the first meeting with Danone, I felt our vision was aligned. The relationship has enabled us to better shape our business, grow a stable profit and connect with consumers. We feel a real responsibility for Dannon products that have been made from our milk. With Danone, we are partnering for the long term to the values of McCarty Family Farms. It enables fantastic innovation to improve the lives of cattle, ensure environmental sustainability and enhance consumer experience.”



KEN

**KEN MCCARTY,**  
Co-owner of McCarty Family Farms, U.S.

A fourth-generation dairy producer with 8,000 cows in Western Kansas and Nebraska, U.S. As part of the U.S. Dannon Pledge (p. 25), this farm is the first to achieve full Validus certification, putting food safety and quality, animal welfare and environmental responsibility at the heart of its business.



BOUAZZA

**BOUAZZA BANAN,**  
President and dairy farmer at the Sidi Ziane Cooperative, Berrechid Province, Morocco

Bouazza Banan is one of the 10,000 smallholder farmers being supported by Hlib Bladi—a project created by Danone Ecosystem Fund and Centrale Danone in Morocco to improve milk quality and the livelihood of the farmers.

“I have a 10-hectare farm where I grow crops and own 25 dairy cows. It belonged to my grandparents and I am proud to continue the business by trying to do things better. The Hlib Bladi project helps me with advanced training on ways to improve the quality of the milk and my farming practices. A farmer always cares about the environment, starting with his people, animals and plant resources. We must work together to protect the environment and to ensure that agriculture and cattle farming is sustainable.”



# SUPPLIERS

## Co-Building the Circular Economy of Packaging

Packaging is essential to ensure food safety and to reduce food waste. But it also presents an environmental challenge. Pooling expertise and resources with partners across the food and drinks industry, we are working to co-build the circular economy of packaging, source sustainable materials and create a second life for all plastics.



JOHN

“Danone has been beside us all the way as our partner. By challenging us, Danone has driven Origin Materials beyond our own perceived limits to develop materials that are not just renewable, but also perform better, are more economic and produced in a more robust way. Our counterparts at Danone are personally committed to our shared purpose. They have been elbow-deep in the details of our technology, our company and our supply chain in order to maximize their contribution to our success. Most of all, we have been amazed by the alignment between the individuals and functional areas at Danone, all of whom speak with one voice.”

**JOHN BISSELL** (fourth from the left, top row),  
Chief Executive Officer, Origin Materials, U.S.

As part of the NaturALL Bottle Alliance, Danone along with Nestlé Waters is working with U.S. startup Origin Materials to develop a 100% bio-based and recyclable PET bottle.

# RETAILERS

## Working Closely with Our Retail Partners

From the quality of ingredients to how a product is made, labeled and marketed, we need to create a trusted and more sustainable approach. Thanks to various initiatives such as digital awareness campaigns and health-focused activations in-store, we are exploring with our retail partners the most efficient ways to help consumers choose the best options for their health and well-being.



DAVE

“At Tesco, our core purpose is to serve Britain’s shoppers a little better every day. Helping our customers make healthier food and drink choices is an example of how we are delivering on that purpose. By working in strategic partnership with Danone and aligning our ambitions on guiding the customers we both serve toward healthier options, we were able to deliver a hugely successful campaign in our stores in U.K. Health Month in May 2017. We look forward to partnering more deeply with Danone in the future to further drive our health agenda.”

**DAVE LEWIS,**  
Chief Executive Officer, Tesco, U.K.

Danone supported Tesco on an in-store campaign to encourage people to make ‘helpful little swaps’ toward healthier options while they shopped.

“We have been working for several years to develop our stores, services and products to meet new consumer aspirations. With Danone, we are discussing and sharing experiences to our mutual benefit. Participating with Danone in the French government-led consultation on the future of food, and more specifically in a workshop on how to increase the income of farmers, demonstrates our common goal to change mindsets and practices across the food chain—from producers to consumers. Today, we have worked together to rediscover the true meaning of shared value with the aim of ensuring a sustainable future for all.”

**SERGE PAPIN,**  
Chief Executive Officer, Système U, France

Danone and Système U joined forces to contribute the perspectives of manufacturers and retailers to a national consultation on the future of the food system in France (*Etats Généraux de l’Alimentation*).



SERGE



# BUSINESS PARTNERS

## Creating New Ways to Engage with Consumers

We are working with partners around the world to find new ways to inspire healthy choices matching local tastes, aspirations and shopping preferences. From providing education on nutrition to making healthier food and drinks more attractive, we are activating our brands across multiple platforms to more closely connect to consumers' lives.



MAX

**MAX BITTNER** (on the right),  
Chief Executive Officer Lazada Group, Singapore

The number one online shopping and selling destination in Southeast Asia, is partnering with Danone to support parents in the first 1,000 days of their child's growth.

“Young parents live increasingly busy lives and are often confronted with information overload. Working with Danone’s Early Life Nutrition team, we’re designing the digital journey of parents in the critical first 1,000 days of their child’s growth, including advice and information on the development and nutritional needs of children. Our aim: to help parents make well-informed decisions through the best and most relevant content, service and support via Lazada’s digital platforms in Southeast Asia.”

“We are incredibly proud of what has been achieved through our collaboration with the Danone Waters brands globally. It’s a great example of what can be accomplished when two companies’ shared passions and visions align. At Disney, we are committed to inspiring families to live healthier lives by making it fun, and by using the characters and stories kids know and love. Water and hydration is a key component of that commitment, so we are thrilled to see the products and campaigns coming to life.”



MARIANTHI

**MARIANTHI O'DWYER**,  
Vice President FMCG,  
The Walt Disney Company, U.K.

Walt Disney Company's EMEA and Healthy Living U.K. have partnered with Danone to integrate Disney characters on water bottles, to encourage families in healthy hydration (p. 30).



# CONSUMERS

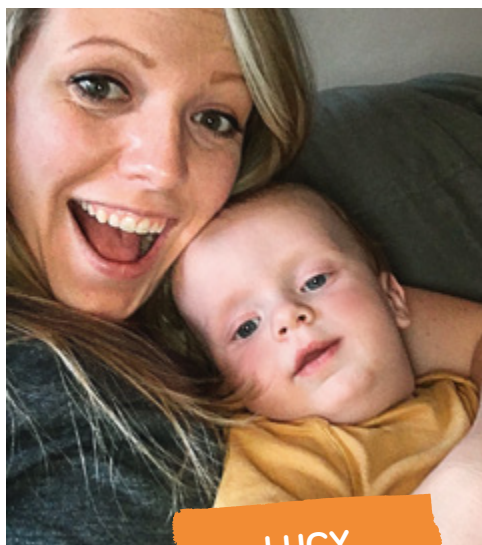
## Supporting Healthier Food Choices

Natural, nourishing and great-tasting—that’s what consumers tell us they want. By tailoring food and drinks to local preferences in a wide choice of products that nurture health at every stage of life, we’re enabling people to find what is right for them, building trust in the quality of what they are eating and where and how it was made.

“As a first-time mum, I found the prospect of weaning my baby onto solid foods very daunting. *Cow & Gate* foods were a stand-out from the rest as the whole range was brilliantly labelled and informative. Harry is now 11 months and we regularly buy the steam tray meals and fruit pots. I think eating experiences and food habits in the early stages of weaning are massively important. *Cow & Gate* foods have made me feel confident that I am giving Harry a varied and balanced diet, appropriate for his age. As a new parent, it’s easy to question yourself and worry if you’re doing things right, so to find a range of products you can trust plays a big role in creating a happy household!”

### LUCY FITZGERALD, U.K.

Mum of 11 month-old Harry, Lucy lives in the U.K. and is a loyal customer of *Cow & Gate* baby foods.



LUCY

### FRÉDÉRIC



“We used to give our young rugby players sodas and fruit juices at snack time. This year, I decided to give them *Volvic Juicy*, a healthier alternative that both the kids and their parents love!”

### FRÉDÉRIC ROCCHI, FRANCE

Frédéric is Coach and Manager at the Durance Luberon Verdon XV Rugby Club in the Alpes-de-Haute-Provence, France, with 191 young rugby players aged from 5 to 18.

### SANDY



### SANDY O'LEARY, U.S.

Dairy-intolerant and conscious about natural and healthy foods, Sandy O'Leary found a way to balance her diet with *Silk's* range of almond milk products.



“I always have *Silk* unsweetened almond milk in my fridge. I choose almond milk as I am intolerant to milk and cream. I love how healthy, great-tasting and versatile it is. I eat a very clean diet so almond milk definitely fits into that part of my daily lifestyle. I am very into fitness. I think it is very important to fuel your body with natural, healthy foods to keep you full, satisfied and feeling your best.”



# DANONE MANIFESTO VENTURES

## Disrupting Ourselves with Entrepreneurial Thinking

Through Danone Manifesto Ventures, we are partnering with entrepreneurs who share our vision of a healthy and sustainable future for food, and inspire us to embrace disruptive approaches. Since 2016, we have invested in a number of companies bringing unique product concepts and business models that will help us drive forward the Food Revolution.



**LUKE SAUNDERS,**  
Founder of Farmer's Fridge, U.S.

In May 2017, Danone Manifesto Ventures invested in Farmer's Fridge. The company's mission is to provide more accessible, higher quality, fresh, healthy meals by reinventing the supply chain using a vertically integrated production process and a distribution network of proprietary vending machines.

“Our goal is to make fresh, healthy food more convenient than a candy bar. We were looking for a strategic investor that shared our passion for making healthy food accessible, with key expertise in areas relevant for our business—consumer products, logistics and building a great company culture. Danone is health-centric, invests in innovation and truly stands behind sustainability as a business. The Danone Manifesto Ventures team has been a good sounding board on everything from long-term strategy and vision to food quality and safety and a great partner to work with.”

“We created Yooji with the idea that providing high quality, organic food in convenient frozen portions could be a real plus for parents. With an inspiring vision, a focus on health through food and being a leader in early life nutrition, Danone was the obvious partner for us. Already we have begun several projects to strengthen our distribution and sales strategy. With Danone, we are in the right place at the right time to encourage healthy eating habits through a socially responsible and sustainable approach.”



**FRÉDÉRIC VENTRE,**  
Co-Founder and CEO of Yooji, France

Danone Manifesto Ventures invested in Yooji, a French frozen baby food startup created in 2012, which sells products sourced from organic farms to more than 600 stores in France.

# RESEARCHERS

## Innovating Together for Better Health

Connecting science and nutrition helps us bring health through food that is adapted to cultural differences and dietary practices. On topics from digestion, allergy and hydration science to food safety, our researchers are working with academics, industry experts and public health stakeholders to nourish our innovation for consumer health.

“Food and alimentation have become a universal concern. Global awareness is growing about the interrelation of health, environment and social matters. The issues at stake, such as the link between local and global food systems and the future of food and agriculture, are complex. Danone's desire to do things differently leads us naturally to explore these issues together. We are pooling our resources, beyond our immediate areas of expertise and interest, to imagine and build new approaches for nutrition in a fairer and more sustainable world, rooted in local dynamics.”

**PATRICK CARON,**  
CIRAD and Chair of the High Level Panel  
of Experts of the United Nations Committee  
on World Food Security, France

He is exploring with Danone possible pathways for improving community-based food systems.



PATRICK



SUSAN

**SUSAN B. ROBERTS,**  
Professor of Nutrition at Tufts University, U.S.

Danone is supporting a project led by Susan to explore cultural influences on eating habits.

“My connection to research and nutrition specialists at Danone is strong because we all believe that eating in healthy ways is not only compatible with great enjoyment of food, but also that healthy, delicious meals can positively strengthen our bonds with friends and family. We see a return to healthy eating not just as a way to protect health, but to heal some of the ills in the world today, including social dislocation and poor health. Danone has provided seed funds for a project exploring cultural influences on eating habits. We hope to use this ongoing work as a jumping off point for more ambitious projects.”



# SOCIAL INNOVATORS

## Creating Value in Local Communities

We have always believed that economic growth and social progress go together. Through this dual commitment, we put the successful development of communities and their environment at the heart of our business. By investing in and supporting community-led projects, we are exploring with our partners how to create a more sustainable future.



GALEN

**GALEN WELSCH** (first on the left),  
Co-Founder and Chief Executive Officer of Jibu, East Africa

Danone Communities is supporting a social business called Jibu that has developed a unique model to bring safe drinking water in countries like Uganda, Rwanda, Kenya and Zimbabwe.

“Water is central in Danone’s ‘One Planet. One Health’ vision. Jibu contributes to this by empowering local entrepreneurs to start their own safe drinking-water franchises, increasing access for low-income communities. Danone Communities provides financial support thanks to the fund while Danone employees bring their technical expertise to help solve some of our challenges, from optimizing costs to increasing our reach. Jibu’s business model gives individuals an opportunity to create a meaningful business that generates a livelihood for themselves and their families, while meeting a real need in society.”

“The Mount Elgon project combines agricultural productivity, environmental conservation and the dairy value chain in one package to deliver something very positive that improves the lives of farmers. Agroforestry—growing trees alongside crops and livestock—is at the center of everything we do. It provides a solution for many of the challenges that we are trying to deal with—controlling soil erosion, providing food for human beings, fodder for animals, fertility for the soil—so that the crops, the animals and the farmers get to benefit.”



WANGU

**WANGU MUTUA,**  
VI Agroforestry, Kenya

The Livelihoods Fund, supported by Danone, joined forces with Brookside Dairy and NGO VI Agroforestry in a project to improve the livelihoods of 30,000 farmers in the Mount Elgon region of Kenya. Its aim: implementing smart agricultural practices to increase yield and milk production for the benefit of farmers, their animals, the ecosystem as well as the local economy.

# SOCIAL INCLUSIVENESS

## IMPACTING LIVES THROUGH SOCIALLY MINDED BUSINESS

We have pioneered ways to be more inclusive of all those who are part of our value chain. Through Danone's social innovation platforms, we are putting into action our strong and historic commitment to economic and social progress, working with local partners to co-create solutions that build a healthier future for communities and their environment.

### Danone Communities Growing Inclusive Business Solutions

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



Marking its 10<sup>th</sup> anniversary in 2017, Danone Communities invested in two new social businesses that will bring safe drinking water to low-income communities in Haiti, Kenya, Rwanda and Uganda as part of its ambition to scale up an innovative model for safely treated drinking water.

**10**  
social  
businesses

**12**  
countries

**1**  
million  
beneficiaries

**71**  
projects

**30**  
countries

**58**  
partnering NGOs

**55,000+**  
people  
professionally  
empowered

**4.1**  
million indirect  
beneficiaries

### Danone Ecosystem Fund Driving Inclusive Growth

We established the Danone Ecosystem Fund in 2009, to strengthen fragile economic partners in our value chain. These partners include smallholder farmers, micro-entrepreneurs, caregivers and wastepickers. Projects supported by the fund aim at addressing both a social and business challenge, with environmental issues often at stake as well. Each project is co-created by a Danone local subsidiary, along with a non-profit partner. Together, they design innovative inclusive business models that create a competitive advantage for Danone and strengthen local job creation and professional empowerment. For example, helping smallholder farmers to transition from subsistence farming to a sustainable family farming model helps Danone secure its local supply of sustainable milk. Likewise, professionalizing street vendors and helping them create a network of micro-entrepreneurs allows Danone to reach new consumers.



In November 2017, Fan Milk and NGO partners —Environment 360° and WIEGO— with the MIT D-Lab, launched an inclusive recycling project in Ghana called 'Pick-it'. It aims to increase the recycling rate of plastics, thus lowering pollution, empowering wastepickers and fostering recognition of their contribution to society.



## Livelihoods Funds

### Building Resilient Communities, Ecosystems & Businesses

We created the Livelihoods Impact Investment Funds in 2011 by inviting other companies to join us in helping rural communities boost food security, improve livelihoods and fight climate change. Supported by 12 companies, today the Livelihoods Carbon Fund and the Livelihoods Fund for Family Farming invest in projects across Africa, Asia and Latin America.

9

projects

130

million trees being planted

120,000

families equipped with efficient cookstoves

1

million beneficiaries

10

million tons of CO<sub>2</sub> to be sequestered over 20 years

40

million euros invested

## Livelihoods Carbon Funds

The Livelihoods Carbon Fund is financing environmental restoration, agroforestry and rural energy projects benefiting vulnerable populations in developing countries. Encouraged by the results achieved since 2011, a second Livelihoods Carbon Fund, with an investment target of €100m, was launched in December 2017 to accelerate social, business and environmental impact to improve the lives of 2 million people and avoid 25 million tons of CO<sub>2</sub> emissions.



## Livelihoods Fund for Family Farming

The Livelihoods Fund for Family Farming aims to build sustainable supply chains for companies while improving the lives of smallholders through farming practices respectful of the environment that help restore ecosystems and improve yields. The fund supports projects in strategic agricultural resources such as milk, cocoa, vanilla, coconut and sugarcane as well as watershed resources.



In July 2017, a large-scale vanilla project was launched with 3,000 family farms in Madagascar to improve vanilla quality, increase farmers' food security and preserve biodiversity. The project aims to triple farmers' revenues and provide a reliable, traceable and sustainable source of vanilla for Danone and other companies over 10 years.

2

million people to be positively impacted

200,000

farms to be converted to sustainable agricultural practices

120

million euros to be invested over 10 years

# Our People

## Purpose-Driven Teams Make the Difference

Danone is made up of more than 100,000 people all around the globe who work together to bring health through food to as many people as possible. Through our 'One Planet. One Health' vision, we are engaging the diversity of talents across Danone behind a stronger sense of purpose, supporting and developing every individual to grow and lead change.

“Across Danone, four shared values guide the way we work, develop our people and connect with our different stakeholders: HOPE—Humanism, Openness, Proximity and Enthusiasm.”

**BERTRAND AUSTRUY,**  
Executive Vice President,  
Human Resources and  
General Secretary

**HUMANISM**  
**OPENNESS**  
**PROXIMITY**  
**ENTHUSIASM**

**E**ngaging all employees behind our mission and making it tangible and locally relevant across all of our markets, fosters collective performance and installs a sense of pride in our teams. Once a year, employees across the globe join together to share their views and celebrate projects that put our company vision into action during 'Danone Day.' In 2017, people from more than 50 countries celebrated at hundreds of local events to present concrete projects and debates while sharing inspiration and expertise. This helps them find purpose in their role at Danone and be a key part of our continued commitment to economic and social progress.

### ADOPTING A MORE PRAGMATIC AND TRANSVERSAL APPROACH

In 2017, we streamlined our ways of working in Human Resources to reflect the changing realities impacting our business and adopt a more transversal approach. We reshaped our HR organization to create stronger expertise in areas like talent development, which are critical for Danone's future and long-term planning for future needs in each business division.

We also strengthened regional business partners to more closely support local requirements for recruitment, training or social dialogue.

### DEVELOPING OUR TALENTS

Our teams embrace a diverse range of talents to reflect the diversity of the consumer landscape in the markets we serve. Attracting, developing and retaining those talents is crucial for the success of our business. In 2017, our global teams continued to focus on better anticipating the future of our organization by building our pipeline of leadership talents. It takes a proactive approach combining talent scouting, recruitment, professional development and internal mobility in different parts of our business. Our talent development programs build on the success of ongoing initiatives. For example, talent reviews in our Tchekhov factory in Russia identify growth opportunities within the shop floor environment, as do development programs for production teams in Mexico. In addition, the roll-out of the 'I.Lead' integrated leadership program for first line supervisors in different countries is being implemented from early 2018 onwards.





## ENCOURAGING SOCIAL DIALOGUE

We strongly believe that social dialogue is key to aligning collective efforts to improve our performance. Social dialogue between management, trade unions and employee representatives at every level has always been a key lever toward this shared goal. In 2017, we signed a 10<sup>th</sup> international agreement as part of our 40-year collaboration with the International Union of Food Workers that has helped establish a common set of social policies such as equal and non-discriminatory hiring processes, safe and healthy working conditions, or right to training across the company. Qualitative discussions and constructive collaboration at local level with works councils has given us invaluable inputs to improve the well-being and health of people at work. It has led to the creation of open, collaborative workspaces at offices in France, Singapore and the U.K. for example.

## Talents Driving Intrapreneurial Change

We want every employee to be ensured he/she is entitled to guide our thinking and put ideas into action. In 2017, we continued to explore ways of harnessing the energy of our talents, for example through Danone Communities, an incubator for inclusive business solutions, or 'Danone For Change.' This initiative was launched in April 2016 and continued in 2017 to energize projects by Danone employees focused on working together on ideas linked to nutrition, food and water cycles. Throughout the year, several projects flourished thanks to the energy of our talents to drive innovative thinking.

“Danone For Change’ is a program that combines the creativity of motivated people with opportunities for them to learn and be entrepreneurs with a desire for change.”

**CRISTINA ELENA BÎCÎLĂ,**  
**SAMAS Mission Manager at Nutricia Early Life Nutrition, Romania**

Cristina's project entitled, 'Journey to Health,' was to implement a unique interactive multimedia, science and high technology-based exhibition accessible to the general public to contribute to prevention and health education.

# Fostering Diversity in the Workplace



EMMA SLATER, Early Life Nutrition Category Manager for Australia and New Zealand, is about to begin her second parental leave period.

**W**e continue to build a diverse and inclusive company, embracing the unique contributions that a true mix of gender, age, ethnicity, nationality, education, religion, ways of thinking and leadership styles brings us.

Three key priorities guide us—developing inclusive behaviors in the workplace, improving diversity in terms of gender and cultural background and engaging people at all levels of our organization on Danone’s inclusive diversity journey.

Representation of women at senior levels (managers, directors and executives) remained stable at 49% in 2017.

Our commitment to gender equality was recognized by the United Nations in March 2017 when Emmanuel Faber was named a UN Women’s HeForShe Thematic Champion. It reflects our pioneering work around women’s empowerment, both through Danone’s own Human Resources programs as well as broader initiatives that mobilize other companies to address gender equality, like the EVE women leadership program.

In 2017, we have gone further to create an inclusive work environment and support each Danone employee in his or her personal, family and professional ambitions through our Dan’Cares program which provides access to good quality health coverage and our new Global Parental Policy.

Danone is implementing a 1,000-day Global Parental Policy throughout the company by 2020. Introduced in 2017 in Australia, New Zealand and Italy, this policy aims to bring a consistent standard of support to all parents-to-be that we employ across the world, from the start of a pregnancy to the baby’s second year of life. It focuses on prenatal support, extended parental leave and post-natal support.

## 1,000-Day Parental Policy

“During my last pregnancy, I spent a lot of time worrying about money, how much time we could afford for me to take off versus what age to send our baby into childcare. This time round, with the significant increase in paid parental leave to 18 weeks, I can take the time I need and want to bond with my new baby in those precious early months. Danone lives and breathes its mission to stand by mums and help make every day count, with a policy that is one of the best in Australia. It really will make a difference to me and my family.”

## EVE: Improving Gender Equality Through Leadership



In December 2017, the EVE women leadership program, initiated by Danone and supported by six main partners, held its first African edition in Senegal, with the aim of supporting women to contribute more significantly to Africa’s business sector. 155 women and men from 25 African countries came together to explore issues, from equality, sharing responsibilities to leadership for tomorrow. Since 2010, the EVE intercompany program (which involves more than 30 companies every year) has created a worldwide network of more than 3,000 women and men of 50 different nationalities, inspired to create change in their own organizations.

To find out more: [www.eveprogramme.com](http://www.eveprogramme.com)





## Dan'Cares: Offering Health Coverage to our Employees

60% of Danone employees live in emerging countries where healthcare systems are often expensive to access. The Dan'Cares program was launched in 2010 to provide basic health coverage to employees worldwide, such as hospitalization, medical exams, maternity and outpatient services. Today, 70,000 employees in 42 countries benefit from the Dan'Cares program.

**VICENTE FLORES JIMENEZ,**  
Sales Supervisor for the *Bonafont*, water activity in Mexico, describes how Dan'Cares was there when he needed help.

"Previous companies where I worked only offered basic social security. Last year my appendix burst. When my wife contacted my company, *Bonafont*, they immediately activated Dan'Cares and within an hour I was transferred to a clinic for an emergency operation with everything taken care of. Without Dan'Cares, I would never have been able to pay for this. Dan'Cares is proof that Danone goes far beyond just supporting its employees."

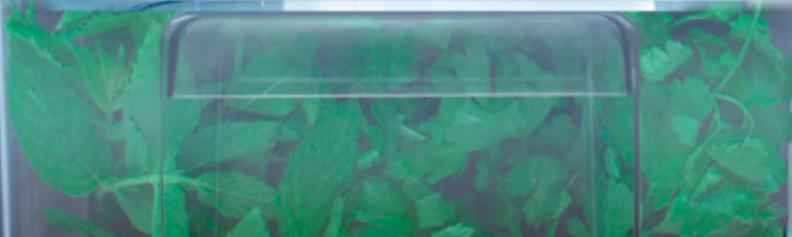


## Octave: Intergenerational Thinking to Transform Business

The Octave Program is an original idea by Danone and supported by several companies. It is an intercompany 'culture and change' program designed to tackle the transformation that businesses in the digital era need to go through, focusing on the experiences of all generations: to raise awareness and boost confidence, to become a player for change in a changing world. The sixth edition of Octave in 2017 added another 250 people to the growing international network of men and women who are sharing this collective intelligence in their own organizations.

To find out more: [www.programmeoctave.com](http://www.programmeoctave.com)







## OUR PERFORMANCE

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# Delivering on our Commitments

At Danone, our longstanding dual commitment to business success and social progress is deeply embedded in our company culture. We strive to create and share sustainable value for all our shareholders and stakeholders alike, through products and practices that support our journey toward strong, profitable, sustainable growth.



## 2017 Performance

# A Pivotal Year in Shaping our Model for Strong, Profitable and Sustainable Growth



### Our Contribution to the UN Sustainable Development Goals

The 17 Sustainable Development Goals (SDGs) were defined by the United Nations in 2015 in response to the 2030 Agenda for Sustainable Development. Danone is fully committed to these SDGs with seven major focuses (SDGs 2, 3, 6, 8, 12, 13 and 17), six commitments and four contributions.



Find out more about our performance and contributions to the UN SDGs on [iar2017.danone.com](http://iar2017.danone.com)

2017 was a pivotal year for the execution of our transformation agenda, with the decoupling of our mid-term growth and short-term efficiency agenda, accelerating growth sequentially and maximizing efficiency immediately, including through the €1 billion Protein savings program by 2020 and the delivery of the projected synergies of the WhiteWave acquisition. We also achieved key sustainability milestones, such as the inauguration of *evian's* first carbon-neutral bottling plant, the launch of our global Parental Policy and the recognition from the Science Based Targets Initiative of Danone's emission reduction goals to contribute to the Paris Agreement.

In 2017, we progressed toward our ambition to generate strong, profitable and sustainable growth by 2020 and, more specifically, with our yearly objectives as we delivered double-digit recurring earnings per share growth.

In line with our 'Danone, One Planet. One Health' vision and our ambition to become a global B Corp, this year we are presenting a concise, holistic overview of our economic, financial, environmental, social and health performances. These key indicators help track and improve Danone's global performance over time, to ensure that we create value for our shareholders and stakeholders more broadly, and deliver on our commitment to build strong purpose-driven brands that help meet the health, social, environmental and economic needs of our consumers and the communities we serve.

In 2017, we reaffirmed our 2020 objectives

**4% to 5%**

Like-for-like sales growth

**>16%**

Recurring operating margin

**~12%**

Return On Invested Capital (ROIC)<sup>(1)</sup>

**<3.0x**

Net debt / EBITDA<sup>(1)</sup>

**AND CONSISTENT RECURRING EPS GROWTH<sup>(2)</sup>**



(1) See definition in 2017 Interim Financial Report.  
(2) At constant exchange rate.





## 3 QUESTIONS TO CÉCILE CABANIS

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

### How did Danone perform in 2017?

In 2017, our results were fully in line with the objectives we set for the year. We delivered a double-digit recurring earnings per share growth. As anticipated, sales growth accelerated from the third quarter, led by a strong recovery in demand for infant formula and water products in China as well as a gradual improvement in Essential Dairy and Plant-Based Products (EDP). Overall, we've been able to significantly improve the margin for the third year in a row, which is a great outcome a year after the WhiteWave acquisition.

More specifically, the performance for our Specialized Nutrition activity has been very strong throughout the year. In particular, Early Life Nutrition saw a double-digit growth in China due to a solid execution of our agenda in response to the increase in market demand. Our Waters division has performed well for plain waters and aquadrinks, in all regions, both in terms of volume and sales.

For EDP Noram, the performance has been gradually improving, and we're gaining market share in very competitive categories. Coffee creamers is showing a strong growth. The plant-based business has turned positive in the second part of the year, driven by gradual stabilization of the core beverages portfolio (*Silk*) and very strong sales growth for *Vega* nutritionals. Our Premium Dairy category is facing headwinds but we have a lot of innovation in the pipeline. For EDP International, we have been progressing around fixing the fundamentals and accelerating young and local brands. Our brand *Alpro*, capitalizing on new trends in plant-based products, grew 10% and is seven times bigger than its closest competitor in Europe.

### What are your expectations and strategic priorities for 2018?

We have three major priorities. First, we'll continue growth acceleration through innovation, brand activation, retail strategy disruption and focus on local brands, and ensure that we better connect to the consumer. Our second priority is to maximize efficiencies by unlocking resources both through synergies around the acquisition of WhiteWave and our Protein savings program. And finally, our third focus is capital discipline, which is really about balancing the different time horizons when we allocate resources between short, mid and long term. This includes making sure we will continue to have a dynamic and disciplined portfolio management to maximize sustainable value creation.

We'll continue to execute on the plan we announced in May 2017 at the Investor Seminar to deliver on our 2020 targets, including an organic growth of 4% to 5% and a recurring operating margin of over 16% in 2020.

2018 is a new step toward this objective, and another year where we will continue to be mindful of how we deliver results. Performance is not only about finance, it's also about how we deliver good results in a responsible way and in line with our 'Danone, One Planet. One Health' vision. It's crucial that we ensure sustainable value creation for all our stakeholders.

### You are now in charge of Cycles and Procurement. How do you contribute to 'One Planet. One Health' in that regard?

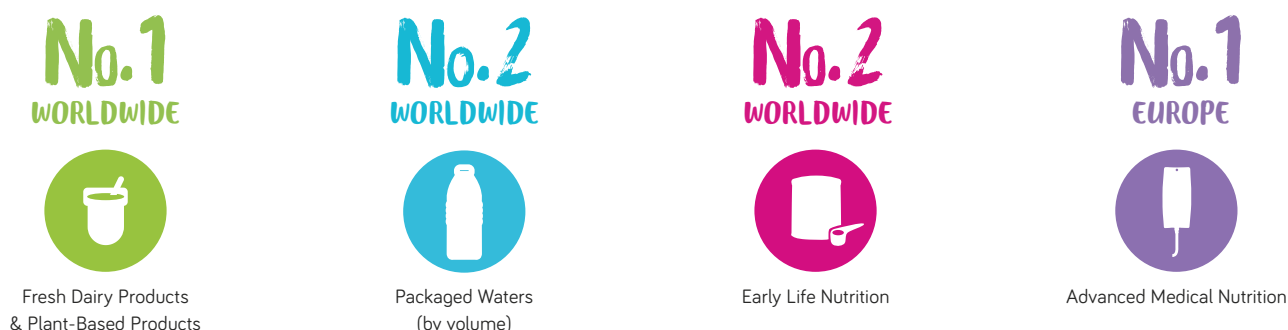
It's all about the way we use resources. We have a responsibility to ensure that we are creating more value while using fewer natural resources to meet our long-range sustainability goals. 'Danone, One Planet. One Health' is all about making sure we are acknowledging the necessary changes in what we do to play our part in the Food Revolution and to connect this vision through our brands. In other words, we must do business with purpose.

# Financial Performance

## Global Indicators

In 2017, Danone once again demonstrated the strength of its portfolio, the resilience of its business model and its ability to execute. We delivered very strong full year results, with double-digit recurring earnings per share growth at constant exchange rate, in line with our full year guidance.

### Market Positions<sup>(1)</sup>



### Sales by Reporting Entity

(€ billion and % of sales)



### Sales by Region

(€ billion and % of sales)

**€13.2bn**  
Europe & Noram  
53%

**€11.5bn**  
Rest of the world  
47%

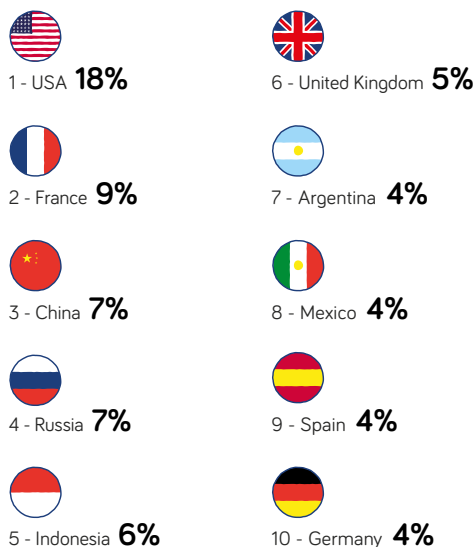
### Sales

(€ billion and growth vs. 2016)

**€24.7bn**  
+2.5%<sup>(2)</sup>

### Top 10 Markets in 2017

(% of sales)



**14.36%**

Recurring operating margin (+70bps<sup>(3)</sup>)

**€3.49**

Recurring earnings per share (EPS)  
(+14.2% at constant exchange rate)

**€2.1bn**

Free cash-flow, excluding  
exceptional items (+18.4%)

**€1.90**

Dividend per share  
(+11.8% vs. 2016)

(1) Only in subcategories and countries where Danone operates.  
(2) Like-for-like, New Danone.  
(3) Basis points. Like-for-like, New Danone.



# Financial Performance

## Specialized Nutrition

Thanks to its unique portfolio and excellent execution, Danone delivered strong profitable growth in both Early Life Nutrition and Advanced Medical Nutrition.

### Top 3 Countries

as % of 2017 sales

Early Life Nutrition

**No.2**  
WORLDWIDE



1. China



2. United Kingdom



3. Indonesia

Advanced Medical Nutrition

**No.1**  
EUROPE

Early Life Nutrition



**Top 3 Brands**

as % of 2017 sales

Advanced Medical Nutrition



**Top 3 Brands**

as % of 2017 sales

**€7.1bn**

total sales

**+9.3%**<sup>(1)</sup>

sales growth

**+197bps**<sup>(2)</sup>

recurring operating margin expansion

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

## Financial Performance

# Essential Dairy & Plant-Based North America

Following the WhiteWave acquisition, 2017 was a year of onboarding for our Essential Dairy and Plant-Based business in North America, with a sequential improvement in growth and strong synergies delivery.

# No.1

REFRIGERATED  
DAIRY U.S.<sup>(1)</sup>  
& YOGURT  
IN CANADA

# No.1

PLANT-BASED  
FOOD U.S.  
AND CANADA<sup>(2)</sup>



## Top 3 Brands

as % of 2017 sales

# €4.5bn

total sales

# -2.0%

sales growth<sup>(3)</sup>

# +2bps

recurring operating margin expansion<sup>(4)</sup>

(1) Excluding cheese.  
(2) In the refrigerated aisle in Canada.  
(3) Like-for-like, New Danone.  
(4) Basis points. Like-for-like, New Danone.



## Financial Performance

# Essential Dairy & Plant-Based International

In 2017, our Essential Dairy & Plant-Based business showed continued progress in Europe, solid momentum in C.I.S. and strong fundamentals in Latin America outside Brazil.

### Top 3 Countries

as % of 2017 sales



## No.1 WORLDWIDE

### Top 3 Brands

as % of 2017 sales

€8.4 bn

total sales

-1.3%<sup>(1)</sup>

sales growth

-29 bps<sup>(2)</sup>

recurring operating margin evolution

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

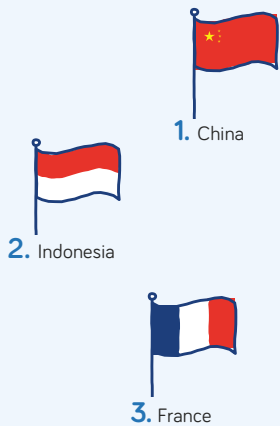
# Financial Performance

## Waters

In 2017, our Waters division delivered solid profitable growth driven by both plain waters and aquadrinks. In China, Waters reported strong growth in Q4 2017 confirming the end of the *Mizone* transition.

### Top 3 Countries

as % of 2017 sales



### No.2

#### WORLDWIDE

in packaged waters (by volume)



### Top 3 Brands

as % of 2017 sales

**€4.6 bn**  
total sales

**+4.7%**<sup>(1)</sup>  
sales growth

**+12 bps**<sup>(2)</sup>  
recurring operating margin expansion

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



# Health and Nutrition Performance

## Our Strategy and Commitments to Provide Health Through Food

At Danone, we believe that providing health through food is not only a necessity but also our responsibility. More sedentary lifestyles and less healthy eating habits imply that modern societies face major public health issues. In this context, we aim to help people adopt eating and drinking habits that are both healthier and relevant to them.

### Healthier Choices

88%

of volumes sold in 2017 are in healthy categories<sup>(1)</sup> <sup>(2)</sup>.

21%

of volumes sold in 2017 are products that have been nutritionally improved in the past three years<sup>(2)</sup>.

### Healthier Lifestyles

48

subsidiaries out of 50 give their employees access to a health & wellness program<sup>(2)</sup>.

3

pilot countries have implemented the new Parental Policy (New Zealand, Australia and Italy).

28

education and information programs were active this year. They potentially impacted the awareness and lifestyles of 28 million people<sup>(2)</sup>.

### Connecting to Local Needs

50%

of volumes sold in 2017 are fortified products<sup>(3)</sup>.

57

countries are covered by the Nutriplanet program, that was designed to provide in-depth knowledge of every food-related aspect of our local contexts.

### Responsible Company Practices

33,444

employees were trained on nutrition and/or hydration in the last two years<sup>(2)</sup>.

97%

compliance with the International Chamber of Commerce Framework for Responsible Food and Beverage Marketing Communications<sup>(4)</sup>.

**Alimentation** goes beyond nutrition and takes into consideration taste, social and cultural dimensions that are relevant to healthier dietary habits.

Through alimentation, we can play an important role: we encourage the adoption of dietary habits that help to preserve health. As a visible sign of the company's engagement in the Food Revolution, Danone took its 'Food Nutrition & Health Charter' one step further and issued, in December 2016, six Nutrition Commitments to measure its performance along with stronger, more measurable and time-bound objectives.

### Commitments

1

Continuously improve the nutritional quality of our products



2

Design healthier alternatives relevant to consumers



3

Reinforce our understanding of local nutrition practices and public health contexts



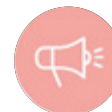
4

Contribute to addressing local public health challenges through partnerships



5

Develop even more responsible marketing practices, especially to children



6

Provide the most appropriate product labeling to encourage healthier practices



Find out more on [iar2017.danone.com](http://iar2017.danone.com)

The data provided on this page do not include WhiteWave entities.

(1) In operational terms, 'Healthy product categories' for Danone include: water, yogurt and other dairy products, baby milks & foods, milks and milk powders, beverages with 0% sugar, medical nutrition.

(2) Nutrition and Health Scorecard: Representing 50 CBUs and 70% of Danone's annual turnover.

(3) Percent of sales volumes having a nutrient fortification. Scope Scorecard: Access, Africa, India and Essential Dairy and Plant-Based and Early Life Nutrition divisions.

(4) Scope: Access, Africa, India and Waters divisions and Essential Dairy and Plant-Based division.

# Environmental Performance

## Our Strategy and Commitments to Preserve a Healthy Planet

To deliver on our environmental agenda, Danone is focusing on four key ambitions, which are at the center of our Nature agenda: fight climate change, protect water cycles, co-build the circular economy and promote regenerative agriculture. Strengthened collaboration with all of our partners along the supply chain will help us achieve these transformations.

### Climate

To grow our business sustainably and ensure our global food cycle is resilient, we must address the systemic challenge of climate change. Danone is fighting climate change by reducing its carbon footprint and working to sequester more carbon. We have committed to achieving zero net carbon emissions across our entire value chain by 2050 and our carbon reduction targets were officially validated by the Science Based Targets initiative in 2017.

#### Reduction in CO<sub>2</sub> footprint

Emission intensity (g/CO<sub>2</sub> equivalent/Kg product)

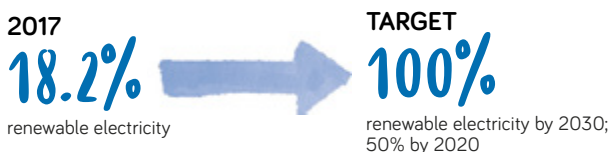


#### Reduction in CO<sub>2</sub> footprint

Absolute emissions



#### Renewable energy



### Water

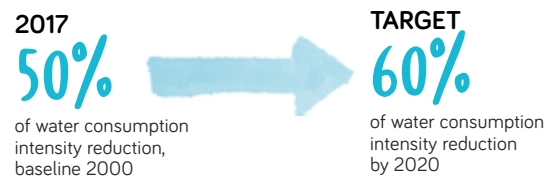
Water is at the center of each part of Danone's activities. We are committed to protecting this vital and increasingly scarce resource by working with partners to strengthen the water cycle at local level and adopting sustainable practices across our value chain.

#### Protect natural mineral water resources in our watersheds

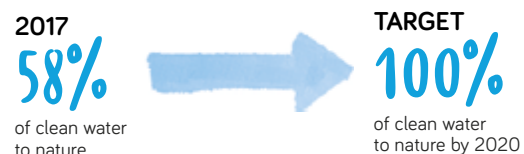


#### Reduce water consumption in factories

Process water intensity (m<sup>3</sup>/T product)



#### Return clean water to nature compliant with Danone 'Clean Water Standards'<sup>(3)</sup> for waste water



The data provided on this page do not include WhiteWave entities and are based on constant scope of consolidation and constant methodology in comparison with 2016. (1) Perimeters of inventory, scope 1, 2 and 3: Scope 1: direct emissions from equipment that is company-owned or under the operational control of Danone. Scope 2: indirect energy emissions related to the generation of electricity, steam, heat or cold purchased and consumed by Danone. Scope 3: all indirect emissions due to Danone's activities, including emissions from raw materials used, the transport and distribution of products, the use and the end-of-life of products. (2) SPRING : Sustainable Protection and Resources managING. (3) Clean Water Standards: an internal standard on discharged water quality.



## Circular Economy

Danone's Packaging Policy, published in 2016, reaffirmed our ambition to "co-build the packaging circular economy by sourcing sustainable materials and creating a second life for all plastics."

Danone is also working to strengthen the circular economy by reducing food waste as much as possible.

### Increase the use of sustainable resources



### Zero plastic landfill for post-industrial packaging waste



### Reduce by 50% non-recovered food waste

Baseline defined according to Food Loss and Waste (FLW) Protocol

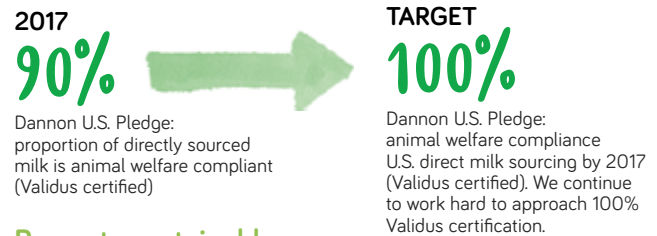


## Agriculture

As a food company, agriculture is at the heart of Danone's business. Today's agricultural system faces a number of challenges, such as animal welfare, loss of biodiversity and water scarcity. We believe agriculture can be a solution to these challenges and a driver of sustainable growth.

This is why we are working with our partners to develop regenerative farming models that are competitive, inclusive and resilient.

### Promote sustainable agriculture



### Promote sustainable agriculture



The data provided on this page do not include WhiteWave entities and are based on constant scope of consolidation and constant methodology in comparison with 2016.

(1) rPET: recycled PET.

(2) Production Sites Environment Scope.

(3) 96% of *Danimals* volume is Non-GMO Project certified.

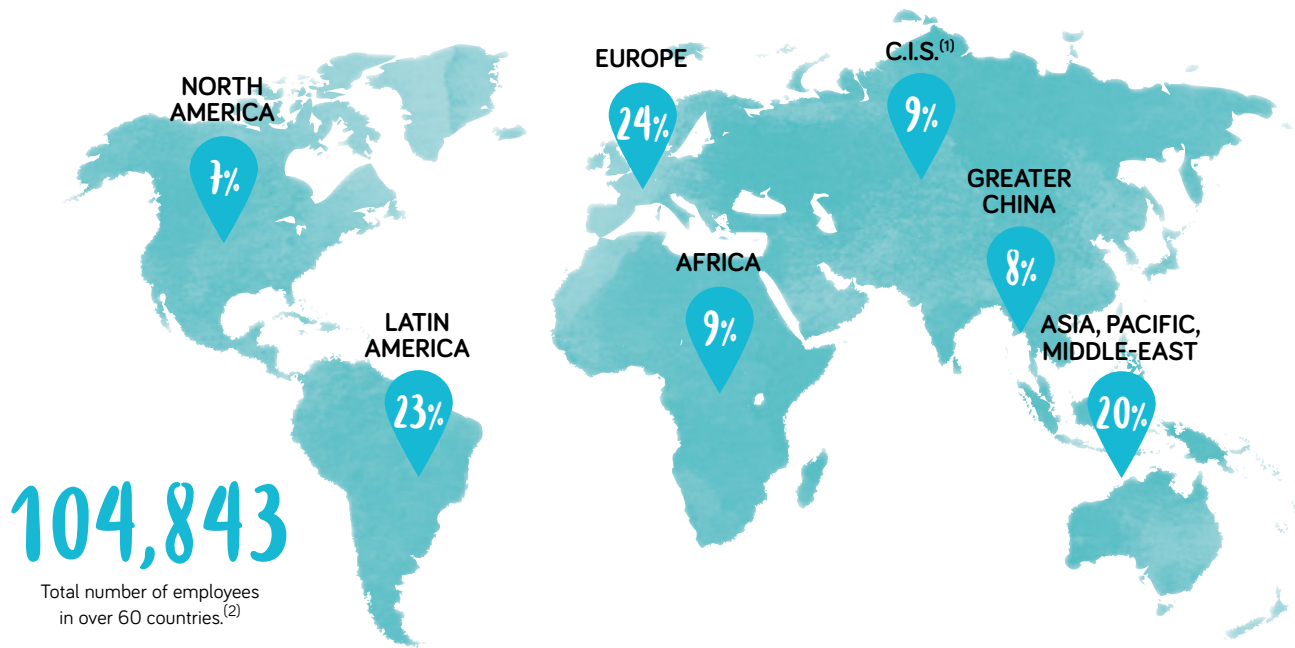
(4) 79% of brand *Dannon* volume is Non-GMO Project certified.

(5) *Oikos* will start transitioning end 2018 as planned in the Dannon U.S. Pledge.

## Social Performance

# Our Strategy and Commitments to Create Social Value Together

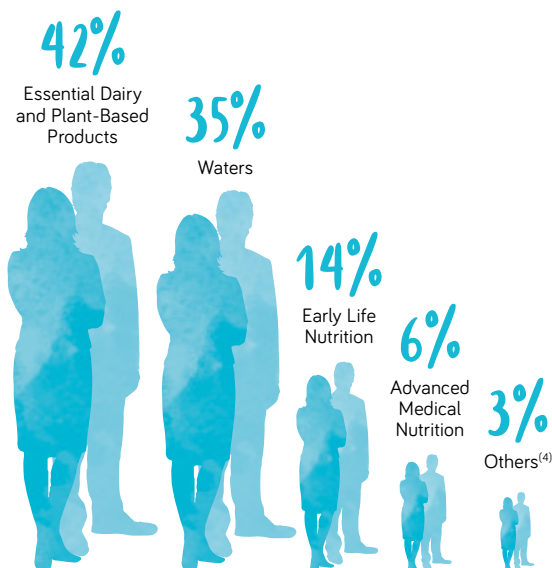
As part of our dual commitment to business success and social progress, we create social value by promoting constructive dialogue to ensure the health and safety of our employees—over 100,000 talented Danoners around the globe, our partners and all of our stakeholders. This is why our actions are structured in three categories: social dialogue, health and safety, and talent management.



(1) Commonwealth of Independent States.

(2) Scope: total number of Danone's employees at the end of 2017, including WhiteWave entities (U.S., Canada, Mexico), Alpro entities in Europe and all Fan Milk entities.

### Workforce by Business Line<sup>(2)</sup>



### Health and Safety<sup>(3)</sup>

**70,000** employees  
in 42 countries had healthcare coverage in line with the standards defined by Dan'Cares.

### Social Dialogue<sup>(3)</sup>

**10** worldwide agreements  
were signed between Danone and the IUF<sup>(5)</sup> and joint visits were organized to monitor their implementation in 59 entities between 2009 and 2017.

### Talent Management<sup>(3)</sup>

2017 **25%** of female executives → BY 2020 **30%** of female executives

**83,653** employees were trained in 2017.

(3) These data do not include WhiteWave entities. Social Indicators Scope: 172 entities representing more than 93% of Danone's employees reported on social indicators.

(4) Others: Global Headquarters, Danone Research, Evian Resort.

(5) IUF: International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers' Associations.



## Danone Way Performance

# A Program Promoting the Deployment of Best Practices in Sustainability

The Danone Way Guidelines (263 practices divided into four categories, as presented below) enable teams to implement sustainable development recommendations throughout Danone subsidiaries. The guidelines are updated every year to help subsidiaries achieve Danone's sustainable development targets. Subsidiaries, together with in-house local experts from each strategic theme, conduct a yearly self-assessment. Once reviewed by central teams, this assessment entitles them to an individualized scorecard. In 2017, the subsidiaries which were part of Danone Way represented 83.9% of Danone's turnover<sup>(1)</sup>. Here are some of Danone Way results in 2017.



### Business

95%

of our subsidiaries have communicated to all required employees the latest version of the Compliance Policies.

61%

of our subsidiaries have consulted a selection of stakeholders (internal and external) to prioritize sustainable development issues at local level.

85%

of our subsidiaries have trained all of their buyers to RESPECT, Danone's responsible procurement program, using the internal training documentation.

### Health

74%

of our subsidiaries have systematically considered three points in recommendations for new product launches: appropriate nutritional composition vs. needs of target consumers; comparison of nutritional composition to alternatives available on the market; consistency of advertising/communications and nutritional quality.

73%

of our subsidiaries have teamed up with local stakeholders to address a relevant public health issue.

### Social

71%

of our subsidiaries formalized the information/discussion meetings between management and employee representatives' bodies in minutes.

99%

of our subsidiaries have done a survey analysis for all Danoners in the last two years to identify working organization challenges.

97%

of our subsidiaries have set up a 'learning plan' and budget allocation target for collective and individual needs for all populations (workers, staff and supervisors, managers, sales representatives if applicable).

### Environment

60%

of our subsidiaries have a concrete action plan to deliver the carbon annual reduction target on each item of our Direct Responsibility Scope (production, packaging, logistics, product end of life, etc.) and this plan is embedded in the subsidiary mandate for the current year.

67%

of our subsidiaries have a concrete action plan with local or centralized procurement teams that shows progress in eliminating deforestation from/due to soy by 2020 in line with Danone's commitments described in the soy policy.

77%

of our subsidiaries are doing an annual updated mapping (in volume) covering all their packaging life cycles (feedstocks origin and type of after-use systems at country level).

The data provided on this page do not include WhiteWave entities.  
(1) 2017 financial consolidation scope (including WhiteWave).



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multimedia features and functionalities.**



*“Together, we can  
be remembered as  
the food generation.”*

EMMANUEL FABER  
Chairman and CEO



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