2017 Full Year Results
Press release – Paris, February 16, 2018

Strong results in 2017 with solid progress on growth and efficiency

- **Strong recurring EPS growth :** €3.49, up +14.2% at constant exchange rate, in line with full-year guidance
- **Sales growth[1] :** up +2.5%, with acceleration as expected in second half of the year at +4.2% driven by improvement in all businesses and acceleration of innovation pipeline
- **Very strong improvement of recurring operating margin** at 14.36%, up +70bps[1] despite strong raw materials inflation
- **WhiteWave integration** progressing well; more than $50 million synergies delivered in 2017, ahead of plan
- **Strong free cash flow delivery** up +18.4% at over €2.0 billion
- **2018 guidance: Double-digit recurring EPS growth** at constant exchange rate excluding Yakult Transaction Impact
- On track towards **2020** plan

(1) On a "Like-for-like new Danone" basis

2017 Key Figures

in millions of euros except if stated otherwise	**2017**	2016	Reported Changes	**Like-for-like New Danone**
Sales	**24,677**	21,944	**+12.5%**	**+2.5%**
Recurring operating income	**3,543**	3,022	**+17.2%**	**+7.8%**
Recurring operating margin	**14.36%**	13.77%	**+58bps**	**+70bps**
Operating income	3,734	2,923	+27.7%	
Operating margin	15.13%	13.32%	+180bps	
Recurring net income – Group share	**2,190**	1,911	**+14.6%**	
Net income – Group share	2,453	1,720	+42.6%	
Recurring EPS (€)	**3.49**	3.10	**+12.6%**	
EPS (€)	3.91	2.79	+40.1%	
Free cash flow	**2,083**	1,760	+18.4%	
Cash flow from operating activities	2,958	2,652	+11.5%	

All references in this document (including in the above section) to" Like-for-like (LFL) New Danone" changes, Recurring operating income and margin, Recurring net income, Recurring income tax rate, Recurring EPS, Yakult Transaction Impact, Free cash-flow, and Net financial debt, correspond to financial indicators not defined in IFRS. Their definitions, as well as their reconciliation with financial statements, are listed on pages 11 to 14.

Emmanuel Faber: Chairman and Chief Executive Officer statement

"In 2017, Danone once again demonstrated the strength of its portfolio, the resilience of its business model and its ability to execute. Despite volatile food and beverage markets and rising input costs, we delivered very strong full-year results, with double-digit recurring earnings per share growth in line with our latest guidance. We closed the year with an accelerated sales growth rate, outperforming the industry average, along with very strong margin improvement and free cash flow above €2bn. In addition to strong results delivery, 2017 has been a year

of preparation and continued transformation with the onboarding of WhiteWave, and the launch of our ambitious €1bn 'Protein' savings program. We have also continued to strengthen our organization and governance, backing the launch of our One Planet.One Health. vision to sustainable value creation for all our stakeholders. This achievement reflects the unparalleled engagement of all the Danone teams, which I am proud to lead and would like to thank for making this possible every day. In a trading environment that remains volatile and fragmented, we are starting 2018 with stronger foundations and I am confident that we are on track to accelerate towards our 2020 ambition, with another year of delivery against the commitment we made to our shareholders for consistent EPS growth."

2017 Full-Year Results

2017 FULL-YEAR SALES

€ million except %	Q4 2016	Q4 2017	Sales Growth*	Volume Growth*	FY 2016	FY 2017	Sales Growth*	Volume Growth*
BY REPORTING ENTITY								
EDP International	2,075	2,084	***-0.3%***	*-6.4%*	8,229	8,424	***-1.3%***	*-6.1%*
EDP Noram[1]	602	1,250	***-0.4%***	*-2.6%*	2,506	4,530	***-2.0%***	*-1.8%*
Specialized Nutrition	1,734	1,797	***+8.4%***	*+1.2%*	6,634	7,102	***+9.3%***	*+3.0%*
Waters	944	964	***+10.3%***	*+4.7%*	4,574	4,621	***+4.7%***	*+1.4%*
BY GEOGRAPHICAL AREA								
Europe & Noram[1]	2,639	3,386	***-0.6%***	*-1.4%*	10,933	13,193	***-1.2%***	*-1.1%*
Rest of the World	2,716	2,709	***+9.4%***	*-1.6%*	11,011	11,484	***+7.1%***	*-1.3%*
Total	**5,355**	**6,095**	***+3.7%***	***-1.7%***	**21,944**	**24,677**	***+2.5%***	***-1.4%***

* *"Like-for-like New Danone"*

In 2017, consolidated sales were €24,677 million, up +2.5% on a "*like-for-like New Danone*" basis. The sales growth included a +3.9% rise in value showing continued mix and value enhancement in all Reporting entities, which offset a -1.4% decline in volume mainly driven by EDP International.

With sales growth up +3.7% on a like-for-like New Danone basis in the last quarter, Danone saw a continuation of its top-line growth in the second half of the year. The improvement in the last quarter was driven by very strong growth in Specialized Nutrition (+8.4%) and Waters (+10.3%) and the sequential improvement of Essential Dairy and Plant-Based International and Noram.

Full-year reported sales were up +12.5% vs. 2016, including:

- the **base effect** corresponding to the consolidation of WhiteWave from April 12, 2017 (+12.7%);
- other changes in the **scope of consolidation** (-1.1%), resulting primarily from the disposal of Stonyfield (August 2017);
- negative **currency impact** (-1.6%) reflecting the appreciation of the euro against the US dollar, the Turkish lira and the British pound, with a worsened impact in the fourth quarter (-5.7%).

[1] *North America (Noram): United States and Canada*

ESSENTIAL DAIRY AND PLANT-BASED (EDP) INTERNATIONAL

In 2017, **Essential Dairy & Plant-Based (EDP) International** sales decreased by -1.3% on a "*like-for-like New Danone*" basis, including a –6.1% decline in volumes and a +4.8% rise in value. In the fourth quarter, sales were broadly flat (–0.3% on a "*like-for-like New Danone*" basis), showing solid progress in most regions.

Sales growth in **Europe** (excluding *Alpro*) remained negative in the fourth quarter, but the sequential improvement has continued since the second quarter, with turnaround results coming at a different pace from one country to another. Notably, *Activia* registered clear signs of progress in some of the biggest countries where the brand is present (France, Spain, UK, Italy). The relaunch in Q3 2017 of the flagship *Danone* brand, with a new and enhanced brand stature, also contributed to this positive trend, particularly in France. Danone continued to expand successfully in Europe its portfolio of young and local-heritage brands, including *Light&Free* in the UK or *Les Deux Vaches* in France.

Sales of ***Alpro***, now the second-largest EDP International brand in Europe, rose nearly 10% in the fourth quarter, driven by robust demand for nut-based beverages and plant-based alternatives to yogurt. *Alpro* is the market leader in its top-four countries—the UK, Germany, Belgium and the Netherlands—which together account for nearly 80% of its sales.

In **Latin America,** sales growth remained strong in Mexico in Q4 2017. Operations in Brazil remained under pressure with another quarter of double-digit sales decline. The ongoing restructuring of the portfolio and distribution network is continuing although it will take time to complete.

In the **CIS** region, Danone reported in Q4 2017 another quarter of solid growth, driven by market growth and positive price-mix effect resulting from the overperformance of premium brands like *Actimel, Danissimo* and *Prostokvashino* which were supported by a pipeline of major innovations.

ESSENTIAL DAIRY AND PLANT-BASED (EDP) NORAM

Essential Dairy & Plant-Based (EDP) Noram sales were down -2.0% in 2017 on a "*like-for-like New Danone*" basis, including a –1.8% decline in volumes and a -0.2% decline in value. Danone delivered as expected a solid sequential improvement, with sales contracting by -0.4% in the fourth quarter but back to growth when excluding Fresh Foods (from -2.2% in Q3). This improvement was driven by a steep recovery in plant-based products sales and continued strong momentum in coffee creamers, offsetting the continued negative performance of the *Horizon* and *Earthbound Farms* businesses.

In **Yogurts**, Danone continued to outperform the broader US retail market in the fourth quarter and recorded additional market share gains. Further progress was made against strategic priorities, including the execution of the Non-GMO Pledge in the US, with about 90% of *Danimals* and *Dannon* brands almost entirely converted as of end 2017, the improved distribution of *Silk* and *So Delicious* plant-based yogurts, and the successful delivery of a large pipeline of breakthrough innovations and renovations. Notably, Danone introduced in Q4 2017 the first whole-milk organic yogurts for kids and babies under the *Happy Family* brand, a new *Light & Fit* packaging design, as well as the first indulgence yogurt sold under the *International Delight* brand.

Coffee Creamers enjoyed good momentum throughout the year, fueled by market share gains across the product portfolio. Effective marketing and innovation were key drivers of the performance.

Plant-based foods and beverages delivered a meaningful growth improvement in the fourth quarter, driven by a steep rise in *Silk* nut-based beverages and continued strong growth of the *Vega* brand and *So Delicious* frozen desserts and novelties. *The* acceleration in Q4 of nut-based beverages was driven by targeted marketing campaigns and successful innovations launched under the *Silk* brand, which included *Silk 96-oz. Almondmilk, Silk Protein Nutmilk* and *Silk Unsweetened Coconutmilk*. Danone is the market leader across all plant-based segments where it operates in beverages, food and nutrition.

Premium Dairy sales declined strongly in the fourth quarter and continued to suffer severely from the impact of industry over-supply of organic milk. The entire industry was challenged in 2017 due to abnormally high disparity in retail prices between organic and conventional milk and its recovery will take time. Danone continued its efforts in Q4 2017 to reduce its organic supply, reallocate surplus into other products in its portfolio, and spur demand through innovations around differentiated milks, such as *Horizon* grass-fed product line.

Finally, the implementation of the **Fresh Foods** turnaround plan continued in Q4 2017 through further cost base reduction initiatives.

SPECIALIZED NUTRITION

Specialized Nutrition sales were up +9.3% in 2017 on a "*like-for-like New Danone*" basis, with a +3.0% rise in volume and a +6.3% increase in value. The fourth quarter was another quarter of very strong growth with sales up +8.4%, supported by continued positive market dynamics in China.

2017 was a year of very strong performance for **Early Life Nutrition** with sales growth of nearly +10% on a full-year basis. In the fourth quarter, sales grew at high-single digit rate, with China sales growing at more than 30%. This performance reflected the rebound in Chinese demand as well as market share gains across all direct distribution channels, which resulted from successful innovation and brand activation plans around *Aptamil* and *Nutrilon* brand platforms. Danone continued to focus on building a sustainable direct sales model in China. Outside China, sales were stable in Europe, while Latin America continued its strong momentum. Danone pursued the development of its Tailored Nutrition products, which delivered full-year sales growth of nearly +10%, driven by Indonesia, Russia and the UK.

Advanced Medical Nutrition delivered mid-to-high-single digit sales growth in the fourth quarter, driven by all regions and all product segments (adult and pediatric care), with visible gains in brands such as *Neocate*, *Nutrison* and *Nutrini*, and supported by very strong growth in China.

WATERS

Waters registered sales up +4.7% in 2017 on a "*like-for-like New Danone*" basis, including a +1.4% growth in volume and a +3.3% rise in value. As anticipated, sales growth accelerated in the second half of the year: Waters delivered a very strong performance in the fourth quarter, which included a +10.3% rise in sales on a "like-for-like New Danone" basis, after a strong sales growth in Q3 (+7.6%).

Plain waters sales grew at a double-digit rate in the fourth quarter, with great results across all markets and brands. This was driven by successful brand activation campaigns and innovations. The performance was supported by very positive trends across all regions. In line with Danone's '*One Planet. One Health*' vision, plain water brands, such as *evian, Villavicencio* and *Lanjaron*, increased their commitment to plastic recycling. In particular, evian committed to become a 100% circular brand by 2025 making all of its plastic bottles from 100% recycled plastic.

Aquadrinks reported high-single digit sales growth in the fourth quarter, driven in particular by Turkey, Mexico and China, benefitting from the continued switch of consumers towards healthier hydration options and supported by the launch of breakthrough innovations. In China, Waters reported strong growth in Q4 2017, confirming the end of *Mizone* transition, on the back of a gradual rebound of the category, successful activation plans, and positive results from *Mi-Pro* launched in the second quarter.

FY 2017 RECURRING OPERATING MARGIN: +70bps *("like-for-like New Danone")*

In 2017, Danone's recurring operating income stood at €3,543 million, up +17.2% as reported.

Recurring operating margin reached 14.36%, up +58 bps on a reported basis including:

- the dilutive impact resulting from WhiteWave consolidation since closing (-33 bps);
- other scope effects (+21 bps), resulting from the disposal in 2016 of Dumex in China and Fresh Dairy Products in Colombia, and in 2017 the disposal of Stonyfield in the US and Fresh Dairy Products activities in Chile, illustrating Danone's focus on active portfolio management;
- a marginal positive impact from change in currencies (+1 bp).

On a "*like-for-like New Danone*" basis, recurring operating margin increased by +70 bps. This very strong improvement reflects notably:

- sales growth including top-line valorization and differentiation strategy;
- significant productivity gains, partly offsetting the strong negative impact from input cost inflation over the year (mainly milk, plastics and sugar);
- efficiencies and disciplined resource allocation behind brand investment;
- achievement of more than $50 million cost synergies in recurring operating margin from WhiteWave integration, ahead of the initial plan, resulting in particular from headquarters consolidation, the merge of sales forces and mutualization of back office functions.

Danone announced at the beginning of the year the launch of an ambitious efficiency program, called "Protein", with an objective to deliver €1 billion sustainable savings by 2020 by making smarter spending choices. At the end of 2017, 10 out of 30 clusters, representing more than 50% of the targeted cost base, had been activated. Governance, tools and best practices have been put in place in order to start the savings delivery in 2018.

Recurring operating margin (%)	**FY 2016**	**FY 2017**	**Change** *("like-for-like New Danone")*
BY REPORTING ENTITY			
EDP International	8.88%	9.02%	*-29 bps*
EDP Noram	14.02%	12.28%	*+2 bps*
Specialized Nutrition	21.39%	23.73%	*+197 bps*
Waters	11.40%	11.70%	*+12 bps*
BY GEOGRAPHICAL AREA			
Europe & Noram	16.84%	15.52%	*-14 bps*
Rest of the World	10.72%	13.02%	*+183 bps*
Total	**13.77%**	**14.36%**	***+70 bps***

FY 2017 RECURRING EPS: +14.2% (*at constant exchange rate*)

(*€ million except %*)	2016 Recurring	2016 Non-recurring	2016 Total	2017 Recurring	2017 Non-recurring	2017 Total
Recurring operating income	**3,022**		**3,022**	**3,543**		**3,543**
Other operating income and expense		(99)	(99)		192	192
Operating income	**3,022**	**(99)**	**2,923**	**3,543**	**192**	**3,734**
Cost of net debt	(146)		(146)	(263)		(263)
Other financial income and expense	(134)	(13)	(146)	(137)	(38)	(175)
Income before taxes	**2,742**	**(112)**	**2,630**	**3,143**	**153**	**3,296**
Income tax	(852)	48	(804)	(953)	111	(842)
Effective tax rate	31.1%		30.6%	30.3%		25.5%
Net income from fully consolidated companies	**1,890**	**(64)**	**1,826**	**2,190**	**264**	**2,454**
Net income from associates	129	(128)	1	111	(2)	109
Net income	**2,019**	**(191)**	**1,827**	**2,301**	**262**	**2,563**
• **Group share**	**1,911**	**(191)**	**1,720**	**2,190**	**263**	**2,453**
• Non-controlling interests	108	(0)	107	111	(1)	110
EPS (€)	**3.10€**		**2.79€**	**3.49€**		**3.91€**

Other operating income and expenses were €192 million and include the capital gain from Stonyfield disposal and the damages awarded following the arbitration on Fonterra case, partially compensated by the one-off expenses related to restructuring plans in certain countries and the integration costs of WhiteWave including expenses related to synergies implementation.

As expected, the **cost of net debt** increased in absolute amount in 2017 from -€146million in 2016 to -€263million in 2017, reflecting additional charges related to the financing of the WhiteWave acquisition.

Other financial income and expense stood at -€175million, an increase due notably to the non-recurring amount paid in relation to the early redemption last October of WhiteWave's outstanding 5.375% $500 million senior notes.

The **recurring income tax** rate was 30.3% in 2017, representing a 0.75 point decrease from 2016, mainly driven by the effect of the removal of the 3% tax on cash dividend in France, partially offset by the new exceptional corporate income tax decided by the French government.

The US tax reform enacted in December 2017 had a one-off non-cash benefit on **reported income tax** of +€285 million resulting from the revaluation of deferred tax liabilities. This was partially offset by other tax effects including capital gain arising from Stonyfield disposal.

Net income from associates increased from €1 million last year to €109 million on the back of a favorable base of comparison (impairment of the 25% interest in Yashili in 2016). **Minority interests** were stable at €110 million.

Recurring net income – Group share was €2,190 million in 2017, up +14.6%.
Recurring EPS reached €3.49, up +14.2% at constant exchange rate, in line with full-year guidance.
Recurring EPS was up +12.6% on a reported basis, including negative changes in exchange rate (-1.6%), mainly driven by the depreciation of the British pound.

Reported net income – Group share was €2,453 million in 2017, and **Reported EPS** stood at €3.91, up +40.1%.

FY 2017 CASH-FLOW AND DEBT

Free cash flow stood at €2,083 million, up +18.4% from 2016, supported by the rise in recurring operating income, a strict discipline in capex investment and tight monitoring of working capital.
In addition, this result includes an exceptional contribution from the Fonterra settlement outcome for €105 million.

This cash delivery will primarily contribute to the Company's deleveraging and fund Danone's roadmap for growth. Capital expenditure for 2017 came to €969 million, or 3.9% of sales.

Danone's net debt increased by €7,900 million from December 31, 2016, mainly due to the closing of WhiteWave's acquisition on 12 April 2017. It stood at €15,372 million on December 31, 2017.

Introduction of ESG criteria in syndicated facility, tying financing cost and environmental and social performance

On February 12th 2018, Danone amended its €2 billion syndicated credit facility, in order to include global environmental and social criteria directly impacting, upwards or downwards, the margin payable to its banks over the entire duration of the facility. Danone's syndicated facility now includes an innovative mechanism of payable margin adjustment, reviewed at least once a year, on the basis of ESG criteria provided by third parties:

- scores granted to Danone by two ESG agencies, Sustainalytics and Vigeo Eiris;
- percentage of consolidated sales of Danone covered by B Corp certifications.

Cécile Cabanis, Chief Financial Officer declared: "*We are thrilled to be a pioneer in combining both traditional financial and ESG criteria as drivers of long term sustainable performance, and for our banks to support this vision. This move is consistent with Danone's ambition to become a B Corp and with our long term commitment to create sustainable value for our shareholders and all our stakeholders*".

Sustainalytics and Vigeo Eiris are leading independent global providers of research and ratings of companies' ESG performance with environmental, social and governance scores. B Lab, a non-profit organization, accredits B Corp certifications to for-profit companies which demonstrate high standards of social and environmental performance. The maturity of this renewed credit facility is 5 years with two potential 1 year extensions.

DIVIDEND

At the Annual General Meeting on April 26, 2018, Danone's Board of Directors will ask shareholders to approve the distribution of a **€1.90** dividend per share in respect of the 2017 fiscal year, up +11.8% from 2016. This dividend reflects the confidence of both the Board and management in the Company's agenda towards strong profitable and sustainable growth. Shareholders will be asked to opt for full payment of their dividend in either cash or in Danone shares. New shares would be issued at a price set at 90% of the average opening Danone share price on Euronext over the twenty trading days prior to the Shareholders' Meeting on April 26, 2018 less the amount of the dividend.

Assuming this proposal is approved, the ex-dividend date will be May 4, 2018. The period during which shareholders may opt to receive dividends in cash or in shares will begin on May 4 and run through May 18. Dividends will be payable in cash or in shares on May 31, 2018.

REDUCTION OF CARBON FOOTPRINT IN 2017

As part of its 'One Planet. One Health' vision, Danone is committed to working with partners and communities to preserve and protect the environment. This ambition is reflected in Danone's Climate Policy, issued in 2015, and its pledge to build a carbon neutral value chain by 2050, including activities such as agriculture, for which Danone shares responsibility with other parties.

To meet this goal, Danone has set intermediate greenhouse gas (GHG) reduction targets for 2030, with a 2015 baseline: to reduce full scope (scopes 1, 2, and 3)[1] emission intensity[2] by 50%; and to achieve a 30% absolute reduction in scope 1 and 2 emissions as defined by the GHG Protocol[3]. In November 2017, both targets were officially approved by the Science Based Targets initiative[4] as being in line with the global measures necessary to meet the Paris Agreement objective of keeping global warming below 2° C.

Recognition by the Science Based Targets initiative confirms Danone's commitment to the transition towards a low-carbon economy, including in agriculture, which currently represents 57% of Danone's carbon footprint. To this end, Danone joined the French government's international 4 per 1000: des sols pour la sécurité alimentaire program, aimed at promoting productive, resilient agriculture through sustainable soil management. Through this cross-sector platform, Danone is sharpening its focus on regenerative agriculture as a way to both reduce its carbon emissions and meet consumer demand for greater transparency and naturality.

Danone also joined the RE100 initiative in 2017, committing to source 100% renewable electricity by 2030, with an intermediate target of 50% in 2020. As of December 2017, 18.2% of electricity consumed in Danone's factories was from renewable resources.

By the end of December 2017, Danone had reduced its GHG emission intensity[5] 10.5% on its full scope since 2015, and achieved a 9.7% absolute reduction in scopes 1 and 2 emissions. For the first time, Danone was awarded in 2017 a position on the Leadership List for climate change by CDP, the non-profit global environmental disclosure platform, with an A- ranking, recognizing Danone as a global leader in corporate sustainability.

2018 OUTLOOK

In the current year, Danone will make further progress towards its 2020 ambition through its separate focuses on both mid-term growth and short-term efficiency. It will also start rolling out the 'Protein' efficiency program and continue to capture the synergies from the WhiteWave acquisition. These activities will underpin its ability to deliver sustainable growth in sales and profits.

Macroeconomic outlook
Danone assumes that market volatility will continue.
In 2018, Danone expects further cost-inflation with a mid-single digit rise in the costs of raw and packaging materials, including:

- milk price inflation of low to mid-single digit overall,
- a double-digit increase of PET pricing driven by the crude oil price rebound and,
- inflationary conditions in other raw materials, including sugar and fruits.

Danone also expects an ongoing impact from currency volatility, particularly the UK pound.

2018 guidance
Danone's focus will remain on accelerating growth and maximizing efficiencies, including the first year of delivery of its Protein program's savings. In 2018, the Company will progress towards its 2020 ambition through further sales growth and an improved recurring operating margin.

As a result, Danone is targeting double-digit recurring EPS growth at constant exchange rate for 2018, excluding Yakult Transaction Impact.

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[1] Grams of CO_2 equivalent per kilo of products sold.
[2] *Perimeters of inventory, scope 1, 2 and 3:*

- *Scope 1 covers direct emissions from equipment that is company-owned or under the operational control of Danone (combustion of fuels in boilers, mobile combustion sources and fugitive emissions linked to leakages of refrigerant gases)*
- *Scope 2 refers to indirect energy emissions related to the generation of electricity, steam, heat or cold purchased and consumed by Danone.*
- *Scope 3 covers 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.*

[3] *Greenhouse Gas Protocol*
[4] *A joint initiative by CDP, the World Resources Institute (WRI), the World Wildlife Fund (WWF) and the UN Global Contract (UNGC).*
[5] *Based on constant scope of consolidation and constant methodology*

Cécile Cabanis, Chief Financial Officer, said: *"2017 was a year of both delivery and preparation for the next phase of our strategic transformation. Looking forward, navigating sustained market volatility is becoming a normal and inherent part of our operating model. In addition, our ongoing focus on accelerating growth and driving efficiencies makes us confident in both the current year and our steady progress towards our 2020 goals. We continue to strengthen our growth model by strategically deploying our resources with agility and discipline for the short, mid and long term."*

MAJOR FINANCIAL TRANSACTIONS AND DEVELOPMENTS OVER THE PERIOD

(Summary of press releases issued in the fourth quarter of 2017)

- **On October 18, 2017**, Danone announced that Danone's Board of Directors had unanimously voted to combine the functions of Chairman and Chief Executive Officer. Emmanuel Faber, who has served as CEO since 2014, had been appointed Chairman and CEO of Danone, effective 1 December 2017.

- **On October 23, 2017,** Danone announced that it had successfully launched a hybrid perpetual bond issue worth €1.25 billion, taking advantage of the exceptionally attractive hybrid market conditions. Danone also announced that The WhiteWave Foods Company, a fully owned subsidiary of Danone, was exercising its option to early redeem all of its $500 million senior notes due in 2022, with a coupon at 5.375%.

- **On November 21, 2017,** Danone Manifesto Ventures announced that it has taken a minority stake in the Hawaii-based company Kona Deep. Kona Deep is creating a new category of premium water with its unique deep ocean water, sourced 3,000 feet below ocean surface in Kona, Hawaii, from a pure source containing natural minerals.

- **On November 30, 2017,** Danone was awarded damages of €105 million to be paid immediately by Fonterra for costs suffered as a result of the Fonterra food safety failures of 2013. Danone welcomed this arbitration decision as a guarantee that the lessons from the crisis will not be forgotten.

- **On December 14, 2017** Danone announced that following the Board of Directors held today, it would request that its shareholders approve the appointment of Michel Landel as Board Member as from April 26, 2018, replacing Jean Laurent as a Lead Independent Director.

GOVERNANCE

At its meeting on February 15, 2018, Danone's Board of Directors approved draft resolutions that will be submitted to the Annual General Meeting on April 26.

Acting on the recommendation of the Nomination and Compensation Committee, the Board will ask shareholders to renew the appointments of Board members Benoît Potier, Virginia Stallings and Serpil Timuray, who are reaching the end of their term of office.

The Board acknowledged that Jean Laurent, who has served as a director for 12 years, does not wish his appointment to be renewed. On behalf of the entire Board, Emmanuel Faber expressed his gratitude to Mr. Laurent for his continued dedication to the Board and his active contribution as Lead Independent Director, underlining his important contribution during the period of transition of Danone's governance. Furthermore, Ms. Mouna Sepehri, member of the Audit Committee, and Mr. Jacques Antoine Granjon, who also decided not to stand for reelection at the expiration of their current term of office due to other commitments, are warmly thanked for the quality of their contribution to the Board's work through the years.

As announced on December 14, 2017, the Board will ask shareholders to appoint Michel Landel to the Board, in order to replace Jean Laurent as Lead Independent Director.
Until January 2018, Mr. Landel was CEO and Chairman of the Executive Committee of the global service leader Sodexo, which operates in 80 countries with 20 billion euros annual revenues and 425,000 employees worldwide, and is a member of the CAC40 and DJSI indices. Mr. Landel will bring to the Board his extensive experience and

expertise in the international consumer business environment and in change management. As Lead Independent Director, he will oversee the efficient running of the company's governance structure.

Upon recommendation of the Nomination and Compensation Committee, the Board also proposed that shareholders approve the appointment of Cécile Cabanis, Chief Financial Officer, EVP IS/IT, Cycles and Procurement of Danone, as Director. This appointment is consistent with Danone's practice to promote the involvement of executives within the Board of Directors. Her extensive knowledge of Danone, her deep understanding of the food industry and her financial expertise will be a main asset for the work of the Board of Directors.

The Board also proposed that shareholders approve the appointment of Guido Barilla as an Independent Director as defined according to the AFEP-MEDEF governance code. He will bring a highly valuable contribution to the Board's activities in particular thanks to his experience as an executive officer of a multinational food company which he has helped turn into a world leader, his marketing expertise and his knowledge of the issues the food sector is facing worldwide, and of the sustainable management of agricultural resources.

The Board noted that these renewals and new appointments reflect its commitment, made to shareholders several years ago, to improve its governance, especially in terms of the expertise and diversity of its members.

ADDITIONAL INFORMATION

- **Financial statements:** At its meeting on February 15th, 2018, the Board of Directors closed statutory and consolidated financial statements for the 2017 fiscal year. As regards the audit process, the statutory auditors have substantially completed their examination of financial statements as of today.

- **Yakult :** On February 14th, 2018 Danone announced a new phase in its strategic partnership with Yakult Honsha Co. Ltd ("Yakult") through an amended Memorandum of Understanding. Danone and Yakult will intensify their joint efforts to promote probiotics and will study the feasibility of new collaboration projects such as the distribution of Yakult's products by Danone in European markets where the brand is not currently sold. In line with the Company's continued focus on disciplined capital allocation, Danone in parallel announced its intention to sell part of its 21.29% stake in Yakult. The intended divestiture will be carried out through a market transaction launched by Yakult and expected to settle in March and a JPY 36 billion share buyback program in which Danone has participated for JPY 34.7billion. Following its completion, Danone's resulting stake in Yakult's issued share capital is expected to be approximately 7%, subject to market conditions. With this, Danone is expected to remain Yakult's largest shareholder and will continue to sit on the company's Board of Directors.

- **Organization:** Starting from February 1st, 2018, Veronique Penchienati-Bosetta is appointed Executive Vice President Growth & Innovation and joins the Executive Committee. In this position, she is in charge of fueling the growth of Danone, by placing the consumer at the heart of the Company's innovation and brand activation.

FINANCIAL INDICATORS NOT DEFINED IN IFRS

Due to rounding, the sum of values presented may differ from totals as reported. Such differences are not material. *See Methodology note on page 14.*

Additional indicator of like-for-like changes: "*like-for-like New Danone*" changes

Since completion of WhiteWave acquisition, WhiteWave and Danone's activities have been combined and are generating synergies. Separate reporting of WhiteWave and Danone in their pre-acquisition forms thus no longer reflects their real performance. This being the case, Danone has decided to monitor and then report its performance by integrating the contribution of WhiteWave as a whole to its organic growth from the time of the acquisition by using an additional indicator - **"*like-for-like New Danone*"** changes.

This indicator is a variation on the "like-for-like" changes indicator used by Danone which integrates WhiteWave's performance starting at the date of acquisition:

- for periods in previous years compared, and
- based on WhiteWave reported data after restatement to allow comparison with Danone data.

This indicator is used starting with the second quarter of 2017 and running through the end of 2018.
Danone does not publish *like-for-like New Danone* changes for prior periods given the way they are computed. Finally, Danone does not monitor internally nor publish like-for-like changes and will not do so until year-end 2018. Indeed like-for-like changes would not reflect accurately the Company's real performance, which is reflected in *like-for-like New Danone* changes and, by extension, the difference between like-for-like changes and *like-for-like New Danone* changes would not accurately reflect the contribution to this real performance of WhiteWave and its companies.

Financial indicators not defined in IFRS

These indicators are calculated as follows:

Like-for-like changes in sales and recurring operating margin reflect Danone's organic performance and essentially exclude the impact of:

- changes in consolidation scope, with indicators related to a given fiscal year calculated on the basis of previous-year scope;
- changes in applicable accounting principles;
- changes in exchange rates with both previous-year and current-year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by Danone for the current year and applied to both previous and current year).

"Like-for-like New Danone" changes **(or *"Like-for-like including WhiteWave starting in April 2017"* changes)** in sales and recurring operating margin reflect the organic performance of Danone and WhiteWave combined. This indicator corresponds to like-for-like changes for Danone and WhiteWave combined, considering the activity of WhiteWave as a whole by integrating its companies during the fiscal years prior to and following their acquisition in April 2017:

- from April 1 to December 31 for periods compared until 2017 included;
- from January 1 to December 31 for periods compared in 2018.

Bridge from reported data to *like-for-like New Danone* data

(€ million except %)	FY2016 [a]	WhiteWave base effect [b]	Impact of other changes in scope of consolidation	Impact of changes in exchange rates	*Like-for-like New Danone* growth [c]	FY 2017 [d]
Sales	21,944	+12.7%	-1.1%	-1.6%	**+2.5%**	24,677
Recurring operating margin	13.77%	-33 bps	+21 bps	+1 bp	**+70 bps**	14.36%

(a) Consolidated data as reported by Danone.
(b) WhiteWave **base effect** corresponds primarily to the contribution of WhiteWave over the period from April 1 to December 31, 2016 and to adjustments for the impact of using different reference periods for FY 2017 reported data and for FY 2017 like-for-like New Danone data. The contribution of WhiteWave and its companies for the period from April 1-12, 2017 must be deducted as it is effectively included in the like-for-like New Danone changes and excluded from reported data.
(c) Like-for-like growth of Danone and WhiteWave combined, including the contribution of WhiteWave as a whole for the periods from April 1-December 31, 2016 and from April 1-December 31, 2017.
(d) Consolidated data as reported for Danone and WhiteWave combined, including the contribution of WhiteWave as a whole for the period from April 12-December 31, 2017.

Financial data used to calculate "*like-for-like New Danone*" changes are as follows:

- Financial data post acquisition date are extracted from the historical statements of Danone and WhiteWave combined, prepared in euros under IFRS (thus after allocation of WhiteWave's provisional acquisition price in consolidated financial statements for 2017).
- Financial data prior to the acquisition are extracted from the historical income statements of, respectively, Danone (prepared in euros under IFRS) and WhiteWave (prepared in US dollars under US-GAAP). However, to ensure comparability with the income statement of Danone and WhiteWave combined, the following adjustments are performed:
- WhiteWave's income statements for periods prior to the closing date have been restated to reconcile them with Danone's accounting principles;
- The effect of the WhiteWave purchase price allocation is also reflected in periods prior to the acquisition so as to neutralize its impact on the improvement in recurring operating margin on a like-for-like New Danone basis.

Data for operations prior to the WhiteWave acquisition are then restated as follows:

($ millions except %)	As reported [a]	Indicators not defined in US GAAP [b]	Application of Danone accounting principles [c]	Purchase price allocation [d]	As restated
FY 2016 (12 months)					
Sales	**4,198**	**4,198**	**-1**		**4,197**
Operating income	**402**	**402**	**1**	**-18**	**385**
Operating margin	9.6%				9.2%
Non-recurring operating income		-21	0	-29 [e]	-50
Recurring operating income		**423**	**1**	**+11** [f]	**435**
Recurring operating margin		**10.1%**			**10.4%**

(a) WhiteWave financial statements as reported by WhiteWave management, in dollars and under US GAAP.
(b) Indicators not defined in US GAAP used by WhiteWave management: Adjusted Net Sales and Adjusted Operating Income.
(c) Non-material reclassifications.
(d) Based on provisional allocation performed in consolidated financial statements for full-year 2017.
(e) Impact on consolidated income of the valuation at fair value of the inventories outstanding as of WhiteWave acquisition date.
(f) Impact on amortization of the valuation at fair value of depreciable assets (tangible assets and customer relationships).

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

Recurring operating margin is defined as Recurring operating income over Sales ratio.

Other non-recurring financial income and expense *corresponds to capital gains or losses on disposal and impairment of non-consolidated interests as well as significant financial income and expense items that, in view of their exceptional nature, cannot be considered as inherent to Danone's recurring financial management.*

Non-recurring income **tax** corresponds to income tax on non-recurring items as well as significant tax income and expense items that, in view of their exceptional nature, cannot be considered as inherent to Danone's recurring performance.

Non-recurring results from associates include significant items that, because of their exceptional nature, cannot be viewed as inherent to the recurring activity of those companies and distort the reading of their performance. They include primarily (i) capital gains and losses on disposal and impairment of Investments in associates, and (ii) when material, non-recurring items as defined by Danone included in the net income from associates.

Recurring net income (or Recurring net income – Group Share) corresponds to the Group share of the consolidated recurring net income. The recurring net income measures Danone's recurring performance and excludes significant items that, because of their exceptional nature, cannot be viewed as inherent to its recurring performance. Such non-recurring income and expenses mainly include other operating income and expense, other non-recurring financial income and expense, non-recurring tax, and non-recurring income from associates. Such income and expenses excluded from Net income are defined as Non-recurring net income and expenses.

Recurring EPS (or Recurring net income – Group Share, per share after dilution) is defined as the ratio of Recurring net income adjusted for hybrid financing over Diluted number of shares. In compliance with IFRS, income used to calculate EPS is adjusted for the coupon related to the hybrid financing accrued for the period and presented net of tax.

	2016		2017	
	Recurring	**Total**	**Recurring**	**Total**
Net income-Group share *(€ million)*	1,911	1,720	2,190	2,453
Coupon related to hybrid financing net of tax *(€million)*	-	-	(2)	(2)
Number of shares				
• Before dilution	616,442,041	616,442,041	625,986,636	625,986,636
• After dilution	616,700,618	616,700,618	627,121,266	627,121,266
EPS *(€)*				
• Before dilution	3.10	2.79	3.50	3.92
• After dilution	3.10	2.79	3.49	3.91

Yakult Transaction Impact corresponds to the amount to deduct from Danone's 2017 recurring net income to reflect an interest in Yakult in 2017 identical to the interest prevailing in 2018 following the completion of the intended partial disposal. It is computed as the difference between Danone's interest in Yakult after the transaction and 21.29% applied, prorata temporis, to 2017 profit from Yakult as estimated by Danone for its 2017 consolidated financial statements.

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

(€ million)	2016	2017
Cash-flow from operating activities	**2,652**	**2,958**
Capital expenditure	(925)	(969)
Disposal of tangible assets	27	45
Transaction fees related to business combinations[1]	6	50
Free cash-flow	**1,760**	**2,083**
Cash-flows related to plan to generate savings and adapt organization in Europe[2]	26	2
Free cash-flow excluding exceptional items[3]	**1,786**	**2,085**

[1] Represents acquisition costs related to business combinations paid during the period
[2] Net of tax
[3] Free cash-flow excluding exceptional items corresponds to free cash-flow before cash flows related to initiatives deployed within the framework of the plan to generate savings and adapt Danone's organization in Europe.

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

(€ million)	At December 31, 2016	As December 31, 2017
Non-current financial debt[1]	18,771	15,716
Current financial debt	2,510	3,792
Short-term investments	(13,063)	(3,462)
Cash and cash equivalents	(557)	(638)
Derivatives — non-current assets	(148)	(16)
Derivatives — current-assets [2]	(42)	(19)
Net debt	**7,472**	**15,372**
• Liabilities related to put options granted to non-controlling interests — non current	(315)	(38)
• Liabilities related to put options granted to non-controlling interests — current	(384)	(569)
Net financial debt	**6,773**	**14,765**

[1] Including derivatives managing net debt
[2] Derivatives managing net debt only. Net debt is not restated for the portion of derivatives hedging the WhiteWave acquisition price (€377 million as of December 31, 2016). As of June 30, 2017, these hedging instruments were settled to pay for the acquisition.

Methodology note

Unless otherwise indicated, amounts are expressed in millions of euros and rounded to the nearest million. In general, figures presented in this press release are rounded to the nearest full unit. As a result, the sum of rounded amounts may show non-material differences with the total as reported. Note that ratios and differences are calculated based on underlying amounts and not on the basis of rounded amounts.

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FORWARD-LOOKING STATEMENTS

This press release contains certain forward-looking statements concerning Danone. In some cases, you can identify these forward-looking statements by forward-looking words, such as "estimate," "expect," "anticipate," "project," "plan," "intend," "objective" "believe," "forecast," "foresee," "likely," "may," "should," "goal," "target," "might," "will," "could," "predict," "continue," "convinced," and "confident," the negative or plural of these words and other comparable terminology. Forward looking statements in this document include, but are not limited to, statements regarding Danone's operation of its business, and the future operation, direction and success of Danone's business.

Although Danone believes its expectations are based on reasonable assumptions, these forward-looking statements are subject to numerous risks and uncertainties, which could cause actual results to differ materially from those anticipated in these forward-looking statements. For a detailed description of these risks and uncertainties, please refer to the "Risk Factor" section of Danone's Registration Document (the current version of which is available on www.danone.com).

Subject to regulatory requirements, Danone does not undertake to publicly update or revise any of these forward-looking statements. This document does not constitute an offer to sell, or a solicitation of an offer to buy Danone securities.

The presentation to analysts and investors, held by Chairman and CEO Emmanuel Faber and CFO Cécile Cabanis, will be broadcast live today from 9.00 a.m. (Paris time) on Danone's website (www.danone.com).

Related slides will also be available on the website, in the Investors section.

APPENDIX – Sales by division and by geographical area (in € million)

	First quarter 2016	First quarter 2017	Second quarter 2016	Second quarter 2017	Third quarter 2016	Third quarter 2017	Fourth quarter 2016	Fourth quarter 2017	Full Year 2016	Full Year 2017
BY REPORTING ENTITY										
EDP International	2,025	2,082	2,075	2,209	2,055	2,048	2,075	2,084	8,229	8,424
EDP Noram	651	658	626	1,333	627	1,290	602	1,250	2,506	4,530
Specialized Nutrition	1,610	1,699	1,672	1,762	1,618	1,844	1,734	1,797	6,634	7,102
Waters	1,020	1,024	1,373	1,360	1,237	1,272	944	964	4,574	4,621
BY GEOGRAPHICAL AREA										
Europe & Noram[1]	2,737	2,656	2,822	3,619	2,735	3,532	2,639	3,386	10,933	13,193
Rest of the World	2,569	2,809	2,924	3,045	2,802	2,921	2,716	2,709	11,011	11,484
Total	**5,306**	**5,464**	**5,746**	**6,664**	**5,537**	**6,454**	**5,355**	**6,095**	**21,944**	**24,677**

	First quarter 2017		Second quarter 2017		Third quarter 2017		Fourth quarter 2017		Full Year 2017	
	Reported change	*Like-for-like change(1)*	*Reported change*	*Like-for-like change(1)*	*Reported change*	*Like-for-like change(1)*	*Reported change*	*Like-for-like change(1)*	*Reported change*	*Like-for-like change(1)*
BY REPORTING ENTITY										
EDP International	2.8%	-1.7%	6.5%	-0.8%	-0.3%	-2.3%	0.4%	-0.3%	2.4%	-1.3%
EDP Noram	1.1%	-2.8%	112.9%	-2.9%	105.7%	-2.2%	107.4%	-0.4%	80.8%	-2.0%
Specialized Nutrition	5.6%	5.2%	5.4%	5.6%	13.9%	17.8%	3.7%	8.4%	7.1%	9.3%
Waters	0.4%	1.8%	-0.9%	0.3%	2.8%	7.6%	2.2%	10.3%	1.0%	4.7%
BY GEOGRAPHICAL AREA										
Europe & Noram[2]	-3.0%	-3.0%	28.3%	-1.5%	29.2%	-0.2%	28.3%	-0.6%	20.7%	-1.2%
Rest of the World	9.3%	4.9%	4.1%	3.1%	4.3%	11.1%	-0.3%	9.4%	4.3%	7.1%
Total	**3.0%**	**0.9%**	**16.0%**	**0.6%**	**16.6%**	**4.7%**	**13.8%**	**3.7%**	**12.5%**	**2.5%**

[1] Like for Like New Danone. Danone ended the special methodology applied to hyper-inflation in Argentina since 2014 to calculate the change in sales on a "like-for-like New Danone" basis, since the country's economic and monetary situation no longer required such treatment. For more details on this methodology and its termination, see pages 6 and 7 of the press release dated 17 October 2017, announcing third-quarter 2017 sales. Readers are reminded that the impact was limited to changes in like-for-like sales figures and fluctuations in exchange rates, with no impact on reported data.

[2] North America = United States and Canada

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