DANONE 12

Registration Document
Annual Financial Report

Table of contents

DANONE

Registration Document 2012
Annual Financial Report

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

AMF AUTORITÉ DES MARCHÉS FINANCIERS

The French language version of this Registration Document (*Document de Référence*) was filed with the French financial markets authority (*Autorité des marchés financiers*, or AMF) on March 19, 2013, pursuant to Article 212-13 of its general regulations. This Registration Document may be used in support of a financial transaction if supplemented by a Securities prospectus (*Note d'opération*) authorized by the AMF. This Registration Document was prepared by the issuer and its signatories are liable for its contents.

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

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

Selected financial information, information about the issuer, references and definitions

1

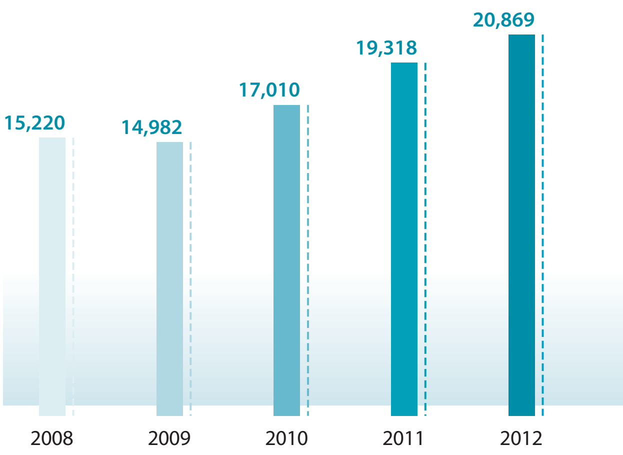
1.1 Selected financial information

The financial information presented hereafter is extracted from section 3 *Danone's business highlights in 2012 and outlook for 2013* and from the Danone group's consolidated financial statements prepared in accordance with International Financial Reporting Standards (IFRS).

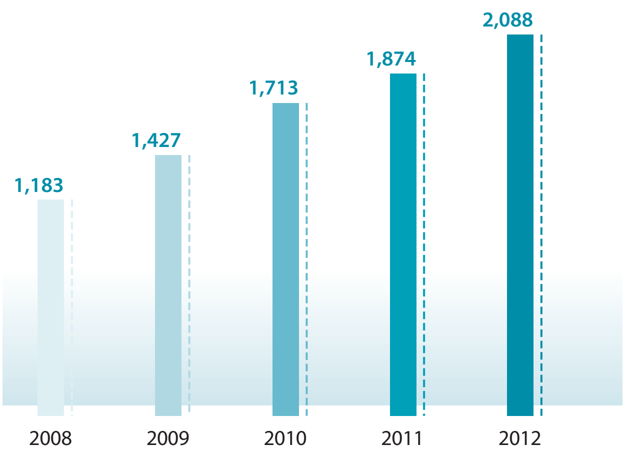
Consolidated financial statements and Notes to the consolidated financial statements are presented in section 4 *Consolidated financial statements*.

	2010	2011	2012
Sales [(a)]	17,010	19,318	20,869
Like for like growth [(b)]	*+6.9%*	*+7.8%*	*+5.4%*
Trading operating income [(a) (b)]	2,597	2,843	2,958
Trading operating margin [(b)]	*15.27%*	*14.72%*	*14.18%*
Like for like growth [(b)]	*+3 bps*	*+20 bps*	*(50) bps*
Net income [(a)]	2,040	1,855	1,787
Earnings per share – Group Share [(c)]	3.05	2.77	2.78
Underlying fully diluted EPS [(b) (c)]	2.72	2.89	3.01
Free cash-flow [(a) (b)]	1,713	1,874	2,088

Sales [(a)]



Free cash-flow [(a) (b)]



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

1.2 Information about the issuer

Legal name and trade name

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

Registration number in the Register of commerce and companies

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

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

Date of incorporation and term of the Company

The Company was incorporated on February 2, 1899. The Extraordinary Shareholders' Meeting of December 13, 1941 extended the term of the Company through December 13, 2040.

A new extension of the term of the Company by 99 years, *i.e.* until April 25, 2112, will be submitted to the Shareholders' Meeting of April 25, 2013.

Registered office

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

Legal form and applicable law

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

Corporate purpose

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

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

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

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

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

Statutory auditors

Principal Statutory auditors

ERNST & YOUNG ET AUTRES

Membre de la Compagnie Régionale
des Commissaires aux comptes de Versailles
Tour First, 1, place des Saisons
TSA 14444
92037 Paris-La Défense Cedex
Represented by Jeanne BOILLET et Gilles COHEN

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

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

PRICEWATERHOUSECOOPERS AUDIT

Membre de la Compagnie Régionale
des Commissaires aux comptes de Versailles
63, rue de Villiers
92208 Neuilly-sur-Seine Cedex
Represented by Étienne BORIS et Philippe VOGT

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

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

Substitute Statutory auditors

AUDITEX

Tour Ernst & Young
Tour First, 1, place des Saisons
TSA 14444
92037 Paris-La Défense Cedex

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

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

YVES NICOLAS

63, rue de Villiers
92208 Neuilly-sur-Seine Cedex

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

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

1.3 References and definitions

Unless otherwise noted:

- all references herein to the "Company" refer to Danone the issuer;
- all references herein to the "Group" or "Danone" refer to the Company and its consolidated subsidiaries;
- all references herein to "markets" for products in particular, or to market shares, refer to markets for packaged products and exclude products that may be otherwise marketed or sold;
- data pertaining to market shares or the Group's market positions are based on the value of sales;
- all references herein to market shares or to the Group's market positions are derived from third-party market studies and data base provided notably by Nielsen, IRI, Euromonitor and Canadean institutes;
- all references herein to "Fresh Dairy Products" and the fresh dairy products business or markets refer to processed dairy products and exclude milk, cream and butter;
- all references herein to "Waters" and the waters business or markets refer to bottled water, water sold in large containers (jugs), and water sold in small containers (cups);
- all references herein to "Baby Nutrition" and the baby nutrition business or markets refer to baby formula (infant milk formula, follow-on milk, growing-up milks), milk-and fruit-based desserts, cereals, small pots of baby food and ready-made baby food;
- all references herein to "Medical Nutrition" and the medical nutrition business or markets refer to adult or pediatric clinical nutrition products to be taken orally, or through a catheter in the event of malnutrition related to illness or other causes;
- all references herein to "Division" or "Divisions" refer to Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition Group businesses;
- all references herein to "mature countries" refer to Western Europe (including France and Southern Europe countries such as Spain, Italy and Portugal), North America, Japan, Australia and New Zealand;
- all references herein to "emerging countries" refer to other countries where the Group is present;
- all references herein to "GPU" (Group performance units) refer to medium-term variable compensation described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*;
- all references herein to "GPS" (Group performance shares) refer to Company shares subject to performance conditions granted to certain employees and executive directors and officers described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

Overview of activities, risk factors

2

2.1 History

The Group's origins date back to 1966 when the French glass manufacturers, Glaces de Boussois and Verrerie Souchon Neuvesel, merged to form Boussois Souchon Neuvesel, or BSN. In 1967, BSN generated sales of around €150 million in flat glass and glass containers. In 1970, the BSN group began a program of diversification in the food and beverage industry and successively purchased Brasseries Kronenbourg, Société Européenne de Brasseries and Société Anonyme des Eaux Minérales d'Evian which were, at the time, major customers of the BSN group for glass containers. These acquisitions made the BSN group France's market leader in beer, bottled water, and baby food. In 1973, BSN merged with Gervais Danone, a French food and beverage group specialized in dairy and pasta products, becoming the largest food and beverage group in France, with consolidated sales of around €1.4 billion, 52% out of which in food and beverage.

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

In the early 1990s, the BSN group started consolidating the positions it had acquired in previous years, developing synergies within Western Europe and expanding into growing markets. The BSN group also laid the first milestones of its development strategy outside Western Europe. The group expanded its operations significantly, acquiring a significant number of companies and creating a number of joint ventures. In Western Europe, for example, BSN acquired Volvic in France to strengthen its position in bottled water. Outside Western Europe, the Group pursued an active acquisition strategy to expand internationally (in the Asia-Pacific region, Latin America and Eastern Europe, as well as in selected markets such as South Africa and the Middle East).

In 1994, in order to consolidate its position as an international food and beverage group, the BSN group decided to change the BSN parent company's name to "Groupe Danone" (in 2009, the shareholders approved the modification of the relevant article of the by-laws to change the legal name of the Groupe Danone parent company to "Danone").

In 1997, the Group decided to focus on three worldwide business lines: Fresh Dairy Products, Beverages, and Biscuits and Cereal Products. The Group accordingly made several major divestitures in its Grocery, Pasta, Prepared Foods, and Confectionery Products operations, primarily in France, Belgium, Italy, Germany, and Spain. In 1999 and 2003, the Group also sold 56% and 44%, respectively, of the capital of BSN Glasspack, the holding company of its Glass Containers business, and in 2000 the Group sold most of its European Beer activities. In 2002, the Group also sold (i) Kro Beer Brands, which held the *Kronenbourg* and *1664* brands, among others; (ii) its Italian Cheese and Meat activities (Galbani); and (iii) its Brewing operations in China. The Group also sold its Sauces operations (i) in the United Kingdom and United States in 2005 and (ii) in Asia in 2006. In 2005 the Group also finalized its exit from its European Brewing activities, selling its interest in the Spanish company Mahou.

The year 2007 marked the end of a 10-year period during which the Group refocused its operations on the health sector. In 2007, the Group sold nearly all of its Biscuits and Cereal Products business (to the Kraft Foods group). That same year, it also acquired Numico, which enabled it to add the baby nutrition and medical nutrition to its portfolio. Since then, the Group has pursued its growth strategy, notably with the acquisition of Unimilk group's companies in Russia (in 2010) and Wockhardt group's nutrition activities in India (in 2012).

2.2 Presentation of the Group

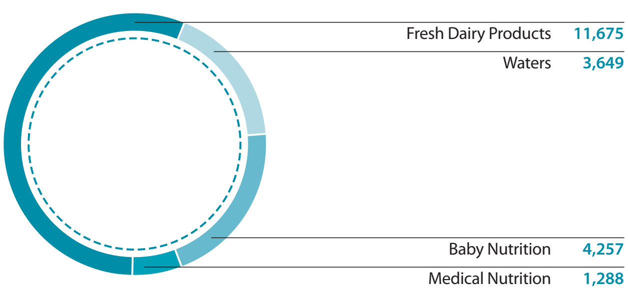
Activities

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

- the Fresh Dairy Products Division (production and distribution of yogurts, fermented dairy products and other specialty fresh dairy products) accounted for 56% of Group sales in 2012;
- the Waters Division (production and distribution of packaged natural, flavored and vitamin-enriched water) represented 18% of Group sales in 2012;
- the Baby Nutrition Division (production and distribution of specialized food for babies and young children to complement breast-feeding) accounted for 20% of Group sales in 2012;
- the Medical Nutrition Division (production and distribution of specialized food for people afflicted with certain illnesses or frail elderly people) made up 6% of Group sales in 2012.

Consolidated sales by Division

(in € millions)



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

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

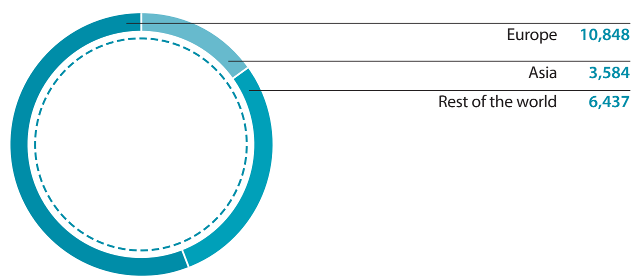
Principal markets

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

- Europe, including Russia, the other CIS countries and Turkey – accounted for 52% of Group sales in 2012, spread across all four Divisions. The leading countries in this region include Russia, France, Spain and the United Kingdom;
- Asia represented 17% of Group sales in 2012, notably in China and Indonesia in the Waters and Baby Nutrition Divisions;
- the Rest of the world, which includes the activities in North America, Latin America, Africa and the Middle East, accounted for 31% of Group sales in 2012:
  - the United States is the leading country in the region thanks to robust activity in the Fresh Dairy Products Division;
  - Mexico, Argentina and Brazil are the main contributors in Latin America, with contributions from all four Divisions;
  - in the regions of Africa and the Middle East, Saudi Arabia and South Africa are the largest markets, focused entirely on the Fresh Dairy Products Division.

Consolidated sales by geographic region

(in € millions)



The Group's top 10 countries in terms of consolidated sales are as follows:

	Year ended December 31
	2012
Russia	10%
France	10%
United States	8%
China	6%
Spain	6%
Indonesia	6%
Mexico	5%
Argentina	5%
United Kingdom	5%
Brazil	4%

2.3 Description and strategy of the Divisions

The Group defines a specific strategy for each of its four Divisions.

Fresh Dairy Products

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

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

- strengthening the Division's position in the major markets with strong growth potential such as the United States, Russia, Brazil, Mexico, Japan and South Africa, where *per capita* consumption of fresh dairy products is low;
- maintaining business volume in mature European countries, notably through product quality, product line extensions and innovation;
- the development of new regions such as Egypt, Chile and Indonesia.

The Division relies on its capacity to further develop its product lines and continuously introduce new products in terms of flavor, texture, ingredients, nutritional content and packaging, enabling to reach new consumer segments and develop new consumption moments while covering the full range of price points.

The local deployment of global brand platforms enables the Division to optimize the allocated resources. Given the Group's decentralized organization, this deployment enables each country to innovate based on the local culture and preferences while supporting the vertical strategy applied to the main brands, thereby promoting the broad and rapid spread of products with high sales potential.

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

- *Activia*, which has been marketed for more than 20 years, is now present in 72 countries;
- *Actimel*, on the market for more than 10 years;
- brands aimed at children and pre-adolescents, such as *Danonino*, which have been replicated in more than 50 countries (notably under the *Fruchtswerge*, *Danoninho* and *Petit Gervais* brand names), as well as *Danimals* in the United States, *Serenito* in Argentina and *Milkuat* in Indonesia;
- functional brands such as *Danacol* and *Densia*;
- indulgent lines such as *Oikos*, *Danette* and *Fantasia*;
- *Vitalinea*, also marketed under the *Taillefine* and *Ser* brand names, which comprises the low-fat product lines;
- so-called core business brands, which include basic fresh dairy products such as plain and fruit yogurts.

Waters

The Waters Division comprises the natural waters business along with flavored and vitamin-enriched waters business:

- the main international brands include *Evian* and *Volvic* (France, Germany, United Kingdom, Japan), *Bonafont* (Mexico, Brazil and, recently, Poland), and *Mizone* (China, Indonesia);
- the main local brands include *Fontvella* and *Lanjarón* in Spain, *Villavicencio* and *Villa del Sur* in Argentina, *Aqua* in Indonesia and *Zywiec Zdroj* in Poland.

The Division's strategy is based mainly on (i) the promotion of hydration-related health benefits and (ii) the management and protection of high-quality natural water resources.

Given the bipolarization of its markets (mature/emerging), the Group has adopted a strategy that reflects local concerns:

- in mature countries, average penetration and consumption levels are already high and therefore do not offer strong growth potential in this category in the years ahead. In addition, consumers are increasingly paying attention to the environmental impact of packaged water. In response to these constraints, the Division, during the last years, on one hand, developed its research and communication regarding the health benefits of the natural water consumption, and, on the other hand, reinforced its efforts in order to reduce its environmental footprint. For example, the Division developed the use of new plant-based materials for the *Volvic* and *Lanjarón* brands, and in 2011 achieved its goal of a carbon-neutral footprint for *Evian* (see section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*);
- in the emerging countries, the Division's strategy consists of accelerating the development of its growth model, notably by (i) identifying and preserving new water resources, (ii) strengthening its local retail experience, and (iii) rolling out certain brands in several countries, such as *Bonafont*, which was successfully deployed in Mexico, Brazil and Poland, as well as *Mizone* in China and Indonesia.

Baby Nutrition

The Baby Nutrition Division focuses on specialized foods for babies and young children to complement breast-feeding while always complying with the World health organization (WHO) Code and local laws. The infant formula segment accounts for more than 80% of this Division's activity, with a special emphasis on the development of second and third stage follow-up milks (designed for children between the ages of one and three). Solid foods for babies, also known as "weaning food", account for one-fourth of the activity and are concentrated mainly in European countries such as France, Italy and Poland.

The Division's various local brands are deployed from international brand platforms, thereby enabling the rapid global dissemination of best practices from each country:

- the Immunity platform includes in particular the *Aptamil*, *Nutrilon*, *Almiron* and *Gallia* brands;
- the Superior Nutrition platform includes the *Bebelac*, *Cow&Gate*, *Blédina* and *Malyutka* brands among others.

The Division's development strategy focuses on the following areas:

- build the credibility of the baby nutrition brands as an answer to the specific needs of babies and young children by making this product category better known and understood among opinion leaders, healthcare professionals and order-givers in the sector;
- continue the Division's geographical development, notably in the rapidly growing emerging countries.

Medical Nutrition

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

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

- *Nutrison*: tube feeding for dietary treatment of patients who are not capable of feeding themselves normally or who suffer from illness-related malnutrition;
- *Fortimel/Fortisip*: liquid oral nutritional supplements, with the most concentrated versions recently introduced in some of the Division's largest markets (United Kingdom, France, Spain, etc.);
- *Neocate*: hypoallergenic products aimed at babies and children with lactose or multiple food protein intolerance or allergy-related troubles;
- *Nutrini/Infatrini*: oral and feeding tube food products adapted for the dietary treatment of infants and children incapable of feeding themselves normally or sufficiently or who suffer from illness-related malnutrition.

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

The Group's strategy consists of increasing its global coverage by penetrating new countries and developing various distribution channels. Thus, the Division developed a new platform known as "OTX" for marketing products that are not eligible for insurance reimbursement through new distribution channels (notably pharmacies and drugstores) in countries such as Austria (test market for the *Fortifit* brand) and Brazil.

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

2.4 Group strategic development priorities

Promote the Group's product categories as a meaningful answer to public health issues

Through Danone's Food Nutrition Health Charter published in 2009, the Group has reaffirmed its mission of "bringing health through food to as many people as possible".

This charter confirms Danone's commitment to providing answers to current food-related public health issues (obesity, diabetes, cardiovascular diseases and nutritional deficiencies). These commitments include:

- adapting products to the needs of consumers in terms of nutritional quality, taste and affordability;
- developing products that provide health benefits;
- providing consumer information presented in a clear (notably with respect to the nutritional labelling of products) and responsible (advertising) manner;
- promoting healthy lifestyles;
- supporting nutrition and health research programs;
- dialogue with public health authorities, consumer groups and scientists;
- sharing of knowledge with the scientific community and health professionals.

Develop the Group's geographic presence

The development of activities around the world, in particular emerging markets, represents a key mechanism by which the Group successfully carries out its mission of "bringing health through food to as many people as possible" while ensuring its long-term growth. In 2012, emerging markets accounted for 53% of Group sales.

This development strategy focuses first around the so-called MICRUB countries (Mexico, Indonesia, China, Russia, United States, Brazil), where Danone has solid positions in rapidly growing markets. In these countries, the Group is continuing to develop the consumption of its products, largely through innovation. In 2012, for example, Danone completely renovated its *Dumex* brand in China, launched *Souvenaid* in Brazil and increased its *Oikos* greek yogurt production capacity in the United States.

Moreover, Danone is continuing its expansion into other countries. The Group recently entered the Indian market across the four Divisions: in baby nutrition and medical nutrition with the acquisition of the Wockhardt group's nutrition activities, in waters with the *Qua* and *B'lue* brands and in fresh dairy products with the launch of the *Danone* and *Danette* brands as well as the *Fundooz* brand, a line of nutritional products aimed at the most economically distressed populations.

In order to pursue its geographic expansion and develop its long-term growth potential, the Group is testing out small-scale models in new markets such as various Asian countries where the Group does not yet operate as well as African countries, given their growing economic and socio-demographic stature as well as the emergence of a middle class and medium-sized cities (more than one million residents) in these countries. Based on its strong experience in Africa in recent years, notably in the Maghreb region, the Group is developing new positions in new markets (Ivory Coast, Cameroon, Kenya, etc.) through nutritional product offers adapted to local conditions and consistent with the World health organization Code.

Develop sustainable industrial and agricultural models

The Group's strategy increasingly relies on the upstream segment of its activity (its raw materials, operations and the environment), not just to manage costs but also to make it a genuine mechanism for creating value and standing apart from the competition.

The upstream work in particular enables Danone to develop and secure high-quality supplies, notably for milk and spring water, its two main raw materials in terms of volume:

- in the milk supply chain, the Group works closely with local producers to improve animal husbandry practices in both developed and emerging countries. For example, collection entities and cooperatives open to small producers were created in six countries (Egypt, Indonesia, India, Mexico, Turkey, Ukraine) in order to help members manage their farms, optimize their purchases, improve the herd's feed or get veterinary treatment. This system provides higher revenues to farmers and offers Danone quality and quantity guarantees;
- in the waters area, Danone has also instituted an innovative approach aimed at protecting and securing springs by promoting the development of non-polluting activities around catchment areas. Initiated in 1992 through the creation of the *"Association pour la Protection de l'Impluvium de l'Eau Minérale d'Evian"* (APIEME), this approach involves the associations and local authorities in the protection of the ecosystems surrounding the springs. It has since been extended to other Group-owned springs such as *Volvic* in France, *Aqua* in Indonesia, *Salus* in Uruguay, *Bonafont* in Mexico and *Villavicencio* in Argentina.

In addition to its work on supplies, the Group is also working on optimizing its resources' utilization. In the Fresh Dairy Products Division, micro-filtration technologies were implemented enabling to select and separate the various milk components in order to optimize their use in the main product preparations.

Finally, in order to reduce the environmental footprint of its activities, the Group is rethinking its product packaging, working to reduce its weight and excess packaging and also through using recycled materials. In that regard, Danone may contribute to develop the recycling of its packaging in several countries.

All of these initiatives contributed to the implementation of the Group's environmental policy, a long-term economic challenge (see section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*).

2.5 Other elements related to the Group's activity and organization

Distribution

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

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

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

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

Major retail chains

In 2012, the Group's top 10 customers worldwide (of which five are French) accounted for approximately 20% of its consolidated sales; the top five customers represented approximately 14% of its consolidated sales.

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

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

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

Traditional market outlets

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

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

Specialized distribution channels of hospitals, clinics and pharmacies

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

Marketing

Key success factors underpinning the Group's strategy are its brand reputation and close ties to consumers. The Group therefore strives to maintain an ongoing dialogue with consumers by adapting to media trends and consumption methods. This dialogue takes place at several levels:

- at the level of communication, through traditional channels (TV, press, etc.);
- through online campaigns (*Evian live young* campaign, etc.) and interactive sites (*Cow&Gate* information platform…);
- at the product and packaging level, by differentiating the product experience for the consumer as much as possible;
- at the sales points level, through measures that feature the products.

In the baby nutrition and medical nutrition markets, communications with consumers takes place for the most part through healthcare professionals (general practitioners and specialists, medical personnel in hospitals and clinics, pharmacists).

Danone's operating companies in each Division and country are responsible for their own advertising, promotional and sales strategies, adapted to local consumption patterns. They are all supported by common foundations defined by dedicated central organizations, which ensure the coherence of the policies implemented, the sharing of know-how and optimization of costs.

Competition

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

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

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

Acquisitions

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

Research and Development

The Group's Research and Development Department's mission is to:

- develop innovative products enabling to contribute to better diets around the world;
- improve dietary practices and promote better food for all. Danone therefore promotes nutrition research, educates and trains health professionals on diet-related matters and contributes toward improved dietary practices for the population through educational and informational campaigns;
- create products adapted to local nutritional needs tastes and customs.

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

The Group's Research and Development Department includes, within Danone Research, some 1,500 people, including 500 in France. The teams' work is split among a balanced overall model between:

- four general research centers:
  - Utrecht Innovation Center in the Netherlands (replacing the Wageningen center);
  - Daniel Carasso Center in Palaiseau (greater Paris region) in France;
  - Packaging Center in Evian;
  - Singapore Baby Research Center.
- local teams created in most countries where the Group is present. Their primary mission is to adapt the products (texture, aroma, size, packaging and nutrition) to the local consumer preferences and develop products specific to their market.

The Group aligns its Research and Development orientations with the Company's strategy. For example, the Group has created scientific expertise in the following areas:

Life sciences

The Group has developed scientific expertise in understanding the digestive system, and in particular lactic bacteria, probiotics and prebiotics. For the past several years, Danone has also conducted research on the bacteria that make up the intestinal microbiota. This microbiota plays a part in the digestion of certain foods, affects the immune system and protects against certain bacteria. Prebiotics and probiotics can have a positive impact on the composition of the intestinal flora and therefore provide positive health benefits.

For all their work in these areas, the Research and Development teams use the latest techniques in genomics, cellular biology and robotics. They collaborate with internationally recognized, high-level scientific partners such as the *Institut Pasteur* (Pasteur Institute), *Institut National de la Recherche Agronomique* – INRA (the French National Institute for Agricultural Research), Washington University in Saint Louis (United States), Wageningen University (Netherlands) and Harvard Medical School (United States).

Nutrition and food

Danone is building a nutrition strategy together with experts and public-sector authorities around two key areas:

- an understanding of local challenges involving nutrition and food, and an understanding of major food-related public health challenges. This enables Danone to develop products that are more closely adapted to local market conditions. Danone has mapped nutrition and public health challenges in more than 40 countries in order to identify food deficiencies and excesses in these countries and thereby adapt the Group's product recipes. This expertise also leads the Group to look into dietary practices and trends, and the role of various food groups in the local cultures;
- continuous improvements to the nutritional quality of products. Pursuant to the recommendations developed by the World health organization (WHO), the Group determines nutritional targets by nutrient, product category and consumer group. The Group implements progressive action plans aimed at reconciling the product ingredients with the targets defined by WHO.

Sensory analysis and behavioral science

Danone puts the consumer at the heart of its development projects. Taking consumer needs into account when defining research areas requires integrating the consumer upstream of the products' development. It is therefore necessary to understand the human parameters of food consumption and identify consumer expectations in terms of taste, typical use in daily life and targeted benefits.

The Group regularly conducts researches in collaboration with external entities such as universities and public research centers. The Group benefits from the expertise of external scientific committees on strategic themes such as probiotics or water. The Group also maintains permanent contact with the scientific community to better understand health and nutrition issues. This ongoing dialogue with scientists and research support are two of the commitments made by the Group in its Food Nutrition Health Charter.

As part of its contribution to nutritional research, 18 Danone Institutes (non-profit organizations) around the world have been created to help further understanding of the links between food, nutrition and health. Their initiatives support everything from scientific research's support to information and training for health professionals, to public education.

Plants and equipment

The Group's policy is to generally own its production facilities. The Group has many, widely-dispersed production facilities except in the Baby Nutrition and Medical Nutrition Divisions, for which the sites are more concentrated.

The Group has production facilities around the world in its principal markets. As of December 31, 2012, the Group had 194 production sites (see section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*).

Fresh Dairy Products

In 2012, the production of the Fresh Dairy Products Division represented 6.6 million of tons. The five leading plants of the Division were located in Mexico, Argentina, Brazil, United States and Saudi Arabia and accounted for approximately 28% of the Division's total production.

Waters

In 2012, the production of the Waters Division represented 22.1 billion of liters. The Division's two largest bottled water facilities, located in France, accounted for approximately 20% of the Group's total bottled water production capacity in 2012, and the two largest production facilities for water in large containers, both located in Indonesia, accounted for close to 21% of the Division's total water in large containers production in 2012.

Baby Nutrition

In 2012, the production of the Baby Nutrition Division represented 0.6 billion of liters. The Group's largest facility in the Baby Nutrition Division is located in Indonesia and accounted for close to 13% of the Division's production in 2012.

Medical Nutrition

In 2012, the production of the Medical Nutrition Division represented 0.1 billion of liters. The Group's largest facility in the Medical Nutrition Division is located in the Netherlands and accounted for close to 72% of the Division's production in 2012.

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

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

Raw materials purchasing

The Group's raw materials needs consist mainly of:

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

The price trends of major raw materials may have a significant impact on the volatility of the Group's results (see Note 30 of the Notes to the consolidated financial statements). In that context, the Group manages cost inflation of raw materials through the following measures:

- continuous improvement of its productivity and optimization of the use of raw materials, notably through reductions in production waste, lighter packaging and better use of milk sub-components in the Group's various products;
- implementation of a purchasing policy ("Market Risk Management") that consists of defining rules for securing the physical supply and price setting with suppliers and/or on financial markets when they exist. The monitoring of exposures and of the implementation of this policy is made at the level of each raw materials category by the Group's central purchasing staff. The buyers typically negotiate forward purchase agreements with suppliers, since no financial markets exist that would allow full-cover hedging of the volatility of the Group's main raw materials purchase prices. Forward purchase agreements are monitored at the Group level at the end of each year. The information regarding these future purchasing commitments is presented in section 3.4 *Balance sheet and financial security review*. Also, with respect to the Group's two main raw materials categories (milk and dairy ingredients and plastics including PET), a sensitivity analysis for the impact of changes in their prices on the Group's annual purchasing costs (applied simultaneously in all countries where the Group has a production activity) is presented in Note 30 of the Notes to the consolidated financial statements.

Moreover, the Group's strategy increasingly relies on the upstream portion of its activities and in particular its supply of raw materials, not only to manage its costs but also to make it a genuine source of value added and differentiation relative to the competition (see section 2.4 *Group strategic development priorities*).

Social and environmental responsibility

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

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

Since 1996, Franck RIBOUD has lent increasing weight to societal concerns, making corporate social responsibility and sustainability essential levers for strong and lasting growth.

2006 marked a key stage, with the formalization of Danone's mission: "bringing health through food to as many people as possible".

This mission is reflected in the Group's major social welfare challenges:

- social challenges: employment, increased employability and professional skills, due consideration for employees' commitment and well-being, for occupational health and safety standards, and for the local and regional areas where the Company operates;
- challenges linked to products and consumers: taking nutrition and food into account as basic elements in public health policies;
- environmental challenges: satisfying the needs of an ever-increasing number of consumers while limiting the environmental impact of the Group's activities.

To satisfy these challenges and grow in accordance with its mission, Danone decided to focus on four strategic priorities to ensure sustained and responsible growth:

- Health: strengthening of the Group's capacity to deliver relevant benefits with respect to nutrition and health challenges;
- For All: establishment of economic models to bring high-quality nutritional solutions to populations with limited purchasing power in a growing number of countries;
- Nature: recognition of environmental impact through reductions in the Group's carbon footprint and water consumption;
- People: transformation of the Company as a place for the development of all employees.

These four strategic priorities (Health, For All, Nature, and People) are a guiding principle by which Danone designs, produces and markets its products.

See also sections 7.1 *Danone social, societal and environmental approach*, 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law* and 7.3 *Other information related to the Group social, societal and environmental responsibility*.

IT systems

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

Integrated information system

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

The activities supported by Themis account for 75% of consolidated sales in the Fresh Dairy Products and Waters Divisions (excluding Unimilk group's companies) as of December 31, 2012. The roll-out of this system is continuing in the Unimilk group's companies.

The system is in the process of being implemented at the subsidiaries of the Medical Nutrition and Baby Nutrition Divisions (covering currently around 20% of combined sales for these two Divisions as of December 31, 2012).

Research and Development

The Artemis system (developed by SAP) was developed in order to consolidate all formulations of products and raw materials used in this area. This application enables to take advantage of and share all nutritional and food safety information related to products and ingredients used by Danone and to accelerate the design phases for new products.

For example, the Waters Division initiated the Hydre project for systematic quality measurement of hydrological resources that combines an analysis' management application with a GPS (Global Positioning System) application and will continue to roll it out for all the springs managed by the Group (France, Poland, Argentina and Uruguay in 2012).

Planning

The APO sales forecasting and production planning solution (developed by SAP), which is already used by the Fresh Dairy Products Division, is currently being rolled out in the Baby Nutrition and Medical Nutrition Divisions. As of December 31, 2012, this system had already been deployed at 15 subsidiaries and 7 plants in Europe. This program aims to cover all the entities of the two Divisions and will be actively pursued in 2013.

Purchasing and Supply Chain

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

In particular, the Fresh Dairy Products Division has developed an SAP-based application for analyzing the value of fruit preparations. This application enables a collaborative approach with suppliers in order to optimize the preparations.

As for the supply chain, the Group offers its suppliers and industrial partners a range of EDI (Electronic Data Interchange) messages to automate and digitize information flows from orders to invoices (eSupply Chain).

Environment

Through a joint effort with IT systems developer SAP, the Group developed an innovative application to measure the carbon footprint of its products. Based on an analysis of each product's life cycle and operational monitoring of these various stages, this application enables to measure the carbon footprint of each product. This solution is already operational at 29 subsidiaries equipped with the Themis system.

The collaboration with SAP continued in 2012 with the implementation of a reporting application (Nativ project) for all environmental indicators (more than 150 in all). This application will be used for the first time in 2013 by most of the Group subsidiaries to collect indicators related to 2012.

Sales and Marketing

Continuing the initiatives launched during the last year to satisfy the needs of its customers and consumers, the Group's efforts focused on, in particular:

- the implementation of systems allowing the performance improvement of its Trade Marketing operations, notably those involving promotional initiatives;
- the deployment of analytical solutions for sales points performance, notably involving inventory shortages, through several projects implemented in conjunction with its customers;
- the development of Digital Marketing platforms enabling a better understanding of the customers' expectations, notably on social media, as well as special work on eRetailing in conjunction with its customers.

Financial risk management

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

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

2.6 Simplified organization chart

Consolidation scope

As of December 31, 2012 the Group consolidated 252 companies, of which 231 were fully consolidated and 21 were associates.

The list of all consolidated companies with country of origin, percentage of ownership and control as of December 31, 2012 appears in Note 33 of the Notes to the consolidated financial statements.

Principal publicly traded equity interests

The Group holds, directly or indirectly, equity stakes in the following listed companies:

- Yakult Honsha (Fresh Dairy Products – Japan) listed on the Tokyo Stock Exchange;
- Centrale Laitière du Maroc (Fresh Dairy Products – Morocco) listed on the Casablanca Stock Exchange.

These companies are consolidated using the equity method (see Note 12 and Note 33 of the Notes to the consolidated financial statements).

2.7 Risk factors

Risk identification and control policy

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

Since 2002, the Group has implemented a global risk identification and management system that prioritizes challenges in terms of their probability of occurrence and their estimated impact on the Group. It uses a special risk mapping methodology called "Vestalis".

This mapping is designed to identify the risks related to the various strategies and activities, to prioritize them at the local level and to consolidate and contextualize them at the regional level. This mapping then leads to the definition of key risk mitigation actions through preventive measures, which may be local or global as appropriate, or through the establishment of crisis management plans.

Since 2002, Vestalis has thus been deployed in the companies in the Fresh Dairy Products and Waters Divisions, and since 2009 its use has been largely and progressively extended to the companies in the Medical Nutrition and Baby Nutrition Divisions. In 2012, Vestalis was deployed in 148 Group operating subsidiaries, which represent 99% of the Group's consolidated sales.

The most significant risks are reviewed once a year by the management teams of the geographic regions during specific meetings. In 2012, almost all regions general managers' and finance directors' participated to a risk committee meeting focusing on the risks faced by their subsidiaries. A general review of the Group's risks is regularly performed by Danone's General Management. The Audit Committee is also regularly informed of these risks, and operating managers occasionally attend these meetings in person in order to report on the risks related to their areas of responsibility.

The risk management system is described in greater detail in the Chairman's report on internal control and risk management in section 6.11 *Internal control and risk management*. It is an integrated system which relies significantly on the Group's risk management, internal control and internal audit activities but which also benefits from the other activities of the Group Finance Department and several other central functions.

The operational risks generally related to the business sectors in which Danone is active, those specific to the Group's activities and organization, legal risks, industrial risks, environmental risks and market risks are presented hereafter by thematic category.

Operational risks related to the Group's business sectors

I. Risks associated with the volatility of prices and the availability of raw materials

Risk identification

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

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

Variations in supply and demand at global or regional levels, weather conditions, government controls, regulatory changes and geopolitical events could substantially impact the price and availability of raw materials and of the materials needed to package the products concerned, which could have an adverse effect on the Group's results. In particular, a potential increase in their prices may not be passed on, either in full or in part, in the sales price of the Group's products and could have in any event a significant adverse effect on the Group's activities and on its results.

Risk management

In the context of high raw materials price volatility, the Group manages this commodity inflation through the following measures:

- continuous improvement of its productivity and optimization of the use of raw materials, notably through reductions in production waste, lighter packaging and better use of milk sub-components in the Group's various products;
- establishment of a purchasing policy ("Market Risk Management") that consists of defining rules for securing the physical supply and price setting with suppliers and/or on financial markets when they exist. The monitoring of exposures and the implementation of this policy is made at the level of each raw materials category by the Group's central purchasing staff. The buyers typically negotiate forward purchase agreements with suppliers, since no financial markets exist that would allow full hedging of the volatility of the Group's main raw materials purchase prices.

Additional information is provided in section 2.5 *Other elements related to the Group's activity and organization* and in Note 30 of the Notes to the consolidated financial statements.

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

Risk identification

While the end customers of Danone products are individual consumers, the Group sells its products mainly to major retail and grocery chains. Overall, the distribution market has become increasingly concentrated globally and locally. In 2012, the Group's top 10 customers worldwide (of which five are French) accounted for approximately 20% of its consolidated sales; the top five customers represented approximately 14% of its consolidated sales. A continuation of the movement to concentrate distribution at the global level along with the emergence of key players at the local level would result in a smaller number of customers for the Group companies and could lead to retailers demanding better terms. This could affect the operating margin of these companies and therefore of the Group, change their market shares and/or represent a counterparty risk in the event of a default by a major customer, and consequently have a significant adverse effect on the Group's activities and results.

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

Risk management

The Group manages this risk mainly through an action program in the sales policy area focused on the large key accounts and Credit Committees or equivalents in Danone subsidiaries, as described in section 2.5 *Other elements related to the Group's activity and organization*.

Moreover, the Group's exposure to unpaid trade receivables not yet impaired is limited, as indicated in Note 16 of the Notes to the consolidated financial statements.

III. Risks associated with competition

Risk identification

The Group conducts its business in highly competitive markets that include large multinational companies and numerous local players of different sizes. In Western Europe and North America, the Group's markets tend to be relatively mature, and competition is therefore particularly intense, both in terms of pricing and innovations. With respect to the Group's activities in the Rest of the World, a few international food and beverage groups also hold strong positions in some emerging markets and seek to expand such positions or enter new markets. In addition, certain retail and grocery chains, having developed their own brands, could reduce the shelf space occupied by the Group's products in favor of their own products.

The Group is thus facing national and international competition which could lead it to reduce its prices to defend its market shares, which could have a significant adverse effect on the Group's results.

Risk management

To be able to compete effectively with the main operators in these markets, the Group has decided to differentiate from its competitors in terms of products' range, quality/price ratio and positioning.

This strategy enables Danone to develop a long-lasting, balanced and constructive relationship with the major distribution networks by supplying leading products that generate growth and profitability for both parties.

The aim of these actions is to mitigate competition risk.

Additional information is provided in section 2.5 *Other elements related to the Group's activity and organization.*

IV. Risks related to the geopolitical environment

Risk identification

Danone's activities and employees can be subject directly or indirectly to the effects of economic, political or social instability period in numerous countries susceptible to experience or having recently experienced such periods, particularly in the Maghreb/Mashrek, Sub-Saharan Africa, the Near and Middle East, Latin America or Asia.

Also, some countries where the Group is present have regulations that are not very developed and/or not very protective (in particular with respect to intellectual property rights), and are often very unstable due to the influence of powerful local interests. Some of these countries maintain foreign exchange controls, control the repatriation of profits and invested capital, impose taxes and other payments and impose restrictions, sometimes retroactively, on the activities of multinational groups.

Any period of political or economic instability in a country in which the Group operates or any economic or political measure of a type described above that may be implemented in some countries could have a negative impact on the Group's activities.

Risk management

Danone's international growth enables a geographical distribution that diversifies and limits the concentration of this risk. In addition, the Group elaborates action plans and implements measures aimed at reducing, to the greatest extent possible, the impacts of this risk in the areas of human resources, finance and legal affairs. Depending on the situation, the Security Department participates in the development and implementation of these plans and measures, and forms or consolidates in certain regions relationships with state or private partners, that the Group may make use of, should the need arise. The Security Department also gets involved in situations where the safety of the State and/or international crises may affect the activities of Group subsidiaries. However, there can be no assurance that the results of the Group will not be significantly affected by a deterioration of economic, political or regulatory conditions or by a crisis in some of the countries where the Group is present.

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

Risk identification

The Group's sales are dependent on the overall economic climate in its principal geographic markets. In periods of economic slowdown that may hit some countries, the Group may have to face reduction in consumers spending whose purchasing power has declined and/or changing consumption patterns as a result of economic conditions. These trends may have adverse effects on the Group's activities and results.

Risk management

Danone's diversified geographic presence limits its exposure to the particular challenges in a given country. The product portfolio of the Group's various subsidiaries, which is also diversified, and the ability of its management to adapt to changes in the market also enables the Group to reduce the risk associated with economic conditions.

VI. Risks associated with weather conditions and seasonal cycles

Risk identification

Some of the Group's product markets are affected by seasonal consumption cycles and weather conditions, which may have a negative impact on the Group's results: in particular, demand for beverages peaks during the summer months. For instance, relatively cool summer temperatures may result in substantially reduced sales of beverage products, especially packaged water, in the impacted geographical area relative to a normal year, and thus may have adverse effects on the Group's activities and results.

Risk management

The Group's Divisions are affected by seasonal factors differently and, thanks to its diversified geographic presence, Danone has a limited exposure to weather conditions specific to a particular area. The Group manages these seasonal effects on the basis of lengthy operational experience and anticipates changes in weather conditions to the greatest extent possible.

VII. Risks associated with the consequences of restructuring plans

Risk identification

Danone works continuously to improve its efficiency in order to achieve better performance and anticipate adjustments needed to respond to changes in the market, projects, competition and, with respect to its internal organization, jobs and skills. This commitment to blending both short and medium term visions may in some cases result in difficult decisions regarding jobs (plant closings, restructuring plans with layoffs, etc.), that may be poorly understood and received by both employees and local constituencies (local elected officials, governmental authorities, etc.). Such decisions could affect the Group's relations with its employees, resulting in industrial disputes including, in particular, stoppages, strikes and other disruptions and, consequently, could have, in addition to the financial impacts, adverse effects on the Group's reputation, activities and results.

Risk management

At Danone, a restructuring decision needs to be made at the earliest possible stage, when the Group has the time and resources to prevent and responsibly manage the social and human consequences of such restructuring. In order to minimize the various risks associated with this type of decision (labor disputes, increase in local unemployment, loss of reputation), Danone (i) keeps under constant review its needs in terms of skills, (ii) is committed to continually improving the employability and skills of its employees to ensure that they are able to adapt, at all times, to changes in their jobs and to acquire skills to qualify them for promotion to a more senior post within or, if necessary, outside Danone, (iii) makes its restructuring decisions based on economic and social criteria in accordance with the international agreement signed on this subject with the International Union of Food workers (IUF) in 1997, and (iv) implements them with an emphasis on a return to employment and support for employees.

VIII. Risks associated with the Group's reputation

Risk identification

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

This type of criticism could adversely affect the Group's sales, activities, results and growth prospects.

Risk management

The Group has established risk management procedures designed to avoid and anticipate potential crises, and crises management procedures aimed at anticipating such criticisms and limiting their effects to the extent possible.

Operational risks specific to the Group's activity and organization

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

Risk identification

In connection with its policy of optimizing its purchasing, the Group centralizes the purchases of certain goods (in particular raw materials such as the ferments used in the Fresh Dairy Products Division or powdered milk for the Baby Nutrition Division in some Asian countries) and certain services (in particular sub-contracted services or information technology services) from a restricted number of suppliers.

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

Risk management

Great care is given to the initial selection and subsequent monitoring of such key suppliers. Measures are taken to safeguard these supplies and services with the development of business continuity plans that include the identification of backup suppliers.

II. Risks associated with the Group's position in certain markets

Risk identification

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

Risk management

This topic is addressed with considerable attention by circulating and presenting the Danone Business Conduct Policy and the Code of Ethics aimed at the sales functions. The legal function comprises an international network specialized in competition law, which closely monitors this risk.

III. Risks associated with the Group's acquisitions and partnerships

Acquisitions

Risk identification

The Group's strategy is to enjoy leading positions in each of the markets in which it operates. Within the context of continued concentration in the food and beverage industry, this strategy involves the pursuit of growth opportunities through joint ventures or acquisitions, as was the case in 2010 with the Unimilk transaction in Russia and in other countries with Yocream and ProViva. Acquisitions may have a negative impact on the activities and results of the Group if it does not successfully integrate the acquired companies, provide the necessary resources and/or achieve all the expected synergies and cost savings.

Significant acquisitions may, during the integration phase, generate risks associated with historical structures and practices. In the case of Unimilk, integration is continuing, following a first phase related to the specific assessment of operational risks.

Risk management

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

Within Danone-Unimilk, the Group's policies are in the process of being implemented. In particular, internal audits, internal control principles and the risk management system are being rolled out.

Partnerships

Risk identification

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

Risk management

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

IV. Risks associated with an unfavorable change in business activity forecasts and its impact on impairment testing of assets

Risk identification

In connection with the Group's acquisitions, a significant amount of the acquisition price could be allocated to goodwill and to acquired brands with an indefinite useful life. In particular, a significant amount of the purchase price was allocated to goodwill and to acquired brands with an indefinite useful life in connection with the Numico acquisition in 2007, and to a lesser extent, in connection with the Unimilk group's companies acquired in 2010.

Goodwill and indefinite useful life brands are not amortized. They are subject to an impairment test at least once a year and whenever events or circumstances indicate that a reduction in value might have occurred.

An unfavorable change in business activity forecasts and assumptions used in the projection of cash-flows for the purpose of the impairment tests, in particular with respect to goodwill and to the Numico brands, could result in the recognition of impairment charges. These charges could then have significant adverse effects on the Group's results.

Risk management

The Group draws up assumptions and business activity forecasts: establishes, on a yearly basis, a strategic plan and an annual budget for each subsidiary, proceeds to their analysis and, when deemed necessary, draws up customized action plans.

V. Risks associated with the Group's products

Due to the nature of its activity, Danone is exposed to the risk, whether proven or merely alleged, of product contamination or that its products are harmful which, in addition to the immediate financial impact, could also have an adverse impact on the Group's reputation and sales.

Contamination risk

Risk identification

The absence of chemical and microbiological contaminants in raw materials and packaging, the lack of cross-contamination with allergens and the maintenance of the safety of finished products when they leave the factory and throughout the distribution chain are crucial.

For all Group products, in particular fresh dairy products, application of appropriate conditions of storage is vital in order to retain their flavor and nutritional value and to avoid subsequent contamination or deterioration. If certain of the Group's products were alleged to be contaminated or actually were contaminated due to the non-detection of contaminants (even in infinitesimal amounts), the deterioration of products during the distribution phase or any other factor, the Group's activities, results and reputation could be adversely affected.

Risk management

The risk of product contamination is classified into four categories (microbiological, chemical, physical and allergic) and depends on the nature of the products. This risk of contamination exists and is controlled at each stage of the production and marketing cycle: at the time of purchase and delivery of raw materials, the production process, the packaging of products, the storage and delivery of finished products to distributors and food retailers, the storage and shelving of finished products at the final sales points. The Group has put in place measures to limit the risk of contamination, in particular through the completion of multiple controls of the production lines and throughout the distribution chain and regular audits of its sites.

Moreover, partnerships with scientific organizations of international standing and the implementation of zero-tolerance quality management and food safety policies enable the Group to achieve the expected level of quality and food safety.

Other health risks

Risk identification

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

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

Risk management

In general, the Group is particularly vigilant regarding scientific fundamentals, the regulatory context and the origin of ingredients used.

Moreover, the Group also remains vigilant with respect to the follow-up of issues considered critical by the consumer, such as obesity. To this end, the Group has developed a network of key contacts (including, in particular, consumer associations) in order to discuss common topics of concern in both a formal and informal manner and to offer points of clarification.

Risk associated with innovation and consumer taste

Risk identification

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

Risk management

The Group has a broad portfolio of product lines that allows it to offer a wide variety of products to respond to different consumption needs and situations. The Group carries out regular studies of consumers' attitudes, perceptions and expectations with regard to its various product categories. In this area, the Group uses a decentralized approach that allows it to respond quickly and precisely to consumer expectations: local marketing teams have a high degree of autonomy in carefully monitoring consumers' evolving tastes and adapting the offer of Group products within each country.

VI. Risks associated with human resources

Risk identification

The availability, quality and commitment of Danone's employees play an essential role in the Group's success. A decline in the ability of the Group to attract and retain employees with the necessary skills or talents could negatively affect Danone's ability to achieve its objectives, which could have an adverse effect on its results.

Risk management

The Group's subsidiaries and top management carefully monitor indicators related to human resources (turnover, commitment, etc.), annual employees survey results and how Danone is perceived as the "Employer of Choice" in countries where it is present. The Group's actions in these areas are focused on compensation (regular benchmarks in each country), implementation of basic medical cover in countries where no such cover exists (Dan'Cares program), and the priority given to training and career development programs. In high-growth countries with significant resource requirements in terms of quantity and quality, specific programs for setting up talent incubators are drawn up, at country (China, Mexico, etc.) or region (Asia) level, with the aim of attracting, developing and retaining skills.

VII. Risks associated with information systems

Risk identification

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

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

Risk management

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

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

VIII. Risks of an internal control failure

Risk identification

The risk of an internal control failure is mainly associated with: accurate and reliable financial information; compliance with the applicable laws, regulations and internal policies; and efficient and effective internal processes, including those related to the protection of the Group's assets.

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

Risk management

The Group has implemented an internal control system. This system, regardless of how adequate it may be, can only provide reasonable assurance and not an absolute guarantee with respect to the achievement of the Company's objectives due to the limits inherent in any control process. While the Group cannot fully exclude the risk of an internal control failure, the performance level and widespread deployment of its five internal control components (Control environment, Risk identification and assessment, Control activities, Information and communication, and Continuous monitoring) reduce the Group's exposure to this risk (see section 6.11 *Internal control and risk management*).

Similarly, the Group cannot exclude all risks associated with fraud or corruption. However, the risk profile of its activities and the existence of an exhaustive anti-fraud program, covering all aspects of reducing the risk of fraud and the potential impact of any fraud (risk identification, prevention, fraud detection, corrective measures and reporting) and widely communicated, reduce the Group's exposure to this risk (see section 6.11 *Internal control and risk management*).

IX. Risk of failure of insurance coverage

Risk identification

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

Risk management

See the Insurance and risk coverage section hereafter.

Legal risks

I. Risks associated with intellectual property

Risk identification

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

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

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

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

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

Risk management

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

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

II. Risks associated with regulations

Risk identification

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

More particularly, the Group's activities are subject to numerous laws and regulations that are always changing and becoming increasingly restrictive, relating, in particular, to the protection of health and food safety, consumer protection, nutrition and claims about the health benefits of products marketed by the Group, along with environmental claims, the reimbursement of certain products of the Medical Nutrition and the Group's advertising and promotional activities. Any change in these laws or regulations, any decision by an authority regarding these laws or regulations or any other event that would challenge the nutritional or health claims related to certain products could have a significant impact on the Group's activities, increase its costs, reduce consumer demand and possibly result in litigation.

In addition, the Group is involved, or could be involved, in litigation associated with its normal course of business. Should the result of such litigation be unfavorable for the Group, this could adversely affect the Group's financial situation and its image or reputation. Major litigation is presented in Note 25 of the Notes to the consolidated financial statements.

Risk management

The subsidiaries, assisted by their legal departments and/or external legal advisors, take steps to ensure that they comply, at all times, with national and international regulations. This compliance forms an integral part of the Group's quality strategy and internal control system.

Industrial and environmental risks

I. Industrial risks

Risk identification

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

Overall, the Group's industrial plants have limited exposure to natural risks and any new site development project is analyzed with respect to such risk exposure. Nevertheless, the Group's geographic expansion sometimes leads it to be present in regions exposed to natural risks, notably seismic. In those cases, these facilities (buildings and equipment) are designed by integrating measures recommended by prevention/protection experts that often exceed the applicable national safety standards.

Other risks

Like any industrial activity, the Group's sites are exposed to various risks: fire, explosion, systems failure, pollution, terrorism, epidemy, strike or other factors. Such events could cause damage to people, goods or the environment and possibly have a negative impact on the Group's financial situation.

Risk management

In order to reduce, if not eliminate, these risks and their potential impact, the Group has elevated personal safety, the protection of industrial plants and the environment to core values of the Group's policy. These values are "measured" through various programs with lofty targets and action plans monitored by Group departments, notably the Divisions' Industrial Departments.

With respect to industrial sites protection, several years ago the Group established a security assessment program through regular engineering visits; in 2012, nearly 150 of such visits were conducted by independent experts. These visits, which are based on international guidelines that typically exceed national regulations, enable to define the prevention and protection levels of the sites and monitor the completion of the action plans needed to achieve the objectives assigned to each site. The Group's procedures with respect to engineering are deployed as widely as possible through partnership projects with the Group's largest suppliers.

Since the end of 2011, the Group transitioned to a new rating scale ranging from 1 to 90 points through the so-called Risk Mark system. The greater precision and detail of this new rating system enables better steering of industrial risks. A schedule with minimum targets was defined for each plant based on the insured value and the strategic importance for each Division's activity.

As of December 31, 2012 the Group's average Risk Mark – calculated for the 160 sites visited on a regular basis – was 55 points, compared with a target of 57 points for this fiscal year. The Group's objective is to reach an average Risk Mark of 68 points by end-2015, which would correspond to a high level of prevention and protection for the Group's sites.

II. Risks associated with environmental regulations

Risk identification

In all of the countries where the Group does business, it is subject to numerous regulations in the environmental area (mainly regarding water, air, the use of natural resources, noise and waste), which are becoming more and more stringent and constantly evolving.

These activities are notably subject to (i) obtaining operating authorizations or (ii) the submission of a prior notification statement:

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

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

Packaging is subject to specific regulations and in particular European directive 94/62, as amended in 2004, relating to packaging and packaging waste, which requires source reductions, reductions in the use of substances hazardous to the environment, recycling, and recovery. Danone's activities are furthermore subject to the European waste framework directive 2008/98/EC.

The Group's activities are also subject to, on the one hand, the European directive of 2003 establishing a trading system and, on the other hand, quotas for greenhouse gas emissions and the transpositions of the National allocation plans in the European union. Five of the Group's sites in the European union are thereby subject to quotas (whose impact on the Group's financial situation is not significant), while the other sites are currently below the minimum eligibility threshold. If, in the future, the Group is unable to limit the emissions of these five sites and comply with allocated quotas, it will incur a fine and would have to purchase the shortfall on the market for greenhouse gas quotas. The quantity of quotas allocated at no charge will gradually diminish and be reduced to zero in the years ahead, which will represent an additional cost for the Group.

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

Risk management

In order to comply with applicable environmental regulations, the Group took the following steps:

- reduced the intensity of direct emissions, notably those from the Group's industrial sites, by focusing mainly on energy consumption;
- contributed to the development of recycling (collection and use of recycled materials).

The environmental action plans are described in section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*.

No major provision for contingencies and charges related to environmental protection has been recognized in the consolidated balance sheet as of December 31, 2012.

III. Risks associated with consumers' choices, preferences or environmental considerations

Risk identification

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

Risk management

The Group undertakes continuous efforts to reinforce its corporate commitment and improve the management of its business activities with respect to every step of its products' life cycle.

In 2008, the Group identified five types of impact across the full supply chain of its activities (CO_2, water, packaging, agriculture and biodiversity). Specifically, it had set a goal of reducing the carbon intensity related to its products by 30% over the 2008-2012 period and for the scope of its direct responsibility (packaging, production, logistics, end of life – excluding Unimilk group's companies). The Group has more than achieved this goal (see section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*).

In 2009, Danone created a Nature Department, which reports to the Group Finance Department, thereby putting environmental concerns at the heart of its decision-making process. In addition, a portion of the annual variable compensation of directors, executive directors and officers (including all Executive Committee members) is conditioned upon the achievement of environmental objectives.

Danone's Nature strategy and its implementation and achievements in 2011 are described in section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*.

IV. Other environmental risks

Risk identification

The principal potential other risks are water pollution (essentially organic and biodegradable pollution), risks related to cooling installations (ammonia and other cooling liquids), and risks related to the storage of raw materials or products for the cleaning and disinfection of the Group's plants (acid or basic products), especially when these installations are located in inhabited areas. In the event that the Group's environmental responsibility is called into question, resulting from a significant accident or case of pollution, its results and reputation could be adversely affected.

With respect to purchases of raw materials and packaging, the Group identified an indirect risk of deforestation in the supply chain.

Risk management

In 2012, Danone continued to roll out its global water footprint measurement application (DROP), which integrates a measurement of the impact related to water pollution. This application, developed in the Waters Division, should be gradually extended to the other Divisions. In 2011, the Group also developed, in conjunction with Quantis and the Institut de l'Elevage, a module applied to dairy farms that was tested at four subsidiaries in 2012.

A plan to reduce the impact of the installed base of the Group's refrigeration systems has been ongoing since 2008 ("*Bcool*") and partnerships with refrigeration distributors/manufacturers, notably in Spain, are showing promising results. Moreover, through the Consumer good forum, Danone has pledged not to purchase equipment that does not use natural coolants beginning in 2015 in order to help promote the emergence of breakthrough technologies.

The Group also drafted and published a "Forest impact study" and a "paper/cardboard packaging and deforestation study" to address the risks related to these challenges (see section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*).

2

Financial market risks

I. Introduction

Risk identification

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

Additional information and data, in particular with regard to the Group's residual exposure (after hedging) to these different risks, are provided in Note 30 of the Notes to the consolidated financial statements.

Risk management

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

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

II. Currency risk

Risk identification

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

- in relation to its operating activities: the sales and operating expenses of the subsidiaries of the Fresh Dairy Products Division and most of the subsidiaries of the Group's Waters Division are expressed primarily in their country's domestic currency. In some cases, however, imports (especially raw materials and finished products between Group companies) and exports (finished products between Group companies) are expressed in other currencies. Similarly, due to the limited number of production units in the world, the subsidiaries of the Medical Nutrition and Baby Nutrition Divisions and certain Waters Division subsidiaries frequently use intra-group imports denominated in a currency other than their functional currency. The sales and operating margin of certain Group subsidiaries are therefore exposed to fluctuations in exchange rates against their functional currency;
- in relation to its financing activities: in application of its risk centralization policy, the Group manages multi-currency financings and liquidities;
- when translating into euro the financial statements of subsidiaries denominated in a foreign currency: sales and the trading operating income are generated in currencies other than the euro (see section 3.2 *Consolidated net income review* for the 10 countries generating the highest net sales). Consequently, fluctuations in exchange rates of foreign currencies against the euro may have an impact on the Group's income statement. These fluctuations also have an impact on the accounting value in the consolidated balance sheet of assets and liabilities denominated in currencies other than the euro.

In accordance with IAS 39, *Financial instruments: recognition and measurement*, foreign exchange rate fluctuations can have an impact on the Group's results and consolidated shareholders' equity (see Note 30 of the Notes to the consolidated financial statements).

Risk management

Pursuant to its operational foreign exchange risk hedging policy, the Group's residual exposure (after hedging) was significantly reduced during the fiscal year (see Note 30 of the Notes to the consolidated financial statements).

Pursuant to its financial foreign exchange risk hedging policy, the Group's residual exposure (after hedging) is not significant (see Note 30 of the Notes to the consolidated financial statements).

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

III. Financing and liquidity risk

Risk identification

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

The Group may, however, in the future, increase its indebtedness to finance acquisitions or as and when required to manage its cash cycle, particularly when dividends are paid to the Company's shareholders.

Its goal remains to maintain debt at a level enabling it to retain flexibility with respect to its financing sources.

The Group's liquidity risk comes mainly from the maturities of its (i) interest-bearing (bonds, bank debt, etc.) and (ii) non-interest-bearing liabilities (liabilities on put options granted to non-controlling interests), and from payments on derivative instruments (see Note 30 of the Notes to the consolidated financial statements).

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

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

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

Risk management

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

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

IV. Interest rate risk

Risk identification

The Group is exposed to interest rate risk on its financial liabilities and cash equivalents. Its interest-bearing debt exposes it to interest rate fluctuations that impact its financial expenses.

In addition, in accordance with IAS 39, *Financial instruments: recognition and measurement*, interest rate fluctuations may have an impact on the Group's results and consolidated shareholders' equity (see Note 30 of the Notes to the consolidated financial statements).

Risk management

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

V. Counterparty risk

Risk identification

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

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

Risk management

The Group's banking policy aims to reduce its risks by focusing on the quality of counterparty credit and by applying limits for each counterparty (see Note 30 of the Notes to the consolidated financial statements).

VI. Securities-related risk

Risk identification

Risk related to the Company's shares

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

Risk related to other shares

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

Risk management

The Group has established a monitoring policy for this risk.

Insurance and risk coverage

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

Insurance programs for property damage, business interruption and commercial general liability risk are negotiated at Group level for all subsidiaries, with leading international insurers. The "all risks except" policies are based on the broadest guarantees available on the market, coupled with deductibles of varying amounts, which are relatively low compared to those extended to groups of comparable size to reflect the autonomous management of subsidiaries. The guarantee limits are set based on worst case scenarios and on insurance market availability. These programs were renewed on January 1, 2012 for a term of one year; the total cost of these programs was approximately €27.5 million in 2012.

Insurance programs for common risks, which require local management, such as coverage of fleets of vehicles, guarantees for the transportation of merchandise, work-related accidents (in countries in which these accidents are covered by private insurance), and insurance specific to some countries, are negotiated and managed in accordance with local practices and regulations, within the framework of precise directives provided and controlled by the Group. Total premiums came to approximately €28 million in 2012.

Lastly, insurance programs for potentially significant special risks, which require centralized management, such as the liability of the Group's executive directors and officers, fraudulent acts, and assorted risks (taking products off the market, credit risk, environmental risk, etc.) are negotiated according to market availability, on the basis of scenarios estimating the probable impact of any claims. The total cost of this category of coverage amounted to approximately €3 million in 2012.

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

Danone's business highlights in 2012 and outlook for 2013

Danone's consolidated financial statements and the Notes to the consolidated financial statements are presented in section 4 Consolidated financial statements. Risk identification and control policy, as well as the major operational risks relating to the Group's business sectors or to the Group's activity and organization, are described in section 2.7 Risk factors.

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

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

The Group also uses references that are defined in section 1.3 References and definitions.

3.1 Business highlights in 2012

Highlights of 2012

The highlights below appeared in the principal press releases issued in 2012:

- on May 29, 2012, Danone announced the successful launch of a US dollar 850 million 10-year bond. Funds raised will enable Danone to diversify geographically its sources of financing and extend the maturity of its debt at favorable market conditions;
- on June 27, 2012, Danone announced the raising of its interest in Centrale Laitière du Maroc to 67.0% by acquiring part of SNI's (Société Nationale d'Investissement) shareholding for around a total €550 million. The current transaction represents a key step in Danone's development in Morocco which will allow the Group to invest more in a market with major potential, and thus support growth of the local dairy industry;
- on November 20, 2012, Danone announced the successful launch of a €750 million 5-year bond. Funds raised will enable Danone to diversify its sources of financing and extend the maturity of its debt at favorable market conditions;
- on December 13, 2012, Danone announced the preparation of a cost reduction and adaptation plan to win back its competitive edge in order to address a lasting downturn in the European economy and consumer trends that have led to a significant decline in its sales in the region. The plan will be deployed over two years and is aimed at adjusting costs to this new context and generating savings of around €200 million in Europe.

Other business activities in 2012

Acquisition, disposal of company shares and purchase of non-controlling interests

During the fiscal year 2012, the Group carried out several acquisitions, disposals and purchases of non-controlling interests, from which the most significant are the following:

- closing of the acquisition with control being obtained on July 26, 2012 of the Wockhardt's nutrition business in order to establish a presence in the Indian baby nutrition and medical nutrition markets;
- purchase of a complementary 8.6% equity interest in Danone Spain (Fresh Dairy Products – Spain), raising the Group's equity interest in this entity to 65.6% as of December 31, 2012 (equity interest excluding Danone Spain treasury shares, see section 3.4 *Balance sheet and financial security review*).

Moreover, the acquisition resulting in control being obtained of the company Centrale Laitière du Maroc (Fresh Dairy Products – Morocco), announced on June 27, 2012 (see section above) was subject to the approval of relevant authorities and has been finalized at the beginning of 2013 (see section 3.5 *Outlook for 2013* related to *Subsequent events*).

Changes in the scope of consolidation and in the Group's equity interests in its subsidiaries are detailed in Note 2 of the Notes to the consolidated financial statements.

Reduction of carbon footprint

Danone products depend to a large extent on natural eco-systems. It is thus in the Group's best interest to make care for the environment an integral part of its business activities.

Carbon footprint is a global indicator that reflects a wide range of environmental criteria. Danone had committed to reducing its carbon intensity (grams of CO_2 per kilogram of product sold) by an ambitious 30% from 2008 to 2012.

In the event, the Group more than achieved this goal in 2012, cutting its carbon intensity by 35.2% (based on constant scope of consolidation, excluding Unimilk group's companies, and on emissions under Danone's direct responsibility – packaging, industrial activities, logistics and end of life) over the five-year period.

See also section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*.

Social and societal responsibility

These activities are described in sections 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law* and 7.3 *Other information related to the Group social, societal and environmental responsibility*.

Research and Development

Fresh Dairy Products

In 2012, the Fresh Dairy Products Division focused its research on the impact of the consumption of yogurt as an essential food category in terms of diet and health. Building on existing data (NHANES – National Health and Nutrition Examination Survey, United States), the scientific research highlighted that yogurt consumption is associated with better coverage of one's calcium needs. A study conducted with Tufts University (United States) also links yogurt consumption to a reduced risk of high blood pressure. Lastly, the Division continued to develop innovations with the launch of the new "KISS" cup in certain European countries, a differentiating factor, as well as with greek-style yogurt.

Waters

In 2012, the Waters Division focused its Research and Development efforts on packaging innovations and the Aquadrinks category:

- in packaging technology, a key advance in the development of a bottle made entirely from plant material was achieved with the completion of a prototype. Innovations were also launched to satisfy consumer needs and country specificities, such as the "shot" bottle in Iran and *Fontvella* 2.5-liter family format to go with meals in Spain;
- the extension of the Aquadrinks *Villacencio* product line in Argentina, the development of *Bonafont Kid con Jugo* in Mexico and of *Volvic Juice* in the United Kingdom were among the projects worked on by the Research and Development teams of the Group and its partners. The scientific research on the health effects of mild dehydration continued in 2012 and were presented, notably at the fourth annual H4H (Hydration For Health) symposium.

Baby Nutrition

The Baby Nutrition Division's Research and Development programs focus on the nutritional needs of the first years of life, and in particular:

- maternal nutrition during pregnancy and breast-feeding;
- the nutritional benefits of breast milk;
- the development of the intestinal function and microbiota, the immune system, the brain and metabolism of babies and young children.

The Division attracts scientific and medical talents to work with its two principal scientific researchers, who hold chairs in Immunology and Microbiology, respectively, at leading universities.

The scientific advances underpin the Division's global Early Life Nutritional Programming program and enable to develop a series of products adapted to each developmental phase in the first years of life. For example, in 2012 the Division launched a new follow-on milk aimed at reducing the risk of infections and improving the intestinal flora for children between the ages of 1 and 3 years.

Medical Nutrition

The Medical Nutrition Division's Research and Development covers areas as diverse as neurology, myology and immunology. It developed, most notably, *Souvenaid*, a nutrient-enriched beverage aimed at people diagnosed with early onset or moderate Alzheimer's disease. The Division is also constantly looking to improve adherence (patients following their medical prescriptions correctly).

In 2012, the Medical Nutrition Division's Research and Development teams developed or improved 19 new products and led more than 12 clinical trials, including for example:

- a second clinical trial on *Souvenaid*, which results relate to *Souvenaid*'s effectiveness and tolerance;
- launch of a small format *Calogen* that helps patients achieve their nutritional target more easily.

Legal arbitration proceedings

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

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

Major contracts and related party transactions

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

As of December 31, 2012, financial liabilities related to these options totaled €3,271 million and are classified as financial debt. The main commitment involves Danone Spain, for €1,695 million as of December 31, 2012 and Danone-Unimilk entity for €976 million (see section 3.4 *Balance sheet and financial security review)*.

Related party transactions are described in Note 31 of the Notes to the consolidated financial statements.

See also section 5.4 *Related party transactions*.

3.2 Consolidated net income review

		Year ended December 31	
(in € millions, except per-share data in €)	**2011**	**2012**	**Change**
Net sales	19,318	20,869	+5.4% [a]
Trading operating income	2,843	2,958	+1.8% [a]
Trading operating margin	14.72%	14.18%	(50) bps [a]
Underlying net income	1,749	1,818	+0.9% [a]
Underlying fully diluted EPS	2.89	3.01	+4.1% [b]

(a) Like-for-like.
(b) As reported.

Sales

Consolidated net sales

Consolidated net sales increased by 8.0% as reported to total €20,869 million in 2012. Excluding the impact of changes in the basis for comparison, which include exchange rates and scope of consolidation, sales were up by 5.4%. This organic growth reflects a 2.3% increase in sales volume and a 3.1% increase due to the price/mix effect. The 2.5% exchange-rate positive effect reflects favourable trends in currencies including the US dollar, the Chinese yuan, Pound sterling and the Russian rubble.

Sales by Division

The table below presents 2011 and 2012 sales by Division.

		Year ended December 31		
(in € millions)	**2011**	**2012**	**Change like-for-like**	**Volume growth like-for-like**
Net sales				
Fresh Dairy Products	11,235	11,675	+2.0%	(0.2)%
Waters	3,229	3,649	+10.0%	+5.9%
Baby Nutrition	3,673	4,257	+11.6%	+5.2%
Medical Nutrition	1,181	1,288	+5.9%	+6.8%
Total	**19,318**	**20,869**	**+5.4%**	**+2.3%**

Fresh Dairy Products

Sales

The Division recorded sales of €11,675 million in 2012, up 2.0% on a like-for-like basis relative to 2011.

	1st quarter 2012	**2nd quarter 2012**	**3rd quarter 2012**	**4th quarter 2012**
Like-for-like Net Sales growth	3.8%	2.1%	0.7%	1.3%
Volume growth	(0.1)%	(0.3)%	(0.7)%	0.4%
Price/mix growth	3.9%	2.4%	1.4%	0.9%

The Group is leader in the 38 largest countries where the Division is present, it had a 27% market share in 2012 (from Nielsen).

Main markets

Latin America and the Africa/Middle East region again remained extremely buoyant in 2012, as they maintained double-digit growth throughout the year.

Sales in Europe decreased throughout 2012, mainly impacted by a severe deterioration in overall consumer demand in Southern Europe in the second half of the year. This deterioration was only partially offset by a stepping up of the pace of the activity in the CIS zone.

In North America, the Division implemented in the second half of the year a new production capacity for greek-style yogurt, that raised its market share by around 5 points, full year, in this fast-growing segment. The Division thus strengthened its leading position in fresh dairy products, where competition has picked up.

Brands and new products

The greek-style yogurt segment was the main growth driver of the Division, in particular in North America where the production capacities have been reinforced. In the CIS zone, the focus of Danone-Unimilk entity on its key brands enabled to step up the pace of the development of some brands such as *Tëma*, *Bio Balance* and mainly *Prostokvashino*. In addition, the *Densia* and *Danette* brands and the brands aimed at pre-adolescents were particularly buoyant in 2012.

Waters

Sales

The Waters Division recorded sales of €3,649 million in 2012, up 10.0% on a like-for-like basis as compared to 2011. This growth resulted from a 5.9% increase in sales volume and a 4.1% increase in value.

The strong value gains reflect the Division's improved product mix, with the strong growth in the Aquadrinks segment. Until the third quarter, the Division continued to benefit from the impact of price increases applied during 2011, primarily in emerging countries.

	1st quarter 2012	2nd quarter 2012	3rd quarter 2012	4th quarter 2012
Like-for-like Net Sales growth	16.4%	4.6%	12.3%	8.5%
Volume growth	7.7%	3.1%	5.4%	7.9%
Price/mix growth	8.7%	1.5%	6.9%	0.6%

Main markets and new products

Emerging markets continued to drive the Division's performance with double-digit growth throughout the year, notably in the Asian markets of Indonesia and China, where the deployment of the Aquadrinks brand *Mizone* is in progress.

Europe maintained a moderate growth, based on a category of bottled water in slight improvement.

In the Division's 11 main countries, it had 24% average market share in 2012 (from Nielsen and IRI).

Baby Nutrition

Sales

The Division generated sales of €4,257 million in 2012, up 11.6% on a like-for-like basis relative to 2011. This growth in 2012 resulted from a 5.2% rise in sales volume and 6.4% increase in value.

The value increases mainly reflect the favorable product mix of the Division, generated primarily by growth milks, which again reported double-digit growth, while "weaning foods" recorded a slight decrease.

Main markets

All regions posted gains, with the Asian region leading the way of the Division through double-digit growth. In China, in particular, the Division maintained a rapid growth basis, while reinforcing its local brand *Dumex* through a complete revamp of the products range.

	1st quarter 2012	2nd quarter 2012	3rd quarter 2012	4th quarter 2012
Like-for-like Net Sales growth	9.0%	13.6%	11.5%	12.1%
Volume growth	3.8%	7.0%	3.6%	6.1%
Price/mix growth	5.2%	6.6%	7.9%	6.0%

Medical Nutrition

Sales

The Division recorded sales of €1,288 million in 2012, up 5.9% on a like-for-like basis, as compared to 2011 with a 6.8% increase in sales volume and a 0.9% decrease in value.

Main markets

China, Turkey and Brazil were the main contributors to the growth of the Division, generating a double digit growth.

Some European markets and the United States were subject to difficult market conditions, cutting into the Division's growth.

	1st quarter 2012	2nd quarter 2012	3rd quarter 2012	4th quarter 2012
Like-for-like Net Sales growth	6.4%	6.7%	4.9%	5.5%
Volume growth	7.1%	7.1%	5.9%	7.3%
Price/mix growth	(0.7)%	(0.4)%	(1.0)%	(1.8)%

Sales by geographic area

The table below presents the breakdown of sales by geographic area in 2011 and 2012.

(in € millions)	2011	2012	Change like-for-like	Volume growth like-for-like	Sales breakdown by geographic area in 2011	Sales breakdown by geographic area in 2012
					Year ended December 31	
Net sales						
Europe	10,809	10,848	(1.0)%	(2.2)%	56%	52%
Asia	2,862	3,584	+17.4%	+12.0%	15%	17%
Rest of the world	5,647	6,437	+11.7%	+4.7%	29%	31%
Total	**19,318**	**20,869**	**+5.4%**	**+2.3%**	**100%**	**100%**

Europe generated €10,848 million in sales in 2012, a 1.0% decrease on a like-for-like basis as compared to 2011. This decrease was mainly generated by a deterioration of the markets conditions in the Fresh Dairy Products and Medical Nutrition Divisions.

Asia generated sales of €3,584 million in 2012, up 17.4% on a like-for-like basis as compared to 2011. China and Indonesia continue to make the largest contributions to this growth, mainly through the Waters and Baby Nutrition Divisions. In addition, Danone started to consolidate the Wockhardt group's baby nutrition and medical nutrition activities from the third quarter of 2012.

The Rest of the world generated sales of €6,437 million in 2012, up 11.7% on a like-for-like basis as compared to 2011. Latin America was the main contributor to this growth through the activities of its four Divisions, notably in Mexico, Brazil and Argentina.

In total, in 2011 and 2012, the 10 countries generating the highest net sales were as follows:

	2011	2012
	Year ended December 31	
Russia	11%	10%
France	11%	10%
United States	7%	8%
China	5%	6%
Spain	7%	6%
Indonesia	6%	6%
Mexico	5%	5%
Argentina	5%	5%
United Kingdom	5%	5%
Brazil	4%	4%

Trading operating income and trading operating margin

Consolidated trading operating income and trading operating margin

Trading operating income was €2,958 million in 2012 (€2,843 million in 2011).

Danone's trading operating margin fell back by 50 bps like-for-like in 2012 to stand at 14.18%.

Lower sales in Europe, particularly Southern Europe, cut significantly into Group profitability. This decline could not be fully offset by higher margins outside Europe, where investment programs were maintained as planned.

The cost of goods sold totaled €10,409 million in 2012 (€9,541 million in 2011), or 49.9% of consolidated sales (49.4% in 2011). In fact, raw material costs rose significantly, gaining over 6%, and were driven by a particularly steep increase in certain commodities including whey, milk proteins, sugar and fruits. Ongoing cost-cutting measures helped generate robust productivity of €589 million, partly offsetting the rise in raw material, production and distribution costs.

Selling expense totaled €5,474 million in 2012 (€5,092 million in 2011), or 26.2% of consolidated sales (26.4% in 2011). A&P outlays increased slightly in 2012, which maintained the visibility of Group brands in the media over the year. Expenditure on digital marketing continues to have a significant growth, and now represent 10% of total media investment.

The Group also continued to invest heavily in other growth drivers, beefing up its sales forces and spending on Research and Development. Outlays in these areas rose by around 10% (like-for-like).

Research and Development costs totaled €257 million in 2012 (€233 million in 2011), or 1.2% of consolidated sales (see section 3.1 *Business highlights in 2012*).

General and administrative expense totaled €1,746 million in 2012 (€1,564 million in 2011), or 8.4% of consolidated sales (8.1% in 2011).

In 2012, the Net other operating expense stood at €(211) million and consisted mainly of (i) €(62) million corresponding to the Unimilk integration expense (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition, (ii) €(49) million due to the disposal process of Danone Chiquita Fruits, (iii) €(39) million due the impairment of other goodwill and financial assets and (iv) €(25) million relating to acquisitions resulting in control being obtained carried out in 2012 and to a strategic external growth project implemented by the Group in the first half of 2012.

Trading operating income and trading operating margin by Division

The table below presents 2011 and 2012 trading operating income and trading operating margin for each Division.

	Year ended December 31				
	2011	2012	2011	2012	
(in € millions except percentage in bps)	**Trading operating income**		**Trading operating margin**		**Change like-for-like**
Fresh Dairy Products	1,475	1,414	13.13%	12.11%	(101) bps
Waters	424	483	13.13%	13.23%	+22 bps
Baby Nutrition	708	830	19.28%	19.51%	+23 bps
Medical Nutrition	236	231	19.98%	17.95%	(149) bps
Total	**2,843**	**2,958**	**14.72%**	**14.18%**	**(50) bps**

The Fresh Dairy Products Division's trading operating margin was 12.11% in 2012, a 101 basis points decrease on a like-for-like basis as compared to 2011. Lower sales in Europe, particularly Southern Europe, cut significantly into the Division's profitability.

The Waters Division's trading operating margin was 13.23% in 2012, up 22 basis points on a like-for-like basis as compared to 2011. The increase of packaging and distribution costs was notably offset by the impact of continuous cost reduction efforts as well as price increases in 2011, in the emerging countries.

The Baby Nutrition Division's trading operating margin was 19.51% in 2012, up 23 basis points on a like-for-like basis as compared to 2011. The Division continued to face in 2012 substantial cost increases, particularly steep increase in certain commodities including whey or milk proteins. This costs increase was principally offset through the impact of cost reduction efforts.

The Medical Nutrition Division's trading operating margin was 17.95% in 2012, a 149 basis points decrease on a like-for-like basis as compared to 2011. The difficult market conditions in some European countries, as well as in the United States, in particular, cut into the Division's profitability.

Trading operating income and trading operating margin by geographic area

The table below presents 2011 and 2012 trading operating income and trading operation margin for each geographic area.

	Year ended December 31				
	2011	2012	2011	2012	
(in € millions except percentage in bps)	**Trading operating income**		**Trading operating margin**		**Change like-for-like**
Europe	1,509	1,320	13.96%	12.17%	(160) bps
Asia	580	790	20.27%	22.07%	+192 bps
Rest of the world	754	848	13.35%	13.17%	(26) bps
Total	**2,843**	**2,958**	**14.72%**	**14.18%**	**(50) bps**

The trading operating margin for Europe was 12.17% in 2012, down 160 basis points on a like-for-like basis as compared to 2011. Lower sales in Europe, particularly Southern Europe, cut significantly into the profitability.

Asia's trading operating margin was 22.07% in 2012, up 192 basis points on a like-for-like basis as compared to 2011. The Waters, Baby Nutrition, and Medical Nutrition Divisions activities in China were the main contributors to this performance.

The trading operating margin for the Rest of the world was 13.17% in 2012, down 26 basis points on a like-for-like basis as compared to 2011. The region performance reflects contrasting situations in the different countries and the different Divisions.

Financial result

The Group implemented a financial risk management policy, which is described in section 2.7 *Risk factors*.

The financial result in 2011 and 2012 is broken down as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Interest income on cash, cash equivalents and short term investments	67	75
Interest expense on financial debt	(241)	(245)
Cost of net financial debt	**(174)**	**(170)**
Other financial income	7	5
Other financial expense	(127)	(137)
Other financial income or expense	**(120)**	**(132)**
Financial result	**(294)**	**(302)**

Cost of net financial debt

The Cost of net financial debt decreased slightly compared to 2011, mainly due to the favorable impact of the Group's bond debt management. This gain was partially offset by the higher cost of the debt in certain emerging countries whose currencies appreciated in 2012.

The change in Other financial income or expense was primarily due to the rise in the cost of hedging exchange rates of emerging countries.

In 2012, the net amount of interest paid was €170 million (€174 million in 2011). In addition, the net amount of accrued interests totaled €15 million in the year ended December 31, 2012 (€68 million in the year ended December 31, 2011).

In 2011, the Cost of net financial debt increased by €31 million compared to 2010, mainly due to the cost of the debt of the Unimilk group's companies and, to a lesser extent, higher interest rates.

Other financial income

In 2012, Other financial income totaled €5 million (€7 million in 2011) and consisted mainly of dividends received from non-consolidated companies.

Other financial expense

In 2012 as in 2011, Other financial expense consisted mainly of the following:

- bank commissions;
- the cost of hedges of foreign exchange risk related to operations and the ineffective part of such hedges in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*;
- the impact of the accretion of the present value of the obligations net of the expected return on plan assets of the retirement obligations and other long-term benefits.

Tax rate

The underlying tax rate was 27.6% for 2012 (25.8% in 2011). This tax rate excludes the non-current items and the tax income and expense pertaining to these items (see table hereafter).

The underlying tax rate for the full year was 27.6% in 2012, up sharply from 2011 due to a general rise in tax pressure, and, particularly in France, to the ceiling on deductibility of financial interest as of 2012.

Moreover, when including the non-current items, the Group's effective tax rate was 29.1% in 2012 (25.7% in 2011) and the differential with the legal tax rate in France in 2012 and 2011 is provided in Note 24 of the Notes to the consolidated financial statements.

Underlying net income and underlying fully diluted earnings per share

The net income amounted to €1,787 million in 2012 (€1,855 million in 2011). The net income – Group Share amounted to €1,672 million in 2012 (€1,671 million in 2011).

Result of affiliated companies

The net result of affiliated companies was up due to higher profits at minority holdings in Asia and the Africa/Middle-East region in 2012.

Non-controlling interests

Minority interests declined, reflecting the impact of lower net income at Danone Spain and the reduction in this subsidiary's minority shareholders in the course of the year. These factors were partially offset by higher profitability at Danone-Unimilk entity.

Underlying net income

Underlying net income rose 4.0% as reported to total €1,818 million, a like-for-like increase of 0.9%. Underlying fully diluted EPS came to €3.01, for a rise of 4.1% as reported and a 1.1% increase like-for-like.

The transition (i) from net income – Group Share to underlying net income and (ii) from net income per share – Group Share of the Company to underlying fully diluted income per share is shown in the following table:

3

			Year ended December 31			
			2011			2012
(in € millions)	**Underlying**	**Non-current items**	**Total**	**Underlying**	**Non-current items**	**Total**
Trading operating income	**2,843**		**2,843**	**2,958**		**2,958**
Other operating income (expense)		(114)	(114)		(211)	(211)
Operating income	**2,843**	**(114)**	**2,729**	**2,958**	**(211)**	**2,747**
Cost of net debt	(174)		(174)	(170)		(170)
Other financial income (expense)	(107)	(13)	(120)	(130)	(2)	(132)
Income before tax	**2,562**	**(127)**	**2,435**	**2,658**	**(213)**	**2,445**
Income tax expense	(661)	35	(626)	(735)	23	(712)
Effective tax rate	25.8%		25.7%	27.6%		29.1%
Net income from fully consolidated companies	**1,901**	**(92)**	**1,809**	**1,923**	**(190)**	**1,733**
Share of profit of associates	46		46	59	(5)	54
Net income	**1,947**	**(92)**	**1,855**	**1,982**	**(195)**	**1,787**
• Group Share	1,749	(78)	1,671	1,818	(146)	1,672
• Non-controlling interests	198	(14)	184	164	(49)	115

		Year ended December 31		
		2011		2012
(in € per share except for number of shares)	**Underlying**	**Total**	**Underlying**	**Total**
Net Income – Group Share	**1,749**	**1,671**	**1,818**	**1,672**
Number of shares				
• Before dilution	602,202,781	602,202,781	600,477,145	600,477,145
• After dilution	604,049,698	604,049,698	603,105,304	603,105,304
Net Income – Group Share, per share				
• Before dilution	2.90	2.77	3.03	2.78
• After dilution	2.89	2.77	3.01	2.77

Dividend

At the Shareholders' Meeting on Thursday, April 25, 2013, Danone will ask shareholders to approve distribution of a €1.45 dividend per share in respect of the 2012 fiscal year, to be paid in cash.

If this proposal is approved, the ex-dividend date will be Thursday, May 2, 2013 and the dividend will be payable as from Tuesday, May 7, 2013.

3.3 Free cash-flow

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

Free cash-flow increased by 11.4% to €2,088 million representing 10.0% of sales in 2012, or above €2 billion, the 2012 free cash-flow target set by the Group in 2009. At the same time, capital expenditure rose sharply, and was up 10.3% in 2012 at €976 million or 4.7% of sales (see section hereafter).

Consolidated statement of cash-flows

Operating cash-flows

Cash-flows from operating activities in 2011 and 2012 are detailed as follows:

	Year ended December 31	
(in € millions)	**2011**	**2 012**
Net income	**1,855**	**1,787**
Share of profits of associates	(46)	(54)
Dividends received from associates	30	35
Depreciation and amortization	637	670
Other components of net income with no cash impact	63	113
Other components of net income with a cash impact	(96)	(26)
Cash-flows provided by operating activities, excluding changes in net working capital	**2,443**	**2,525**
(Increase) decrease in inventories	(92)	(52)
(Increase) decrease in trade receivables	(125)	49
Increase (decrease) in trade payables	306	274
Change in other receivables and payables	73	62
Change in working capital requirements	162	333
Cash-flows provided by (used in) operating activities	**2,605**	**2,858**

Other components of net income with a cash impact correspond mainly to the amount of accrued interests as of December 31 of the previous year and paid out during the current year. The amount of accrued interest as of December 31, 2011 and paid out in 2012 was €(26) million (compared to €(96) million as of December 31, 2010 and paid out in 2011).

Other components of net income with no cash impact are as follows:

	Year ended December 31	
(in € millions)	**2011**	**2 012**
(Gains) losses on disposal and impairment of property, plant and equipment	(50)	(98)
Increase in (reversals of) provisions and deferred taxes	(16)	119
Expense relating to stock-options and Group performance shares	22	22
Interest expense not yet paid	68	15
Other [(a)]	39	55
Total	**63**	**113**

(a) Including goodwill impairment totaling €43 million as of December 31, 2012.

Proceeds from disposals of property, plant and equipment pertain to property, plant and equipment and intangible assets used for operations.

The Group working capital as of December 31, 2012 was negative to €(1,530) million, representing (7.3)% of 2012 consolidated sales (€(1,199) million as of December 31, 2011 and (6.2)% of 2011 consolidated sales).The reduction in working capital notably comes from an improved management of working capital in entities recently acquired, in particular in Unimilk group's companies. Such improvements enabled the Group to reach a high level of its working capital optimisation.

Cash-flows provided by (used in) investing activities

Cash-flows from operating activities in 2011 and 2012 are detailed as follows:

	Year ended December 31	
(in € millions)	**2011**	**2 012**
Capital expenditure	(885)	(976)
Proceeds from disposal of property, plant and equipment	152	193
Net cash outflow on purchases of subsidiaries and financial investments [a]	(60)	(291)
Net cash inflow on sales of subsidiaries and financial investments [a] [b]	23	4
(Increase) decrease in long-term loans and other long-term assets	3	(1)
Cash-flows provided by (used in) investing activities	**(767)**	**(1,071)**

(a) See section 3.1 *Business highlights in 2012.*
(b) Including net debt as of disposal date.

Capital expenditure and proceeds from disposal of property, plant and equipment pertain to intangible assets and property, plant and equipment used for operations. Capital expenditures totaled €976 million in 2012 (€885 million in 2011), representing 4.7% of consolidated net sales in 2012 (4.6% in 2011).

Cash-flows provided by financing activities

Cash-flows from financing activities in 2011 and 2012 are detailed as follows:

	Year ended December 31	
(in € millions)	**2011**	**2 012**
Increase in issued capital and additional paid-in capital [a]	37	35
Purchases of treasury shares (net of disposals) and of DANONE call options [a] [b]	(659)	(701)
Dividends paid to Danone shareholders [a]	(783)	(835)
Transactions with non-controlling interests	(214)	(339)
Net cash-flows on hedging derivatives	(20)	(70)
Bonds issued or raised during the period [c]	822	1,530
Bonds repaid during the period [c]	(912)	(173)
Increase (decrease) in other current and non-current financial debt [c]	(158)	(100)
Increase (decrease) in short term investments	23	(831)
Cash-flows provided by (used in) financing activities	**(1,864)**	**(1,484)**

(a) See section 3.4 *Balance sheet and financial security review*.
(b) DANONE call options purchased by the Company.
(c) See section 3.1 *Business highlights in 2012.*

In 2012, purchases of treasury shares (net of disposals) and of DANONE call options included the purchase of 14.2 million DANONE shares for acquisition purposes, as part of the Company's €701 million share buyback program, including 6.1 million shares purchased to offset the dilution related to the transaction involving Danone Spain (see section 3.4 *Balance sheet and financial security review*).

In 2012, transactions with non-controlling interests are as follows:

- payment of €137 million related to buy-outs of non-controlling interests: this amount included €91.5 million paid in cash as consideration for a portion of the purchase price for Danone Spain shares acquired from non-controlling shareholders of this subsidiary (see section 3.4 *Balance sheet and financial security review*);
- dividend payments of €202 million.

Free cash-flow

The transition from operating cash-flow to free cash-flow is presented in the table below:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Cash-flow from operating activities	**2,605**	**2,858**
Capital expenditure	(885)	(976)
Disposal of tangible assets	152	193
Transactions fees related to business combinations [a]	2	13
Free cash-flow	**1,874**	**2,088**

(a) These expenses previously classified as investment flows impact cash-flow from operating activities as from January 1, 2010 pursuant to Revised IFRS 3 on Business Combinations.

3.4 Balance sheet and financial security review

Simplified consolidated balance sheet

	As of December 31	
(in € millions)	**2011**	**2012**
Non-current assets	22,314	22,614
Current assets	6,112	6,923
Total assets	**28,426**	**29,537**
Equity – Group Share	**12,100**	**12,191**
Non-controlling interests	98	63
Net debt	6,633	6,292
Net financial debt	3,011	3,021
Gearing based on net debt	55%	52%
Gearing based on net financial debt	25%	25%

Net debt and net financial debt

As of December 31, 2012, net financial debt stood at €3,021 million (excluding put options in an amount of €3,721 million granted to minority shareholders).

Robust generation of free cash-flow net of dividends allowed the Group to finance its 2012 acquisition of Wockhardt group's nutrition business in India and to buy back shares in an amount of €398 million (excluding purchase of treasury shares to offset dilution resulting from shares transferred to minority shareholders of Danone Spain in exchange for their shares in this subsidiary), while pursuing efforts to hold debt ratios steady corresponding to its current rating (see hereafter section *Financing structure and financial security*).

The transition from net debt to net financial debt is presented in the following table:

	As of December 31	
(in € millions)	**2011**	**2012**
Non-current financial debt [(a)]	7,166	6,346
Current financial debt	1,865	3,176
Short term investments	(1,114)	(1,748)
Cash and cash equivalents	(1,027)	(1,269)
Derivatives – assets	(257)	(213)
Net debt	**6,633**	**6,292**
Liabilities related to put options granted to non-controlling interests – Non current	(3,622)	(1,881)
Liabilities related to put options granted to non-controlling interests – Current	-	(1,390)
Financial debt excluded from net financial debt	**(3,622)**	**(3,271)**
Net financial debt	**3,011**	**3,021**

(a) Including Derivatives – liabilities.

Shareholder's equity

As of December 31, 2012, consolidated equity totaled €12,254 million (€12,198 million as of December 31, 2011).

In 2012, changes in consolidated equity (Group Share) resulted primarily from the following factors:

- Net income – Group Share in 2012 led to an increase of €1,672 million (€1,671 million increase in 2011);
- Accumulated other comprehensive income – Group Share caused a decrease of €136 million (€1 million in 2011);
- Cumulative translation adjustments – Group Share in 2012 led to a decrease of €113 million (€53 million decrease in 2011);
- the dividend – Group Share paid in 2012 for the 2011 fiscal year caused a decrease of €837 million (€786 million decrease in 2011);
- transactions with non-controlling interests led to a €116 million decrease in retained earnings – Group Share (compared with a €127 million increase in 2011);
- changes in the number of DANONE shares in issue led to a decrease of €429 million (€348 million decrease in 2011);
- the capital increase under the Company Savings Plan for the benefit of employees of French entities led to a €35 million increase (€33 million increase in 2011).

Financing structure and financial security

Liquidity risk

Liquidity risk exposure

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

The Group may, however, increase its indebtedness to finance acquisitions or as and when required to manage its cash cycle, particularly when dividends are paid to the Company's shareholders.

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

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

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

In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financings in a company prior to the acquisition by the Group of a controlling interest in it, the Group is exposed to liquidity risk on limited amounts in these countries

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

The Group's policy is to secure its access to financing while optimizing its financing cost.

Financial security management

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

Group's financing structure and financial security

The main financing transactions performed by the Group in 2012 are described in section 3.1 *Business highlights in 2012*.

The Group's financial structure and financial security are managed at the Company level and the financing and security lines are carried by the Company. They consist of:

- bank financing:
  - a syndicated credit facility (revolving) established in July 2011, with a principal amount of €2 billion, maturing July 28, 2017. As of December 31, 2012, the Group had not drawn on this syndicated facility at all;
  - committed credit facilities available but unused: a portfolio of back-up facilities entered into with major credit institutions, with maturities ranging from one to four years, and with a principal amount of €3.3 billion. As of December 31, 2012 (as well as the previous year), the Group had not drawn on these facilities at all.

  Overall, the Group has €5.3 billion in committed credit facilities, which were unused as of December 31, 2012.
- capital markets financing:
  - Euro Medium Term Note (EMTN) financing (a €7 billion program in principal) and a bond issued in the U.S. market in June 2012, for a cumulated amount of €4,420 million as of December 31, 2012; since 2011, bonds issued by the Company are disclosed on the Group's Internet website;
  - commercial paper (*Billets de Trésorerie*): a €3 billion program, of which €853 million had been used as of December 31, 2012.

The aforementioned syndicated credit facility, certain bond issues under the EMTN program, the bond issued in the U.S. market in June 2012 and certain committed unused credit facilities include a change of control provision.

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

Moreover, as of December 31, 2012, the Company's debt issues with a maturity of more than one year are rated A3/Stable by Moody's and A-/Stable by Standard & Poor's. The commercial paper issues are rated A2 by Standard & Poor's.

Moreover, the Group had available net cash through its cash and cash equivalents and short-term investments of €3.2 billion as of December 31, 2012, compared with €2.1 billion as of December 31, 2011.

Use of its financing sources

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

Liquidity risk measurement

Projected cash outflows linked to the contractual repayment of the principal amount and contractual interest payments on the financial assets and liabilities, including premiums to be paid on derivative financial instruments, recognized in the Group's consolidated balance sheet as of December 31, 2012, are presented hereafter with their contractual maturity dates and based on the assumption of non-renewal:

(in € millions)	Carrying amount on consolidated balance sheet at December 31, 2012	Cash flows 2013	Cash flows 2014	Cash flows 2015	Cash flows 2016	Cash flows 2017 and after	Cash-flows of which the date is unknown
Bonds [(a) (b)]	4,563	(267)	(618)	(603)	(500)	(2,575)	-
Commercial Paper [(a) (f)]	853	(853)	-	-	-	-	-
Derivatives – liabilities (fair value) [(a) (d) (e) (i)]	32	NA	NA	NA	NA	NA	-
Financial debt managed at Corporate level	5,448	(1,120)	(618)	(603)	(500)	(2,575)	-
Subsidiaries' bank financing and other financing [(c)]	756	(647)	(39)	(21)	(15)	(34)	-
Finance lease commitments [(c) (d)]	47	(10)	(23)	(3)	(3)	(8)	-
Liabilities related to put options granted to non-controlling interests [(g)]	3,271	(1,390)	-	-	-	-	(1,881)
Total debt (before flows of financial instruments other than accrued interest)	**9,522**	**(3,167)**	**(680)**	**(627)**	**(518)**	**(2,617)**	**(1,881)**
Interest on above-mentioned debt [(d) (h)]	-	(141)	(104)	(78)	(63)	(203)	-
Flows on derivatives [(d) (e) (h)]	-	(33)	(7)	2	2	1	-

(a) Financing managed at the Company level.
(b) Flows determined on the basis of the carrying amount of the bonds as of December 31, 2012 and their contractual maturity date.
(c) Contractual nominal and interest flows.
(d) The floating interest rate is calculated on the basis of the rates applicable as of December 31, 2012.
(e) Net contractual flows, including premiums payable, net flows payable or receivable relating to the exercise of options in the money at the year-end.
(f) The commercial paper issuances are backed-up by available confirmed credit lines. See table hereafter.
(g) The majority of the put options granted to non-controlling interests are exercisable at any time. A cash outflow is considered probable in the short term with respect to some of these options, whose value as of December 31, 2012 totaled €1,390 million (see section 3.4 *Balance sheet and financial security review*).
(h) Interest flows are net of accrued interest taken into account in the subtotals above.
(i) The amount recognized in the balance sheet represents the market value of these instruments. The flows in respect of these instruments as well as those relating to derivatives – assets are detailed hereafter.

Euro currency swap agreements are used for certain financing arrangements involving foreign currency bonds in order to hedge against exchange rate fluctuations and obtain equivalent financing in euros. As of December 31, 2012, the value of bond financings after swaps totaled €4,420 million, and their carrying amount was €4,563 million. The difference of €143 million corresponds to the fair value of the cross currency swap eligible as a fair value hedge on bond issues swapped into euros and shown on the balance sheet on the heading Derivative instruments – assets.

The sources of financing available at any time established by the Group are mainly composed of committed unused credit facilities carried by the Company. The Group also has other bank credit facilities carried by certain of its subsidiaries. Changes in the amount available on the basis of outstanding transactions as of December 31, 2012 are shown in the table hereafter:

(in € millions)	Amount available as of December 31, 2012	Amount available as of December 31, 2013	Amount available as of December 31, 2014	Amount available as of December 31, 2015	Amount available as of December 31, 2016	Amount available as of December 31, 2017 and after
Credit facilities [(a)]	5,249	3,879	2,802	2,152	-	-
Other credit facilities [(b)]	288	-	-	-	-	-

(a) Nominal amount of the portion of the syndicated credit facility and back-up credit facilities managed at the Company level and not drawn as of December 31, 2012.
(b) Nominal amount of the portion not drawn as of December 31, 2012.

Financial liabilities linked to put options granted to non-controlling interests

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest. These put options are recognized in the consolidated balance sheet under non-current financial liabilities, with the exception of those for which a significant cash outflow is considered likely in the near term.

As of December 31, 2012, financial liabilities related to these options totaled €3,271 million (€3,622 million as of December 31, 2011). A total of €1,390 million is classified as current financial debt while €1,881 million is classified as non-current financial debt:

- the main commitment involves Danone Spain (see section hereafter), for €1,695 million as of December 31, 2012, of which €1,305 million is classified as current financial debt;
- as part of the acquisition of the Unimilk group's companies, Danone granted put options to Unimilk's former shareholders. Contractually, these put options are exercisable in full during a period that begins in 2014 and expires on December 31, 2022. They are valued mainly on the basis of an earnings multiple. As of December 31, 2012, the commitment related to these put options totaled €976 million (€856 million as of December 31, 2011) and was classified under non-current financial debt;
- the other options granted to non-controlling interests totaled €601 million as of December 31, 2012 (€613 million as of December 31, 2011). They are exercisable (i) at any time for an aggregate amount of €533 million and (ii) beginning in 2014, at different dates for an aggregate amount of €68 million.

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

During the first six months of 2012, two minority shareholders of Danone Spain holding a total ownership of 8.5% of Danone Spain and holding put options for a cumulated amount totaling €461 million as of June 30, 2012, agreed with the Group to amend conditions for exercising their options. According to these agreements, put options were exercised for their total ownership. These acquisitions by the Group had been made with no one-year differed settlement through a cash payment of €91.5 million plus the contribution of 6,110,039 DANONE treasury shares and representing around 0.95% of Danone's total share capital. The two minority shareholders receiving the DANONE shares in exchange for their interests in Danone Spain have undertaken to hold these shares for a minimum of three years.

Following this purchase completed on July 26, 2012, most of the remaining minority shareholders of Danone Spain hold put options. These options are recognized in Group financial statements as financial debt. As announced in the earnings release for the first half of 2012, the Group began talks with Danone Spain minority shareholders on the terms and conditions of these put options, especially in light of Southern Europe's deteriorating economy and the significant impact this has on Danone Spain.

In that regard, since the beginning of 2013 the Group has repurchased a total of 1,544,227 shares from several Danone Spain minority shareholders, raising its shareholding to 75.0% in Danone Spain. Shares were acquired in exchange for cash payments totaling €87.4 million and for 6,715,266 DANONE treasury shares. An equal number of DANONE shares will be purchased by the Group over the next three months under its share buyback program to offset dilution resulting from this transaction.

These transactions are accretive for Danone earnings per share as of year one, and will have a favorable impact on the Group's net debt of €79 million.

Other minority shareholders, representing around 14% of Danone Spain's share capital, have exercised their put options. Talks with these shareholders are still under way.

Based on these events – the share buyback, option exercise and talks – the Group decided to recognize a portion of the remaining put options (€1,305 million) as short-term financial debt in its financial statements as of December 31, 2012. Put options amounting to €390 million continue to be classified as long-term financial debt, since it is unlikely that they will be exercised within the next 12 months.

Off-balance sheet commitments

Commitments given and commitments received

The Group's off-balance sheet commitments as of December 31, 2012, given and received, arising from its operating, financing, and investing activities were as follows:

Commitments given	**Total**	**Amount of financial flows per year**				
(in € millions)		**2013**	**2014**	**2015**	**2016**	**2017 and after**
Operating lease commitments [(a)]	(673)	(167)	(125)	(99)	(67)	(215)
Commitments to purchase goods and services [(a)]	(1,749)	(1,007)	(338)	(261)	(113)	(30)
Capital expenditure commitments [(a)]	(146)	(132)	(14)	-	-	-
Guarantees and pledges given	(212)	(170)	(11)	(1)	(8)	(22)
Other	(174)	(110)	(16)	(10)	(6)	(32)
Total	**(2,954)**	**(1,586)**	**(504)**	**(371)**	**(194)**	**(299)**

Commitments received	**Commitments as of December 31 of each year**					
(in € millions)	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Credit facilities [(b)]	5,249	3,879	2,802	2,152	-	-
Other credit facilities [(c)]	288	-	-	-	-	-
Guarantees and pledges received	73	57	3	-	-	14
Other	25	18	2	2	1	1
Total	**5,635**	**3,954**	**2,807**	**2,154**	**1**	**15**

(a) Related to the Group's operations.
(b) Related to the Group's financial investments and to financing the Group's activities. Nominal amount of the undrawn portion of the syndicated facility and back-up credit lines as of December 31, 2012.
(c) Related to the Group's operational activities. Nominal amount of the undrawn portion of the syndicated facility and back-up credit lines as of December 31, 2012.

Other commitments

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business, notably as a result of guarantees given on disposals between 1997 and 2012. In some cases, damages and interest are sought. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

3.5 Outlook for 2013

Change in geographical breakdown

In order to adapt its reporting to the Group's evolutions, Danone will use a new geographical breakdown to track operations starting in 2013:

(in € millions)	2011	2012	Change like-for-like
Sales			
Europe excl. CIS	8,614	8,431	(3.0)%
CIS and North America [(a)]	3,948	4,426	6.7%
ALMA [(b)]	6,756	8,012	15.7%
Total	**19,318**	**20,869**	**5.4%**
Trading operating margin			
Europe excl. CIS	17.37%	15.66%	(190) bps
CIS and North America [(a)]	9.33%	10.21%	+144 bps
ALMA [(b)]	14.49%	14.81%	+31 bps
Total	**14.72%**	**14.18%**	**(50) bps**

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

Material change in financial or trading position

The Company and its subsidiaries overall have not experienced any material changes in their financial or trading position since the close of the 2012 fiscal year.

Subsequent events

Purchase of non-controlling interests in the company Danone Spain

Since the beginning of 2013 the Group has repurchased a total of 1,544,227 shares from several non-controlling interests of Danone Spain raising its shareholding to 75.0% (see section 3.4 *Balance sheet and financial security review*).

Presentation by Danone of the organizational part of its plan for savings and adaptation in Europe

Danone announced on December 13, 2012, the preparation of a cost reduction and adaptation plan to win back its competitive edge in order to address a lasting downturn in the economy and the consumer trends in Europe (see section 3.1 *Business highlights in 2012*). On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe.

In keeping with the announcement of December 13, 2012 and following a period of in-depth analysis, information on the plan was presented on February 19, 2013 to Danone's European works council.

The project calls for three major changes:

1. a reduction by approximately half of management units, achieved by combining teams from several countries into multi-country units. Danone will continue to do business in the same number of countries and maintain a division-based structure to make best use of features specific to each business line;
2. the combination within subsidiaries of several management functions that currently operate separately;
3. focusing each level of management (corporate, Division, region, etc.) on missions and projects that have a direct impact on business growth. This will also involve simplifying key management processes.

As proposed, this model will boost responsiveness and speed up decision-making. It will also generate savings on general and administrative costs that will contribute to the cost-reduction plan announced by Danone on December 13, 2012, enabling Danone to win back its competitive edge in Europe.

The proposed plan would lead to the suppression of around 900 management and administrative positions across 26 European countries and will be conducted in contact with all works councils representatives, at both European and local level.

The project will emphasize internal mobility and voluntary departures through a dedicated platform favoring internal mobility, support for personal projects and individualized assistance for employees leaving the company. It will be deployed over a two-year period.

Control being obtained of Centrale Laitière du Maroc

Danone finalized its acquisition of exclusive control (67.0%) of Centrale Laitière du Maroc by acquiring part of SNI's shareholding for a total €543 million. The control by the Group of Centrale Laitière is then obtained and the company will be fully consolidated. This transaction does not have an impact on the consolidated financial statements as of December, 31 2012, notably with a consolidation still as an associate under equity method.

Euro bond issue

Danone announced, on February 27, 2013 the successful launch of a €750 million 5 year bond issue. Funds raised will enable Danone to diversify its sources of financing and extend the maturity of its debt at favorable market conditions.

To the best of the Company's knowledge, no other significant events occurred between the end of the reporting period and (i) February 18, 2013, the date on which the Board of Directors approved the 2012 consolidated financial statements and (ii) the filing date of this Registration Document.

Profit forecasts or estimates

Financial outlook for 2013

The Group assumes that trends in consumer demand will continue to show contrasts from region to region, with overall trends negative in Europe – assuming, however, no major political or economic upheavals – and favorable in the rest of the world.

The Group also expects the cost of its major raw materials and packaging materials to remain high, with moderate growth.

This being the case, the Group will continue to adapt its model in Europe, stepping up the pace of updates to its product ranges to meet consumers' changing needs, and at the same time adapting its structures and costs to achieve €200 million in savings between now and the end of 2014.

In the rest of the world, it will continue to expand its product categories, build its brands and grow its market share in a profitable and lasting way.

Through these actions, Danone plans to get back on the track to strong, profitable organic growth as of 2014.

For 2013, which will remain a year of transition, the Group has set the following targets:

- a like-for-like (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*) net sales growth of at least 5%;
- a decline in trading operating margin, by between -50 basis points and -30 basis points like-for-like (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*);
- free cash-flow excluding exceptional items (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*) of around €2 billion.

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

Main assumptions underlying the profit forecasts

The above forecasts were prepared using accounting methods that are consistent with those applied by the Group for the preparation of historical information. They are based on a number of assumptions, including:

- the data was prepared based on projected exchange rates and interest rates determined at the Group level;
- current consumption trends in countries that are important to the Group (including both emerging and mature countries) will continue throughout the year and will not improve or deteriorate significantly;
- raw materials price increases will continue. The Group anticipates an inflation in its raw material costs which will not exceed 5% for the full-year;
- the Group's revenue growth will continue to be primarily driven by development of its product categories, continuing investment in countries with high growth potential;
- the Group will continue to pursue its policy of focusing on sustained productivity and using selective pricing, in 2013, notably to offset in part raw materials cost inflation.

Statutory auditors' report on the profit forecasts

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

To the Chairman of the Board of Directors

In our capacity as Statutory auditors of your Company and in accordance with EC Regulation No. 809/2004, we have prepared this report on Danone's like-for-like trading operational margin forecasts for year 2013, included in section 3.5 of this Registration Document.

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

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

We have carried out the procedures we deemed necessary with regard to the professional standards of the French society of auditors (*Compagnie nationale des commissaires aux comptes*) regarding this assignment. This work has comprised an assessment of the procedures implemented by management for the preparation of the forecasts and the implementation of procedures to verify the consistency of the accounting methods used with those applied for the preparation of Danone's consolidated financial statements for the year ended December 31, 2012. Our procedures have also included gathering such information and explanations that we have considered necessary in order to obtain reasonable assurance that the forecasts were properly prepared on the basis of the assumptions as set out.

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

In our opinion:

- the forecasts have been properly prepared in accordance with the basis indicated;
- the accounting principles used in the preparation of these forecasts are consistent with the accounting policies applied by Danone for the preparation of its consolidated financial statements for the year ended December 31, 2012.

This report is issued solely for the purposes of filing the 2012 Registration Document with the French securities regulator (*Autorité des marchés financiers* – AMF) and, where relevant, for a public offering in France and in the other countries of the European union, or admission to trading on a regulated market in the European union of securities offered in France or in other countries of the European union, in which a prospectus containing this Registration Document, authorized by the AMF, would be published, and may not be used in any other context.

Neuilly-sur-Seine and Paris La Défense, March 18, 2013

The Statutory auditors

PricewaterhouseCoopers Audit
Etienne BORIS Philippe VOGT

Ernst & Young et Autres
Jeanne BOILLET Gilles COHEN

2013 financial communication calendar

The financial communications calendar for 2013 is as follows:

February 19, 2013	2012 final audited results
April 16, 2013	2013 1st quarter revenues
April 25, 2013	Shareholders Annual Meeting
July 29, 2013	2013 1st half revenues and results
October 16, 2013	2013 nine months revenues

3.6 Financial indicators not defined by IFRS

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

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

Given severe deterioration in consumer spending in Europe, Danone has set a target for savings and adaptation of its organization to regain its competitive edge. Starting in the first half of 2013, Danone will publish a free cash-flow indicator excluding cash-flows related to initiatives deployed within the framework of this plan. In 2012, free cash-flow excluding exceptional items was equally to free cash-flow and totaled €2,088 million.

To facilitate comparison with other companies, the Group has revised its definition of **like-for-like changes**, aligning itself on market practice to measure the impact of changes in the scope of consolidation. Starting in the first quarter of 2013, financial communications from Danone will incorporate this new indicator (see definition below), a change that should not generate any significant difference in Group performance indicators. Changes in like-for-like indicators for 2011 and 2012 based on prior and new definitions are as follows:

	Change 2011 – 2012 like-for-like	
	Prior definition (a)	New definition (b)
Sales	+5.4%	+5.4%
Trading operating income	+1.8%	+1.9%
Trading operating margin	(50) bps	(50) bps
Underlying net income	+0.9%	+1.0%

(a) Applied through December 31, 2012.
(b) Applied from the first quarter of 2013.

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

Based on the prior definition, **Like-for-like changes** in net sales, trading operating income, trading operating margin and net income – Group Share essentially exclude the impact of: (i) changes in exchange rates, with both previous year and current year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year), and (ii) changes in consolidation scope, with previous-year indicators calculated on the basis of current-year scope.

Based on the new definition, **Like-for-like changes** in net sales, trading operating income, trading operating margin and net income – Group Share essentially exclude the impact of: (i) changes in exchange rates, with both previous year and current year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year), and (ii) changes in consolidation scope, with indicators related to considered fiscal year calculated on the basis of previous-year scope.

Trading operating income is defined as the Group operating income excluding other operating income and expense. Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major litigations. Since application of IFRS 3 (Revised), they have also included acquisition fees related to business combinations.

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

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

Underlying fully diluted EPS is defined as the underlying net income over diluted number of shares ratio.

Free cash-flow represents cash-flows provided or used by operating activities less capital expenditure net of disposals and excluding acquisition costs related to business combinations (since the application of IFRS 3 (Revised)).

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

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

Consolidated financial statements

4

4.1 Consolidated financial statements and Notes to the consolidated financial statements

Consolidated financial statements

Consolidated income statement and earnings per share

		Year ended December 31	
(in € millions)	Notes	**2011**	**2012**
Net sales	5	**19,318**	**20,869**
Cost of goods sold		(9,541)	(10,409)
Selling expense		(5,092)	(5,474)
General and administrative expense		(1,564)	(1,746)
Research and development expense		(233)	(257)
Other income (expense)	6	(45)	(25)
Trading operating income		**2,843**	**2,958**
Other operating income (expense)	7	(114)	(211)
Operating income		**2,729**	**2,747**
Interest income		67	75
Interest expense		(241)	(245)
Cost of net debt	8	(174)	(170)
Other financial income (expense)	8	(120)	(132)
Income before tax		**2,435**	**2,445**
Income tax expense	24	(626)	(712)
Net income from fully consolidated companies		**1,809**	**1,733**
Share of profit of associates	12	46	54
Net income		**1,855**	**1,787**
Non-controlling interests		(184)	(115)
Net income – Group Share		**1,671**	**1,672**
Net income – Group Share, per share	9	**2.77**	**2.78**
Net income – Group Share, per share after dilution	9	**2.77**	**2.77**

Consolidated statement of comprehensive income

		Year ended December 31	
(in € millions)	Notes	**2011**	**2012**
Net income		**1,855**	**1,787**
Translation adjustments, net of tax		(89)	(101)
Actuarial gains and losses on retirement commitments		(27)	(139)
Tax effects		7	42
Actuarial gains and losses on retirement commitments not recycled to profit or loss, net of tax	27, 19	(20)	(97)
Revaluation of hedging derivatives		23	(59)
Tax effects		(8)	20
Revaluation of hedging derivatives, net of tax	30, 19	15	(39)
Revaluation of available-for-sale financial assets		(1)	(2)
Amount recycled to profit or loss in the current year		-	-
Tax effects		-	-
Revaluation of available-for-sale financial assets, net of tax	13, 14, 19	(1)	(2)
Other comprehensive income		5	-
Tax effects		-	-
Other comprehensive income, net of tax	19	5	-
Total other comprehensive income		**(90)**	**(239)**
Total comprehensive income		**1,765**	**1,548**
Non-controlling interests		(148)	(125)
Net income – Group Share		**1,617**	**1,423**

Consolidated balance sheet

			As of December 31
(in € millions)	Notes	**2011**	**2012**
Assets			
Goodwill		11,289	11,361
Brands [(a)]		4,451	4,543
Other intangible assets		338	361
Intangible assets	10	16,078	16,265
Property, plant and equipment	11	3,916	4,115
Investments in associates	12	1,030	973
Investments in other non-consolidated companies	13	123	107
Long-term loans and other long-term financial assets	14	219	247
Derivatives – assets		257	213
Deferred taxes	24	691	694
Non-current assets		**22,314**	**22,614**
Inventories	15	1,061	1,095
Trade receivables	16	1,981	1,902
Other receivables	17	820	854
Short-term loans		40	25
Short term investments	18	1,114	1,748
Cash and cash equivalents	26	1,027	1,269
Assets held for sale	4	69	30
Current assets		**6,112**	**6,923**
Total assets		**28,426**	**29,537**

(a) This heading comprises the brands with indefinite useful lives and the other brands previously recognized under the heading Other intangible assets.

		As of December 31	
(in € millions)	Notes	**2011**	**2012**
Equity and liabilities			
Issued capital		161	161
Additional paid-in capital		3,452	3,487
Retained earnings		10,192	10,926
Cumulative translation adjustments		(23)	(136)
Accumulated other comprehensive income		(118)	(254)
Treasury shares and DANONE call options [(a)]		(1,564)	(1,993)
Equity attributable to owners of the Company		**12,100**	**12,191**
Non-controlling interests		98	63
Equity	19	**12,198**	**12,254**
Financing		3,431	4,442
Derivatives – liabilities		113	23
Liabilities related to put options granted to non-controlling interests		3,622	1,881
Non-current financial debt	20	7,166	6,346
Provisions for retirements and other long-term benefits	27	458	608
Deferred taxes	24	1,108	1,202
Other provisions and non-current liabilities	25	534	574
Non-current liabilities		**9,266**	**8,730**
Financing and derivatives – liabilities		1,865	1,786
Liabilities related to put options granted to non-controlling interests		-	1,390
Current financial debt	20	1,865	3,176
Trade payables	22	2,706	2,941
Other current liabilities	23	2,354	2,436
Liabilities directly associated with assets classified as held for sale	4	37	-
Current liabilities		**6,962**	**8,553**
Total equity and liabilities		**28,426**	**29,537**

(a) DANONE call options purchased by the Company.

4

Consolidated statement of cash-flows

		Year ended December 31	
(in € millions)	Notes	**2011**	**2012**
Net income		**1,855**	**1,787**
Share of profits of associates		(46)	(54)
Dividends received from associates		30	35
Depreciation and amortization		637	670
Other components of net income with no cash impact		63	113
Other components of net income with a cash impact		(96)	(26)
Cash flows provided by operating activities, excluding changes in net working capital		**2,443**	**2,525**
(Increase) decrease in inventories		(92)	(52)
(Increase) decrease in trade receivables		(125)	49
Increase (decrease) in trade payables		306	274
Change in other receivables and payables		73	62
Change in working capital requirements		162	333
Cash flows provided by (used in) operating activities	26	**2,605**	**2,858**
Capital expenditure		(885)	(976)
Proceeds from disposal of property, plant and equipment		152	193
Net cash outflow on purchases of subsidiaries and financial investments		(60)	(291)
Net cash inflow on sales of subsidiaries and financial investments [(a)]		23	4
(Increase) decrease in long-term loans and other long-term assets		3	(1)
Cash flows provided by (used in) investing activities	26	**(767)**	**(1,071)**
Increase in issued capital and additional paid-in capital		37	35
Purchases of treasury shares (net of disposals) and of DANONE call options [(b)]	19	(659)	(701)
Dividends paid to Danone shareholders	19	(783)	(835)
Transactions with non-controlling interests	19, 26	(214)	(339)
Net cash-flows on hedging derivatives [(c)]		(20)	(70)
Bonds issued or raised during the period	20	822	1,530
Bonds repaid during the period	20	(912)	(173)
Increase (decrease) in other current and non-current financial debt	20	(158)	(100)
Increase (decrease) in short term investments		23	(831)
Cash flows provided by (used in) financing activities	26	**(1,864)**	**(1,484)**
Effect of exchange rate changes		(1)	(61)
Increase (decrease) in cash and cash equivalents		**(27)**	**242**
Cash and cash equivalents at beginning of period		**1,054**	**1,027**
Cash and cash equivalents at end of period		**1,027**	**1,269**
Supplemental disclosures			
Payments during the year of			
• net interest		195	170
• income tax		548	633

(a) Including net debt as of transfer date.
(b) DANONE call options purchased by the Company.
(c) On net debt.

Consolidated statement of changes in equity

	Notes	**Number of shares**		**Equity** *(in € millions)*								
		Issued	**Excluding treasury shares**	**Issued capital**	**Additional paid-in capital**	**Retained earnings**	**Cumulative translation adjustments**	**Accumulated other comprehensive income**	**Treasury shares**	**Group share**	**Non-controlling interests**	**Total equity**
As of January 1, 2011		**647,921,840**	**611,067,883**	**162**	**3,627**	**9,251**	**30**	**(117)**	**(1,216)**	**11,737**	**47**	**11,784**
Total comprehensive income						**1,671**	**(53)**	**(1)**		**1,617**	**148**	**1,765**
Increase in issued capital	19	939,160	939,160		33					33	4	37
Decrease in issued capital		(6,614,427)		(1)	(208)					(209)		(209)
Changes in treasury shares DANONE call options [(a)]	19		(11,365,935)			(93)			(348)	(441)		(441)
Counterpart entry to expense relating to Group performance shares and stock-options [(b)]						22				22		22
Dividends paid to Danone shareholders	19					(786)				(786)	3	(783)
Other transactions with non-controlling interests	19					127				127	(104)	23
As of December 31, 2011		**642,246,573**	**600,641,108**	**161**	**3,452**	**10,192**	**(23)**	**(118)**	**(1,564)**	**12,100**	**98**	**12,198**

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

	Notes	**Number of shares**		**Equity** *(in € millions)*								
		Issued	**Excluding treasury shares**	**Issued capital**	**Additional paid-in capital**	**Retained earnings**	**Cumulative translation adjustments**	**Accumulated other comprehensive income**	**Treasury shares**	**Group share**	**Non-controlling interests**	**Total equity**
As of January 1, 2012		**642,246,573**	**600,641,108**	**161**	**3,452**	**10,192**	**(23)**	**(118)**	**(1,564)**	**12,100**	**98**	**12,198**
Total comprehensive income						**1,672**	**(113)**	**(136)**		**1,423**	**125**	**1,548**
Increase in issued capital	19	915,427	915,427		35					35		35
Decrease in issued capital												
Changes in treasury shares DANONE call options [(a)]	19		(8,225,769)						(429)	(429)		(429)
Counterpart entry to expense relating to Group performance shares and stock-options [(b)]						20				20		20
Dividends paid to Danone shareholders	19					(837)				(837)	2	(835)
transactions with non-controlling interests	19					(116)				(116)	(162)	(278)
Other changes						(5)				(5)		(5)
As of December 31, 2012		**643,162,000**	**593,330,766**	**161**	**3,487**	**10,926**	**(136)**	**(254)**	**(1,993)**	**12,191**	**63**	**12,254**

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

Notes to the consolidated financial statements

The consolidated financial statements of Danone, its subsidiaries and associates (together, the "Group") as of and for the year ended December 31, 2012 were approved by Danone's Board of Directors on February 18, 2013 and will be submitted for approval to the Shareholders' Meeting on April 25, 2013.

General information: accounting principles, changes in the scope of consolidation, operating segments and other general information

Consolidated income statement items

Consolidated balance sheet items – assets

Consolidated balance sheet items – equity and liabilities

Other information

Note 1. Accounting principles

The consolidated financial statements of Danone (the "Company") and its subsidiaries and associates have been prepared in accordance with IFRS (International Financial Reporting Standards) as adopted by the European Union, which are available on the website of the European Commission (http://ec.europa.eu/internal_market/accounting/ias/index_en.htm). The standards and interpretations applied in the preparation of these consolidated financial statements are also in accordance with IFRS as issued by the IASB (International Accounting Standards Board).

1. Changes in accounting principles

First-time application of new accounting standards

The following standards, amendments and interpretations are applicable as of January 1, 2012.

Standards, amendments and interpretations, whose application is mandatory as of January 1, 2012

- Amendment to IFRS 7 on the information to be disclosed concerning transfers of financial assets.

The application of these standards, amendments and interpretations, which are applicable as of January 1, 2012, did not have a material impact on the Group's consolidated financial statements for the year ended December 31, 2012.

Standards, amendments and interpretations, whose application is not mandatory as of January 1, 2012 but which may be adopted early.

- IAS 19, *Employee Benefits*, particularly as regards defined benefit plans;
- IFRS 10 on consolidated financial statements;
- IFRS 11 on joint arrangements;
- IFRS 12 on disclosures of interests in other entities;
- IFRS 13 on fair value measurement;
- Revised IAS 27 on separate financial statements;
- Revised IAS 28 on investments in associates;
- Amendment to IFRS 1 on hyperinflation;
- Amendment to IAS 1 on the presentation of other comprehensive income;
- Amendment to IFRS 7 on disclosures concerning the offsetting of financial assets and financial liabilities.

The Group did not exercise the option to adopt in advance these standards, amendments and interpretations. These new accounting standards are not expected to have a material impact on its results and financial position. A detailed evaluation of the impact of these standards on the Group's results and financial position is currently ongoing.

Current IASB and IFRIC projects

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

2. Use of estimates and judgments

The preparation of consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts in the consolidated balance sheet, income statement and notes to the consolidated financial statements. These estimates and assumptions pertain in particular to the valuation of intangible assets, investments in associates, deferred tax assets, financial liabilities relating to commitments to purchase non-controlling interests, provisions for risks and liabilities, provisions for commercial commitments and provisions for retirement obligations. Those assumptions, estimates and appraisals, which are presented in detail in each of the notes related to the above-mentioned items, are made on the basis of available information and conditions at the end of the financial period presented. Actual amounts may differ from those estimates, particularly in an economically and financially volatile context.

In addition to the use of estimates, the Group's management uses its judgment to define the accounting treatment for certain activities and transactions, when they are not explicitly addressed in IFRS and related interpretations, particularly in the case of the recognition of put options granted to non-controlling interests (see Note 20 of the Notes to the consolidated financial statements).

3. Consolidation principles

Fully consolidated companies

All subsidiaries in which the Group holds a controlling interest, directly or indirectly, are fully consolidated. Control over an entity exists when the Group has the capacity to govern the operating and financial policies of such entity in order to gain economic benefits. Full consolidation enables the recognition of all assets, liabilities and income statement items relating to the companies concerned in the Group's consolidated financial statements, after the elimination of intercompany transactions, the portion of the net income and equity attributable to owners of the Company (Group Share) being distinguished from the portion relating to other shareholders' interests (Non-controlling interests). Intercompany balances and transactions between consolidated entities (including dividends) are eliminated in the consolidated financial statements.

Associates

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

A list of the main consolidated and associated companies is provided in Note 33 of the Notes to the consolidated financial statements.

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

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

- when control is obtained, the incidental transaction costs are recognized in the income statement under the heading Other operating income (expense) in the year in which they are incurred. In addition, price adjustments are initially recognized at their fair value in the acquisition

4

price and their subsequent changes in value are recognized in the income statement under the heading Other operating income (expense);

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

Transactions involving interests in controlled companies: acquisition or disposal of interests not resulting in control being obtained or lost

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

4. Translation of transactions denominated in foreign currencies and conversion of the financial statements of companies whose functional currency is other than the euro

Transactions denominated in foreign currencies

When they are not hedged, transactions denominated in foreign currencies are translated using the exchange rate prevailing on the date of the transaction. At period-end, trade receivables and trade payables denominated in foreign currencies are translated using exchange rates on that date. Foreign exchange gains and losses arising from transactions in foreign currencies are recognized under the heading Other income (expense) in the consolidated income statement, except those arising from (i) transactions representing long-term investments in Group companies and (ii) borrowings and financial instruments denominated in foreign currencies that are used to hedge long-term investments denominated in the same currencies, which are recognized in consolidated equity under the heading Cumulative translation adjustments.

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

Translation of the financial statements of companies whose functional currency is not the euro

The Group's financial statements are presented in euros. The balance sheets of companies whose functional currency is not the euro are translated into euros using period-end exchange official rates. Their income statements and cash-flows are translated using the average exchange rate for the period. The resulting translation adjustments are recognized in consolidated equity under the heading Cumulative translation adjustments until the companies to which they relate are sold or liquidated.

5. Intangible assets

Goodwill

When control of a company is acquired, the fair value of the consideration given to the seller is allocated to the acquired identified assets and the liabilities and contingent liabilities assumed, which are measured at fair value. The difference between the consideration given to the seller and the Group's share of the fair value of the acquired identified assets and the liabilities and contingent liabilities assumed represents goodwill. When the option of recognizing non-controlling interests at fair value is applied, a corresponding premium is allocated to goodwill. Goodwill is recognized in the consolidated balance sheet as an asset under the heading Goodwill. Business combinations may be recognized on a provisional basis, as the amounts allocated to the identifiable assets acquired, liabilities assumed and goodwill may be amended during a maximum period of one year from their acquisition date.

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

Goodwill is not amortized but is tested for impairment at least annually (see hereafter).

For the purposes of impairment testing, goodwill is allocated to the Cash generating units (CGU) or group of CGUs most likely to benefit from the synergies of the business combination and to the lowest level at which goodwill is monitored by the Group. The CGUs correspond to subsidiaries or groups of subsidiaries that are included in the same Division and that generate cash-flows largely independent from those generated by other CGUs.

Goodwill arising from the acquisition of a foreign entity is recognized in the functional currency of the entity acquired and translated at the exchange rates prevailing on the closing date.

Brands with indefinite useful lives

Acquired brands that are distinguishable, offer significant value, are supported by advertising expense and have an indefinite useful life are recognized under the heading Brands in the consolidated balance sheet. The valuation of these brands is generally determined with the assistance of valuation specialists, taking into account various factors, including brand awareness and their contribution to earnings. These brands, which are legally protected, are not amortized but are tested for impairment annually or more frequently if signs of impairment exist (see hereafter).

Other brands

Other acquired brands that are deemed to have a finite useful life are presented under the heading Brands in the consolidated balance sheet. They are amortized on a straight-line basis over their estimated useful life, which does not exceed 60 years. The amortization charges in respect of brands with finite useful lives are allocated to various headings in the income statement on the basis of the nature and utilization of the brands concerned.

Technologies, development costs and other intangible assets

The following are recognized in the balance sheet under the heading Other intangible assets:

- acquired technologies, which are generally valued with the assistance of specialist consultants and amortized over the average duration of the patents;

- acquired development costs meeting the criteria for the recognition of an intangible asset in accordance with IAS 38, *Intangible Assets*, are amortized over the term of their legal protection granted to the Group as from the date the corresponding products are launched on the market;
- other acquired intangible assets are recognized at their acquisition cost. They are amortized over their estimated economic life, which does not exceed 40 years.

The amortization charges in respect of these assets are allocated to various headings in the income statement on the basis of their nature and utilization.

Impairment reviews of goodwill and brands with indefinite useful lives

The carrying amounts of goodwill and brands with indefinite useful lives are reviewed for impairment at least annually and whenever events or circumstances indicate that they may be impaired. These events or circumstances are linked to significant, unfavorable and lasting changes that have an impact on the economic environment and the assumptions or targets set at the time of acquisition.

Impairment tests are carried out on all property, plant and equipment and intangible assets of the CGUs and groups of CGUs. When the carrying amount of all the property, plant and equipment and intangible assets of the CGUs and groups of CGUs becomes greater than their recoverable amount, an impairment provision is recognized and first charged against goodwill.

The recoverable amount of the CGUs or groups of CGUs to which the tested assets belong is the higher of the fair value net of disposal costs, which is generally estimated on the basis of earnings multiples, and the value in use, which is assessed with reference to expected future discounted cash-flows of the CGU or group of CGUs concerned.

The cash-flows used to determine value in use are derived from the annual budgets and strategic plans of the CGUs or groups of CGUs, which are drawn up by management and cover a period of three years, and are extended, on the basis of the most recent forecasts, to eight years in the case of CGUs or groups of CGUs in the Baby Nutrition and Medical Nutrition Divisions and to five years for the Fresh Dairy Products and Waters Divisions. The use of forecasts covering periods in excess of five years is justified by the level of confidence in the accuracy of said projections. Future cash-flows beyond that period are extrapolated using a long-term growth rate that is specific to each CGU or group of CGUs. These growth rates vary depending on the geographical area where the CGU or group of CGUs operates, and in particular on the maturity of the markets. Finally, future cash-flows are discounted using the weighted average cost of capital method, according to which the cost of debt and the cost of equity are weighted based on their respective proportions in the business sector concerned. It is calculated for the Group and increased, for certain CGUs or groups of CGUs, by a premium to take into account the risk factors affecting certain countries.

6. Property, plant and equipment

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

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

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

Depreciation

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

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

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

Impairment reviews of property, plant and equipment

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

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

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

Refundable containers

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

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

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

7. Investments in associates

As described in Note 1.3 of the Notes to the consolidated financial statements above, investments in associates are recognized in the consolidated balance sheet at their acquisition cost, adjusted for the Group's share of the changes in the entity's net assets since its acquisition.

Impairment reviews of investments in associates

The Group reviews the measurement of its investments in associates when events or circumstances indicate that impairment is likely to have occurred. An impairment provision is recognized within Share of profit of associates, when the recoverable amount of the investment falls below its carrying amount. This impairment provision may be reversed if the recoverable amount subsequently exceeds the carrying amount.

The recoverable amount of investments in associates is determined on the basis of the value in use as defined by IAS 36.

8. Other investments in non-consolidated companies

Other investments in non-consolidated companies are measured as available-for-sale investments within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*. They are recognized at fair value in the consolidated balance sheet, with changes in fair value recognized under consolidated equity in Accumulated other comprehensive income, except for unrealized losses that are considered to be significant or prolonged, which are recognized directly in profit or loss in Other financial income (expense). For listed companies, fair value is assessed according to the share price as of the end of the period. For unlisted companies, fair value is assessed based on recent transactions entered into with third parties, put or call options negotiated with third parties or external appraisals. When such elements do not exist, the fair value of investments in unlisted companies is deemed to be equivalent to the acquisition cost of the investments. Gains or losses on disposal of non-consolidated investments are recognized under the heading Other financial income (expense) in the consolidated income statement.

9. Long-term loans and other long-term financial assets

Other long-term financial assets mainly comprise bonds and money-market securities that qualify to be classified as available-for-sale financial assets within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*. They are stated at fair value in the consolidated balance sheet, with changes in fair value recognized under consolidated equity in Accumulated other comprehensive income, except for unrealized losses that are considered to be significant or prolonged, which are recognized directly in the income statement under the heading Other financial income (expense).

Long-term loans are measured at amortized cost using the effective interest rate method within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*.

10. Inventories

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

11. Short-term investments

Short-term investments comprise marketable securities and other short-term investments.

Marketable securities comprise highly liquid instruments with short maturities that are easily convertible into a known amount of cash. They are measured as securities held for trading within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement* and are carried at their fair value.

Other short-term investments are measured at their fair value as securities held for trading within the meaning of IAS 39, *Financial Instruments: Recognition and Measurement*.

Changes in fair value of short-term investments are recognized directly under the heading Interest income in the consolidated income statement.

12. Cash and cash equivalents

Cash and cash equivalents consist of bank accounts and cash.

13. Treasury shares and call options on treasury shares acquired

DANONE shares held by the Company and its fully-consolidated subsidiaries are recognized as a reduction in consolidated equity, under the heading Treasury shares and DANONE call options, and are measured at cost.

DANONE call options held by the Company do not constitute financial assets but are instead equity instruments pursuant to IAS 32, *Financial Instruments: Presentation*. They are recognized upon acquisition as a deduction from consolidated equity, under the heading Treasury shares and DANONE call options. They are measured at cost, *i.e.* the premium paid plus transaction expense, and are not subsequently remeasured.

14. Grants and subsidies

Investment subsidies are reflected in the balance sheet under the heading Other provisions and non-current liabilities. They are released to income (in the heading Other income (expense)) on a straight-line basis over the estimated useful lives of the related non-current assets.

Other grants and subsidies are recognized in the heading Other income (expense) of the income statement in the year during which they are received.

15. Deferred taxes

Deferred taxes are recognized for all temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes, except for the cases specified in IAS 12, *Income Taxes*. Deferred taxes are calculated using the liability method, applying the last enacted income tax rates expected to be applicable when the temporary differences will reverse.

In addition, temporary differences are reflected in the consolidated financial statements as deferred tax assets or liabilities systematically in the case of associates and on the basis of the most likely scenario as regards the reversal of the differences, *i.e.* distribution of reserves or disposal of the entity concerned, in the case of fully-consolidated subsidiaries.

Deferred tax assets and liabilities are offset, when the tax entity has a legal right to offset.

Deferred tax assets relating to tax-loss carryforwards and temporary differences are recognized in the consolidated balance sheet when it is more likely than not that these taxes will be recovered.

16. Retirement plans and other long-term benefits

Defined contribution retirement plans

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

Defined benefit retirement plans

The Group's obligations relating to retirement indemnities and defined benefit retirement plans are calculated using the projected unit credit method and by taking into account several actuarial assumptions, including employee turnover, salary increases and employees' expected active lives. The obligation is discounted using a discount rate that is specific to each country (yield on investment grade corporate bonds), with the exception of countries in the euro zone, for which a single rate is applied.

The carrying amounts of these plans on the consolidated balance sheet within Provisions for retirement obligations and other long-term benefits correspond to the actuarial value of the obligations, as defined above, less the fair value of the plan assets (retirement funds to which the Group contributes, for example), adjusted by the cost of prior services not recognized.

Actuarial gains and losses resulting from experience adjustments and changes in the actuarial assumptions that are used to calculate the obligations (including the estimated return on the plan's assets) are fully recognized within Other comprehensive income. The recognized costs of defined benefit plans correspond mainly to the total of:

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

Other long-term benefits

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

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

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

17. Other provisions and non-current liabilities

Other provisions and non-current liabilities comprise mainly:

- provisions;
- investment subsidies.

Provisions are recognized when the Group has a present obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Group. The net outflow must be at least the equivalent of the provision; the timing or amount of the net outflow may be uncertain, but the amount must be estimated in a reliable manner. A provision is reversed as and when the corresponding payments are made or when it no longer appears probable that an outflow of resources will occur.

Investment subsidies are recognized in accordance with the principle described in Note 1.14 of the Notes to the consolidated financial statements.

18. Derivatives and debt instruments

Derivatives

Derivatives are recognized in the consolidated balance sheet at their fair value. Debt derivatives and hedges of net investments in foreign operations are classified as non-current and foreign exchange derivatives related to operations are classified as current.

Foreign exchange derivatives are recognized in the consolidated balance sheet in the heading Derivatives – assets within Other receivables or in the heading Derivatives – liabilities within Other current liabilities.

When derivatives are designated as fair value hedges, changes in the fair value of both the derivatives and the hedged items are recognized in profit or loss in the same period.

When derivatives are designated as hedges of net investments in foreign operations, changes in the fair value of the derivatives are recognized in equity under Cumulative translation adjustments.

When derivatives are designated as future cash-flow hedges, changes in the value of the effective portion of the derivative are recognized in equity under Accumulated other comprehensive income. This effective portion is recycled in the income statement, in the same heading, when the hedged item itself is recognized in profit or loss. However, changes in the value of the ineffective portions of derivatives are recognized directly in profit or loss, in the heading Other financial income (expense). Changes in the fair value of derivative financial instruments that do not meet the conditions for classification as hedging instruments are recognized directly in profit or loss for the period, in a heading within operating income or financial income depending on the nature of the hedge.

Debt instruments

Debt instruments are recognized in the consolidated balance sheet under the amortized cost method, using their effective interest rate, or at their fair value.

When the fair value risk of a debt is hedged by a derivative, the change in fair value of the hedged component of said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to the heading Other financial income (expense), which thereby offsets the change in fair value of the derivative instrument.

When future cash-flows of a debt are hedged by a derivative, the change in the fair value of the hedged component of said debt is recognized in the consolidated balance sheet, with the counterpart to the entry being to consolidated equity, which thereby offsets the change in fair value of the derivative instrument.

19. Put options granted to non-controlling interests

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

- on the one hand, the reclassification as debt of the carrying amount of the corresponding non-controlling interests;
- on the other, a reduction in the equity – Group Share: the difference between the present value of the strike price of the options granted and the carrying amount of non-controlling interests is presented as a reduction of Retained earnings – attributable to owners of the Company.

This item is adjusted at the end of each reporting period to reflect changes in the strike price of the options and the carrying amount of non-controlling interests. In the absence of specific provisions stipulated by IFRS, the Company has applied the recommendations issued by the French Financial Markets Authority (AMF) in November 2009.

20. Net sales and trade receivables

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

Sales are stated net of trade discounts and customer allowances, as well as net of costs relating to joint sales agreements, listing or concerning occasional promotional actions invoiced by distributors.

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

21. Advertising costs

Advertising costs are expensed as incurred.

22. Research and Development costs

Development costs are only recognized under assets in the consolidated balance sheet if all the recognition criteria set by IAS 38, *Intangible Assets* are met before the products are launched on the market. Development costs are generally expensed as incurred due to the very short time between the date on which technical feasibility is demonstrated and the date on which the products are marketed.

23. Other operating income (expense)

Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major litigations. Since application of IFRS 3 (Revised), they have also included acquisition fees related to business combinations.

24. Stock-options and Group performance shares granted to certain employees and executive directors and officers

The benefits relating to stock-options and Group performance shares granted to certain employees and executive directors and officers are written off as an expense on the Other income (expense) line of the consolidated income statement. The corresponding entry to this charge is an equivalent increase in consolidated equity on the Retained earnings line on the consolidated balance sheet. The charge corresponds to the fair value, determined on the grant date, of the stock-options and Group performance shares granted.

The fair value of the stock-options is determined using the Black and Scholes valuation model, based on assumptions determined by management. The corresponding charge is expensed over the vesting period (*i.e.* two to four years).

The fair value of Group performance shares is calculated on the basis of assumptions made by management. The corresponding charge is spread over the period during which the rights to shares vest (either three or four years). To the extent that performance conditions are based on internal performance, charges recognized in respect of options that lapse due to the failure to achieve said performance conditions are written back in the income statement for the period in which it is probable they will lapse.

25. Earnings per share

Earnings per share correspond to the ratio arrived at by dividing the net income – Group Share by the Number of shares. The Number of shares corresponds to the average number of shares in issue during the year, after deducting the treasury shares held by the Company and its fully-consolidated subsidiaries.

Earnings per share after dilution (or diluted earnings per share) correspond to the ratio arrived at by dividing the net income – Group Share by the diluted number of shares. The diluted number of shares corresponds to the Number of shares increased by the net impact, when it is positive, of the following two elements:

- the increase in the weighted average number of shares that would result:
  - from the exercise of stock-options, taking into account only those options in the money on the basis of the average price during the reference period;
  - from the acquisition of Group performance shares.
- the reduction in the number of shares that could theoretically be acquired.

in accordance with the treasury stock method specified by IAS 33, *Earnings per Share*.

Diluted earnings per share do not take into account DANONE call options held by the Company.

26. Assets and liabilities held for sale and discontinued operations

Assets held for sale are those assets whose value will be recovered mainly through a sale considered to be highly likely within the next 12 months, rather than as a result of their continued use.

Assets and liabilities held for sale are presented as separate headings in the consolidated balance sheet of the period during which the decision to sell is made. Consolidated balance sheets of prior periods are not restated.

Discontinued operations are defined in IFRS 5, *Non-current assets held for sale and discontinued operations* as a component of an entity that (i) generates cash-flows that are largely independent from cash-flows generated by other components (ii) is held for sale or has been sold, and (iii) represents a separate major line of business or geographic area of operations. The Group has determined that, given the way it is organized, its Divisions and geographic areas presented in the segment information correspond to the definition of components given in IFRS 5. The net income and cash-flows from assets held for sale and discontinued operations are presented separately on the income statement and statement of cash-flows, respectively, for all periods presented.

Note 2. Changes in the scope of consolidation and in the Group's equity interests in its subsidiaries

A list of the main Group companies as of December 31, 2012 is provided in Note 33 of the Notes to the consolidated financial statements.

Acquisitions

Acquisitions resulting in control being obtained

In 2012, the Group carried out the following acquisitions resulting in control being obtained:

- acquisition on July 26, 2012 of the Wockhardt's nutrition business in order to establish a presence in the Indian baby nutrition and medical nutrition markets;
- acquisition on September 17, 2012 of the entire share capital of Alvorada (Waters – Brazil);
- acquisition on December 10, 2012 of the entire share capital of Applied Nutrition (Medical Nutrition – United States).

In 2011, the Group carried out the following acquisitions resulting in control being obtained:

- acquisition on June 15, 2011 of the entire share capital of Complan Foods Limited (Medical Nutrition – United Kingdom);
- acquisition on September 1, 2011 of the entire share capital of Aldeinha (Waters – Brazil).

These transactions were recognized on a provisional basis. The purchase price allocation has now been finalized and is described in Note 3 of the Notes to the consolidated financial statements.

Other acquisitions

In 2012, the Group purchased non-controlling interests in several of its subsidiaries (see Note 20 of the Notes to the consolidated financial statements). The main transactions concerned:

- Danone Spain (Fresh Dairy Products – Spain): an additional 8.6% stake was purchased, raising the Group's equity interest in the company to 65.6% as of December 31, 2012 (interest excluding Danone Spain treasury shares, see Note 21 of the Notes to the consolidated financial statements);
- Danone Canarias (Fresh Dairy Products – Spain): an additional 10.9% stake was purchased, raising the Group's equity interest in the company to 94.4% as of December 31, 2012.

The Group did not carry out any other acquisitions in 2011.

Disposals

Partial disposals resulting in control being lost

In 2012, the Group carried out the following disposals (see Note 4 of the Notes to the consolidated financial statements):

- disposal of 51% of its equity interest in Danone Dairy Thailand (Fresh Dairy Products – Thailand), resulting in the Group losing exclusive control of the company and its interest being reduced to 49%;
- disposal of 50% of its equity interest in Danone Korea (Fresh Dairy Products – South Korea), resulting in the Group losing exclusive control of the company and its interest being reduced to 50%.

The gain or loss on these disposals was not material.

In 2011, the Group did not carry out any partial disposals resulting in control being lost.

Other disposals

In 2012, the Group did not carry out any other material disposals.

In 2011, the Group disposed of its 50% equity interest in Aquarius (Waters – China).

Main acquisitions in progress

On June 27, 2012, Danone announced that it was increasing its equity interest in Centrale Laitière du Maroc (Fresh Dairy Products – Morocco) from 29.2% to 67.0% by acquiring part of SNI's shareholding for approximately €550 million. Centrale Laitière is Morocco's leading dairy products company with a market share of nearly 60%. Its sales is around €600 million and markets products under the Danone brand including *Yawmy*, *Moufid* and *Activia*.

This acquisition is subject to approval by the relevant authorities and is expected to be finalized in early 2013.

It will give the Group control of Centrale Laitière, which will be fully consolidated. It will have no impact on the consolidated financial statements for the year ended December 31, 2012 as the company will continue to be accounted for as an associate in those financial statements.

Note 3. Accounting for acquisitions resulting in control being obtained in 2011 and 2012

Acquisitions carried out in 2012

The business combinations described in Note 2 of the Notes to the consolidated financial statements have been accounted for on a provisional basis since the amounts allocated to the acquired identifiable assets and liabilities and to goodwill may be adjusted during a period of one year from the respective date of each of these combinations.

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

The main characteristics of the acquisitions carried out in 2012 are as follows:

- they were paid for in cash;
- some of them are subject to a contingent payment (earn-out) totaling an estimated €3 million as of December 31, 2012;
- no put options were involved;
- the transaction costs incurred in the fiscal year totaled €14 million before taxes, they have been expensed in the income statement under Other operating income (expense).

They did not have a material impact on the consolidated income statement for the year ended December 31, 2012.

The following table provides a breakdown of the total net assets acquired during 2012:

(in € millions)	**2012**
Fair value of net assets acquired (at 100%)	70
Net assets attributable to non-controlling interests [a]	-
Partial goodwill [b]	195
Fair value of the consideration paid to the seller	**265**

(a) For each of the companies acquired, the non-controlling interests are recognized at their share of the fair value of the assets and liabilities of the acquired entity.
(b) Residual goodwill represents mainly the human capital, the expected synergies in terms of commercial and industrial activity and cost savings, market shares and their growth potential.

Acquisitions carried out in 2011

In 2012, pursuant to the principles described in Note 1.3 of the Notes to the consolidated financial statements, the Group finalized the accounting treatment of the companies acquired in 2011. This did not result in a material adjustment to the allocation of the acquisition price in the consolidated financial statements for 2012 as compared with the consolidated financial statements for 2011.

The following table provides a breakdown of the total net assets acquired during 2011:

(in € millions)	**2011**
Fair value of net assets acquired (at 100%)	(7)
Net assets attributable to non-controlling interests [a]	-
Partial goodwill [b]	41
Fair value of the consideration paid to the seller	**34**

(a) For each of the companies acquired, the non-controlling interests are recognized at their share of the fair value of the assets and liabilities of the acquired entity.
(b) Residual goodwill represents mainly the human capital, the expected synergies in terms of commercial and industrial activity and cost savings, market shares and their growth potential.

The fair value of the consideration paid to the vendor corresponded to the amount paid in cash (€34 million).

Note 4. Assets and liabilities held for sale

Disposals

In 2012, the Group carried out the following disposals:

- disposal of 51% of its equity interest in Danone Dairy Thailand (Fresh Dairy Products – Thailand), resulting in the Group losing exclusive control of the company and its interest being reduced to 49%;
- disposal of 50% of its equity interest in Danone Korea (Fresh Dairy Products – South Korea), resulting in the Group losing exclusive control of the company and its interest being reduced to 50%.

These companies' assets and liabilities were classified as assets and liabilities held for sale as of December 31, 2011.

In 2011, the Group sold its 50% equity interest in Aquarius (Waters – China), which was recognized in assets held for sale as of December 31, 2010.

Assets and liabilities held for sale

As of December 31, 2012, the Group is in the process of selling part or all of its equity interests in certain companies in the Fresh Dairy Products and Waters Divisions. The Group believes that it is highly likely that these transactions will be completed within the next 12 months. Consequently, the assets of these companies, which amount to €30 million, were classified as assets held for sale as of December 31, 2012.

As of December 31, 2011, the Group was in the process of selling part or all of its equity interests in certain companies in the Fresh Dairy Products and Waters Divisions. The Group believed that it was highly likely that these transactions would be completed within the next 12 months. Consequently, the assets and liabilities of these companies, which amounted to €69 million and €37 million, respectively, were classified as assets and liabilities held for sale as of December 31, 2011.

In both 2012 and 2011, no business activity was classified as a discontinued operation.

Note 5. Operating segments

The key indicators reviewed and used internally by the Group's primary operational decision-makers (Chairman and Chief Executive officer, Mr. Franck RIBOUD, the two Deputy Managing Directors, Messrs. Bernard HOURS and Emmanuel FABER, and the Chief Financial Officer, Mr. Pierre-André TERISSE) to assess operational performance are:

- Net sales;
- Trading operating income;
- Trading operating margin, which corresponds to the ratio of trading operating income to net sales;
- Free cash-flow, represents cash-flows provided or used by operating activities less capital expenditure net of disposals and excluding acquisition costs related to business combinations (since the application of IFRS 3 (Revised));
- Net financial debt, which represents the interest-bearing portion of net debt. It corresponds to Current and non-current financial debt, excluding Liabilities related to put options granted to non-controlling interests and net of Short-term investments and Derivatives – assets.

Among the key indicators reviewed and used internally by the Group's primary operational decision-makers, only net sales, trading operating income and trading operating margin are monitored by Division, the other indicators being monitored at the Group level.

Information by Division

Net sales, Trading operating income and Trading operating margin are monitored in respect of the Group's four Divisions: Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition.

	Year ended December 31					
	Net Sales [(a)]		Trading operating income		Trading operating margin	
(in € millions except percentage)	2011	2012	2011	2012	2011	2012
Fresh Dairy Products	11,235	11,675	1,475	1,414	13.1%	12.1%
Waters	3,229	3,649	424	483	13.1%	13.2%
Baby Nutrition	3,673	4,257	708	830	19.3%	19.5%
Medical Nutrition	1,181	1,288	236	231	20.0%	18.0%
Total business lines	**19,318**	**20,869**	**2,843**	**2,958**	**14.7%**	**14.2%**
Group total	**19,318**	**20,869**	**2,843**	**2,958**	**14.7%**	**14.2%**

(a) Net sales to third parties.

Information by geographic area

	Year ended December 31					
	Net Sales [a] [b]		Trading operating income		Trading operating margin	
(in € millions except percentage)	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Europe	10,809	10,848	1,509	1,320	14.0%	12.2%
Asia	2,862	3,584	580	790	20.3%	22.1%
Rest of the World	5,647	6,437	754	848	13.3%	13.2%
Group total	**19,318**	**20,869**	**2,843**	**2,958**	**14.7%**	**14.2%**

(a) Net sales third parties.
(b) Including € 2,077 million in France in 2012 (€2,102 million in 2011).

In addition, in 2011 and 2012, the 10 countries generating the highest net sales were as follows:

	Year ended December 31	
	2011	**2012**
Russia	11%	10%
France	11%	10%
United States	7%	8%
China	5%	6%
Spain	7%	6%
Indonesia	6%	6%
Mexico	5%	5%
Argentina	5%	5%
United Kingdom	5%	5%
Brazil	4%	4%

The non-current assets shown in the table hereafter are property, plant and equipment and intangible assets:

	As of December 31	
	Tangible and intangible assets	
(in € millions)	**2011**	**2012**
Europe [a]	12,366	12,615
Asia	4,081	4,248
Rest of the World	3,547	3,517
Group total	**19,994**	**20,380**

(a) Including €1,715 million in France as of December 31, 2012 (€1,682 million as of December 31, 2011).

Note 6. Other income (expense)

Other income expense (expense) for 2011 and 2012 can be broken down as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Employee profit-sharing	(107)	(100)
Stock-based compensation [a]	(22)	(22)
Capital gains on disposal of property, plant and equipment and intangible assets	86	116
Restructuring costs	(29)	(13)
Other	27	(6)
Total	**(45)**	**(25)**

(a) Charge corresponding to the fair value of stock-options and Group performance shares in accordance with IFRS 2. See Notes 1.24 and 29 of the Notes to the consolidated financial statements.

In 2012 as in 2011, capital gains on the disposal of intangible assets and property, plant and equipment resulted mainly from the sale of buildings and brands. The line "Other" mainly comprises sundry taxes, translation adjustments and several other non-significant items.

Note 7. Other operating income (expense)

In 2012, the Net other operating expense stood at €(211) million and consisted mainly of (i) €(62) million corresponding to the Unimilk integration expense (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition, (ii) €(49) million due to the disposal process of Danone Chiquita Fruits, (iii) €(39) million due the impairment of other goodwill and financial assets and (iv) €(25) million relating to acquisitions resulting in control being obtained carried out in 2012 (see Note 2 of the Notes to the consolidated financial statements) and to a strategic external growth project implemented by the Group in the first half of 2012.

In 2011, the Net other operating expense stood at €(114) million and consisted mainly of (i) €(32) million corresponding to the first tranche of the Unimilk integration expense (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition and of (ii) €(59) million relating to the costs incurred by the adjustment of the business model and the reorganization of the activities of the Fresh Dairy Products Division in China.

Note 8. Cost of net financial debt and other financial income and expense

Financial result

The financial result for 2011 and 2012 breaks down as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Interest income on cash, cash equivalents and short term investments	67	75
Interest expense on financial debt	(241)	(245)
Cost of net financial debt	**(174)**	**(170)**
Other financial income	7	5
Other financial expense	(127)	(137)
Other financial income or expense	**(120)**	**(132)**
Financial result	**(294)**	**(302)**

Cost of net financial debt

The Cost of net financial debt decreased slightly compared to 2011, mainly due to the favorable impact of the Group's bond debt management. This gain was partially offset by the higher cost of the debt in certain emerging countries whose currencies appreciated in 2012.

The change in Other financial income or expense was primarily due to the rise in the cost of hedging exchange rates of emerging countries.

In 2012, the net amount of interest paid was €170 million (€174 million in 2011). In addition, the net amount of accrued interests totaled €15 million in the year ended December 31, 2012 (€68 million in the year ended December 31, 2011 – see Note 26 of the Notes to the consolidated financial statements).

In 2011, the Cost of net financial debt increased by €31 million compared to 2010, mainly due to the cost of the debt of the Unimilk group's companies and, to a lesser extent, higher interest rates.

Other financial income

In 2012, Other financial income totaled €5 million (€7 million in 2011) and consisted mainly of dividends received from non-consolidated companies (see Note 13 of the Notes to the consolidated financial statements).

Other financial expense

In 2012 as in 2011, Other financial expense consisted mainly of the following:

- bank commissions;
- the cost of hedges of foreign exchange risk related to operations and the ineffective part of such hedges in accordance with IAS 39, *Financial Instruments: Recognition and Measurement*;
- the impact of the accretion of the present value of the obligations net of the expected return on plan assets of the retirement obligations and other long-term benefits (see Note 27 of the Notes to the consolidated financial statements).

Note 9. Earnings per share

The reconciliation between basic and diluted Earnings per share – Group Share is as follows:

	Year ended December 31		
	Net income – Group Share *(in € millions)*	**Weighted average number of shares outstanding**	**Earnings per share – Group Share** *(in €)*
2011			
Before dilution	**1,671**	**602,202,781**	**2.77**
Stock-based compensation		1,846,916	
After dilution	**1,671**	**604,049,698**	**2.77**
2012			
Before dilution	**1,672**	**600,477,145**	**2.78**
Stock-based compensation		2,628,159	
After dilution	**1,672**	**603,105,304**	**2.77**

The Group performance shares and stock-options granted to certain employees and executive directors and officers are described in Note 29 of the Notes to the consolidated financial statements. The manner in which they are taken into account in calculating the dilution for the fiscal years 2011 and 2012 is described in Note 1.25 of the Notes to the consolidated financial statements.

The non-dilutive shares and options as of December 31, 2012 could become dilutive depending on changes in the DANONE share price.

Note 10. Intangible assets

As of December 31, 2012, Intangible assets totaled €16,265 million (€16,078 million as of December 31, 2011), including goodwill totaling €11,361 million (€11,289 million as of December 31, 2011), Brands totaling €4,543 million (€4,451 million as of December 31, 2011) and Other intangible assets totaling €361 million (€338 million as of December 31, 2011).

Main intangible assets

As of December 31, 2012, the main intangible assets were goodwill totaling €11,361 million and brands with indefinite useful lives totaling €4,347 million.

	As of December 31			
	Goodwill		Brands with indefinite useful lives	
(in € millions)	**2011**	**2012**	**2011**	**2012**
Fresh Dairy Products	1,173	1,139	469	473
Waters	604	585	172	175
Baby Nutrition [(a)]	6,182	6,283	2,699	2,776
Medical Nutrition	3,330	3,354	918	923
Total	**11,289**	**11,361**	**4,258**	**4,347**

(a) The goodwill and brands with indefinite useful lives of the Baby Nutrition Division totaled €2,108 million and €1,226 million, respectively, for the Baby Nutrition Asia CGU, and €4,175 million and €1,550 million, respectively, for the Baby Nutrition Rest of the World CGU as of December 31, 2012.

Brands with indefinite useful lives correspond to non-amortized brands recognized in connection with business combinations since 1989.

Impairment reviews of intangible assets

As of December 31, 2012, the Group carried out a review of the value of intangible assets with indefinite useful lives in accordance with the methodology explained in Note 1.5 of the Notes to the consolidated financial statements.

Details are provided in the following table of the carrying amounts of the intangible assets with indefinite useful lives as well as the assumptions concerning long-term growth rate and discount rate in respect of the CGUs or groups of CGUs for which the carrying amount of the goodwill or intangible assets with indefinite useful lives is material:

	Carrying amount of goodwill and brands with indefinite useful lives		**Long-term growth rate** [(e)]		**Discount rate after tax** [(e)]	
(in € millions)	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Fresh Dairy Products						
Danone CIS CGU [(a)]	557	559	2.5%	3.0%	11.0%	10.8%
Southern Europe CGU [(b)]	376	376	-	0.0%	-	11.1%
Other CGUs [(c)]	709	677	1 à 2.5%	0 à 3%	8 à 12%	8 à 14%
Total Fresh Dairy Products	**1,642**	**1,612**				
Waters						
Danone Eaux France	428	428	1.0%	1.0%	7.9%	8.2%
Other CGUs [(d)]	348	332	1 à 2.5%	0 à 3%	8 à 14%	8 à 14%
Total Waters	**776**	**760**				
Baby Nutrition						
Baby Nutrition Asia	3,216	3,334	2.5%	2.5%	8.1%	8.1%
Baby Nutrition Rest of the World	5,665	5,725	2.5%	2.5%	8.2%	8.3%
Total Baby Nutrition	**8,881**	**9,059**				
Total Medical Nutrition	**4,248**	**4,277**	**2.5%**	**2.5%**	**7.5%**	**7.4%**
Group total, excluding associates	**15,547**	**15,708**				

(a) The Danone CIS CGU mainly comprises Russia and Ukraine.
(b) The Southern Europe CGU comprises Spain, Italy, Portugal and the Canary Islands.
(c) More than 20 GCUs, of which the main ones are the United States and South Africa CGUs, which had goodwill and intangible assets with indefinite useful lives with a value of €88 million and €111 million respectively as of December 31, 2012.
(d) Mainly comprises the Waters Asia CGU for €138 million carrying amount of goodwill and brands with indefinite useful lives as of December 31, 2012.
(e) For those CGUs whose recoverable amount is determined on the basis of their value in use.

For each CGU or group of CGUs, the long-term growth rate assumption used in 2012 was determined taking into account its average growth rate in recent years and its geographic area.

Groups of CGUs in the Baby Nutrition and Medical Nutrition Divisions

As of December 31, 2012, the Baby Nutrition and Medical Nutrition Divisions consisted of three groups of CGUs (Medical Nutrition, Baby Nutrition Rest of the World and Baby Nutrition Asia) representing 85% of the carrying amount of the Group's goodwill and brands with indefinite useful lives. The value of these two Divisions' brands with indefinite useful lives was €3,699 million and represented 85% of the consolidated total.

The recoverable amount exceeds the carrying amount by €0.6 billion in the case of the Medical Nutrition group of CGUs, €1.9 billion in the case of the Baby Nutrition Rest of the World group of CGUs and €5.0 billion in the case of the Baby Nutrition Asia group of CGUs.

In addition, as of December 31, 2012, a sensitivity analysis in respect of the key assumptions regarding value in use was carried out for each of the three groups of CGUs. The assumptions used in the valuation model used by the Group are (i) the growth in net sales, (ii) the trading operating margin (corresponding to the ratio Trading operating income over Net sales), (iii) the long-term growth rate used to calculate the terminal value and (iv) the discount rate. The results of the sensitivity analysis are as follows:

Net sales:

- a 50 basis point reduction applied each year to the assumptions concerning the growth rate in net sales based on the 2013 projections would lower the recoverable amount by €191 million in the case of the Medical Nutrition group of CGUs, €284 million in the case of the Baby Nutrition Rest of the World group of CGUs and €301 million in the case of the Baby Nutrition Asia group of CGUs;
- the recoverable amount would become equal to the carrying amount for an annual reduction in the net sales growth rate, beginning in 2013, of 188 basis points in the case of the Medical Nutrition group of CGUs, 365 basis points in the case of the Baby Nutrition Rest of the World group of CGUs, and finally 1,398 basis points in the case of the Baby Nutrition Asia group of CGUs.

Trading operating margin:

- a 100 basis point reduction in the trading operating margin applied each year based on the 2013 projections would lower the recoverable amount by €249 million in the case of the Medical Nutrition group of CGUs, €409 million in the case of the Baby Nutrition Rest of the World group of CGUs and €356 million in the case of the Baby Nutrition Asia group of CGUs;
- the recoverable amount would become equal to the carrying amount for an annual reduction in the trading operating margin of 260 basis points in the case of the Medical Nutrition group of CGUs, 439 basis points in the case of the Baby Nutrition Rest of the World group of CGUs, and finally 1,413 basis points in the case of the Baby Nutrition Asia group of CGUs.

Long-term growth rate:

- a 50 basis point reduction in the long-term growth rate would lower the recoverable amount by €308 million in the case of the Medical Nutrition group of CGUs, €401 million in the case of the Baby Nutrition Rest of the World group of CGUs and €453 million in the case of the Baby Nutrition Asia group of CGUs.

Discount rate:

- a 50 basis point increase in the discount rate would lower the recoverable amount by €443 million in the case of the Medical Nutrition group of CGUs, €602 million in the case of the Baby Nutrition Rest of the World group of CGUs and €669 million in the case of the Baby Nutrition Asia group of CGUs.

Other CGUs

As of December 31, 2012, the CGUs in the Fresh Dairy Products and Waters Divisions represented 15% of the carrying amount of the Group's goodwill and brands with indefinite useful lives and comprised more than 30 CGUs located in diverse geographic regions and a number of different countries.

As of December 31, 2012, following the review of the value of intangible assets with indefinite useful lives of these CGUs, the Group recognized an impairment provision totaling €43 million, allocated between three CGUs in the Fresh Dairy Products and Waters Divisions.

As of December 31, 2011, an impairment provision of €16 million had been recognized following the restructuring of Danone China (Fresh Dairy Products – China).

Change in the carrying amount of intangible assets

The composition of intangible assets and the breakdown of the value between the gross value and depreciation as of December 31, 2011 and December 31, 2012 as well as the change in their values between December 31, 2011 and December 31, 2012 are shown in the following table:

(in € millions)	**Goodwill**	**Brands [a]**	**Other intangible assets**	**Total**
Gross value				
As of January 1, 2011	**11,311**	**4,477**	**708**	**16,496**
Capital expenditure	-	-	45	45
Disposals	-	-	(8)	(8)
Changes in consolidation scope	38	-	-	38
Translation adjustments	(57)	(3)	(4)	(64)
Impairment	(16)	(20)	-	(36)
Other	13	8	15	36
As of December 31, 2011	**11,289**	**4,462**	**756**	**16,507**
Depreciations				
As of January 1, 2011	**-**	**(7)**	**(365)**	**(372)**
Charges for the year (net of disposals)	-	(4)	(57)	(61)
Changes in consolidation scope	-	-	-	-
Translation adjustments	-	-	3	3
Other	-	-	1	1
As of December 31, 2011	**-**	**(11)**	**(418)**	**(429)**
Carrying amount				
As of December 31, 2011	**11,289**	**4,451**	**338**	**16,078**

(a) This heading comprises the brands with indefinite useful lives and the other brands previously recognized under the heading Other intangible assets.

(in € millions)	Goodwill	Brands [(a)]	Other intangible assets	Total
Gross value				
As of January 1, 2012	**11,289**	**4,462**	**756**	**16,507**
Capital expenditure	-	-	43	43
Disposals	-	-	(20)	(20)
Changes in consolidation scope	195	80	9	284
Translation adjustments	(69)	15	(1)	(55)
Impairment	(43)	-	-	(43)
Other	(11)	-	40	29
As of December 31, 2012	**11,361**	**4,557**	**827**	**16,745**
Depreciations				
As of January 1, 2012	**-**	**(11)**	**(418)**	**(429)**
Charges for the year (net of disposals)	-	(3)	(48)	(51)
Changes in consolidation scope	-	-	-	-
Translation adjustments	-	-	-	-
Other	-	-	-	-
As of December 31, 2012	**-**	**(14)**	**(466)**	**(480)**
Carrying amount				
As of December 31, 2012	**11,361**	**4,543**	**361**	**16,265**

(a) This heading comprises the brands with indefinite useful lives and the other brands previously recognized under the heading Other intangible assets.

The Other heading corresponds mainly to the commissioning of assets in progress in the amount of €40 million and the finalization of the accounting treatment of the acquisition of those companies acquired before January 1, 2012 in the negative amount of €(11) million.

Goodwill

The carrying amount of goodwill increased by €72 million between December 31, 2011 and December 31, 2012, mainly due to:

- the goodwill recognized following the acquisitions resulting in control being obtained carried out in 2012 (see Notes 2 and 3 of the Notes to the consolidated financial statements), Wockhardt (Baby Nutrition and Medical Nutrition Divisions – India), Alvorada (Waters – Brazil) and Applied Nutrition (Medical Nutrition – United States);
- offset by negative translation adjustments on the goodwill of companies mainly in the Baby Nutrition Division totaling a negative €(55) million.

Note 11. Property, plant and equipment

The composition of property, plant and equipment and the breakdown of the value between the gross value and depreciation as of December 31, 2011 and December 31, 2012 as well as the change in their values between December 31, 2011 and December 31, 2012 are shown in the following table:

(in € millions)	Lands	Buildings	Machinery and equipment	Refundable containers	Others	Capital assets in progress	Total
Gross amount							
As of January 1, 2011	**258**	**1,734**	**4,730**	**235**	**637**	**483**	**8,077**
Capital expenditure [(a)]	5	52	122	65	36	586	866
Disposals	-	(88)	(203)	(39)	(39)	(1)	(370)
Reclassification of assets held for sale	-	(4)	(16)	-	(1)	(3)	(24)
Changes in consolidation scope	(2)	(5)	(6)	(3)	-	-	(16)
Translation adjustments	-	(11)	(55)	-	(18)	(12)	(96)
Other	13	85	309	(1)	80	(482)	4
As of December 31, 2011	**274**	**1,763**	**4,881**	**257**	**695**	**571**	**8,441**
Depreciation							
As of January 1, 2011	**(31)**	**(780)**	**(2,903)**	**(129)**	**(415)**	**(9)**	**(4,267)**
Charge for the year and impairment	(2)	(88)	(358)	(53)	(78)	(3)	(582)
Disposals	1	41	163	33	36	-	274
Reclassification of assets held for sale	-	-	1	-	-	-	1
Changes in consolidation scope	1	4	5	1	-	-	11
Translation adjustments	-	3	29	(1)	10	1	42
Other	-	4	(12)	1	2	1	(4)
As of December 31, 2011	**(31)**	**(816)**	**(3,075)**	**(148)**	**(445)**	**(10)**	**(4,525)**
Carrying amount							
As of December 31, 2011	**243**	**947**	**1,806**	**109**	**250**	**561**	**3,916**

(a) Includes assets acquired under finance leases.

(in € millions)	Lands	Buildings	Machinery and equipment	Refundable containers	Others	Capital assets in progress	Total
Gross amount							
As of January 1, 2012	**274**	**1,763**	**4,881**	**257**	**695**	**571**	**8,441**
Capital expenditure [(a)]	4	62	173	49	33	641	962
Disposals	(5)	(52)	(199)	(29)	(44)	(2)	(331)
Reclassification of assets held for sale	-	(5)	(3)	-	(1)	(1)	(10)
Changes in consolidation scope	-	1	4	-	-	-	5
Translation adjustments	(4)	(2)	(56)	(10)	4	(10)	(78)
Other	1	155	405	7	21	(599)	(10)
As of December 31, 2012	**270**	**1,922**	**5,205**	**274**	**708**	**600**	**8,979**
Depreciation							
As of January 1, 2012	**(31)**	**(816)**	**(3,075)**	**(148)**	**(445)**	**(10)**	**(4,525)**
Charge for the year and impairment	(1)	(97)	(390)	(49)	(72)	(4)	(613)
Disposals	(6)	27	159	29	36	-	245
Reclassification of assets held for sale	-	-	-	-	1	-	1
Changes in consolidation scope	-	-	-	-	-	-	-
Translation adjustments	-	1	28	7	(1)	-	35
Other	-	(11)	4	-	(3)	3	(7)
As of December 31, 2012	**(38)**	**(896)**	**(3,274)**	**(161)**	**(484)**	**(11)**	**(4,864)**
Carrying amount							
As of December 31, 2012	**232**	**1,026**	**1,931**	**113**	**224**	**589**	**4,115**

(a) Includes assets acquired under finance leases.

As of December 31, 2012, the gross and net carrying amounts of assets acquired under finance leases amounted €133 million and €62 million respectively (€196 million and €90 million respectively as of December 31, 2011).

The Other heading corresponds mainly to the commissioning of property, plant and equipment under construction, including €40 million in respect of intangible assets transferred to Other intangible assets. It also includes the amount of €15 million for the finalization of the accounting treatment of the acquisition of those companies acquired before January 1, 2012.

Note 12. Investments in associates

As of December 31, 2012, the carrying amount of investments in associates was €973 million (€1,030 million as of December 31, 2011). Its main component was the Group's 20% equity interest in Yakult (Fresh Dairy Products – Japan).

Changes in the carrying amount of investments in associates

The following table provides a breakdown of the carrying amount of investments in associates between net goodwill and the Group's share in the net assets and income of associates as of December 31, 2011 and December 31, 2012 and the changes in said amount during the fiscal years 2011 and 2012:

(in € millions)	**Net goodwill**	**Group's share in net assets and income**	**Total**
As of January 1, 2011	**328**	**613**	**941**
Acquisitions during the year and capital increase	-	14	14
Disposals and other changes in consolidation scope	-	-	–
Share of profit of associates	-	51	51
Dividends paid	-	(32)	(32)
Translation adjustments	17	39	56
As of December 31, 2011	**345**	**685**	**1,030**
Acquisitions during the year and capital increase	-	32	32
Disposals and other changes in consolidation scope	2	(1)	1
Share of profit of associates	-	61	61
Dividends paid	-	(37)	(37)
Translation adjustments	(31)	(78)	(109)
Others	(5)	-	(5)
As of December 31, 2012	**311**	**662**	**973**

The acquisitions and capital increases in 2012 mainly corresponded to the recognition as an associate of the Group's residual interest in Danone Thailand (Fresh Dairy Products – Thailand) and Danone Korea (Fresh Dairy Products – South Korea), following their partial disposal resulting in the Group losing control over them (see Note 2 of the Notes to the consolidated financial statements).

Income (loss) from investments in associates

The share of profit of associates for 2011 and 2012 breaks down as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Share of profits of associates	51	61
Impairment charges	-	-
Gains (losses) on disposal and other	(5)	(7)
Total	**46**	**54**

In 2012 as in 2011, Gains (losses) on disposal and other consisted mainly of the withholding tax applied to the dividends paid by Yakult.

Significant financial information pertaining to associates

The significant financial information in respect of the main company accounted for as an investment in associates in the fiscal years 2011 and 2012, expressed at 100% and for a full year, is as follows:

				2011				2012
(in € millions)	Net sales	Net income	Shareholders' equity	Statement of financial position total	Net sales	Net income	Shareholders' equity	Statement of financial position total
Yakult [(a)] – Interim financial statements for the six months ended September 30	1,398	60	2,527	3,918	1,575	58	2,560	4,124
Yakult [(a)] – Annual financial statements for the year ended March 31	2,719	117	2,134	3,340	3,006	128	2,302	3,626

(a) Published data, according to Japanese GAAP.

	As of December 31	
	2011	2012
(in € millions)	Market capitalization	Market capitalization
Yakult	4,237	5,818

As Yakult's fiscal year closing date is March 31, the amounts prepared for Group consolidation purposes as of December 31 are estimated on the basis of the most recent financial statements published for each fiscal year (interim financial statements for the six months ended September 30, 2011 for 2011 and interim financial statements for the six months ended September 30, 2012 for 2012).

Impairment reviews for investments in associates

As indicated in Note 1.7 of the Notes to the consolidated financial statements, the Group reviews the valuation of its investments in associates whenever events or circumstances indicate that they may be impaired.

The recoverable amount of investments in associates is determined on the basis of the value in use in accordance with IAS 36.

As of December 31, 2012, the value of investments in associates was estimated at €1,766 million (€1,409 million as of December 31, 2011). In 2012 as in 2011, no impairment provision was recognized.

Note 13. Other investments in non-consolidated companies

Carrying amount of Other investments in non-consolidated companies

The following table presents the carrying amount of Other investments in non-consolidated companies as of December 31, 2011 and December 31, 2012:

	Year ended December 31			
		2011		2012
(in € millions)	% interest	Carrying amount	% interest	Carrying amount
SNI	2.61%	66	2.61%	66
Other	-	57	-	41
Total		**123**		**107**

Impairment reviews of Other investments in non-consolidated companies

As indicated in Note 1.8 of the Notes to the consolidated financial statements, Other investments in non-consolidated companies are measured as available-for-sale investments within the meaning of IAS 39, *Financial Instruments: recognition and measurement*, *i.e.* at fair value.

The fair value of the SNI shares is determined based on the partner's share purchase commitment.

As of December 31, 2012, the value of investments in non-consolidated companies totaled €107 million, including €66 million of unrealized capital gains recognized in Accumulated other comprehensive income in consolidated equity (€123 million and €66 million, respectively, as of December 31, 2011).

Note 14. Long-term loans and other long-term financial assets

As of December 31, 2012, Long-term loans and other long-term financial assets amounted to €247 million (€219 million as of December 31, 2011) and comprised Other financial assets of €212 million and Long-term loans of €35 million.

As of December 31, 2012, Other long-term financial assets amounted to €212 million, compared to €166 million as of December 31, 2011 and comprised mainly bond and money market securities totaling €104 million held as the counterpart to certain "damage and personal protection" provisions and investments totaling €20 million made by the Company in the danone.communities fund. As detailed in Note 1.9 of the Notes to the consolidated financial statements, these bond and money market investments are treated as available-for-sale in accordance with IAS 39, *Financial Instruments: recognition and measurement*. The fair value of these investments, calculated on the basis of listed prices in active markets, totaled €104 million, including €3 million of unrealized capital gains recognized in Accumulated other comprehensive income in consolidated equity.

Note 15. Inventories

The carrying amount of inventories as of December 31, 2011 and December 31, 2012 breaks down as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
Goods purchased for resale	46	48
Raw materials and supplies	472	448
Semi-finished goods and work in progress	50	68
Finished goods	505	538
Non-refundable containers	49	60
Impairment provisions	(62)	(67)
Inventories, net	**1,061**	**1,095**

Note 16. Trade receivables

Carrying amount of Trade receivables

The carrying amount of trade receivables as of December 31, 2011 and December 31, 2012 breaks down as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
Trade account receivables	1,992	1,928
Notes receivable	51	36
Impairment provisions	(62)	(62)
Trade account receivables, net	**1,981**	**1,902**

In addition, several Group subsidiaries have used non-recourse factoring programs (with transfer of risks and benefits). The amount of receivables derecognized from the balance sheet as of December 31, 2012 totaled €139 million (€105 million as of December 31, 2011).

Impairment provisions

The change in the impairment provisions between 2011 and 2012 is as follows:

(in € millions)	**2011**	**2012**
As of January 1	**63**	**62**
Charges (net of reversals)	15	8
Utilization	(13)	(7)
Translation adjustments and other changes	(3)	(1)
As of December 31	**62**	**62**

Credit risk

Due to the number of customers located in diverse geographic areas and the fact that its main customers are in the mass retail sector and despite the current economic environment, the Group believes that it is not exposed to significant credit risk, nor dependent on any single customer. In 2012, sales to the Group's largest customer represented approximately 4% of the Group total (5% in 2011).

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

As of December 31, 2012 and December 31, 2011, the amount of trade receivables more than 30 days overdue for which no impairment charge had been recognized represented 3% of total trade receivables and was not therefore material.

Note 17. Other receivables

The carrying amount of other receivables as of December 31, 2011 and December 31, 2012 breaks down as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
State and local authorities	402	465
Social security bodies and non-operating receivables	273	198
Prepaid expense	93	103
Derivatives – assets	7	1
Other	45	87
Total	**820**	**854**

The heading Derivative – assets corresponds to the fair value of currency hedges related to operations.

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

Note 18. Short-term investments

Carrying amount of Short-term investments

The carrying amount of Short-term investments as of December 31, 2011 and December 31, 2012 breaks down as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
Money market funds	634	1,306
Other short-term investments	480	442
Total	**1,114**	**1,748**

As specified in Note 1.11 of the Notes to the consolidated financial statements, short-term investments are classified as trading securities, in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* and are recognized at their fair value.

Credit risk

The Group invests mainly in money market funds (French *SICAV monétaires*) or short-term money market funds (French *SICAV monétaires court terme*), which are highly liquid, diversified and not subject to ratings. Negotiable debt instruments and other short-term instruments are purchased from leading financial institutions (see Note 30 of the Notes to the consolidated financial statements).

Note 19. Information on changes in consolidated equity

As of December 31, 2012, consolidated equity totaled €12,254 million (€12,198 million as of December 31, 2011).

In 2012, changes in consolidated equity – Group Share resulted primarily from the following factors:

- Net income – Group Share in 2012 led to an increase of €1,672 million (€1,671 million increase in 2011);
- Other comprehensive income – Group Share caused a decrease of €136 million (€1 million in 2011);
- Cumulative translation adjustments – Group Share in 2012 led to a decrease of €113 million (€53 million decrease in 2011);
- the dividend – Group Share paid in 2012 for the 2011 fiscal year caused a decrease of €837 million (€786 million decrease in 2011);
- transactions with non-controlling interests led to a €116 million decrease in retained earnings – Group Share (compared with a €127 million increase in 2011);
- changes in the number of DANONE shares in issue led to a decrease of €429 million (€348 million decrease in 2011);
- the capital increase under the Company Savings Plan for the benefit of employees of French entities led to a €35 million increase (€33 million increase in 2011).

Dividends paid to Danone shareholders

Distributable reserves of the parent company Danone

The legally distributable reserves of subsidiaries and associated companies may differ from their reported retained earnings as a consequence of (i) consolidation adjustments applied to their separate financial statements and (ii) the laws applicable in the countries where the Group operates.

In the case of the Group, under French law, dividends can only be paid out of the net income for the year and the distributable reserves of the parent company Danone. As of December 31, 2012, tax-free distributable earnings of the parent company Danone amounted to €906 million (€1,348 million as of December 31, 2011).

Dividends paid to Danone shareholders

The dividend for the 2011 fiscal year approved by the Shareholders' Meeting on April 26, 2012 for an amount of €1.39 per ordinary share was paid in cash on May 11, 2012, reducing consolidated equity by €835 million.

Transactions with non-controlling interests

Changes in consolidated equity related to transactions with non-controlling interests for the 2011 fiscal year are as follows:

			As of December 31
(in € millions)			**2011**
Effects of transactions with non-controlling interests recorded in equity	**Retained earnings – Group Share**	**Non-controlling interests**	**Total equity**
Dividends paid to non-controlling interests [(a)]	-	(197)	(197)
Impact of the change in the carrying amount of non-controlling interests receiving put options during the period [(b)]	-	98	98
Difference between (i) the changes in the value of the options and (ii) the change in the carrying amount of the non-controlling interests that have put options	138	-	138
Impact of the changes in the value of the put options granted to non-controlling interests [(c)]	138	98	236
Buyouts of non-controlling interests (without put options) and others	(11)	(5)	(16)
Total	**127**	**(104)**	**23**

(a) Non-controlling interests with and without put options.
(b) Reclassification to debt.
(c) See Note 1.19 and Note 20 of the Notes to the consolidated financial statements relating, respectively, to the recognition and measurement of put options granted to non-controlling interests.

The €236 million increase in consolidated equity related to the impact of put options granted to non-controlling interests can be attributed primarily to the commitment to buy out non-controlling interests in Aqua (Indonesia – Waters), which expired in 2011 and was not renewed (€136 million Group Share and €63 million to non-controlling interests).

Changes in consolidated equity relating to transactions with non-controlling interests for the 2012 fiscal year are as follows:

	As of December 31		
(in € millions)			2012
Effects of transactions with non-controlling interests recorded in equity	**Retained earnings – Group Share**	**Non-controlling interests**	**Total equity**
Dividends paid to non-controlling interests [a]	-	(202)	(202)
Impact of the change in the carrying amount of non-controlling interests receiving put options during the period [b]	-	37	37
Difference between (i) the changes in the value of the options and (ii) the change in the carrying amount of the non-controlling interests that have put options	(99)	-	(99)
Impact of the changes in the value of the put options granted to non-controlling interests [c]	(99)	37	(62)
Buyouts of non-controlling interests (without put options) and other	(17)	3	(14)
Total	**(116)**	**(162)**	**(278)**

(a) Non-controlling interests with and without put options.
(b) Reclassification to debt.
(c) See Note 1.19 and Note 20 of the Notes to the consolidated financial statements relating, respectively, to the recognition and measurement of put options granted to non-controlling interests.

The €37 million, which reflects the change in the carrying amount of non-controlling interests to whom put options were granted for the period, corresponds to:

- the share of net income attributable to these non-controlling interests;
- net of dividends paid to these non-controlling interests during the year.

The carrying amount of negative €(99) million related to the difference between (i) changes in value of the options and (ii) the change in the carrying amount of non-controlling interests with put options, reflects:

- a change in the value of these put options (their value was determined on the basis of contractual terms) in the amount of negative €(62) million;
- the recognition of the above-mentioned items (share of net income net of dividends for non-controlling interests to whom put options were granted).

In addition, the €351 million decrease in liabilities relating to the put options granted to non-controlling interests in 2012 was due to:

- a €(413) million decrease with respect to agreements to buy out non-controlling interests in 2012 (see Notes 2 and 21 of the Notes to the consolidated financial statements);
- a €62 million increase with respect to the above-mentioned value changes.

Other comprehensive income – Group Share

Gains and losses recognized in equity – Group Share include the Group's share of cumulative translation adjustments and other comprehensive income, which amounted to respective losses of €136 million and €254 million as of December 31, 2012. Other comprehensive income is as follows:

(in € millions)	**Actuarial gains and losses on retirement commitments not recycled to profit or loss, net of tax**	**Revaluation of hedging derivatives, net of tax**	**Revaluation of available-for-sale financial assets, net of tax**	**Other comprehensive income, net of tax**	**Accumulated other comprehensive income – Group Share**
As of December 31, 2010	**(139)**	**(63)**	**88**	**(3)**	**(117)**
Gross change during the period	(30)	24	(1)	5	(2)
Change in tax during the period	10	(9)	-	-	1
As of December 31, 2011	**(159)**	**(48)**	**87**	**2**	**(118)**
Gross change during the period	(137)	(59)	(2)	-	(198)
Change in tax during the period	42	20	-	-	62
As of December 31, 2012	**(254)**	**(87)**	**85**	**2**	**(254)**

Actuarial gains and losses on retirement commitments were the only items not recycled to profit and loss.

Change in the number of shares in issue

Transactions and changes involving DANONE shares

In 2012, the Group carried out the following transactions involving DANONE shares:

- the buy-back of 14.2 million shares to be used for acquisitions in the amount of €701 million (including 6.1 million shares in order to offset the dilution resulting from the use of 6,110,039 shares as payment, as described hereafter) carried out through investment service providers acting independently in the context of the Company's share buy-back program;
- the payment of 6,110,039 DANONE treasury shares as consideration for a portion of the acquisition price of Danone Spain shares acquired from that subsidiary's non-controlling shareholders (see Notes 21 and 26 of the Notes to the consolidated financial statements);
- buy-back of 0.1 million shares through the exercise of DANONE call options, which had been subscribed for the purpose of hedging stock-options granted to certain employees and executive directors and officers and had expired.

Changes in treasury shares in terms of their use for transactions and other purposes in 2012, presented in accordance with the Company's objectives are as follows:

(number of shares)	As of December 31, 2011	Movements during the period: Purchases [a] [b]	Other transactions	Reallocations [a]	Exercise of stock-options [a]	As of December 31, 2012
Acquisitions	28,709,125	14,198,005	(6,110,039)	(5,293,672)	-	31,503,419
Hedging of stock-options and Group performance shares	7,116,335	138,103	-	493,672	(300)	7,747,810
Cancellations	-	-	-	4,800,000		4,800,000
Treasury shares	**35,825,460**	**14,336,108**	**(6,110,039)**	**-**	**(300)**	**44,051,229**
Shares held by Danone Spain	5,780,005	-	-	-	-	5,780,005
Total shares held by the Group	**41,605,465**	**14,336,108**	**(6,110,039)**	**-**	**(300)**	**49,831,234**

(a) Purchases and allocations made as part of authorizations given by the Shareholders' General Meeting.
(b) Purchases allocated to hedge stock-options were made by exercising DANONE call options. The average price of other purchases made in 2012 was €48.97 per share.

These transactions led to a €429 million decrease in the heading Treasury shares (Group Share) in consolidated equity.

With respect to transactions carried out in 2012, changes involving DANONE call options are as follows:

(number of options)	As of December 31 2011	Movements during the period: Purchases	Matured options	Options exercized	As of December 31 2012
DANONE call options	**6,051,385**	**-**	**-**	**1,762,751**	**4,288,634**

Capital increase

In 2012 and as part of the Company Savings Plan, the Group carried out a capital increase involving 915,427 new shares issued at a price of €38.21 per share (see Note 29 of the Notes to the consolidated financial statements).

Note 20. Current and non-current financial debt and Net debt

The structure of the Group's current and non-current financial debt as of December 31, 2011 and 2012, as well as the changes from December 31, 2011 to December 31, 2012 are as follows:

		Movements during the period					
(in € millions)	As of December 31, 2011	Bond issue or net increase of other item	Bond repayment or net decrease of other item	Transfer to current portion	Translation adjustments	Other [e]	As of December 31, 2012
Bonds [a] [b]	*217*	*-*	*(173)*	*193*	*30*	*-*	*267*
Commercial paper [b]	*852*	*1*	*-*	*-*	*-*	*-*	*853*
Other financing and other debts [a] [c]	*796*	*-*	*(156)*	*147*	*(11)*	*(119)*	*657*
Financing [a]	1,865	1	(329)	340	19	(119)	1,777
Derivatives – liabilities [a]	-	-	-	-	(66)	75	9
Financing and derivatives – liabilities [a]	1,865	1	(329)	340	(47)	(44)	1,786
Liabilities related to put options granted to non-controlling interests [a]	-	-	-	-	-	1,390	1,390
Current financial debt	**1,865**	**1**	**(329)**	**340**	**(47)**	**1,346**	**3,176**
Bonds [b] [d]	*3,155*	*1,530*	*-*	*(193)*	*(197)*	*-*	*4,295*
Other financing and other debts [c] [d]	*276*	*54*	*-*	*(147)*	*1*	*(37)*	*147*
Financing [d]	3,431	1,584	-	(340)	(196)	(37)	4,442
Derivatives – liabilities [d]	113	-	-	-	(14)	(76)	23
Financing and derivatives – liabilities [d]	3,544	1,584	-	(340)	(210)	(113)	4,465
Liabilities related to put options granted to non-controlling interests [d]	3,622	-	-	-	-	(1,741)	1,881
Non-current financial debt	**7,166**	**1,584**	**-**	**(340)**	**(210)**	**(1,854)**	**6,346**
Financial debt	**9,031**	**1,585**	**(329)**	**-**	**(257)**	**(508)**	**9,522**

(a) Less than one year portion.
(b) Financing managed at the Company level.
(c) Subsidiaries' bank financing and other financing, debts related to finance lease.
(d) More than one year portion.
(e) Other movements correspond mainly to (i) the classification as current of the liabilities related to put options granted to non-controlling interests (see Notes 21 and 26 of the Notes to the consolidated financial statements) and (ii) the €351 million decrease explained in Note 19 of the Notes to the consolidated financial statements.

The €1,741 million decrease in the non-current portion of put options granted to non-controlling interests was due to the classification as current of the debt related to these options in the amount of €1,390 million (see Notes 21 and 26 of the Notes to the consolidated financial statements) and the €351 million decrease described in Note 19 of the Notes to the consolidated financial statements.

Bonds

2012 transactions

In order to diversify its sources of financing and extend the average maturity of its debt while taking advantage of favorable market conditions, the Group carried out the following transactions (see Note 30 of the Notes to the consolidated financial statements) in 2012:

- US dollar bond issue in the United States totaling USD 850 million, initiated on May 29, with a 2022 maturity and 3% coupon;
- Euro bond issue under its EMTN program on November 27, for a total nominal amount of €750 million and maturing in 2017;
- several private placement issues under its EMTN program for an aggregate nominal amount of €95 million.

Also, two bond issues under the EMTN program matured in 2012: the first for a nominal amount of €50 million and the second for a nominal amount of CHF 200 million (equivalent to €173 million).

2011 transactions

In order to diversify its sources of financing and extend the average maturity of its debt while taking advantage of favorable market conditions, the Group carried out the following transactions as part of its EMTN program:

- Euro bond issue under its EMTN program on September 27 with a nominal amount of €500 million and maturing in 2016;
- several private placement issues with an aggregate nominal amount of €322 million.

Also, €912 million in bond issues under the EMTN program reached maturity in 2011.

Change in net debt

The Group's net debt decreased by €341 million in 2012 to reach €6,292 million as of December 31, 2012.
Net debt as of December 31, 2011 and 2012 is as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
Non-current financial debt	7,166	6,346
Current financial debt	1,865	3,176
Short term investments	(1,114)	(1,748)
Cash and cash equivalents	(1,027)	(1,269)
Derivatives – assets	(257)	(213)
Net debt	**6,633**	**6,292**

Liabilities related to put options granted to non-controlling interests

The Group granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. These financial liabilities do not bear interest. As described in Note 1.19 of the Notes to the consolidated financial statements, these put options are recognized in the consolidated balance sheet under non-current financial liabilities, with the exception of those for which a significant cash outflow is considered likely in the near term.

As of December 31, 2012, financial liabilities related to these options totaled €3,271 million (€3,622 million as of December 31, 2011). A total of €1,390 million is classified as current financial debt while €1,881 million is classified as non-current financial debt:

- the main commitment involves Danone Spain (see Note 21 of the Notes to the consolidated financial statements), for €1,695 million as of December 31, 2012, of which €1,305 million is classified as current financial debt;
- as part of the acquisition of the Unimilk group's companies, Danone granted put options to Unimilk's former shareholders. Contractually, these put options are exercisable in full during a period that begins in 2014 and expires on December 31, 2022. They are valued mainly on the basis of an earnings multiple. As of December 31, 2012, the commitment related to these put options totaled €976 million (€856 million as of December 31, 2011) and was classified under non-current financial debt;
- the other options granted to non-controlling interests totaled €601 million as of December 31, 2012 (€613 million as of December 31, 2011). They are exercisable (i) at any time for an aggregate amount of €533 million and (ii) beginning in 2014, at different dates for an aggregate amount of €68 million.

Note 21. Current and non-current financial debt relating to the put options granted to non-controlling interests in Danone Spain

During the first six months of 2012, two minority shareholders of Danone Spain holding a total ownership of 8.5% of Danone Spain and holding put options for a cumulated amount totaling €461 million as of June 30, 2012, agreed with the Group to amend conditions for exercizing their options. According to these agreements, put options were exercised for their total ownership. These acquisitions by the Group had been made with no one-year differed settlement through a cash payment of €91.5 million plus the contribution of 6,110,039 DANONE treasury shares (see Notes 19 and 26 of the Notes to the consolidated financial statements) and representing around 0.95% of Danone's total share capital. The two minority shareholders receiving the DANONE shares in exchange for their interests in Danone Spain have undertaken to hold these shares for a minimum of three years.

Following this purchase completed on July 26, 2012, most of the remaining minority shareholders of Danone Spain hold put options. These options are recognized in Group financial statements as financial debt. As announced in the earnings release for the first half of 2012, the Group began talks with Danone Spain minority shareholders on the terms and conditions of these put options, especially in light of Southern Europe's deteriorating economy and the significant impact this has on Danone Spain.

In that regard, since the beginning of 2013 the Group has repurchased a total of 1,544,227 shares from several Danone Spain minority shareholders, raising its shareholding to 75.0% in Danone Spain. Shares were acquired in exchange for cash payments totaling €87.4 million and for 6,715,266 DANONE treasury shares. An equal number of DANONE shares will be purchased by the Group over the next three months under its share buyback program to offset dilution resulting from this transaction.

These transactions are accretive for Danone earnings per share as of year one, and will have a favorable impact on the Group's net debt of €79 million.

Other minority shareholders, representing around 14% of Danone Spain's share capital, have exercised their put options. Talks with these shareholders are still under way.

Based on these events, the share buyback, option exercise and talks, the Group decided to recognize a portion of the remaining put options (€1,305 million) as short-term financial debt in its financial statements as of December 31, 2012. Put options amounting to €390 million continue to be classified as long-term financial debt, since it is unlikely that they will be exercised within the next 12 months.

Note 22. Trade payables

Trade payables break down as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
Trade account payables	2,634	2,865
Notes payable	72	76
Total	**2,706**	**2,941**

The fair value of trade payables is considered to be close to their carrying amount given the considerable liquidity of these items.

Note 23. Other current liabilities

Other current liabilities as of December 31, 2011 and December 31, 2012 break down as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
Year-end rebates payable to customers	891	900
Personnel, including social charges	496	534
Taxes payable	306	345
State and local authorities	172	184
Refundable containers	88	94
Customer deposits	43	51
Derivatives – liabilities	33	12
Prepayments from customers	17	4
Other	308	312
Total	**2,354**	**2,436**

The Derivatives – liabilities heading corresponds to the fair value of currency hedges related to operations.
The fair value of other current liabilities is considered to be equal to their carrying amount due to the high degree of liquidity of these items.

Note 24. Tax

Income tax

Income before tax and income tax expense

Income before tax and income tax expense for the 2011 and 2012 fiscal years are as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Income before tax of French companies	111	79
Income before tax of non French companies	2,324	2,366
Income before tax	**2,435**	**2,445**
Income tax (expense) income of French companies	(14)	(42)
Income tax (expense) income of non French companies	(542)	(614)
Income tax (expense) Income	**(557)**	**(656)**
Deferred taxes (expense) income of French companies	(4)	15
Deferred taxes (expense) income of non French companies	(65)	(71)
Deferred taxes (expense) income	**(69)**	**(56)**
Income tax and deferred taxes (expense) income	**(626)**	**(712)**
Effective income tax rate	**25.7%**	**29.1%**

Danone forms a tax group with most of its French subsidiaries in which it owns, directly or indirectly, more than 95% of the share capital, enabling taxable profits and losses to be offset subject to certain limits and conditions. Similar tax grouping arrangements exist in other countries, in particular in the United States, the Netherlands, the United Kingdom and Germany.

The tax rate applicable to the French subsidiaries whose sales exceed €250 million was increased to 36.10% in 2011 following the introduction of an additional 5% contribution. This measure was extended in December 2012 for the next two years, *i.e.* until 2014. Nevertheless, the current and deferred tax rate applicable to these companies was maintained at 34.43% since the use of their tax losses carried forward is forecast to extend beyond this two-year period.

Payments in relation to income taxes in 2012 amounted to €633 million (€548 million in 2011).

Effective income tax rate

The Group's effective income tax rate was 29.1% in 2012 (25.7% in 2011). The difference between the effective tax rate and the statutory tax rate in France of 34.43% for the fiscal years 2011 and 2012 is as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Statutory tax rate in France	34.4%	34.4%
Differences between French and foreign tax rates	(11.4%)	(11.0%)
Effect of gains/losses on disposal and impairment charges	0.5%	0.5%
Tax corrections – taxes without basis	(0.5%)	0.9%
Permanent differences	1.1%	1.5%
Tax losses and tax loss carryforwards	0.6%	1.3%
Other differences [(a)]	1.0%	1.5%
Effective income tax rate	**25.7%**	**29.1%**

(a) Comprises the share of the expense and charges and the withholding tax in respect of dividends and royalties as well as tax credits.

Deferred taxes

Deferred taxes are recognized to reflect temporary differences between the carrying amounts and tax bases of assets and liabilities, as explained in Note 1.15 of the Notes to the consolidated financial statements. The significant components of deferred tax assets and liabilities are as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
Intangible and tangible assets	(1,177)	(1,286)
Tax loss carryforwards	503	434
Provisions for retirements and other long term benefits	108	157
Employee profit-sharing provisions	18	24
Restructuring provisions	5	6
Other	126	157
Net deferred taxes	**(417)**	**(508)**
Deferred tax assets	691	694
Deferred tax liabilities	(1,108)	(1,202)
Net deferred taxes	**(417)**	**(508)**

As of December 31, 2012, deferred taxes recognized in respect of tax losses mainly related to France and the United States.

The change in net deferred taxes recorded in the consolidated balance sheet is as follows:

	As of December 31	
(in € millions)	**2011**	**2012**
As of January 1	**(429)**	**(417)**
Changes recognized in other comprehensive income	20	(10)
Changes recognized in profit or loss	(69)	(56)
Changes in consolidation scope	1	(16)
Other	60	(9)
As of December 31	**(417)**	**(508)**

Tax losses carried forward

As of December 31, 2012, tax losses carried forward amounted to €1,315 million (€1,514 million as of December 31, 2011) and the corresponding deferred tax assets amounted to €434 million. They mainly resulted from the losses of the tax groups in France and the United States.

The new tax measures under France's 2013 Finance Act do not jeopardize the previously recognized deferred tax assets.

As of December 31, 2012, tax losses carried forward and tax credits not yet used and that have not given rise to the recognition of deferred tax assets totaled €511 million (€446 million as of December 31, 2011) and represented €125 million in potential tax savings. At each closing, the Group reviews the unused tax losses and the amount of deferred tax assets recognized on the balance sheet.

The Company and its subsidiaries may be subject to tax audits. A provision is recognized in the financial statements whenever it is probable that a tax reassessment will be made.

Note 25. Other provisions and non-current liabilities and legal and arbitration proceedings

Other provisions and non-current liabilities

Other provisions and non-current liabilities are as follows:

(in € millions)	As of December 31, 2011	Movements during the period					As of December 31, 2012
		Increase	Decrease (utilized)	Decrease (not utilized)	Translation adjustments	Other	
Restructuring provisions	28	14	(12)	-	-	2	32
Other provisions for risks and charges	497	113	(41)	(36)	(5)	2	530
Investment subsidies	9	6	-	-	-	(3)	12
Total	**534**	**133**	**(53)**	**(36)**	**(5)**	**1**	**574**

Other provisions and non-current liabilities also include the short-term portion due in less than one year since it is deemed immaterial. It totaled €74 million as of December 31, 2012 (€42 million as of December 31, 2011).

Other provisions for risks and charges consist mainly of provisions for legal, financial and tax risks as well as provisions for multi-year variable compensation granted to some employees.

Changes to Other provisions and non-current liabilities for 2012 are as follows:

- increases result primarily from lawsuits against the Company and its subsidiaries in the normal course of business;
- decreases occur when corresponding payments are made or when the risk is considered extinguished. Unused decreases relate mainly to reassessments and situations where some risks, notably tax risks, cease to exist;
- other changes correspond primarily to reclassifications and changes in scope.

Legal and arbitration proceedings

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

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

Note 26. Information on consolidated cash-flows

The cash-flows described hereafter correspond to items presented in the consolidated balance sheet. However, these flows may differ from changes in assets and liabilities, mainly as a result of the rules for (i) translating transactions in currencies other than the functional currency (ii) translating the financial statements of companies with a functional currency other than the euro (see Note 1.4 of the Notes to the consolidated financial statements) and (iii) changes in scope.

Cash-flows provided by (used in) operating activities

Cash-flows from operating activities for the 2011 and 2012 fiscal years are detailed as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Net income	**1,855**	**1,787**
Share of profits of associates	(46)	(54)
Dividends received from associates	30	35
Depreciation and amortization	637	670
Other components of net income with no cash impact	63	113
Other components of net income with a cash impact	(96)	(26)
Cash flows provided by operating activities, excluding changes in net working capital	**2,443**	**2,525**
(Increase) decrease in inventories	(92)	(52)
(Increase) decrease in trade receivables	(125)	49
Increase (decrease) in trade payables	306	274
Change in other receivables and payables	73	62
Change in working capital requirements	162	333
Cash flows provided by (used in) operating activities	**2,605**	**2,858**

Other components of net income with a cash impact correspond mainly to the amount of accrued interests as of December 31 of the previous year and paid out during the current year. The amount of accrued interest as of December 31, 2011 and paid out in 2012 was €(26) million (compared to €(96) million as of December 31, 2010 and paid out in 2011).

Other components of net income with no cash impact are as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
(Gains) losses on disposal and impairment of property, plant and equipment	(50)	(98)
Increase in (reversals of) provisions and deferred taxes	(16)	119
Expense relating to stock-options and Group performance shares	22	22
Interest expense not yet paid	68	15
Other [(a)]	39	55
Total	**63**	**113**

(a) Including goodwill impairment totaling €43 million as of December 31, 2012.

Proceeds from disposals of property, plant and equipment pertain to property, plant and equipment and intangible assets used for operations (see Note 6 of the Notes to the consolidated financial statements).

Cash-flows provided by (used in) investing activities

Cash-flows used in investing activities for the 2011 and 2012 fiscal years are detailed as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Capital expenditure	(885)	(976)
Proceeds from disposal of property, plant and equipment	152	193
Net cash outflow on purchases of subsidiaries and financial investments [(a)]	(60)	(291)
Net cash inflow on sales of subsidiaries and financial investments [(a) (b)]	23	4
(Increase) decrease in long-term loans and other long-term assets	3	(1)
Cash-flows provided by (used in) investing activities	**(767)**	**(1,071)**

(a) See Note 2 of the Notes to the consolidated financial statements.
(b) Including net debt as of disposal date.

Capital expenditure and proceeds from disposal of property, plant and equipment pertain to intangible assets and property, plant and equipment used for operations (see Note 6 of the Notes to the consolidated financial statements).

Capital expenditures totaled €976 million in 2012 (€885 million in 2011), representing 4.7% of consolidated net sales in 2012 (4.6% in 2011).

Financial asset acquisition and divestment transactions are described in Note 2 of the Notes to the consolidated financial statements.

Cash-flows provided by (used in) financing activities

Cash-flows used in financing activities for the 2011 and 2012 fiscal years are detailed as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Increase in issued capital and additional paid-in capital [(a)]	37	35
Purchases of treasury shares (net of disposals) and of DANONE call options [(a) (b)]	(659)	(701)
Dividends paid to Danone shareholders [(a)]	(783)	(835)
Transactions with non-controlling interests	(214)	(339)
Net cash-flows on hedging derivatives	(20)	(70)
Bonds issued or raised during the period [(c)]	822	1,530
Bonds repaid during the period [(c)]	(912)	(173)
Increase (decrease) in other current and non-current financial debt [(c)]	(158)	(100)
Increase (decrease) in short term investments	23	(831)
Cash-flows provided by (used in) financing activities	**(1,864)**	**(1,484)**

(a) See Note 19 of the Notes to the consolidated financial statements.
(b) DANONE call options purchased by the Company.
(c) See Note 20 of the Notes to the consolidated financial statements.

In 2012, purchases of treasury shares (net of disposals) and of DANONE call options included the purchase of 14.2 million DANONE shares for acquisition purposes, as part of the Company's €701 million share buyback program, including 6.1 million shares purchased to offset the dilution related to the transaction involving Danone Spain (see Notes 19 and 21 of the Notes to the consolidated financial statements).

In 2012, transactions with non-controlling interests are as follows:

- payment of €137 million related to buy-outs of non-controlling interests (see Note 2 of the Notes to the consolidated financial statements): this amount included €91.5 million paid in cash as consideration for a portion of the purchase price for Danone Spain shares acquired from non-controlling shareholders of this subsidiary (see Notes 19 and 21 of the Notes to the consolidated financial statements);
- dividend payments of €202 million.

In 2011, transactions with non-controlling interests included in particular €197 million in dividend payments.

Note 27. Retirement obligations and other long-term benefits

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

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

Actuarial assumptions

To perform the actuarial estimates, basic assumptions have been determined for each country and assumptions specific to the entities have been taken into account, in particular relating to staff turnover. The main actuarial assumptions adopted for the calculation of the commitments are as follows:

	Europe (excluding United Kingdom)		United Kingdom		North America		Asia Pacific		Rest of the World	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Discount rate	3.50%-4.90%	3.00%-3.5%	4.80%	4.25%	4.75%	4.25%-4.50%	1.00%-9.25%	2.00%-7.25%	6.00%-7.5%	2.25%-9.00%
Expected return on plan assets (a)	4.00%-5.52%	3.50%-5.75%	5.50%	5.50%	7.50%	7.50%	9.00%	8.75%	8.40%	3.75%-6.75%
Salary growth rate	3.00%-5.00%	2.25%-5.00%	3.5%	3.00%-3.33%	4.50%	4.50%	8.00%-9.00%	3.00%-10.00%	2.75%-9.00%	2.50%-7.00%
Retirement age	55-67 years	61-67 years	65 years	65 years	63 years	63 years	55-60 years	55-60 years	57-60 years	56-67 years

(a) The expected rate of return on plan assets is determined using the historical rates of return on the investment portfolio.

The real return on plan assets was €37 million in 2012.

The discount rates used in 2012 were obtained on the basis of investment grade (AA rating) bond yields of private issuers for durations equivalent to that of the commitment in the corresponding monetary areas. The level of quality used is assessed on the basis of the rating obtained from the leading financial rating agencies. In the case of illiquid markets, the discount rate is determined using government bonds of equivalent maturity to the term of the assessed plans.

A 50-basis-point decrease in the discount rate applied to 2012 would increase the Group's gross commitment by approximately €88 million. Conversely, a 50-basis-point increase in the discount rate would reduce the Group's gross commitment by approximately €80 million.

Commitments related to defined benefit plans for which provisions are recognized on the balance sheet

The following table reconciles the obligations of Group companies' plans with the provision recognized in the consolidated balance sheet as of December 31, 2012 and 2011. The commitments relating to the French subsidiaries are presented separately from the foreign subsidiaries due to their materiality.

	As of December 31					
			2011			**2012**
(in € millions)	**France**	**Other countries**	**Total**	**France**	**Other countries**	**Total**
Defined benefit obligation	397	509	906	489	538	1,027
Fair value of plan assets	(215)	(244)	(459)	(218)	(218)	(436)
Defined benefit obligation in excess of plan assets	**182**	**265**	**447**	**271**	**320**	**591**
Unrecognized past service costs	-	(3)	(3)	-	(1)	(1)
Net accrued obligation	**182**	**262**	**444**	**271**	**319**	**590**

Changes in provisions for defined benefit plans can be detailed as follows:

(in € millions)	Defined benefit obligation	Fair value of plan assets	Unrecognized past service costs	Net accrued obligation
As of January 1, 2011	**863**	**(464)**	**(3)**	**396**
Service cost	28	-	-	28
Interest cost	40	-	-	40
Expected return on plan assets	-	(24)	-	(24)
Other	1	-	-	1
Expense for the year	69	(24)	-	45
Payments made to retirees	(45)	25	-	(19)
Contributions to plan assets	-	(12)	-	(12)
Actuarial gains and losses	12	15	-	26
Translation adjustments	6	(3)	-	3
Other	1	4	-	4
As of December 31, 2011	**906**	**(459)**	**(3)**	**444**

(in € millions)	Defined benefit obligation	Fair value of plan assets	Unrecognized past service costs	Net accrued obligation
As of January 1, 2012	**906**	**(459)**	**(3)**	**444**
Service cost	29	-	-	29
Interest cost	40	-	-	40
Expected return on plan assets	-	(22)	-	(22)
Other	-	-	-	-
Expense for the year	69	(22)	-	47
Payments made to retirees	(40)	23	-	(17)
Contributions to plan assets	-	(18)	-	(18)
Actuarial gains and losses	155	(15)	-	140
Translation adjustments	(6)	1	-	(5)
Other	(57)	54	2	(1)
As of December 31, 2012	**1,027**	**(436)**	**(1)**	**590**

The Other heading corresponds mainly to the settlement of the pension plan of Danone Trading B.V. (Baby Nutrition – Netherlands) following the transfer of rights and obligations under this plan to an insurance company.

The change in the commitment for which a provision has been recognized on the balance sheet since 2008 is as follows:

					As of December 31
(in € millions)	2008 Reported [(a)]	2009 Reported [(a)]	2010 Reported [(a)]	2011 [(b)]	2012 [(b)]
Defined benefit obligation	635	743	863	906	1,027
Fair value of plan assets	(404)	(440)	(464)	(459)	(436)
Actuarial gains and losses [(c)] and past service costs	(23)	(84)	(3)	(3)	(1)
Net accrued obligation	**208**	**219**	**396**	**444**	**590**

(a) Partial recognition of actuarial gains and losses in application of the corridor method, the method used until 2010 (in the non-restated financial statements).
(b) Full recognition of actuarial gains and losses (see Note 1.16 of the Notes to the consolidated financial statements).
(c) Actuarial gains and losses have been fully recognized since 2010.

Defined benefit plan assets

The Group's investment policy for plan assets depends, for each company, on the employees' age structure and the expected return on the different asset classes.

	As of December 31	
(in percentage)	**2011**	**2012**
Main class of plan assets		
Debt securities	60%	61%
Shares	24%	17%
Real estate and other class assets	16%	22%

As of December 31, 2012, debt securities comprised approximately 61% of plan assets. The plan assets are diversified and, in particular, exposure to a given sovereign credit risk is limited. Moreover, these plan assets do not include any financial instrument issued by the Group.

Finally, the real average return on plan assets in France was 5.91% in 2012, compared with 4.69% in 2011.

Obligations related to other long-term benefits for which provisions are recognized on the balance sheet

Other long-term benefits are classified under Provisions for retirement obligations and other long-term benefits (see Note 1.16 of the Notes to the consolidated financial statements).

The provision amount recognized on the balance sheet for these other long-term benefits was €18 million as of December 31, 2012, compared with €14 million the previous year.

Defined contribution plans

The total amount of contributions paid in to defined contribution plans was €49 million in 2012 (compared with €36 million in the year ended December 31, 2011).

Note 28. Personnel and compensation

Group personnel costs (including payroll taxes and related charges) amounted to €2,851 million in 2012 (€2,694 million in 2011).

As of December 31, 2012 and 2011, the number of employees at fully-consolidated entities is as follows:

	As of December 31	
	2011	**2012**
Total number of employees	**101,885**	**102,401**
By geographic area		
France	9%	9%
Rest of Europe	36%	32%
China	9%	9%
Rest of Asia-Pacific	15%	17%
North and South America	26%	27%
Africa and Middle East	5%	6%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	47%	45%
Waters	36%	36%
Baby Nutrition	11%	12%
Medical Nutrition	5%	6%
Corporate functions	1%	1%
Total	**100%**	**100%**

Note 29. Stock-options and Group performance shares granted to certain employees and executive directors and officers, Company Savings Plan

Group performance shares (GPS)

Nature of the plans

Since the Combined Shareholders' Meeting of April 22, 2010, the Board of Directors has been authorized to grant DANONE shares to certain Group senior managers and executives.

These grants are subject to performance conditions adapted to the specific nature of the Group's activity, namely consolidated sales and free cash-flow growth over two consecutive years on a like-for-like basis, *i.e.* adjusted for changes in scope and exchange rates. The share allocations now replace the stock-options that the Board of Directors had previously been authorized to grant.

If the performance conditions are satisfied, the share allocations become definitive and are delivered in the form of Company shares following a vesting period of 3 to 4 years, to which a holding period of 2 years may be added during which the acquired shares may not be sold.

Plans in effect as of December 31, 2011 and 2012

The main characteristics of the Group performance share plans and the positions as of December 31, 2011 and 2012 are presented in the table hereafter:

GPS plans outstanding										**Total**
Shareholders' Meeting authorizing the GPS						04/22/10			04/26/12	
GPS authorized by the Shareholders' Meeting [(a)]						2,587,963			2,568,986	
of which, GPS not granted						*1,229,737*			*1,784,674*	
Board of Directors meeting authorizing the GPS	07/26/10	07/26/10	04/28/11	04/28/11	10/20/11	10/20/11	07/26/12	07/26/12	10/23/12	
Plans	"3+2"	"4+0"	"3+2"	"4+0"	"3+2"	"4+0"	"3+2"	"4+0"	"4+0"	
Number of GPS granted	**266,900**	**377,665**	**276,023**	**420,288**	**11,000**	**6,350**	**334,406**	**446,506**	**3,400**	**2,142,538**
GPS characteristics										
Delivery date	07/27/13	07/27/14	04/29/14	04/29/15	10/21/14	10/21/15	07/27/15	07/27/16	10/24/16	
Retention period [(b)]	2 years	-	2 years	-	2 years	-	2 years	-	-	
Performance conditions [(c)]	Conditions determined at the February 10, 2010 Board meeting: – average (arithmetic) annual growth in consolidated sales of 5% over two fiscal years; – average (arithmetic) annual growth in free cash-flow of 10% over two fiscal years.						Conditions determined at the February 14, 2012 Board meeting: – growth in sales equal to or greater than the median sales of the Panel over the 2012, 2013 and 2014 fiscal years; – achievement of a consolidated free cash-flow level of at least €2 billion per year on average over the 2012 and 2013 fiscal years.			
Review to determine whether performance conditions have been achieved	Achievement for the two fiscal years determined by the February 14, 2012 Board of Directors' meeting (average growth in 2010 and 2011 (i) of consolidated sales of 7.3% and (ii) of free cash-flow of 14.3%).	Achievement for the two fiscal years determined by the February 18, 2013 Board of Directors' meeting (average growth in 2011 and 2012 (i) of consolidated sales of 6.6% and (ii) of free cash-flow of 11.7%).					The review to determine whether these various criteria have been achieved will be performed in 2014 by the Board of Directors following the recommendation of the Nomination and Compensation Committee.			
Changes in 2012 and situation as of December 31, 2012										**Total**
GPS as of December 31, 2011	**257,557**	**347,667**	**275,373**	**390,063**	**11,000**	**6,350**	**-**	**-**	**-**	**1,288,010**
GPS granted in 2012	-	-	-	-	-	-	334,406	446,506	3,400	784,312
Void or cancelled GPS in 2012	(8,685)	(25,853)	(10,976)	(27,027)	-	(1,250)	(1,650)	(5,580)	-	(81,021)
Shares delivered in 2012	-	(100)	-	(200)	-	-	-	-	-	(300)
GPS as of December 31, 2012	**248,872**	**321,714**	**264,397**	**362,836**	**11,000**	**5,100**	**332,756**	**440,926**	**3,400**	**1,991,001**
of which, GPS granted to members of the Executive Committee [(d)]	*124,750*	*21,150*	*137,000*	*24,300*	*11,000*	*4,000*	*202,000*	*40,000*	-	*564,200*
of which, number of Executive Committee beneficiaries	*6*	*3*	*6*	*3*	*2*	*1*	*7*	*3*	-	
Number of beneficiaries [(e)]		**1,372**		**1,449**		**5**		**1,523**	**5**	

(a) Authorization expressed as a percentage of the Company's share capital.
(b) The retention period starts on the delivery date and applies only to plans "3+2" whose beneficiaries are subject to the French system of social security contributions.
(c) Conditions other than continuing employment.
(d) Note that all GPS granted to the members of the Executive Committee are subject to performance conditions.
(e) Cumulated number of beneficiaries for both plans "3+2" and "4+0" granted by the Board of Directors.

Valuation of Group performance shares

As indicated in Note 1.24 of the Notes to the consolidated financial statements, Group performance shares are measured at fair value as of the plan attribution date, based on assumptions determined by management. The Group performance shares granted in 2012 were measured using the following main assumptions:

	Year ended December 31	
	2011	**2012**
French plan		
Risk-free interest rate	2.7%	0.7%
Vesting period	3 years	3 years
Retention period	2 years	2 years
Refinancing rate	4.8%	4.8%
Expected dividend [(a)]	3.1%	3.4%
International plan		
Risk-free interest rate	2.7%	1.1%
Vesting period	4 years	4 years
Retention period	-	-
Refinancing rate	4.8%	4.8%
Expected dividend [(a)]	3.1%	3.4%

(a) Expected dividend yield relative to the DANONE share price at the time of the plan's establishment.

In 2012, the risk-free interest rate was based on that of French government bonds (OATs) with a term equivalent to that of the assessed option as of the grant date. In 2011, the risk-free interest rate corresponded to the euro zone iBoxx index with a maturity of 1 to 3 years.

In 2012 as in 2011, the refinancing rate corresponded to the employees' borrowing rate over the period.

In 2012, the weighted average value of Group performance shares granted to certain employees and executive directors and officers was €42.04 per share.

Stock-options

Plan characteristics

Up until the Combined Shareholders' Meeting of April 22, 2010, the Board of Directors was authorized to grant stock options to certain Group senior managers and executives. These options were granted with an exercise price that could not be lower than the minimum price authorized under French law, they vested after a period of between 2 and 4 years and expired no later than 8 years from the grant date.

The main characteristics of the stock-option plans as of December 31, 2012 are presented in the table hereafter and take into account:

- the two-for-one stock splits that occurred in June 2000, June 2004 and June 2007;
- adjustments made (subsequent to the capital increase on June 25, 2009) on the one hand retrospectively, to the number of stock-options and, on the other hand, to the exercise prices of the plans in existence at that date. The adjustment coefficient was determined (in accordance with Article L. 225-149-1 of the French commercial code) by comparing stock price of €46.33 before detachment of the preferential subscription rights attached to the capital increase with the price of €43.71 after detachment of this right.

The capital increase on June 25, 2009 and changes made to the stock-option plans in existence at that date had no impact on the expense (determined in accordance with IFRS 2) for these plans.

The Shareholders' Meeting decided that the authorization to grant Group performance shares (see above) cancelled, with respect to the currently unused portion, the authorization given by the Shareholders' Meeting of April 23, 2009 in its 30th resolution to grant stock purchase and/or subscription options.

Plans in effect as of December 31, 2011 and 2012

The main characteristics of the stock-option plans and their situations as of December 31, 2011 and 2012 are presented in the table hereafter:

Stock-option plans outstanding															**Total**
Shareholders' Meeting authorizing the stock-options			04/11/03					04/22/05					04/26/07	04/23/09	
Stock-options authorized by the Shareholders' Meeting			8,000,000 [b]					6,000,000 [b]					6,000,000 [b]	6,000,000	
of which, stock-options not granted			*1,762,184* [c]					*1,497,900* [c]					*476,942* [c]	*5,979,600*	
Board of Directors' meeting authorizing the stock-options	04/15/04	10/13/04	04/22/05	08/05/05	10/18/05	04/27/06	10/16/06	04/26/07	10/19/07	12/17/07	04/29/08	10/21/08	04/23/09	10/20/09	
Stock-options granted [a]	**3,976,442**	**93,916**	**2,411,983**	**29,680** [d]	**27,136**	**2,045,853**	**36,040**	**2,633,517**	**28,408**	**327,078**	**2,762,403**	**31,941**	**2,704,611**	**20,400**	**17,129,408**
Stock-options characteristics															
First exercise date [e]	04/16/06	10/14/06	04/23/07	08/06/07	10/19/07	04/27/10	10/16/10	04/26/11	10/19/11	12/18/09	04/29/11	10/21/11	04/23/13	10/20/13	
Expiry date	04/15/12	10/13/12	04/22/13	07/20/13	10/18/13	04/26/14	10/15/14	04/25/15	10/18/15	12/16/15	04/28/16	10/20/16	04/22/17	10/19/17	
Exercise price	31.80	30.22	35.43	38.95	42.53	46.92	52.40	57.54	52.33	56.57	53.90	43.71	34.85	40.90	
Changes in 2012 and situation as of December 31, 2012															**Total**
Stock-options as of December 31, 2011	**1,004,448**	**24,062**	**1,576,368**	**11,800**	**21,624**	**1,822,988**	**30,528**	**2,345,886**	**20,140**	**250,064**	**2,352,440**	**27,913**	**2,385,342**	**19,200**	**11,892,803**
Void or cancelled stock-options in 2012	(108,093)	(1,272)	-	-	-	(16,642)	(1,484)	(66,462)	(4,240)	(13,131)	(81,054)	(2,120)	(100,690)	(800)	(395,988)
Stock-options exercised in 2012	(896,355)	(22,790)	(532,554)	(10,300)	(9,752)	(155,229)	-	-	-	-	-	(3,604)	-	-	(1,630,584)
Stock-options as of December 31, 2012	**-**	**-**	**1,043,814**	**1,500**	**11,872**	**1,651,117**	**29,044**	**2,279,424**	**15,900**	**236,933**	**2,271,386**	**22,189**	**2,284,652**	**18,400**	**9,866,231**
of which, stock-options granted to members of the Executive Committee	-	-	*378,494*	-	-	*403,860*	-	*623,704*	-	-	*623,810*	-	*554,380*	-	*2,584,248*
of which, number of Executive Committee beneficiaries	-	-	*6*	-	-	*7*	-	*7*	-	-	*9*	-	*9*	-	

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.
(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.
(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.
(d) The July 20, 2005 Board of Directors meeting authorized the grant of the equivalent of 29,680 stock-options after adjusting for the impact of the June 25, 2005 increase. This grant was made by delegation of authority on August 5, 2005.
(e) The first exercise date corresponds to the end of the vesting period.

In 2012, the average price of DANONE shares was €49.86.

Expense related to Group performance shares and stock-options

The expense incurred in connection with stock-options and Group performance shares in the 2011 and 2012 fiscal years are as follows:

	Year ended December 31	
(in € millions)	**2011**	**2012**
Stock-options	11	5
Group performance shares	11	17
Total	**22**	**22**

The expense incurred corresponded to the fair value of these stock-options and Group performance shares pursuant to IFRS2. See Note 1.24 of the Notes to the consolidated financial statements.

Company Savings Plan

Employees of the Group's French entities can, on an annual basis, subscribe a capital increase in the Company through a Company Savings Plan. The purchase price of the shares corresponds to 80% of the average DANONE share price over the 20 days preceding the meeting of the Board of Directors that approves the plan.

In 2012, under the terms of the Company Savings Plan, the Group implemented a capital increase involving 915,427 new shares issued at a price of €38.21 per share.

The benefit granted to the employees is calculated based on the fair value of the shares on the grant date. The fair value is calculated after taking into account the five-year holding period on these shares and the market parameters applicable to employees, in particular the borrowing rate. The fair value of the shares issued in 2012 under the terms of the Company Savings Plan was calculated based on a DANONE share price of €47.757, a 1.5% risk-free interest rate and a 4.8% employees' five-year borrowing rate. No expense is recognized, in accordance with the provisions of the notice issued by the French national accounting council (*Conseil National de la Comptabilité* – CNC) on December 21, 2004.

Note 30. Financial market risks and derivative instruments

In the course of its activity, the Group is exposed to financial risks, notably foreign exchange, financing and liquidity, as well as interest rate, counterparty and securities risks.

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

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

The Group is also exposed to price volatility and to a potential shortage of the commodities that it purchases, mainly to produce its finished products. To manage this exposure, the Group has implemented a commodity purchasing policy (Market Risk Management). The impact of a price change in the two main commodity categories on the Group's annual cost of purchases is presented hereafter in the section headed *Commodities risk*.

Foreign exchange risk

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

- in relation to its operating activities: the sales and operating expense of the subsidiaries of the Fresh Dairy Products Division and most of the subsidiaries of the Group's Waters Division are expressed primarily in their country's domestic currency. However, certain imports (especially raw materials and intra-group finished goods) and exports (intra-group finished goods) are expressed in other currencies. Also, due to the limited number of production units in the world, the subsidiaries of the Medical Nutrition and Baby Nutrition Divisions and certain Waters Division subsidiaries frequently use intra-group imports denominated in a currency other than their functional currency. The sales and operating margin of certain Group subsidiaries are therefore exposed to fluctuations in exchange rates against their functional currency;
- in relation to its financing activities: pursuant to its risk centralization policy, the Group manages multi-currency financings and liquidities;
- when translating into euros the financial statements of subsidiaries denominated in a foreign currency: sales and the trading operating income are generated in currencies other than the euro. Consequently, fluctuations in exchange rates of foreign currencies against the euro may have an impact on the Group's income statement. These fluctuations also have an impact on the carrying amount in the consolidated balance sheet of assets and liabilities denominated in currencies other than the euro.

Exposure to foreign exchange risk related to operations

Consistent with its policy of hedging operating foreign exchange risk, the Group's post-hedging residual exposure is significantly reduced throughout the year.

The Group uses forward currency contracts and currency options to reduce its exposure.

As of December 31, 2012, the main hedged currencies in terms of value include the british pound, US dollar, australian dollar, russian ruble and mexican peso.

The Group mainly applies cash-flow hedge accounting.

Based on pending transactions as of December 31, 2012, the Group's residual exposure after hedging of exchange risks on its highly probable commercial operating transactions is significantly reduced for 2013.

Portfolio of foreign exchange derivative instruments related to operations

The following table shows the net nominal amount of the derivative instruments established to hedge these main currencies as of December 31, 2011 and 2012:

										As of December 31
(in € millions)					2011					2012
(Sales)/Purchases of currencies	GBP	USD (c)	AUD (c)	RUB (c)	MXN (c)	GBP	USD (c)	AUD (c)	RUB (c)	MXN (c)
Forward contracts, net (a)	(267)	314	(6)	(158)	(149)	(341)	259	(21)	(163)	(150)
Currency options, net (b)	(281)	(63)	179	-	-	(169)	(76)	145	-	–
Total	**(547)**	**251**	**173**	**(158)**	**(149)**	**(509)**	**183**	**124**	**(163)**	**(150)**

(a) Nominal amount based on closing spot rates.
(b) Nominal amount based on the strike price. Includes in- and out-of-the-money options.
(c) Transactions denominated with the euro or other currencies as counterpart.

The fair value of foreign exchange derivative instruments related to operations totaled €11.1 million and €25.4 million as of December 31, 2012 and 2011, respectively.

The amount recognized in equity in respect of instruments eligible as cash-flow hedges totaled €8 million and negative €(1) million as of December 31, 2012 and 2011, respectively.

Sensitivity of equity and net income to changes in the fair value of currency derivative instruments related to operations

A change in the fair value of the derivative financial instruments hedging the operating foreign exchange risk, induced by a change in foreign exchange rates, could impact the Group's equity and net income: the impact recognized in profit or loss relates to the time value and swap point variations, when they are excluded from the hedging relationship, as well as to transactions to which hedge accounting is not applied.

A 10% fluctuation of the euro against the following principal currencies with exchange rate exposure as of the closing date, applied to outstanding transactions, would have resulted in an increase (decrease) in equity and net income of the Group by the following amounts (at constant volatility and interest rates):

				As of December 31
		2011		2012
(in € millions)	Equity	Gain (loss)	Equity	Gain (loss)
10% increase in EUR				
GBP	33	3	46	(2)
USD (a) (b)	7	3	9	
AUD (a) (b)	-	-	2	-
RUB (a) (b)	14	-	14	-
MXN (a) (b)	2	-	2	-
10% decrease in EUR				
GBP	(37)	(3)	(42)	(3)
USD (a) (b)	(11)	(1)	(5)	(2)
AUD (a) (b)	-	-	(3)	-
RUB (a) (b)	(17)	-	(17)	-
MXN (a) (b)	(2)	-	(2)	-

(a) In the case of transactions denominated in currencies other than the EUR, the increase or decrease in the EUR is applied simultaneously to the base currency and the secondary currency.
(b) Transactions denominated with the EUR or other currencies as counterpart.

These instruments and the hedged items typically have maturities of less than one year. Consequently the cash-flows will, for the most part, be reflected in the income statement in 2013.

Exposure to foreign exchange risks related to financing, currency translation and assets

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

The Group's policy consists of maintaining the debtor and/or surplus cash positions of Danone and its subsidiaries in their respective functional currencies. Furthermore, in compliance with its policy of managing risks centrally, the Group may manage multi-currency borrowings and surplus cash.

As part of these policies, the Group therefore uses cross-currency swaps. The following table shows the notional and fair value amounts of these instruments:

	As of December 31			
	2011		2012	
(in € millions)	Nominal	Fair value	Nominal	Fair value
Fair value hedge	454	221	331	146
Net investment hedge	544	(73)	768	35
Trading [(a)]	29	(1)	39	-
Total	**1,027**	**147**	**1,138**	**181**

(a) For foreign exchange risk related to financing and to net investment in foreign operations, hedge accounting might not be applied to minor amounts. In such case, both derivatives and underlying are revalued and change in value is recorded in the consolidated income statement.

The amount recognized directly in equity in respect of instruments eligible as net investment hedges totaled €35 million and negative €73 million as of December 31, 2012 and 2011, respectively.

Sensitivity of equity and net income to changes in the fair value of foreign exchange derivative instruments related to financing, currency translation and assets

A change in the fair value of these derivative financial instruments induced by a change in foreign exchange rates at the closing date would not have a significant impact on the Group's equity or net income. Changes in the foreign exchange rates of the financial instruments are offset by changes in the foreign exchange rates on loans and borrowings in hedged currencies or on net foreign investments.

Liquidity risk

Liquidity risk exposure

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

The Group may, however increase its indebtedness to finance acquisitions or as and when required to manage its cash cycle, particularly when dividends are paid to the Company's shareholders.

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

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

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

In those countries where centralized financing is not available, when medium-term financing is unavailable and/or in the case of some existing financings in a company prior to the acquisition by the Group of a controlling interest in it, the Group is exposed to liquidity risk on limited amounts in these countries.

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

The Group's policy is to secure its access to financing while optimizing its financing cost.

Financial security management

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

Group's financing structure and financial security

The Group's financial structure and financial security are managed at the Company level and the financing and security lines are carried by the Company. They consist of:

- bank financing:
  - a syndicated credit facility (revolving) established in July 2011, with a principal amount of €2 billion, maturing July 28, 2017. As of December 31, 2012, the Group had not drawn on this syndicated facility at all;
  - committed credit facilities available but unused: a portfolio of back-up facilities entered into with major credit institutions, with maturities ranging from one to four years, and with a principal amount of €3.3 billion. As of December 31, 2012 (as well as the previous year), the Group had not drawn on these facilities at all.

Overall, the Group has €5.3 billion in committed credit facilities, which were unused as of December 31, 2012.

- capital markets financing:
  - Euro Medium Term Note (EMTN) financing (a €7 billion program in principal) and a bond issued in the U.S. market in June 2012 for a cumulated amount of €4,420 million as of December 31, 2012; since 2011, bonds issued by the Company are disclosed on the Group's Internet website;
  - commercial paper (*Billets de Trésorerie*): a €3 billion program, of which €853 million had been used as of December 31, 2012.

The aforementioned syndicated credit facility, certain bond issues under the EMTN program, the bond issued in the U.S. market in June 2012 and certain committed unused credit facilities include a change of control provision.

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

Moreover, as of December 31, 2012, the Company's debt issues with a maturity of more than one year are rated A3/Stable by Moody's and A-/Stable by Standard & Poor's. The commercial paper issues are rated A2 by Standard & Poor's.

Moreover, the Group had available net cash through its cash and cash equivalents and short-term investments of €3.2 billion as of December 31, 2012, compared with €2.1 billion as of December 31, 2011.

Use of its financing sources

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

Liquidity risk measurement

Projected cash outflows linked to the contractual repayment of the principal amount and contractual interest payments on the financial assets and liabilities, including premiums to be paid on derivative financial instruments, recognized in the Group's consolidated balance sheet as of December 31, 2012, are presented hereafter with their contractual maturity dates and based on the assumption of non-renewal:

(in € millions)	Carrying amount on consolidated balance sheet at December 31, 2012	Cash flows 2013	Cash flows 2014	Cash flows 2015	Cash flows 2016	Cash flows 2017 and after	Cash flows of which the date is unknown
Bonds [a] [b]	4,563	(267)	(618)	(603)	(500)	(2,575)	-
Commercial Paper [a] [f]	853	(853)	-	-	-	-	-
Derivatives – liabilities (fair value) [a] [d] [e] [i]	32	NA	NA	NA	NA	NA	-
Financial debt managed at Corporate level	5,448	(1,120)	(618)	(603)	(500)	(2,575)	-
Subsidiaries' bank financing and other financing [c]	756	(647)	(39)	(21)	(15)	(34)	-
Finance lease commitments [c] [d]	47	(10)	(23)	(3)	(3)	(8)	-
Liabilities related to put options granted to non-controlling interests [g]	3,271	(1,390)	-	-	-	-	(1,881)
Total debt (before flows of financial instruments other than accrued interest)	**9,522**	**(3,167)**	**(680)**	**(627)**	**(518)**	**(2,617)**	**(1,881)**
Interest on above-mentioned debt [d] [h]	-	(141)	(104)	(78)	(63)	(203)	-
Flows on derivatives [d] [e] [h]	-	(33)	(7)	2	2	1	-

(a) Financing managed at the Company level.
(b) Flows determined on the basis of the carrying amount of the bonds as of December 31, 2012 and their contractual maturity date.
(c) Contractual nominal and interest flows.
(d) The floating interest rate is calculated on the basis of the rates applicable as of December 31, 2012.
(e) Net contractual flows, including premiums payable, net flows payable or receivable relating to the exercise of options in the money at the year-end.
(f) The commercial paper issuances are backed-up by available confirmed credit lines. See table hereafter.
(g) The majority of the put options granted to non-controlling interests are exercisable at any time. A cash outflow is considered probable in the short term with respect to some of these options, whose value as of December 31, 2012 totaled €1,390 million (see Note 20 of the Notes to the consolidated financial statements).
(h) Interest flows are net of accrued interest taken into account in the subtotals above.
(i) The amount recognized in the balance sheet represents the market value of these instruments. The flows in respect of these instruments as well as those relating to derivatives – assets are detailed hereafter.

Euro currency swap agreements are used for certain financing arrangements involving foreign currency bonds in order to hedge against exchange rate fluctuations and obtain equivalent financing in euros. As of December 31, 2012, the value of bond financings after swaps totaled €4,420 million, and their carrying amount was €4,563 million. The difference of €143 million corresponds to the fair value of the cross currency swap eligible as a fair value hedge on bond issues swapped into euros and shown on the balance sheet on the heading Derivative instruments – assets.

The sources of financing available at any time established by the Group are composed mainly of committed unused credit facilities carried by the Company. The Group also has other bank credit facilities carried by certain of its subsidiaries. Changes in the amount available on the basis of outstanding transactions as of December 31, 2012 are shown in the table hereafter:

(in € millions)	Amount available as of December 31, 2012	Amount available as of December 31, 2013	Amount available as of December 31, 2014	Amount available as of December 31, 2015	Amount available as of December 31, 2016	Amount available as of December 31, 2017 and after
Credit facilities [a]	5,249	3,879	2,802	2,152	-	-
Other credit facilities [b]	288	-	-	-	-	-

(a) Nominal amount of the portion of the syndicated credit facility and back-up credit facilities managed at the Company level and not drawn as of December 31, 2012.
(b) Nominal amount of the portion not drawn as of December 31, 2012.

Interest rate risk

Interest rate risk exposure

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

Pursuant to IAS 39, *Financial Instruments: Recognition and Measurement*, interest rate fluctuations can have an impact on the Group's consolidated results and equity.

The Group has implemented a policy to monitor and manage this interest rate risk for the purpose of limiting the volatility of its net financial income or expense through the use of hedging instruments.

These derivatives are mainly interest rate swaps and caps and sometimes collars. All these instruments are plain vanilla. The interest rate derivatives are contracted for the purpose of managing interest rate risk and either qualify as hedges or not pursuant to IAS 39.

		As of December 31
(in € millions)	**2011**	**2012**
Instruments classified as cash-flow hedges	(10)	(2)
Instruments not eligible for hedge accounting	3	3
Total	**(7)**	**1**

The amount recognized in equity in respect of derivative instruments qualifying as cash-flow hedges totaled negative €(1) million and negative €(7) million as of December 31, 2012 and 2011, respectively.

4

Sensitivity of net income to changes in the cost of net debt resulting from changes in short-term interest rates

As of December 31, 2012, 71% of the Group's consolidated gross debt after taking into account interest rate hedges in effect and active (see hereafter) on that date is hedged against an increase in short-term interest rates. As a percentage of consolidated net debt (see hereafter), 134% is hedged against an increase in short-term interest rates. As of December 31, 2012, in terms of its consolidated net debt, the Group is therefore exposed to the risk of a decline in short-term rates. The impact on the cost of debt, calculated over a full year, of a change in the short-term interest rate applied to the net debt at year-end, after taking into account the interest rate hedges at that date, is presented in the table hereafter:

		As of December 31
	2011	**2012**
(in € millions)	**Gain (loss)**	**Gain (loss)**
Increase of 25 bps	1	2
Decrease of 25 bps	(1)	(2)

The interest rate hedges in effect and active include (i) fixed-rate borrowings, (ii) interest rate swaps (net) as well as (iii) active option hedges. An option hedge is considered to be active when it is in the money if the increase in short-term rates does not exceed 25 basis points compared to interest rates as of the closing date.

The net debt used to measure the Group's sensitivity to changes in interest rates corresponds to financial debt net of short-term investments, cash and cash equivalents. It excludes the financial liabilities linked to put options granted to non-controlling interests insofar as these are not interest-bearing.

Sensitivity of equity and net income to changes in the fair value of interest rate derivatives

A change in the fair value of interest rate derivatives induced by a change in the yield curve recognized as of the reporting date would have the following impact on the Group's equity and net income:

- impacts recognized in equity relate to the effective portion of the instruments qualifying as hedges of future cash-flows;
- impacts recognized in profit or loss relate to the ineffective portion of the instruments qualifying as hedges of future cash-flows, as well as to the impact of the change in fair value of the instruments not qualifying as hedges.

A change of 25 basis points in interest rates applied to the entire yield curve as of the reporting date and to outstanding transactions as of December 31, 2012 and 2011 would have resulted in an increase (decrease) in equity and net income of the following amounts (at constant foreign exchange rates and volatility):

				As of December 31
	2011		**2012**	
(in € millions)	**Equity**	**Gain (loss)**	**Equity**	**Gain (loss)**
Increase of 25 bps				
Interest rate options [a]	-	-	-	-
Interest rate swaps [b], other	4	-	2	-
Sensitivity, net	**4**	**-**	**2**	**-**

	As of December 31			
	2011		2012	
(in € millions)	**Equity**	**Gain (loss)**	**Equity**	**Gain (loss)**
Decrease of 25 bps				
Interest rate options [(a)]	-	-	-	-
Interest rate swaps [(b)], other	(3)	(1)	(2)	-
Sensitivity, net	**(3)**	**(1)**	**(2)**	**-**

(a) Caps and Cap spreads.
(b) Fixed-rate payer and receiver swaps.

Counterparty and credit risk

Counterparty risk exposure

The Group is exposed to counterparty risk, notably banking risk, in the context of its financial management.

The Group's overall exposure to counterparty risk has been significantly reduced through the centralization of financial risks and implementation of centralization applications as well as its cash management policy of minimizing and managing surpluses.

The Group's banking policy aims to emphasize the importance of its counterparties' credit rating quality by concentrating its transactions among first-tier counterparties that (i) have credit ratings for more than 90% of the deposits as of December 31, 2012 at least in the Single A category; (ii) possess international branch networks and (iii) provide it with financing. Moreover, in order to invest its short-term surpluses, the Group mainly invests in either money market funds (*SICAV monétaires*) or short-term money-market funds (*SICAV monétaires court terme*), which are not rated. These funds are very liquid and diversified. The other short-term investments are made in accordance with the Group's above-mentioned banking policy.

Finally, in certain countries, the Group may be obliged to conduct transactions with local banks that have lower credit ratings, although the amount concerned is not material.

The Group's exposure with regard to its bank counterparties and arising from interest rate derivatives and cross-currency swaps (net exposure, for each of the banks, in relation to interest rate derivatives and cross-currency swaps) can be broken down by credit rating category as follows:

	As of December 31	
(% of total fair value as of December 31) [(a)]	**2011**	**2012**
Counterparty's rating (Standard & Poor's)		
A or higher	100%	100%
Below A	0%	0%

(a) Net amount, when positive, of the positive and negative fair values by counterparty, of the outstanding interest rate derivatives and currency swaps as of December 31.

The Group's exposure with regard to its bank counterparties and arising from the currency derivatives hedging operational foreign exchange risk (net exposure, for each of the banks, in relation to currency derivatives) as of December 31, 2012 can be broken down by credit rating category as follows:

	As of December 31	
(% of total fair value as of December 31) [(a)]	**2011**	**2012**
Counterparty's rating (Standard & Poor's)		
A or higher	100%	100%
Below A	0%	0%

(a) Net amount when positive, of the positive and negative fair values by counterparty, of the outstanding foreign exchange rate derivatives as of December 31.

Credit risk exposure

Credit risk represents the risk of financial loss for the Group if a customer or counterparty should fail to meet its contractual payment obligations. The customer payment time is generally 30 days and the Group's main customers are essentially in the mass retail sector where credit risk is considered low. The amount of overdue trade receivables for which no impairment provision has been recognized is shown in Note 16 of the Notes to the consolidated financial statements.

Securities risk

Risk related to treasury shares

As of December 31, 2012, the Company directly or indirectly held 49.8 million treasury shares (41.6 million as of December 31, 2011, see Note 19 of the Notes to the consolidated financial statements).

Also as of December 31, 2012, the Company directly held 4.3 million options to purchase DANONE shares in connection with certain stock-option plans granted to some employees (6.1 million options as of December 31, 2011, see Note 19 of the Notes to the consolidated financial statements).

Risk related to other shares

As of December 31, 2012, the carrying amount of other shares in non-consolidated companies totaled €107 million (€123 million as of December 31, 2011 – see Note 13 of the Notes to the consolidated financial statements).

Commodities risk

The Group's raw materials needs mainly involve:

- materials needed for the production of food products and beverages, notably milk and fruit ("food raw materials"). In value, milk represents the leading raw material purchased by the Group. These purchases consist mainly of liquid milk, for which the operating subsidiaries generally enter into supply agreements with local producers or cooperatives. The liquid milk price is set locally, over contractual periods that vary from one country to the next. The main other food raw materials are fruit-based preparations and sugar;

- the materials needed for product packaging, notably plastics and cardboard ("packaging"). Packaging material purchases are managed through global or regional purchasing programs aimed at optimizing competencies and volume effects. Prices are affected by global and regional supply and demand, economic cycles and production capacities and oil prices. The main packaging materials purchased by the Group are plastics, including PET, and cardboard;
- energy raw materials. They represent a limited portion of the Group's purchases.

Price changes for the main raw materials can substantially influence the volatility of the Group's earnings. In that regard, the Group manages raw materials cost inflation through the following measures, ranked in order of importance:

- purchases made locally to the extent possible, as local markets are often less volatile;
- establishment of a purchasing policy ("Market Risk Management") that consists of defining rules for securing physical supply and price-setting with suppliers and/or in financial markets when they exist. The monitoring of exposures and of the implementation of this policy is handled by the Group's central buyers for each raw materials category. The buyers typically negotiate forward agreements with suppliers, with the understanding that there are no financial markets that make it possible to fully hedge the price volatility of the Group's main raw materials;
- enhance productivity and reduce production costs, for example by streamlining packaging;
- amortizing fixed expense through increased concentration and volumes;
- depending on the markets and products, adjusting sales prices while ensuring the Group's competitive position.

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

The table hereafter measures the impact of changes in the annual cost of purchases of (i) milk and milk-based ingredients and (ii) plastic materials on the Group's operating income for 2012 and 2011, assuming a 5% increase or decrease each year in the prices for these items, simultaneously in all countries where the Group has production activities.

	Year ended December 31	
	2011	**2012**
(in € millions)	**Gain (loss)**	**Gain (loss)**
Increase of 5%		
Liquid milk, powdered milk and other milk-based ingredients	(149)	(157)
Plastics, including PET	(64)	(69)
Decrease of 5%		
Liquid milk, powdered milk and other milk-based ingredients	149	157
Plastics, including PET	64	69

Reconciliation of the consolidated balance sheet by class and accounting category

(in € millions)	Assets recorded at fair value	Assets available for sale	Loans and financial assets	Liabilities recorded at fair value	Liabilities recorded at amortized cost	Carrying amount	Fair value	Fair value level
As of December 31, 2012								
Financial assets								
Investments in other non-consolidated companies	-	107	-	-	-	107	107	1-3 (c)
Long-term loans and other long-term financial assets	-	212	35	-	-	247	247	1-3 (d)
Derivatives – assets (a)	213	-	-	-	-	213	213	2
Trade receivables (b)	-	-	1,902	-	-	1,902	1,902	-
Other receivables (b)	1	-	853	-	-	854	854	-
Short-term loans (b)	-	-	25	-	-	25	25	-
Short term investments	1,748	-	-	-	-	1,748	1,748	1-2
Cash and cash equivalents	1,269	-	-	-	-	1,269	1,269	1
Carrying amount of the financial assets by categories	**3,231**	**319**	**2,815**	**-**	**-**	**6,365**	**6,365**	
Financial liabilities								
Financing	-	-	-	207	4,235	4,442	4,800	2
Derivatives – liabilities (a)	-	-	-	32	-	32	32	2
Liabilities related to put options granted to non-controlling interests	-	-	-	3,271	-	3,271	3,271	3
Current financial debt	-	-	-	267	1,510	1,777	1,777	2
Trade payables (b)	-	-	-	-	2,941	2,941	2,941	-
Other current liabilities (b)	-	-	-	12	2,424	2,436	2,436	-
Carrying amount of the financial liabilities by categories				**3,789**	**11,110**	**14,899**	**15,257**	
As of December 31, 2011								
Financial assets								
Investments in other non-consolidated companies	-	123	-	-	-	123	123	1-3 (c)
Long-term loans and other long-term financial assets		166	53			219	219	1-3 (d)
Derivatives – assets (a)	257	-	-	-	-	257	257	2
Trade receivables (b)	-	-	1,981	-	-	1,981	1,981	-
Other receivables (b)	-	-	820	-	-	820	820	-
Short-term loans (b)	-	-	40	-	-	40	40	-
Short term investments	1,114	-	-	-	-	1,114	1,114	1-2
Cash and cash equivalents	1,027	-	-	-	-	1,027	1,027	1
Carrying amount of the financial assets by categories	**2,398**	**289**	**2,894**	**-**	**-**	**5,581**	**5,581**	
Financial liabilities								
Financing	-	-	-	505	2,926	3,431	3,762	2
Derivatives – liabilities (a)	-	-	-	113	-	113	113	2
Liabilities related to put options granted to non-controlling interests	-	-	-	3,622	-	3,622	3,622	3
Current financial debt	-	-	-	167	1,699	1,866	1,866	2
Trade payables (b)	-	-	-	-	2,706	2,706	2,706	-
Other current liabilities (b)	-	-	-	-	2,354	2,354	2,354	-
Carrying amount of the financial liabilities by categories	**-**	**-**	**-**	**4,407**	**9,685**	**14,092**	**14,423**	

(a) Financial instruments used to hedge debt and net investments in foreign operations, see above sections relating to respectively Interest rate risk exposure and exposure to foreign exchange risks related to financing, currency translations and assets.
(b) Fair value corresponds to book value as those elements are short term.
(c) See Note13 of the Notes to the consolidated financial statements.
(d) See Note14 of the Notes to the consolidated financial statements.

In accordance with IFRS 7, *Financial Instruments: Disclosures*, valuation levels shown in this table can be defined as follows:

Level 1

Fair value is based on (unadjusted) prices listed on active markets for identical assets and liabilities.

Level 2

Fair value is based on data other than listed prices as per level 1, which are observable for the asset or liability concerned, directly or indirectly.

Level 3

Fair value is based on data relating to the asset or liability which are not based on observable data on active markets.

For financial asset and liability derivative instruments recognized at fair value, the Group uses measurement techniques that include data observable on the market, notably for interest rate swaps, forward purchases and sales or currency options. The model integrates diverse data such as spot and forward exchange rates and the yield curve.

For put options granted to non-controlling interests, the value is based on contractual terms.

Income and expense related to derivative financial instruments hedging future cash-flows

The recognition at fair value of derivatives qualifying as cash-flow hedges has the following impact on the Group's income statement:

	Year ended December 31			
	2011		2012	
(in € millions)	Currency hedge	Interest rate hedge	Currency hedge	Interest rate hedge
Change in fair value of instruments classified as cash-flow hedges – ineffective portion (a) (b)	(9)	(1)	(2)	1
Cash flow hedges – effective portion deferred to equity in prior period and recognized in profit or loss during current period (c) (d)	43	(6)	(11)	(8)

(a) Effect on financial income.
(b) Includes changes in (i) the time value of currency options and interest rate options and (ii) the deferral/recognition of currency swaps excluded from hedging.
(c) Effect on operating income or financial income.
(d) Includes (i) the effective portion of forward foreign exchange transactions and interest rate hedges and (ii) the intrinsic value of currency options and interest rate options.

Note 31. Related party transactions

The main related parties are the associated companies, the members of the Executive Committee and the members of the Board of Directors.

Associated companies

Associated companies are those companies over which the Group exercises significant influence and that are accounted for using the equity method. Transactions with associated companies are usually performed at arm's length. The table hereafter analyzes the amount of receivables and payables with associated companies as of December 31, 2011 and 2012:

	As of December 31	
(in € millions)	2011	2012
Short-term and long-term loans	-	-
Operating receivables	49	23
Operating payables	-	-

Members of the Executive Committee and of the Board of Directors

The table hereafter presents compensation paid to members of the Executive Committee and of the Board of Directors for 2011 and 2012:

	Year ended December 31	
(in € millions)	2011	2012
Compensation paid (a)	18.1	18.6
Post-employment benefits (b)	1.5	1.5
Termination benefits	2	-
Fair value of Group performance shares granted (c)	7.6	9.8

(a) Fixed and variable compensations; annual and pluri-annual (before social charges).
(b) Amount paid to Directors related to retirement benefits in connection with their past function in the Group.
(c) Represent the full amount of the fair value estimated at the attribution date in application of IFRS2. See Notes 1.24 and 29 of the Notes to the consolidated financial statements.

No loan or guarantee was granted or established by the Company or its subsidiaries on behalf of Executive Committee members.

Compensation paid in respect of 2012 includes:

- €18.1 million in compensation paid to the three executive directors and officers and the seven members of the Executive Committee (including €12.0 million in variable compensation);
- €0.5 million in attendance fees (to which executive directors and officers are not entitled) paid to the Directors.

In addition, as of December 31, 2012, the share of the Group's total commitment with respect to retirement benefits for members of the Executive Committee and executive directors and officers was €64.9 million, compared with €47.3 million the previous year.

Related party transactions

Mrs. Isabelle SEILLIER, managing director within J.P. Morgan Chase group is a member of Danone's Board of Directors.

On May 29, 2012, as part of a USD 850 million bond issue in the US market, the Company entered into a purchase agreement with the banks responsible for placing the bonds (including J.P. Morgan Securities LLC). Under the terms of this agreement, the banks underwrote the bonds issued by the Company, which they then placed with investors wanting to participate in the bond issue. As part of this transaction, the Company paid J.P. Morgan Securities LLC a fee of USD 1.53 million. The fee paid to each bank responsible for placing the bonds (including J.P. Morgan Securities LLC) was strictly proportional to the respective bank's underwriting commitment.

On July 12, 2012, the Company along with J.P. Morgan and several other banking institutions signed an amendment to the syndicated facilities agreement of July 28, 2011, which had established credit facilities totaling €2 billion, with an initial five-year term. This amendment provides for (i) the one-year extension of the syndicated facilities agreement (*i.e.* until July 28, 2017) and (ii) in exchange, the addition of a utilization fee of the facilities under certain circumstances and an additional margin for drawdowns in US dollars. J.P. Morgan's commitment in its capacity as a lender on the syndicated facilities agreements is €210 million, or 10.5% of the total, *i.e.* the same percentage as the other banking institutions having the first rank in the syndicated facilities agreement. The fees and interest owed to J.P. Morgan Group by the Company are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to the fees and interest due to the other banking institutions having a first rank in the facilities agreement. In 2012, the Company paid J.P. Morgan a total of €299,717 in fees related to these credit facilities (non-utilization fees).

The Group also discloses the Company's related party transactions in section 5.4 *Related party transactions* of the 2012 Registration Document. This section describes in more detail the related party transactions and the special report of the Statutory auditors on related party agreements and commitments.

Note 32. Off-balance sheet commitments

Commitments given and commitments received

As of December 31, 2012, the Group's off-balance sheet commitments given and received arising from its operating, financing, and investing activities are as follows:

Commitments given	**Total**	**Amount of financial flows per year**				
(in € millions)		**2013**	**2014**	**2015**	**2016**	**2017 and after**
Operating lease commitments [(a)]	(673)	(167)	(125)	(99)	(67)	(215)
Commitments to purchase goods and services [(a)]	(1,749)	(1,007)	(338)	(261)	(113)	(30)
Capital expenditure commitments [(a)]	(146)	(132)	(14)	-	-	-
Guarantees and pledges given	(212)	(170)	(11)	(1)	(8)	(22)
Other	(174)	(110)	(16)	(10)	(6)	(32)
Total	**(2,954)**	**(1,586)**	**(504)**	**(371)**	**(194)**	**(299)**

Commitments received	**Commitments as of December 31 of each year**					
(in € millions)	**2012**	**2013**	**2014**	**2015**	**2016**	**2017**
Credit facilities [(b)]	5,249	3,879	2,802	2,152	-	-
Other credit facilities [(c)]	288	-	-	-	-	-
Guarantees and pledges received	73	57	3	-	-	14
Other	25	18	2	2	1	1
Total	**5,635**	**3,954**	**2,807**	**2,154**	**1**	**15**

(a) Related to the Group's operations.
(b) Related to the Group's financial investments and to financing the Group's activities. Nominal amount of the undrawn portion of the syndicated facility and back-up credit lines as of December 31, 2012.
(c) Related to the Group's operational activities. Nominal amount of the undrawn portion of the syndicated facility and back-up credit lines as of December 31, 2012.

Other commitments

The Company and its subsidiaries are parties to a variety of legal proceedings arising in the normal course of business, notably as a result of guarantees given on disposals between 1997 and 2012. In some cases, damages and interest are sought. Provisions are recognized when an outflow of resources is probable and the amount can be reliably estimated.

Note 33. Main Group companies as of December 31, 2012

As of December 31, 2012, 231 companies were fully consolidated (225 in 2011) and 21 were consolidated as associates (16 in 2011).

The main acquisition and disposal transactions resulting in changes to the scope of consolidation are described in Note 2 of the Notes to the consolidated financial statements.

Main companies fully consolidated for the first time in 2012

- Wockhardt (Baby Nutrition and Medical Nutrition – India);
- Alvorada (Waters – Brazil);
- Applied Nutrition (Medical Nutrition – United States).

Main companies consolidated as associates for the first time in 2012

- Danone Dairy Thailand (Fresh Dairy Products – Thailand);
- Danone Korea (Fresh Dairy Products – South Korea).

Main companies no longer fully consolidated as of December 31, 2012

- Danone Dairy Thailand (Fresh Dairy Products – Thailand);
- Danone Korea (Fresh Dairy Products – South Korea).

Main fully consolidated companies

Main holding companies and financial companies

As of December 31, 2012, 55 holding companies and financial companies were fully consolidated. The holding companies and financial companies held directly by the parent company are as follows:

Main fully consolidated companies	Country	Group's control *(in %)*	Interest *(in %)*
DANONE	France	Parent company	-
Holding and Financial Companies			
DANONE FINANCE INTERNATIONAL	Belgium	100.00	100.00
CIE GERVAIS DANONE	France	100.00	100.00
DANONE CORPORATE FINANCE SERVICES	France	100.00	100.00
DAN INVESTMENTS	France	100.00	100.00
DANONE BABY AND MEDICAL HOLDING	France	100.00	100.00
DANONE FINANCE NETHERLANDS	Netherlands	100.00	100.00
DANONE SINGAPORE HOLDINGS PTE LTD. (ex BHPL)	Singapore	100.00	100.00
DANONE ASIA	Singapore	100.00	100.00

Fresh Dairy Products Division

As of December 31, 2012, 69 companies were fully consolidated in the Fresh Dairy Products Division. The top 20 companies in terms of net sales (non-Group sales) are as follows:

Main fully consolidated companies	Country	Group's control *(in %)*	Interest *(in %)*
Fresh Dairy Products			
DANONE DJURDJURA ALGERIA	Algeria	100.00	100.00
DANONE ARGENTINA	Argentina	99.45	99.45
NV DANONE SA	Belgium	100.00	100.00
DANONE LTDA	Brazil	100.00	100.00
DANONE CANADA DELISLE	Canada	100.00	100.00
DANONE PRODUITS FRAIS	France	100.00	100.00
DANONE GMBH	Germany	100.00	100.00
DANONE SPA	Italy	100.00	100.00

Main fully consolidated companies	Country	Group's control (in %)	Interest (in %)
Fresh Dairy Products *(following)*			
DANONE JAPAN (ex CALPIS AJINOMOTO DANONE)	Japan	100.00	100.00
DANONE DE MEXICO	Mexico	100.00	100.00
DANONE SP Z.O.O	Poland	100.00	100.00
UNIMILK [(a)]	Russia	100.00	50.94
DANONE INDUSTRIA	Russia	100.00	50.94
ALSAFI DANONE COMPANY	Saudi Arabia	50.10	50.10
DANONE SOUTHERN AFRICA LTD.	South Africa	100.00	100.00
DANONE SA	Spain	66.93	66.49
DANONE	Ukraine	100.00	50.94
DANONE LTD.	United Kingdom	100.00	100.00
DANNON Company	USA	100.00	100.00
STONYFIELD FARM	USA	87.92	87.30

(a) The consolidated company consists of several legal entities.

These companies accounted for more than three-fourths of the Fresh Dairy Products Division's sales in 2012.

Waters Division

As of December 31, 2012, 28 companies were fully consolidated in the Waters Division. The top 20 companies in terms of net sales (non-Group sales) are as follows:

Main fully consolidated companies	Country	Group's control (in %)	Interest (in %)
Waters			
AGUAS DANONE DE ARGENTINA	Argentina	100.00	100.00
DANONE WATER BENELUX	Belgium	100.00	100.00
DANONE WATER BRESIL (ex ICOARA)	Brazil	100.00	100.00
ROBUST [(a)]	China	92.00	92.00
SHENZHEN HEALTH DRINKS [(a)]	China	100.00	100.00
ROBUST DRINKING WATER [(a)]	China	92.00	92.00
SA DES EAUX MINÉRALES D'ÉVIAN	France	100.00	100.00
SEAT (Société d'Exploitation d'Activités Touristiques) [(b)]	France	100.00	100.00
DANONE WATERS DEUTSCHLAND	Germany	100.00	100.00
AQUA (PT TIRTA INVESTAMA) [(a)]	Indonesia	74.00	74.00
DAMAVAND	Iran	70.00	70.00
BONAFONT	Mexico	100.00	100.00
AGA PUREZA [(a)]	Mexico	50.00	50.00
ZYWIEC ZDROJ	Poland	100.00	100.00
AGUAS FONT VELLA Y LANJARON	Spain	94.42	81.94
ÉVIAN VOLVIC SUISSE	Switzerland	99.67	100.00
DANONE HAYAT	Turkey	100.00	100.00
DANONE WATERS (UK & IRELAND)	United Kingdom	100.00	100.00
SALUS	Uruguay	94.11	94.11
DANONE WATERS OF AMERICA	USA	100.00	100.00

(a) The consolidated company consists of several legal entities.
(b) SEAT operates the Evian casino. In that respect, it is subject to the control of the French Ministry of the Interior and all regulations applicable to gaming activities in casinos.

These companies accounted for more than three fourths of the Waters Division sales in 2012.

Baby Nutrition Division

As of December 31, 2012, 53 companies were fully consolidated in the Baby Nutrition Division. The top 20 companies in terms of net sales (non-Group sales) are as follows:

Main fully consolidated companies	Country	Group's control (in %)	Interest (in %)
Baby Nutrition			
NUTRICIA BAGO SA [(a)]	Argentina	51.00	51.00
NUTRICIA AUSTRALIA PTY LTD. [(a)]	Australia	100.00	100.00
SUPPORT PRODUTOS NUTRICIONAIS LTDA. [(a)]	Brazil	100.00	100.00
INTERNATIONAL NUTRITION CO., LTD. SHANGHAI	China	100.00	100.00

Main fully consolidated companies	Country	Group's control (in %)	Interest (in %)
Baby Nutrition *(following)*			
DANONE BABY NUTRITION AFRICA & OVERSEAS (ex Heldinvest 4)	France	100.00	100.00
BLEDINA	France	100.00	100.00
MILUPA GMBH [(a)]	Germany	100.00	100.00
PT SARI HUSADA	Indonesia	99.97	99.97
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia	100.00	100.00
MELLIN SPA	Italy	100.00	100.00
DUMEX (MALAYSIA) SDN. BHD.	Malaysia	100.00	100.00
NUTRICIA EXPORT B.V.	Netherlands	100.00	100.00
NUTRICIA NEDERLAND B.V. [(a)]	Netherlands	100.00	100.00
NUTRICIA LTD. (NEW ZEALAND) [(a)]	New Zealand	100.00	100.00
NUTRICIA POLSKA SP Z.O.O. [(a)]	Poland	100.00	50.00
OJSC ISTRA NUTRICIA BABY FOOD	Russia	99.69	99.69
DUMEX LTD. THAILAND [(a)]	Thailand	98.91	98.91
NUMIL TURKEY TRY [(a)]	Turkey	100.00	100.00
NUTRICIA MIDDLE EAST AFRICA	United Arab Emirates	100.00	100.00
NUTRICIA LTD. [(a)]	United Kingdom	100.00	100.00

(a) Belong to the Baby Nutrition and Medical Nutrition Divisions.

These companies accounted for more than three-fourths of the Baby Nutrition Division's sales in 2012.

Medical Nutrition Division

As of December 31, 2012, 26 companies were fully consolidated in the Medical Nutrition Division. The top 20 companies in terms of net sales (non-Group sales) are as follows:

Main fully consolidated companies	Country	Group's control (in %)	Interest (in %)
Medical Nutrition			
NUTRICIA AUSTRALIA PTY LTD. [(a)]	Australia	100.00	100.00
N.V. NUTRICIA BELGIË [(a)]	Belgium	100.00	100.00
SUPPORT PRODUTOS NUTRICIONAIS LTDA. [(a)]	Brazil	100.00	100.00
NUTRICIA PHARMACEUTICAL COMPAGNY WUXI	China	100.00	100.00
NUTRICIA TRADING (SHANGHAI) CO., LTD.	China	100.00	100.00
NUTRICIA A.S. [(a)]	Czech Republic	100.00	100.00
NUTRICIA A/S	Denmark	100.00	100.00
NUTRICIA NUTRITION CLINIQUE SAS	France	100.00	100.00
PFRIMMER NUTRICIA GMBH	Germany	100.00	100.00
NUTRICIA IRELAND LTD. [(a)]	Ireland	100.00	100.00
NUTRICIA ITALIA SPA	Italy	100.00	100.00
NUTRICIA NEDERLAND B.V. [(a)]	Netherlands	100.00	100.00
SORGENTE B.V.	Netherlands	100.00	100.00
NUTRICIA NORGE AS	Norway	100.00	100.00
NUTRICIA POLSKA SP. Z.O.O. [(a)]	Poland	100.00	50.00
NUTRICIA SRL	Spain	100.00	100.00
NUTRICIA NORDICA AB	Sweden	100.00	100.00
NUMIL TURKEY TRY [(a)]	Turkey	100.00	100.00
NUTRICIA LTD. [(a)]	United Kingdom	100.00	100.00
NUTRICIA NORTH AMERICA, INC.	USA	100.00	100.00

(a) Belong to the Baby Nutrition and Medical Nutrition Divisions.

These companies accounted for more than three-fourths of the Medical Nutrition Division's sales in 2012.

Main companies consolidated as associates using the equity method

As of December 31, 2012, 21 companies were consolidated as associates under the equity method. The top 10 companies in terms of the Group's share of their net assets, and accounting for nearly 98% of the total net assets of the companies consolidated as associates using the equity method, are as follows:

Main companies consolidated as associates	Country	Group's control *(in %)*	Interest *(in %)*
Fresh Dairy Products			
STRAUSS DAIRY	Israel	20.00	20.00
CENTRALE LAITIÈRE	Morocco	29.22	30.90
JV DANONE SOUTH KOREA	South Korea	50.00	50.00
JV DANONE BJC THAILAND	Thailand	49.00	49.00
STIAL/SOCOGES	Tunisia	50.00	50.00
Waters			
YAKULT HONSHA	Japan	20.02	20.02
KIRIN MC DANONE WATERS	Japan	25.00	25.00
SOTHERMA	Morocco	29.99	29.99
Others			
BAGLEY LATINO AMERICA	Argentina	49.00	49.00
LIVELIHOODS FUND	Luxemburg	40.00	40.00

Note 34. Subsequent events

Since the beginning of 2013, the Group has bought out 1,544,227 shares from several non-controlling interests in Danone Spain, thereby increasing its ownership interest to 75.0% (see Note 21 of the Notes to the consolidated financial statements).

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 18, 2013, the date on which the Board of Directors approved the 2012 consolidated financial statements.

4.2 Statutory auditors' report on the consolidated financial statements

This is a free translation into English of the statutory auditors' report on the consolidated financial statements issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the consolidated financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the consolidated financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the group's management report. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

In compliance with the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying consolidated financial statements of Danone;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2012 and of the results of its operations for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

II. Justification of assessments

In accordance with the requirements of Article L. 823-9 of the French Commercial Code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Your company is committed to acquiring the shares held by shareholders of certain consolidated subsidiaries, should the latter wish to exercise their put options. In the absence of any specific provision under IFRS on this subject, we have verified that the accounting treatment applied and described in Note 1.19 of the Notes to the consolidated financial statements was compliant with the principles of IFRS as adopted by the European Union and currently in effect.

  We also reviewed the methods adopted by your company for the valuation of the debt recognized in connection with these put options based on the information available to date. We have verified that Notes 20 and 21 of the Notes to the consolidated financial statements contain appropriate information on these put options and the assumptions used by your Company.

- Your company performed at the closing date an impairment test on intangible assets with an indefinite useful life, and also assessed whether there was any indication of impairment of other long-term assets according to the conditions described in Notes 1.5 and 1.6 of the Notes to the consolidated financial statements. We have reviewed the conditions of implementation of this impairment test and of identifying indications of impaired value, and verified that Notes 10 and 11 of the Notes to the consolidated financial statements give appropriate information, in particular in relation to sensitivity analysis.

  As indicated in the Note 1.2 of the Notes to the consolidated financial statements, this impairment test was based on estimates prepared in accordance with information and circumstances existing on the date the financial statements were drawn up. Such estimates may differ from the actual amounts, particularly at a time of economic and financial volatility.

These assessments were made as part of our audit of the consolidated financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verification

As required by law, we have also verified in accordance with professional standards applicable in France the information presented in the Group's management report.

We have no observations to make as to its fair presentation and consistency with the consolidated financial statements.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

4.3 Fees paid by the Group to the Statutory auditors and members of their network

The table below presents the fees net of tax paid to the Statutory auditors for their services rendered in 2011 and 2012:

	PricewaterhouseCoopers				Ernst & Young et Autres			
	Fees 2012		Fees 2011		Fees 2012		Fees 2011	
	(in € millions)	*(in %)*	*(in € millions)*	*(in %)*	*(in € millions)*	*(in %)*	*(in € millions)*	*(in %)*
Audit								
Statutory audits, certifications and review of individual and consolidated financial statements	**4.7**	**66%**	**4.6**	**75%**	**3.7**	**74%**	**3.3**	**94%**
including Danone SA	*0.8*	*11%*	*0.8*	*12%*	*0.7*	*15%*	*0.5*	*14%*
including fully consolidated subsidiaries	*3.9*	*55%*	*3.8*	*63%*	*3.0*	*59%*	*2.8*	*80%*
Other services directly related to the audit	**2.0** (a)	**28%**	**0.6**	**10%**	**1.1** (a)	**22%**	**0.1**	**3%**
including Danone SA	*1.8*	*25%*	*0.3*	*5%*	*0.9*	*18%*	*0.1*	*3%*
including fully consolidated subsidiaries	*0.2*	*3%*	*0.3*	*5%*	*0.2*	*4%*	*0.0*	*0%*
Total Audit	**6.7**	**94%**	**5.2**	**85%**	**4.8**	**96%**	**3.4**	**97%**
Other services provided by the Auditors Networks to the fully consolidated subsidiaries								
Legal, Tax, social	0.2 (b)	3%	0.5	8%	0.2 (b)	4%	0.1	3%
Other	0.2 (c)	3%	0.4	7%	0.0	0%	0.0	0%
Total Other services	**0.4**	**6%**	**0.9**	**15%**	**0.2**	**4%**	**0.1**	**3%**
Total	**7.1**	**100%**	**6.1**	**100%**	**5.0**	**100%**	**3.5**	**100%**

(a) Services provided in 2012 include due diligences related to the Statutory auditors engagements performed during the acquisition of entities or external growth and financing transactions for €1.7 million (PricewaterhouseCoopers) and €0.9 million (Ernst & Young). In 2011, these services included due diligence as well for €0.3 million (PricewaterhouseCoopers).
(b) This amount is related to tax services only provided by the network to some foreign Group subsidiaries. These services are mainly related to the issuance of tax certifications as required by local authorities (Turkey – PricewaterhouseCoopers and Mexico – Ernst & Young) as well as the review of technical tax positions adopted by some foreign subsidiaries.
(c) This amount, for 2012 and 2011, mainly includes services of assistance and training on non-financial fields by the network to some Russian Group subsidiaries in the context of Unimilk integration process within Danone Group.

Financial statements of the parent company Danone and other corporate documents

5

5.1 Financial statements of the parent company Danone

Income statement

		Year ended December 31	
(in € millions)	Notes	**2011**	**2012**
Net sales		417	478
Other income		1	2
Total operating income	10	418	480
Personnel costs	12	(302)	(242)
Other operating expenses		(302)	(381)
Total operating expenses	11	(604)	(623)
Net operating expenses		**(186)**	**(143)**
Income from equity interests	13	921	685
Interest and similar income		56	29
Interest and similar expenses		(268)	(225)
Other financial income (expenses)		7	(48)
Net financial income	13	**716**	**441**
Income before non-recurring items and tax		**530**	**298**
Net non-recurring income (expenses)	14	**(8)**	**32**
Income tax	15	109	112
Net income		**631**	**442**

Balance sheet

					As of December 31
		2011			2012
(in € millions)	Notes	**Net amount**	**Gross amount**	**Depreciation, amortization and provisions**	**Net amount**
Assets					
Intangible assets		22	64	(40)	24
Tangible assets		7	25	(20)	5
Equity interests		17,020	17,046	(70)	16,976
Other long-term financial assets		2,632	2,686	(1)	2,685
Financial assets	3	19,652	19,732	(71)	19,661
Non-current assets		**19,681**	**19,821**	**(131)**	**19,690**
Receivables	4	150	163	(1)	162
Marketable securities	5	383	384	-	384
Cash and cash equivalents					
Current assets		**534**	**547**	**(1)**	**546**
Deferrals and prepaid expense		95	47	-	47
Total assets		**20,309**	**20,415**	**(132)**	**20,283**

				As of December 31
		2011		2012
(in € millions)	Notes	**After allocation**	**Before allocation**	**After allocation[(a)]**
Equity and liabilities				
Share capital		161	161	161
Additional paid-in capital		3,249	3,283	3,283
Revaluation reserve		4	4	4
Reserves		3,781	3,781	3,781
Retained earnings		3,602	3,653	3,162
Net income for the year		-	442	-
Regulated provisions		-	1	1
Equity	6	**10,797**	**11,325**	**10,392**
Provisions for risks and liabilities	7	96	94	94
Bonds	8	3,218	4,486	4,486
Other financial debt	8	2,859	2,876	2,876
Other liabilities	9	3,290	1,458	2,391
Deferrals and accrued expenses		49	44	44
Total equity and liabilities		**20,309**	**20,283**	**20,283**

(a) Subject to an allocation approval which will be submitted to shareholders' vote during the Shareholders' Meeting of April 25, 2013.

5

5.2 Notes to the financial statements of the parent company Danone

Note 1. Highlights of the year

In order to diversify its sources of financing and extend the average maturity of its debt while taking advantage of favorable market conditions, the Group carried out the following transactions (see Note 30 of the Notes to the consolidated financial statements) in 2012:

- in May 2012; US dollar bond issue in the United States totaling USD 850 million with a 10-year maturity;
- in November 2012, Euro bond issue under its EMTN program, for a total nominal amount of €750 million and 5-year maturity.

In 2012, the Group repurchased shares for €695 million. In connection with the sale of their equity interests in Danone Spain by certain non-controlling shareholders, Danone repurchased 6,110,039 shares to offset the dilutive effect of the payment in shares, as announced on July 27, 2012, for €303 million. In addition, Danone carried out further repurchases for an additional €392 million.

Note 2. Accounting principles

The financial statements of Danone (the "Company") are prepared in accordance with French statutory and regulatory provisions and generally accepted accounting principles. Danone and its consolidated subsidiaries constitute "the Group".

The main accounting methods used are detailed below.

Tangible and intangible assets

Tangible and intangible assets are valued at acquisition cost (including acquisition-related costs) and are amortized or depreciated on a straight-line basis according to the duration of their estimated use, as follows:

Buildings	15 to 20 years
Fixtures and fittings	8 to 10 years
Other tangible assets	4 to 10 years
Software	1 to 4 years

Financial assets

These are comprised of equity interests, the long-term possession of which is deemed to be useful for the Company's activity, notably because it enables the Company to exercise an influence on or control over the issuing company. Investments that do not meet this definition are classified as Other long-term financial assets.

Equity interests are recognized at acquisition cost, including acquisition-related costs, which are amortized over 5 years as of the date of acquisition. For tax purposes, these assets are subject to accelerated tax amortization rates. An impairment provision is recognized when the recoverable amount of equity interests falls below their carrying amount on a permanent basis. Recoverable amount is determined using various criteria including market value, value in use based on forecast discounted cash-flows and revalued equity. The assumptions, estimates or appraisals used to determine the net realizable value are made on the basis of available information and conditions at the end of the financial period presented, which may differ from the reality, particularly in an economically and financially volatile context. Impairment provisions are recognized as Other financial income (expense), with the exception of reversals of impairments in connection with disposals of equity interests, which are recognized as Non-recurring income. Gains or losses on the disposals of equity interests are recognized as Non-recurring income (expense).

Other long-term financial assets include the DANONE treasury shares held in connection with the authorizations given by the Shareholders' Meeting.

DANONE treasury shares and DANONE call options

Repurchased DANONE shares are recognized at acquisition cost, excluding acquisition-related costs.

Repurchased DANONE shares are recognized as Financial assets (when repurchased to be cancelled or in connection with corporate acquisitions) or as Marketable securities (when repurchased to provide the shares required under stock-option plans or Group performance share plans).

On disposal, the cost of the DANONE shares sold is calculated by allocation category in accordance with the weighted average cost method, this cost being calculated individually for each plan for the shares held to hedge stock-option plans or Group performance share plans.

In the case of DANONE shares recognized as Financial assets that are not to be cancelled, an impairment provision is recognized when their recoverable amount (assessed at the average price for the last month of the fiscal year) falls below their carrying amount.

In the case of treasury shares allocated to plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will not be met in the case of the Group performance share plans), a provision for impairment is recognized when the market value of the shares (assessed at the average price for the last month of the fiscal year) is less than their carrying amount.

In the case of treasury shares allocated to plans that can be exercised (the market value of DANONE shares exceeds the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will be met in the case of the Group performance share plans), a provision for impairment is not recognized since a provision for risks and liabilities is recognized in respect of these plans.

This provision for risks and liabilities corresponds:

- in the case of stock-option plans, to the difference between the book value of the shares allocated to these plans and the exercise price set under the terms of the plan if lower;
- in the case of Group performance share plans, to the book value of the shares allocated to said plans.

The provision is booked pro rata to the rights vesting period. It is recognized in personnel costs in the income statement.

The DANONE call options ("calls") are allocated in full to hedge stock-option plans. The premiums paid in respect of these options are recognized in marketable securities.

In the case of call options allocated to plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price set under the terms of the plan), a provision for impairment is recognized when the market value of the call options is less than their carrying amount.

In the case of call options allocated to plans that can be exercised (the market value of DANONE shares exceeds the option exercise price set under the terms of the plan), a provision for impairment is not recognized: a provision for risks and liabilities is recognized in respect of these plans.

This provision corresponds to the difference between the exercise price set under the terms of the stock-option plan and the call premium paid plus the forward DANONE share price.

The provision is booked pro rata to the rights vesting period. It is recognized in personnel costs in the income statement.

Receivables

Receivables are stated at their nominal value. An impairment provision is recognized when the recoverable amount is less than the carrying amount.

Transactions in foreign currencies

Expense and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction. Liabilities, receivables and cash denominated in foreign currencies are recorded in the balance sheet at their exchange value in euros at the year-end rate. The differences resulting from the translation of foreign currency liabilities and receivables at this latter rate are recorded in the balance sheet in the line items Deferrals and prepaid expense and Deferrals and accrued expense. A provision for risk is recognized for non-hedged unrealized exchange losses.

Marketable securities

The gross value of marketable securities corresponds to the acquisition cost excluding acquisition-related costs. When the market value of each category of securities of the same nature is lower than the acquisition cost, a provision for impairment is recognized equal to the difference. For further information about treasury shares and DANONE call options reclassified as marketable securities please refer to the section entitled *DANONE treasury shares and DANONE call options*.

Bonds

Bonds consist in borrowings raised by Danone, on debt and capital markets, notably under its EMTN (Euro Medium Term Note) program, through public issues and private placements, denominated in euro or foreign currencies. Bonds denominated in foreign currencies may be maintained in those currencies or swapped into euro. Bonds are recognized at their nominal value. Foreign currency bonds that are not swapped into euro are translated at the closing exchange rate whereas foreign currency bonds that have been swapped into euro continue to be translated at their historical exchange rate.

Derivatives

Danone hedges part of its bonds denominated in foreign currencies by cross-currency swaps. For each bond hedged, Danone applies hedge accounting, which involves recognizing at the historical rate (hedged rate resulting from the implementation of the cross-currency swap) the interests relating to the bond and the cross-currency swap. Since Danone is not ultimately exposed to foreign exchange risk on repayment of the bonds, said bonds are not revalued at the closing rate. Conversely, unhedged bonds are revalued at the closing rate at each balance sheet date.

In addition, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions in respect of certain borrowings and commercial papers (*Billets de trésorerie*) issued by Danone SA.

Provisions for risks and liabilities

Provisions are recognized for identified risks and liabilities of uncertain timing or amount, when the Company has an obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Company.

For further information about provisions against stock-option plans and Group performance share plans please refer to the section entitled *DANONE treasury shares and DANONE call options*.

Retirement commitments

Supplementary retirement commitments and gratuity payments borne by the Company are included in off-balance sheet commitments.

Note 3. Financial assets

(in € millions)	As of December 31, 2011	Movements during the period			As of December 31, 2012
		Increase	Decrease	Reclassification/ Translation	
Equity interests	17,045	1	-	-	17,046
Loans	1,332	16	(330)	(50)	968
Treasury shares	1,295	695	(252)	(26)	1,712
Other	5	-	-	-	5
Provisions	(25)	(45)	-	-	(70)
Total (net)	**19,652**	**667**	**(582)**	**(76)**	**19,661**

Equity interests

Detailed information about equity interests is provided in Note 20 of the Notes to the financial statements of the parent company Danone on securities held in portfolio as of December 31, 2012.

The provisions relate mainly to provisions for impairment of equity interests.

Loans

The change in loans was due mainly to the repayment of euro loans by Danone Belgium, Danone Poland and Zywiec Zdroj Poland totaling €307 million.

The foreign currency loans outstanding as of December 31, 2012 are translated at the closing rate, which generated translation differences as shown in the following table:

				As of December 31, 2012
(in € millions except Nominal value in foreign currency, in currency millions)	**Nominal value in foreign currency**	**Historical cost**	**Translation difference**	**Carrying amount**
Currency				
Yen	43,000	381	(3)	378

Treasury shares

The change in treasury shares held by the Company in respect of 2012 corresponds to:

- transactions in DANONE shares:
  - the repurchase of 14,198,005 treasury shares for €695 million under the terms of the authorization given by the Shareholders' Meeting of April 26, 2012;
  - the sale of 6,110,039 shares to a Group company in connection with the Danone Spain transaction (see Note 1 of the Notes to the financial statements of the parent company Danone related to *Highlights of the year*). The shares had a carrying amount of €252 million.
- the net reclassifications of 493,672 treasury shares from the Treasury shares heading to the Marketable securities heading at a carrying amount of €26 million, which breaks down as follows:
  - an increase of 331,006 treasury shares transferred from the DANONE shares hedging the Group performance share plans (€12 million);
  - a decrease of 824,678 treasury shares reclassified as DANONE shares hedging the Group performance share plans (€38 million).

5

Note 4. Receivables

As of December 31, 2012, this heading included €162 million of receivables due within less than one year (including €83 million due from the Company's subsidiaries and equity interests).

Note 5. Marketable securities

As of December 31, 2012, this heading comprised:

- 7,747,810 DANONE shares hedging respectively (i) the stock-option plans (carrying amount of €217 million) and (ii) the Group performance share plans (carrying amount of €78 million);
- DANONE call options ("calls") acquired by the Company (carrying amount of €69 million corresponding to the premiums paid);
- investments made by the Company in the danone.communities fund for €20 million. danone.communities is mutual fund (French *SICAV*), the aim of which is to finance certain social projects through an investment with a return that is very close to the money-market rate.

The following table provides a breakdown of the change in marketable securities:

(in € millions)	**As of December 31, 2011**	**Movements during the period**				**As of December 31, 2012**
		Increase	**Decrease (exercise)**	**Reallocation**	**Reclassification**	
DANONE shares hedging stock-option plans	223	5	-	-	(11)	217
DANONE shares hedging Group performance share plans	42	-	-	25	11	78
DANONE call options	98	-	(29)	-	-	69
danone.communities	20	-	-	-	-	20
Total	**383**	**5**	**(29)**	**25**	**-**	**384**

Note 6. Equity

(in € millions)	As of December 31, 2011 Before allocation	As of December 31, 2011 After allocation	Movements during the period Net income	Movements during the period Capital reduction	Movements during the period Other movements	As of December 31, 2012 Before allocation
Issued capital	161	161	-	-	-	161
In number of shares	*642,246,573*	*642,246,573*	-	-	*915,427*	*643,162,000*
Additional paid-in capital	3,249	3,249	-	-	34	3,283
Legal reserve	16	16	-	-	-	16
Other reserves	3,769	3,769	-	-	-	3,769
Retained earnings	3,864	3,602	-	-	51	3,653
Net income for the year	631	-	442	-	-	442
Regulated provisions	-	-	-	-	1	1
Total equity	**11,690**	**10,797**	**442**	**-**	**86**	**11,325**

Following the approval of the shareholders at the Shareholders' Meeting of April 26, 2012, the earnings available for allocation in respect of the year ended December 31, 2011, which totaled €4,495 million, were allocated to retained earnings in the amount of €3,602 million and to the payment of a dividend in the amount of €893 million.

The other movements comprise mainly the issuance on May 11, 2012 of 915,427 new shares under the terms of the Company savings plan (*Plan d'Epargne Entreprise*), resulting in an increase in issued capital of €0.2 million and in additional paid-in capital of €34 million.

As of December 31, 2012, the Company's issued share capital consisted of 643,162,000 ordinary shares with a par value of €0.25.

Note 7. Provisions for risks and liabilities

Provisions for risks and liabilities totaled €94 million as of December 31, 2012. They comprised mainly the provision in respect of stock-option plans hedged by DANONE call options and Group performance share plans, which totaled €92 million as of December 31, 2012:

- the provision was set up in 2011 in the amount of €96 million;
- during 2012, additional provisions totaling €25 million were added and provisions totaling €29 million were written back.

The following table provides a breakdown of the change in provisions for risks and liabilities during 2012:

(in € millions)	As of December 31, 2011	Movements during the period Increase	Movements during the period Decrease	As of December 31, 2012
Provisions	96	25	(29)	92
Other provisions	-	2	-	2
Total	**96**	**27**	**(29)**	**94**

Note 8. Bonds and other financial debt

Bonds

As of December 31, 2012, the carrying amount of bonds totaled €4,486 million (€3,218 million as of December 31, 2011). As described in Note 2 of the Notes to the financial statements of the parent company Danone related to *Accounting principles*, bonds are recognized at their nominal value. Foreign currency bonds that are not swapped into euro are translated at the closing exchange rate whereas foreign currency bonds that have been swapped into euro continue to be translated at their historical exchange rate.

Foreign currency bonds

As of December 31, 2012, the carrying amount of foreign currency bonds swapped into euros totaled €331 million. They continue to be translated at their historical exchange rate in the financial statements of Danone SA, as detailed in the following table:

	As of December 31, 2012	
(in € millions except Nominal value in foreign currency, in currency millions)	**Nominal value in foreign currency**	**Historical cost**
Currency		
Czech Koruna	1,188	47
Yen	23,900	146
Swiss franc	225	138

As of December 31, 2012, the carrying amount of foreign currency bonds not swapped into euros totaled €1,022 million. They are translated at the closing rate, which generated translation differences as shown in the following table:

	As of December 31, 2012			
(in € millions except Nominal value in foreign currency, in currency millions)	**Nominal value in foreign currency**	**Historical cost**	**Translation difference**	**Carrying amount**
Currency				
Yen	43,000	381	(3)	378
Dollar	850	685	(41)	644

Bonds: fixed rate/floating rate breakdown

As of December 31, 2012, of the total bonds, the portion at fixed rates totaled €4,154 million and the portion at floating rates totaled €332 million.

Change in bonds

The following table provides a breakdown of the changes in bonds in 2012:

(in € millions)	**As of December 31, 2011**	**Movements during the period**				**As of December 31, 2012**
		New bonds	**Redemption**	**Change in interest**	**Revaluation**	
Fixed rate portion						
Bonds	2,650	1,530	-	-	(91)	4,089
Bond interest accrued	63	-	-	2	-	65
Floating rate portion						
Bonds	504	-	(173)	-	-	331
Bond interest accrued	1	-	-	-	-	1
Total	**3,218**	**1,530**	**(173)**	**2**	**(91)**	**4,486**

Other financial debt

As of December 31, 2012, other financial debt totaled €2,876 million (€2,859 million as of December 31, 2011).

Other financial debt consisted mainly of a €2 billion medium-term fixed-rate loan from Danone Finance International and commercial paper (*billets de trésorerie*) with a nominal value of €853 million.

Other financial debt: fixed rate/floating rate breakdown

As of December 31, 2012, of the total of other financial debt, the portion at fixed rates amounted to €2,000 million and the portion at floating rates amounted to €876 million.

The following table provides details of changes in other financial debt and a breakdown showing the fixed rate and floating rate portions during 2012:

(in € millions)	As of December 31, 2011	Movements during the period				As of December 31, 2012
		New borrowings	Repayment	Change in interest	Revaluation	
Fixed rate portion						
Other financial debt	2,000	-	-	-	-	2,000
Floating rate portion						
Commercial paper	852	1	-	-	-	853
Other financial debt	7	16	-	-	-	23
Total	**2,859**	**17**	**-**	**-**	**-**	**2,876**

Analysis by maturity of bonds and Other financial debt

(in € millions)	As of December 31	
	2011	**2012**
Due date < 1 year	1,095	1,135
Due date between 1 and 5 years	4,053	4,801
Due date > 5 years	929	1,426
Total	**6,077**	**7,362**

Note 9. Other liabilities

Composition of other liabilities

As of December 31, 2012, this item consisted primarily of:

- Company's borrowings from subsidiaries and equity interests, including a €1.2 billion current account from Danone Finance International;
- in the balance sheet after allocation, this item also included the €933 million dividend to be paid in respect of fiscal year 2012;
- trade payables;
- accrued charges detailed in the following table.

(in € millions)	As of December 31	
	2011	**2012**
Services provided	55	56
Personnel costs	72	73
Social charges	12	13
Tax liabilities	2	6
Financial liabilities	3	1
Total	**144**	**149**

Analysis by maturity of other liabilities

The majority of other liabilities have a maturity of less than one year.

The maturity dates of trade payables are shown in the following table:

(in € millions)	As of December 31, 2012			
	Total	**Due date < or equal to 30 days**	**Due date between 31 and 60 days**	**Due date > 60 days**
Outstanding	44.2	30.1	14.1	-

Note 10. Operating income

Operating income comprises mainly the billing of direct and indirect subsidiaries for services rendered by the Company to those subsidiaries. It totaled €478 million for the year ended December 31, 2012 (€417 million for the year ended December 31, 2011).

This increase was due mainly to the Group's growth in 2012 as compared with 2011.

Note 11. Operating expense

Operating expense include mainly personnel costs, rental charges and fees paid to external service providers, and totaled €623 million for the year ended December 31, 2012 (€604 million for the year ended December 31, 2011).

Note 12. Compensation and personnel

Compensation of employees

Gross employee compensation and the related social charges totaled €241 million in 2012 (€303 million in 2011).

The €62 million decrease was mainly due to recognition of the provision in respect of the stock-option plans and Group performance share plans:

- the provision was set up in 2011 in the amount of €96 million;
- it was increased by €25 million during the year.

Compensation of members of management bodies and the Board of Directors

The compensation of members of management bodies amounted to €13.9 million in 2012.

The attendance fees paid to Directors amounted to €0.5 million, gross, in 2012 and are recorded in the heading Other operating expense.

5

Average number of employees during the fiscal year

	Year ended December 31			
(in number, except percentage)		**2011**		**2012**
Executives	575	80%	582	78%
Supervisors and technicians	112	15%	119	16%
Clerical staff	38	5%	45	6%
Total	**725**	**100%**	**746**	**100%**

Note 13. Net financial income

Financial income mainly comprises the dividends received from the Company's equity interests. In 2012, these dividends amounted to €685 million (€921 million in 2011). The €236 million decrease was due mainly to the reduction in the dividends paid by Compagnie Gervais Danone.

Financial expense includes primarily interest expense related to:

- €93 million on short- and medium-term loans from Danone Finance International;
- €127 million on bonds;
- €5 million on commercial papers (*Billets de trésorerie*).

Note 14. Net non-recurring income (expense)

In 2012, the net non-recurring income of €32 million mainly consisted of the capital gain on the disposal of 6,110,039 DANONE shares (see Notes 1 and 3 of the Notes to the financial statements of the parent company Danone).

In 2011, the net non-recurring expense of €8 million mainly consisted of an expense of €12 million resulting from the regularization of the 2010 tax group following the decision to cap the share of the expense and charges on the dividends received by Produits Laitiers Frais Nord Europe and Produits Laitiers Frais Sud Europe.

Note 15. Income tax

Tax group

Danone forms a tax group with the French subsidiaries in which it holds, directly or indirectly, a stake of more than 95%.

The following companies were members of the tax group in 2012:

	As of December 31, 2012
Arcil	Heldinvest 5 – Produits Laitiers Frais Espagne
Blédina	Holding Internationale de Boissons
Compagnie Gervais Danone	Les 2 Vaches resto
Danone Corporate Finance Services	Menervag
Danone Produits Frais France	Nutricia Nutrition Clinique sas
Danone Dairy Asia	Produits Laitiers Frais Est Europe
Danone Baby Nutrition Africa et Overseas	Produits Laitiers Frais Nord Europe
Danone Baby and Medical Holding	Produits Laitiers Frais Sud Europe
Danone (the Company)	Société Anonyme des Eaux Minérales d'Evian
Danone Research	Société des Eaux de Volvic
Dan Investment	Step St Just
DanSource	Stonyfield France
Ferminvest	

The subsidiaries who are members of the tax group pay their tax to the Company as if they were taxed separately, in compliance with the rules set by the French tax authorities.

The saving (or additional charge) – based on the difference between the sum of tax charges recorded by the different subsidiaries of the tax group and the tax charge resulting from the computation of the consolidated tax results of the tax group is recognized in the income statement in the Income taxes heading. The amount booked in this line for 2012 relates mainly to this difference.

At the year end, the tax group had made a taxable profit from which was deducted some of the losses brought forward. As a result, as of December 31, 2012, tax loss carry-forwards accumulated within the tax group in France amounted to €782 million, compared to €819 million as of December 31, 2011.

Other information

In accordance with the provisions of Article 39.4 of the French tax code *(Code Général des Impôts – CGI)*, in 2012 Danone disallowed for tax purposes €445,995 in respect of car depreciation and rental.

The application of Article 39.5 of the CGI did not result in any amounts being disallowed for tax purposes.

Items likely to result in a reduction of future tax liabilities consisted mainly of accrued charges. They totaled €85.1 million and would therefore have an impact of €29.3 million on future tax charges.

Note 16. Financial situation and net debt

As of December 31, 2012 the Company's net debt totaled approximately €8.7 billion, corresponding to €8.7 billion of financial debt. Net debt increased by €0.5 billion during the 2012 fiscal year, due mainly to share repurchases (see Note 1 of the Notes of the Notes to the financial statements of the parent company Danone related to *Highlights of the year*).

Note 17. Off-balance sheet commitments

Commitments given

The Company or certain of its direct or indirect subsidiaries granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. Their exercise price is generally based on the profitability and financial position of the company concerned at the exercise date of the put option. As of December 31, 2012, the financial commitments given by the Company and all of its consolidated subsidiaries were estimated at €3.3 billion. Discussions are currently in progress with the holders of options amounting to €1.7 billion relating to Danone Spain. These discussions are focusing on the terms and conditions of the options especially in light of Southern Europe's deteriorating economy and the significant impact this has on Danone Spain. As a result of these negotiations, the Company considers that it is likely to have to make a payment in respect of options totaling €1.3 billion within the next 12 months. No other significant cash outflow is considered probable in the short term in respect of these options.

As of December 31, 2012, rental commitments and commitments relating to purchases of services amounted to €80 million and €19 million, respectively.

Gross commitments relating to a defined benefit retirement plan, estimated using the actuarial method, amounted to approximately €395 million as of December 31, 2012 and net commitments (including the plan assets) amounted to €187 million, compared with a net commitment of €116 million as of December 31, 2011. The €71 million increase is attributable primarily to the decrease in interest rates used for the actuarial calculations. More specifically, as regards the retirement plan reserved Group executives who hold the status of Senior Manager, the Company's net commitment amounted to €162 million, *i.e.* a gross commitment of €345 million and plan assets totaling €183 million. In addition, as of December 31, 2012, the total commitment by the Company in respect of executive directors and officers and Executive Committee members' retirement benefits amounted to €64.9 million.

In addition, indemnification payments to members of the Executive Committee in certain cases where they cease their terms of office or functions were set at twice the annual gross compensation (fixed, variable, and in-kind) they received over the 12 months preceding the date on which they cease their functions and, in the case of the Company's three executive directors and officers, the Board of Directors decided on February 18, 2013 that the payment of these indemnities would be subject to the achievement of certain performance objectives.

The Company implemented cross currency swaps to hedge its bonds denominated in foreign currencies; the currency swaps portfolio as of December 31, 2012 broke down as follows:

	As of December 31, 2012	
(in € millions except Nominal value in foreign currency, in currency millions)	**Nominal amount in currency**	**Nominal amounts in euros**
EUR/CHF	225	138.0
EUR/CZK	1,394	47.3
EUR/JPY	23,900	145.9

Finally, Danone acted as joint and several guarantors for its subsidiary Danone Finance International in respect of the syndicated facilities agreement totaling €2 billion.

Commitments received

Commitments received by the Company concern €5.3 billion in available committed credit facilities.

Other commitments

The Company and certain of its subsidiaries are parties to a variety of legal and arbitration proceedings arising in the ordinary course of business. Some of these proceedings involve claims for damages, and liabilities are provided for when a loss is probable and can be reliably estimated.

Note 18. Related party transactions

	As of December 31	
(in € millions)	**2011**	**2012**
Other receivables	85	83
Other liabilities	2,220	1,240
Financial liabilities	2,007	2,007
Operating income	390	438
Financial income	959	714
Total income	1,349	1,152
Operating expense	(68)	(52)
Financial expense	(109)	(93)
Total expense	(177)	(145)

Note 19. Subsidiaries and affiliates as of December 31, 2012

(in € millions, except percentage)	Capital [a]	Other shareholders' equity [a][c]	Percentage of capital held	Carrying amount of shares held		Maximum authorized amount of guarantees and endorsements given by the Company	Sales for last fiscal year [b]	Income (or loss) for last fiscal year [b]	Dividends received by the Company during the fiscal year
				Gross	Net				
Subsidiaries (at least 50% of the share capital held by the Company)									
French holdings									
Danone Corporate Finance Services	142	45	100%	179	179	500	-	(11)	-
Compagnie Gervais Danone	843	1,775	100%	473	473	-	-	377	535
Danone Baby and Medical Holding	12,369	27	100%	12,366	12,366	-	-	65	62
Dan investment	6		100%	6		-	-	-	-
Holding Internationale de Boissons	174	884	100%	966	966	-	-	154	-
Foreign holdings									
Danone Singapore Holdings	142	20	61%	108	108	-	-	6	-
Danone Asia	478	(11)	72%	441	441	-	-	556	-
Danone Finance Netherlands	8	36	100%	94	45	-	-	-	-
Affiliates (at least 10% to 50% of the capital held by the Company)									
Danone Belgique	983	582	23%	400	378	-	338	73	-
Danone Finance International	965	4,936	33%	2,013	2,013	2,000	-	236	71

(a) The amounts relating to foreign companies are translated at the year-end rate.
(b) The amounts relating to foreign companies are translated at the average rate for the year.
(c) Excluding results for the year.

Note 20. Securities held in portfolio as of December 31, 2012

	As of December 31, 2012	
(in € millions except number of shares)	Number of shares	Carrying amount
French holdings		
Danone Corporate Finance Service	8,875,000	179
Compagnie Gervais Danone	33,440,074	473
Danone Baby and Medical Holding	12,369,171,277	12,366
Dan investment	300,000	6
Holding Internationale de Boissons	86,768,722	966
Total French holdings		**13,990**
Foreign holdings		
Danone Singapore Holdings	144,830,596	108
Danone Asia	701,114,726	441
Danone Belgique	21,988	378
Danone Finance Netherlands	800,000	46
Danone Finance International	4,034,154	2,013
Total foreign holdings		**2,986**
Total equity interests		**16,976**
Long-term investments and other long-term financial assets		
Treasury shares	36,303,419	1,712
Total long-term investments and other long-term financial assets		**1,712**
Total		**18,688**

Note 21. Results and other significant information relating to the last five years

	2008	2009	2010	2011	2012
Capital at balance sheet date					
Issued capital *(in €)*	128,450,536	161,747,713 [(a)]	161,980,460	160,561,643	160,790,500
Number of shares issued	513,802,144	646,990,850 [(a)]	647,921,840	642,246,573	643,162,000
Operations and results for the year *(in € millions)*					
Net sales	305	294	347	417	478
Income before taxes, amortization, depreciation and provisions	(501)	472	791	530	395
Income tax	131	113	126	109	112
Income after taxes, amortization, depreciation and provisions	850	564	910	631	442
Earnings distributed	617	776	842	893	933
Earnings per share *(in € per share)*					
Income after taxes, but before amortization, depreciation and provisions	(0.72)	0.90	1.42	1.00	0.79
Income after taxes, amortization, depreciation and provisions	1.65	0.87	1.40	0.98	0.69
Dividend paid per share	1.20	1.20	1.30	1.39	1.45
Personnel					
Average number of employees for the year	661	668	690	725	746
Payroll expense *(in € millions)*	114	121	123	236	170
Benefits paid (social security, social benefit schemes, etc.) *(in € millions)*	54	60	60	66	71

(a) Includes the impact of the capital increase of June 25, 2009.

5

Note 22. Subsequent events

Since the beginning of 2013, a subsidiary not directly owned by the Company has bought out 1,544,227 shares from several non-controlling interests in Danone Spain, thereby increasing its ownership interest to 75.0%

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 18, 2013, the date on which the Board of Directors approved the 2012 consolidated financial statements.

5.3 Statutory auditor's report on the Danone parent company's annual financial statements

This is a free translation into English of the statutory auditors' report on the financial statements issued in French and is provided solely for the convenience of English speaking users. The statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the Shareholders,

Pursuant to the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2012, on:

- the audit of the accompanying financial statements of Danone;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. It also consists of evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2012 and of the results of its operations for the year then ended in accordance with French accounting principles.

II. Justification of assessments

In accordance with the provisions of Article L. 823-9 of the French commercial code (*Code de commerce*) relating to the justification of our assessments, we bring to your attention the following matters:

- Equity interests are recorded as assets in your company's balance sheet for a carrying amount of €16,976 million. Note 2 of the Notes to the financial statements of the parent company Danone describes the methods adopted for accounting for these shares as well as the methods used to calculate impairment losses. We performed sample tests to confirm that these methods were applied correctly and we reviewed the methods used to determine the amount of the impairment losses. We have assessed the data and assumptions on which these estimates are based: as indicated in Note 2 of the Notes to the financial statements of the parent company Danone, these estimates were prepared in accordance with information and circumstances existing on the date the financial statements were drawn up and such estimates may differ from the actual amounts, particularly at a time of economic and financial volatility.
- As stated in Note 17 of the Notes to the financial statements of the parent company Danone, your company or certain of its direct or indirect subsidiaries have undertaken to acquire the shares held by third-party shareholders in certain companies in which your company has a direct or indirect stake, should such shareholders wish to exercise their put option. We reviewed the methods used by your company to calculate these financial commitments based on the information currently available. We have assessed the data and assumptions on which these estimates are based and the resulting valuations.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and therefore contributed to the opinion we formed which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no observations to make as to the fair presentation of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements or its consistency with the parent company financial statements.

Regarding the information provided in accordance with the provisions of Article L. 225-102-1 of the French commercial code (*Code de commerce*) relating to remuneration and benefits granted to the executive directors and officers (*mandataires sociaux*) and any other commitments made in their favor, we have verified its consistency with the financial statements, or with the underlying information used to prepare these financial statements and, where applicable, with the information obtained by your company from companies controlling your company or controlled by it. Based on this work, we attest the accuracy and fair presentation of this information.

In accordance with French law, we have verified that the required information concerning the identity of the shareholders and holders of the voting rights has been properly disclosed in the management report.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

5.4 Related party transactions

(Pursuant to Article L. 225-38 of the French commercial code)

Related party transactions

The following related party transactions, which the Company entered into during previous fiscal years, continued to apply during 2012:

1. At its July 21, 2004 meeting, the Board of Directors, pursuant to the Nomination and Compensation Committee's proposal, updated the conditions under which the employment contract of Mr. Franck RIBOUD (which had been suspended on August 26, 1994 when he was appointed as an executive director and officer (*mandataire social*) of the Company) would be resumed if his term of office ended, for whatever reason, and established that:
   - the amount of time during which he has exercised his duties as an executive director and officer for the benefit of the Company will be entirely taken into account with respect to seniority and his resulting rights within the framework of his employment contract;
   - the Company undertakes to offer him a position involving duties comparable to those currently exercised by the members of the Company's Executive Committee;
   - the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the twelve months preceding the resumption of his employment contract;
   - he will benefit from the Company's defined benefit pension plan based on his seniority as an executive director and officer and his seniority under the employment contract (see section 6.10 *Compensation and benefits paid to executives* with respect to the suspension of the Chairman and Chief Executive Officer's employment contract).
2. At its April 26, 2007 meeting, the Board of Directors of the Company, within the framework of the danone.communities project, authorized the signing of a cooperation agreement established between the Company, the danone.communities open-ended investment company (Société d'Investissement à Capital Variable – SICAV), the danone.communities venture capital fund (Fonds Commun de Placements à Risques – FCPR), and companies of the Crédit Agricole group (namely IDEAM (which was merged into Amundi in 2011) and Crédit Agricole Private Equity (now renamed as Omnes Capital), respectively management companies for the SICAV and the FCPR, it being specified that as of the date of this meeting, Mr. Jean LAURENT, Director of the Company, was also the Chairman of the Board of Directors of Calyon, a subsidiary of the Crédit Agricole group). This agreement governs the relations between the Company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the SICAV danone.communities by the Company for a maximum amount of E20 million, as well as the annual financial contribution by the Company of a maximum amount of E1.5 million for the first fiscal year, it being specified that this amount must be revised annually by the Board of Directors of the Company.

   The Board of Directors' meeting of February 14, 2012 had set the Company's annual financial contribution for 2012 at a maximum of €5 million (the Company's total financial contributions toward danone.communities for 2012 reached €4.7 million).

   The Board of Directors' meeting of February 18, 2013 set the Company's annual financial contribution at a maximum of €3.8 million. Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS abstained from voting on this matter, as all three are directors of the SICAV danone.communities (see section 7.3 *Other information related to the Group social, societal and environmental responsibility* for more information on the danone.communities project).
3. The Board of Directors' meeting of February 13, 2008 confirmed the commitment the Company undertook with respect to each of the four executive directors and officers (Messrs. Franck RIBOUD, Emmanuel FABER, Bernard HOURS and Jacques VINCENT – it being specified that Mr. Jacques VINCENT ceased to be an executive director and officer in 2010 but remained a Director of the Company), relative to the payment of a pension under the defined benefit pension plan in the form of an annuity (with a reversion option), calculated based on the following elements:
   - the basis of calculation for the retirement guarantee corresponds to the average of annual base salaries and bonuses for the last three entire years of activity within the Group. The length of service taken into account would include the period corresponding to the term of office;
   - in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have received his full rate social security pension will be applied to this annuity;
   - the amount of the annuity that would be paid to Messrs. Franck RIBOUD and Jacques VINCENT would correspond to 2% of this calculation basis per year of seniority (this amount will however be subject to a ceiling of 65% of this calculation basis), minus the full amount of pension rights that Messrs. Franck RIBOUD and Jacques VINCENT are entitled to and have acquired over the course of their professional careers, including the supplementary pension plan fully funded by the Company;
   - the amount of the annuity that would be paid to Messrs. Emmanuel FABER and Bernard HOURS would correspond to (i) 1.5% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche located between 3 and 8 French Social Security ceiling levels (*3 et 8 plafonds de la Sécurité Sociale*), and (ii) 3% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche that is higher than these 8 ceiling levels (this amount will however be limited on the basis of a maximum seniority of 20 years) minus the full amount of pension rights that Messrs. Emmanuel FABER and Bernard HOURS have acquired due to the implementation of the supplementary pension plan fully funded by the Company.

The person concerned is eligible to benefit from this pension plan only if he was performing his duties within the Group at the time of retirement (it being specified that in the event the person leaves the Group before reaching the age of 55, all the rights acquired will be lost, and that in the event such officer is laid off after the age of 55, the benefit derived from this plan will be preserved, on condition that the person does not take up a salaried position).

These agreements remained in force in 2012 and were not implemented, with the exception of the one involving Mr. Jacques VINCENT, who exercised his rights to retirement benefits effective April 1, 2010 (after 40 years within the Group). The annuity which has been paid to him during the 2012 fiscal year with respect to this agreement amounted to €0.9 million (see section 6.10 *Compensation and benefits paid to executives* for more information on undertakings in respect of executives' pension plans).

4. The Board of Directors' meeting of February 13, 2008 authorized an amendment to the employment contracts concluded with Messrs. Emmanuel FABER and Bernard HOURS, for the purpose of determining the conditions under which their respective contracts would be resumed (it being specified that such employment contracts were suspended when they were appointed as executive directors and officers of the Company), assuming that their term of office had ended, for whatever reason. These amendments provide both executives, in an identical way, with the assurance that:
   - the amount of time during which they have exercised their duties as executive directors and officers for the benefit of the Company will be entirely taken into account with respect to seniority and to their resulting rights within the framework of their employment contracts;
   - the Company undertakes to offer them a position involving duties comparable to those currently exercised by the members of the Company's Executive Committee;
   - the annual compensation that will be paid out to them cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the twelve months preceding the resumption of their employment contract;
   - they will benefit from the Company's defined benefit pension plan based on their seniority as an executive director and officer and their seniority under the employment contract;
   - the contractual indemnity due in the event of a breach of the employment contract will be cancelled.
5. The Board of Directors' meeting of February 13, 2008 approved the principle and methods for the rights to an indemnity for each of the Company's three executive directors and officers.

   The Board of Directors' meeting of February 10, 2010 amended the indemnification rights of Messrs. Franck RIBOUD, Chairman and Chief Executive Officer, Emmanuel FABER, Deputy General Manager, and Bernard HOURS, Deputy General Manager, in certain events involving the termination of their terms of office, it being specified that for Mr. Bernard HOURS, the renewal of these conditions under strictly identical terms has been decided by the Board of Directors at its February 14, 2011 meeting.

   These amendments were approved by the Company's April 22, 2010 Shareholders' Meeting for Messrs. Franck RIBOUD and Emmanuel FABER and, by the April 28, 2011 Shareholders' Meeting for Mr. Bernard HOURS, in accordance with the conditions detailed hereafter.

(i) Amount of the Indemnity

The person concerned will receive, by way of indemnity (the "Indemnity") and subject to performance conditions, an amount equal to twice the gross annual compensation (comprising both fixed and variable compensation) received in respect of his term of office for the twelve months preceding the date on which said term of office ceased.

The total of (i) the Indemnity for Termination of the Employment Contract (the portion of said indemnity corresponding to the length of service acquired in respect of the term of office being also subject to performance conditions) and (ii) the Indemnity must not exceed twice the gross annual compensation (comprising both fixed and variable compensation) received in respect of his term of office for the twelve months preceding the date on which said term of office ceased. Any amounts exceeding said upper limit will be deducted in priority from the Indemnity and then, where relevant, from the portion of the Indemnity for Termination of the Employment Contract subject to performance conditions and corresponding to the length of service acquired in respect of the term of office.

In the event the employment contract is terminated after the date on which the Board of Directors decides whether the performance conditions have been met, the procedure described in the previous paragraph shall apply on the basis of an estimated amount of Indemnity for Termination of the Employment Contract on the date the person concerned ceases to hold a corporate office, in which case the performance conditions taken into consideration to calculate the estimated amount of the part of the Indemnity for Termination of the Employment Contract corresponding to length of service shall also be assessed on said date.

(ii) Cases of payment of the Indemnity

The Indemnity will be due to the person concerned only in the event that his term of office as an executive director and officer is terminated by the Board of Directors, regardless of the form of such termination, including dismissal or the non-renewal of his term of office (but excluding serious misconduct (*faute grave*), *i.e.* extremely serious misconduct which precludes any continuation of the term of office, or gross negligence (*faute lourde*), *i.e.* extremely gross negligence committed by the person with the intention of harming the Company), and subject to the performance conditions being met. Termination of a term of office in this context includes, in particular, the consequence of a change of strategy or of control (change of control means all changes in the Company's legal position resulting from, in particular, any merger, restructuring, disposal, takeover bid or exchange offer, following which a shareholder, whether an individual or corporate body, acting alone or in concert, directly or indirectly holds more than 50% of the Company's capital or voting rights).

In addition, no payment will be due under the Indemnity if the person concerned, as of the date on which his term of office as an executive director and officer ceases, is able to claim his retirement rights in accordance with the terms and conditions stipulated by the pension plans.

Given the automatic resumption of the employment contract of the person concerned in the event of the termination of his term of office as an executive director and officer, the Indemnity will also be due if the person concerned ceases to carry out his duties under said employment contract or resigns from his salaried position within the three months following the date on which his term of office as an executive director and officer came to an end due to a change of control.

(iii) Performance conditions governing payment of the Indemnity

The amount paid under the indemnity will be based on:

a) the average organic growth in the Danone group's sales (the "Group CICA") over the five fiscal years preceding the date of termination of the term of office of the executive director and officer (the "Reference Period"); and

b) the average organic growth in the sales generated by the Panel members (the "Panel CICA"), over the Reference Period.

The Group CICA and the Panel CICA are both calculated at constant scope and exchange rates.

The Panel consists of seven leading international groups in the food sector: Kellogg Company, Unilever N.V., Nestlé, Kraft Foods Inc., PepsiCo Inc., The Coca-Cola Company and General Mills.

On the basis of a report drawn up by a financial adviser, the Board of Directors must specifically take its decision as to whether said performance conditions have been met within three months following the date on which the term of office of the executive director and officer ceases.

To ensure the comparability of the CICAs used, it is specified that:

- in the event of the absence or delayed publication of audited accounting or financial data for one Panel member, the Board of Directors will, exceptionally, have the option of excluding this member from the Panel;
- in the event of the absence or delayed publication of audited accounting or financial data for several Panel members, the Board of Directors will make a decision based on the last audited financial statements published by the Panel members and by Danone over the last five fiscal years for which financial statements have been published by all Panel members and by Danone.

In addition, it is specified that the Board of Directors may exclude a Panel member in the event of the purchase, absorption, dissolution, merger or change of activity of a Panel member, subject to the overall consistency of the sample being maintained.

The Board of Directors will determine for the Reference Period the median of the Panel CICAs (*i.e.* the central value of the CICAs of the Panel separating the CICAs of the Panel into two equal units), as well as the value corresponding to the first quartile of the CICAs of the Panel (*i.e.* the value below which 25% of the CICAs of the Panel are situated).

Over the Reference Period:

- if the Group's CICA is greater than or equal to the median of the Panel CICAs, the person concerned will be allocated 100% of the amount of the Indemnity;
- if the Group's CICA is greater than or equal to the first quartile and lower than the median of the Panel CICAs, the person concerned will be allocated 50% of the Indemnity;
- if the Group's CICA is lower than the first quartile of the Panel CICAs, no Indemnity will be paid to the person concerned.

Each time the term of office of the executive director and officer concerned is renewed, these performance conditions as well as, where relevant, the composition of the Panel, will be reviewed by the Board of Directors and, where relevant, amended to take into account changes to the Company and its sectors of activity.

(iv) Payment of the Indemnity

The amount of the Indemnity will be paid within 30 days following the date of the Board of Directors' meeting which will decide whether the performance conditions governing payment of the Indemnity have been met.

Lastly, it is specified that the indemnification rights of Messrs. Franck RIBOUD and Emmanuel FABER were amended, in view of the renewal of their terms of office, by the Board of Directors' meeting of February 18, 2013 and are subject to shareholder approval (see point 15 hereafter).

6. The Board of Directors' meeting of February 10, 2010 amended the suspended employment contracts of Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS, it being specified that for Mr. Bernard HOURS, the renewal of these conditions under identical terms has been decided by the Board of Directors at its February 14, 2011 meeting.

   These agreements were therefore amended in order that:

   - the Indemnity for Termination of the Employment Contract is (i) subject to a limit of two years' fixed and variable gross compensation and (ii) in the event of the payment of both the Indemnity for Termination of the Employment Contract and the indemnity due in certain instances of the termination of the term of office of an executive director and officer, included in an overall limit, also subject to a limit of two years' fixed and variable gross compensation, applicable to all termination indemnities paid in respect of a term of office or an employment contract;
   - the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office of the person concerned is subject to the same performance conditions as the indemnity due in certain instances of the termination of the term of office of the executive director and officer;
   - in the event only of the termination of his term of office caused by a change of control, the person concerned may, provided he is not guilty of serious misconduct or gross negligence, request the termination of his employment contract in the form of lay-off within three months from the date of the termination of his term of office as an executive director and officer (*i.e.* the date on which his employment contract is resumed).

   In the event of the amendment of the performance conditions applicable to the indemnity due in certain instances of the termination of the term of office of an executive director and officer, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office will be automatically amended.

   The portion of the Indemnity for Termination of the Employment Contract which is subject to performance conditions and which corresponds to the seniority acquired in respect of the term of office will be subject to the agreement of the Board of Directors and the approval of the shareholders on each occasion the term of office is renewed.

   In addition, the non-compete clause included in the suspended employment contracts of Messrs. Emmanuel FABER and Bernard HOURS was amended such that it can only be exercised by the Company and result in the payment of consideration in the event of resignation.

7. The Board of Directors' meeting of February 14, 2011 had authorized the Company to grant a guarantee or a security for the various financial transactions to be carried out by its subsidiary Danone Corporate Finance Services, up to an overall ceiling of €500 million per year. The Board of Directors renewed this authorization on the same terms at its February 14, 2012 meeting. The Board of Directors' meeting of April 26, 2012 increased the guarantee's overall ceiling, up to €750 million (see point 12 hereafter).

8. At its April 28, 2011 meeting, the Board of Directors had authorized the Company to grant a joint and several guarantee to the benefit of its subsidiary Danone Finance International (and all other direct or indirect subsidiaries that might directly accede as additional borrowers to the syndicated facilities agreement entered into by the Company on July 28, 2011 (see point 9 hereafter)) with respect to all of their commitments in principal, interest, accessory payments and generally with respect to all payments due in respect of the syndicated facilities agreement in their capacity as additional borrowers, up to a maximum principal amount of €2 billion. If the guarantee is implemented, Danone Finance International shall pay the Company, as consideration for the guarantee, an annual fee calculated on the basis of the average amount borrowed during the corresponding calendar year.

   Since Danone Finance International did not draw down any amount on the syndicated facilities agreement in 2012, this guarantee was not implemented during the year.

   The Board of Directors' meeting of June 18, 2012 authorized the amendment of this guarantee in connection with the extension of the syndicated facilities agreement for an additional year (see point 14 hereafter).

9. On July 27, 2011 the Board of Directors had unanimously authorized the Company to enter into a syndicated facilities agreement and all related contractual documents with J.P. Morgan Europe Limited and J.P. Morgan Limited (hereinafter "J.P. Morgan"), Mrs. Isabelle SEILLIER, managing director within J.P. Morgan Chase group, abstaining from voting.

   On July 28, 2011, the Company therefore signed a syndicated facilities agreement with J.P. Morgan and several other banks. This agreement provides for the establishment of a €2 billion (multi-currency) revolving credit line, combined with a €300 million "swingline" facility, up to a maximum principal amount of €2 billion. The agreement's initial term was five years, with the possibility of renewal up to two additional years subject to banks' approval.

   Interest due by the Company on the amounts used with respect to this syndicated facilities agreement, are calculated using market rates (EURIBOR or EONIA), plus a margin and potential mandatory costs under certain conditions.

   A utilization fee is added to the interest due based on the credit portion used and, if the facility is not drawn down, the Company owes a non-utilization fee equivalent to a percentage of the margin.

   Finally, the Company had paid customary fees to the banks as part of the establishment of the syndicated facilities agreement in 2011.

   J.P. Morgan's commitment as a lender under the syndicated facilities agreement represents €210 million, or 10.5% of the total, *i.e.* the same percentage as the other banks having the first rank in the facilities agreement.

   Fees and interest owed by the Company to J.P. Morgan are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to fees and interest due to the other banks having a first rank in the facilities agreement.

   The Board of Directors' meeting of June 18, 2012 authorized the amendment of this syndicated facilities agreement in connection with its extension for an additional year (see point 13 hereafter).

   No amount was drawn under this syndicated facilities agreement in 2012.

   In 2012, the Company paid J.P. Morgan a total of €299,717 in fees related to these credit facilities (non-utilization fees).

10. At its December 13, 2011 meeting, the Board of Directors – through a unanimous vote with Mrs. Isabelle SEILLIER abstaining – had authorized the Company to enter into an advisory agreement with J.P. Morgan Limited related to an acquisition project (not disclosed as of the publication date of the 2011 registration document).

    On February 10, 2012, the Company therefore signed an advisory agreement with J.P. Morgan Limited, under the terms of which the latter undertook to act as a financial advisor to the Company and, in particular, to assist the Company in analyzing the business plan and coordinating the due diligence work pertaining to the target, structuring and defining the transaction terms and conditions, and negotiating the financial aspects of the documents needed to complete the transaction.

    The advisory agreement specified that the Company should pay J.P. Morgan Limited, in consideration for that company's advisory service and subject to the successful completion of the transaction, a fee representing 0.12% of the total value, estimated at the date of the agreement, of the assets whose acquisition was being considered.

    Since the Company did not implement the acquisition project (which related to the nutrition business of Pfizer group) in 2012, said advisory agreement became null and void and did not give rise to the payment of the aforementioned fee, in accordance with the terms of the agreement (which provided for payment only in the event of the completion of the transaction).

Lastly, five new related party agreements were entered into or amended by the Company in 2012 (excluding those already approved by the April 26, 2012 Shareholders' Meeting) and at the beginning of 2013:

11. At its April 20, 2012 meeting, the Board of Directors unanimously authorized the Company to enter into a purchase agreement with J.P. Morgan Securities LLC in connection with the USD 850 million bond issue the Company carried out in the US market. Mrs. Isabelle SEILLIER, managing director within J.P. Morgan Chase group, abstained from voting.

    Therefore, on May 29, 2012, the Company entered into a purchase agreement with the banks responsible for placing the bonds (which included J.P. Morgan Securities LLC) under the terms of which said banks underwrote the Company's entire bond issue, which they then placed with investors wishing to participate in the issue. The issue was carried out by means of a private placement with institutional investors.

    The fee the Company paid to each bank responsible for placing the bonds (including J.P. Morgan Securities LLC) was strictly proportional to the underwriting commitment of the bank concerned: the fee paid to J.P. Morgan Securities LLC totaled USD 1.53 million.

12. At its April 26, 2012 meeting, the Board of Directors increased the overall maximum of the guarantee the Company may grant in respect of financial risk management operations carried out by its subsidiary Danone Corporate Finance Services from €500 million to €750 million per year (see point 7 above).

    In this context, on December 3, 2012, the Company undertook, on Danone Corporate Finance Services' first request, to guarantee the commitments given by the latter to financial institutions in connection with its financial risk management operations (concerning mainly interest rate and exchange rate risks) carried out on behalf of Group companies, up to an overall maximum of €750 million.

    If the guarantee is implemented, Danone Corporate Finance Services shall pay the Company, as consideration for the guarantee, an annual fee calculated on the basis of the average amount guaranteed under said guarantee during the corresponding calendar year.

    This guarantee was not implemented in 2012.

    At its February 18, 2013 meeting, the Company's Board of Directors renewed its authorization, retaining the same terms and amount.

13. At its meeting on June 18, 2012, the Board of Directors unanimously authorized the Company to enter into with J.P. Morgan an amendment to the syndicated facilities agreement dated July 28, 2012 (see point 9 above) to provide for (i) the extension of the syndicated facilities agreement for a further year (*i.e.* until July 28, 2017) and (ii) as consideration, the addition, for all banks and in proportion to their commitments, of a utilization fee of the facilities under certain circumstances and an additional margin for drawdowns in US dollars. Mrs. Isabelle SEILLIER, managing director within J.P. Morgan Chase group, abstained from voting.

    Therefore, on July 12, 2012, the Company, together with J.P. Morgan and the other banks parties to the syndicated facilities agreement amended the syndicated facilities agreement accordingly. This amendment took effect on July 28, 2012 (the syndicated facilities agreement's anniversary date).

    As indicated above, J.P. Morgan's commitment as a lender under the syndicated facilities agreement represents €210 million, or 10.5% of the total, *i.e.* the same percentage as the other banks having the first rank in the syndicated facilities agreement. Fees and interest owed by the Company to J.P. Morgan are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to fees and interest due to the other banks having a first rank in the facilities agreement.

No amount was drawn under this syndicated facilities agreement in 2012.

In 2012, the Company paid J.P. Morgan a total of €299,717 in fees related to these credit facilities (non-utilization fees).

14. At its meeting on June 18, 2012, the Board of Directors, under the terms of the extension to the syndicated facilities agreement dated July 28, 2011 (see point 13 above), authorized an increase in the scope of the guarantee previously granted by the Company in respect of the commitments of its subsidiary Danone Finance International (and all other direct or indirect subsidiaries that would become additional borrowers to the syndicated facilities agreement entered into by the Company on July 28, 2011), in principal, interest, and accessory payments and, more generally with respect to any payments due in their capacity as additional borrowers (including fees and margins amended as a result of this extension), and up to a limit of a maximum principal amount of €2 billion.

If the guarantee is implemented, Danone Finance International shall pay the Company, as consideration for the guarantee, an annual fee calculated on the basis of the average amount borrowed during the corresponding calendar year.

Since Danone Finance International did not draw down any amount on this syndicated facilities agreement in 2012, this guarantee was not implemented during the year.

15. At its meeting on February 18, 2013, and as recommended by the Nomination and Compensation Committee, the Board of Directors has decided, in connection with the renewal of the tenures as Directors of Mr. Franck RIBOUD and Mr. Emmanuel FABER subject to the approval of the Shareholders' Meeting of April 25, 2013, to renew the rights to the indemnity due in certain instances of the termination of the term of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER.

These rights to indemnity would be renewed on the same basis as that set by the Board of Directors at its meeting on February 10, 2010 and approved by the Shareholders' Meeting of April 22, 2010 (see point 5 above), subject to certain amendments made in order to ensure strict compliance with the provisions of the AFEP-MEDEF Code or to make the conditions of payment more restrictive (see the description of these amendments in section 9.3 *Comments on the resolutions submitted to the Shareholders' Meeting*).

These rights to indemnity are subject to the approval of the Shareholders' Meeting of April 25, 2013 in a separate resolution for each of the executive directors and officers concerned. There are subject to the condition precedent of (i) their approval by the Shareholders' Meeting and (ii) the renewals of the functions of Chairman and Chief Executive Officer (for Mr. Franck RIBOUD) and of the functions of Deputy General Manager (for Mr. Emmanuel FABER) at the end of the Shareholders' Meeting.

These rights to indemnity, as approved by the Board of Directors of February 18, 2013, are described hereafter.

Undertakings by the Company in favour of Mr. Franck RIBOUD (Chairman and Chief Executive Officer) and Mr. Emmanuel FABER (Deputy General Manager), in relation to the terms and conditions of their rights to indemnity in certain instances of the termination of their respective terms of office

(i) Amount of the Indemnity

The person concerned will receive, by way of indemnity (the "Indemnity") and subject to performance conditions, an amount equal to twice his gross annual compensation (including both fixed and variable compensation) received in respect of his term of office during the twelve months preceding the date of termination of said duties.

The sum of the amount of (i) the Indemnity for Termination of the Employment Contract (with the portion of this indemnity that corresponds to the length of service acquired pursuant to the office being subject to performance conditions) and (ii) the Indemnity must not exceed twice the gross annual compensation (including both fixed and variable compensation) received in respect of his term of office during the last twelve months.

In the event that the amount of the Indemnity and the amount of the Indemnity for Termination of the Employment Contract exceed this ceiling of twice the gross annual compensation, and to ensure strict compliance with this ceiling, the amount actually paid to the person concerned will first be charged to the Indemnity and then, where applicable, to the portion of the Indemnity for Termination of the Employment Contract subject to performance conditions and corresponding to the length of service acquired in respect of the term of office.

(ii) Cases of payment of the Indemnity

The Indemnity will be payable to the person concerned only in case of the forced termination of his term of office as executive director and officer related to a change in control or strategy, on the initiative of the Board of Directors, regardless of the form of such termination, in particular dismissal or non-renewal (except in case of serious misconduct, *i.e.* an extremely serious fault preventing any continuation of his office, or gross negligence, *i.e.* an extremely serious fault committed with the intention of harming the Company), and subject to the fulfillment of performance conditions. It is specified that the change in control means any change in the Company's legal situation resulting, in particular, from a merger, restructuring, sale, takeover bid or exchange offer, following which a shareholder that is a legal entity or natural person, either alone or acting in concert, comes to hold, directly or indirectly, more than 50% of the Company's share capital or voting rights.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, no payment of the Indemnity will be due if the person concerned is able to claim his retirements rights within a short period of time under the terms and conditions defined by the pension schemes.

Given the automatic resumption of the employment contract of the person concerned in the event of the termination of his term of office as an executive director and officer, the Indemnity will also be due if the person concerned ceases to carry out his duties under said employment contract or resigns from his salaried position within the three months following the date on which his term of office as a corporate officer came to an end due to a change of control.

Where applicable, no Indemnity pursuant to the office will be due if the person concerned resumes a salaried position and does not request that such position be terminated within the aforementioned three-month period.

(iii) Performance conditions governing payment of the Indemnity

Payment of the Indemnity will be based on:

a) the arithmetic average internal ("organic") growth in the Danone group's net sales (the "Group's CA") over the five completed fiscal years preceding the date of termination of the term of the executive director and officer (the "Reference Period"); and

b) the arithmetic average internal ("organic") growth in net sales recorded by the Panel members (the "CA of the Panel") over the Reference Period.

For application of this decision, it is noted that:

- the Group's CA refers to the arithmetic average internal ("organic") growth in the Group's net sales over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);

5

- the CA of each Panel member refers to the arithmetic average internal ("organic") growth in net sales recorded by said Panel member over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the Panel CAs refer to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are in even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel refers to eight benchmark international groups in the food sector, namely Kellogg Company, Unilever N.V., Nestlé S.A., Kraft Foods Group Inc., Mondelēz International Inc., PepsiCo Inc., The Coca-Cola Company and General Mills Inc.

The Board of Directors must determine whether these performance conditions are met within three months of the date of termination of the term of office of the executive director and officer. Its explicit decision must be duly justified and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

To ensure the comparability of the CAs used, it is specified that:

- restatements will be made (such as corrections related to changes in consolidation scope and exchange rates) to the strict extent necessary in order to ensure that the method of calculating the CAs of all Panel members and the Group's CA is consistent over the entire period;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member from the Panel through a duly justified decision;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or are published late, the Board of Directors will make a decision duly justified at a later date, on the basis of the most recent audited financial statements published by the members of the Panel and by Danone over the last five fiscal years for which financial statements were published for all members of the Panel and for Danone.

In addition, it is noted that the Board of Directors may, through a duly justified decision, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group.

Over the Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, 100% of the Indemnity will be paid to the person concerned;
- if the Group's CA is less than the Median CA of the Panel, no Indemnity will be paid to the person concerned.

In accordance with the amendments to employment contracts of Mr. Franck RIBOUD and Mr. Emmanuel FABER, it should be noted that the same performance conditions will apply, subject to their approval by the Shareholders' Meeting of April 25, 2013, to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of service acquired pursuant to the office and that the sum of the Indemnity pursuant to the office and of the Indemnity for Termination of the Employment Contract may not exceed twenty-four (24) months of gross fixed and variable compensation.

At the time of each renewal of the executive director and officer concerned, these performance conditions and, where appropriate, the composition of the Panel will be re-examined by the Board of Directors and, where appropriate, modified to take into account changes affecting the Company and its business sectors.

(iv) Payment of the Indemnity

The amount of the Indemnity determined according to the above rules will be paid within 30 days following the date of the Board of Directors' meeting which will decide whether the performance conditions governing payment of the Indemnity have been met.

In addition, it is reminded that under the employment contracts of Mr. Franck RIBOUD and Mr. Emmanuel FABER, amended by authorization of the Board of Directors of February 10, 2010, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired under their terms of office will be automatically modified by the approval of this undertaking.

These agreements are described in the Statutory auditors' special report (see paragraph hereafter).

Other transactions

The Company has entered into intra-group agreements with its subsidiaries and affiliates relative to transactions in the ordinary course of business. These agreements generally relate to the sale and purchase of products, the supply of remunerated administrative services pursuant to agreements on management fees, such as treasury and financing management services, as well as on the licensing of intangible rights.

These agreements are customary agreements and were concluded under normal conditions, in accordance with the Company's commercial practices.

No loans or guarantees have been granted or constituted by the Company or its subsidiaries for the benefit of the members of the Executive Committee.

Statutory auditors' special report on related party agreements and commitments

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

To the Shareholders,

In our capacity as Statutory auditors of your Company, we hereby report on certain related party agreements and commitments.

We are required to inform you, on the basis of the information provided to us, of the terms and conditions of those agreements and commitments indicated to us, or that we may have identified in the performance of our engagement. We are not required to comment as to whether they are beneficial or appropriate or to ascertain the existence of any such agreements and commitments. It is your responsibility, in accordance with Article R. 225-31 of the French commercial code, to evaluate the benefits resulting from these agreements and commitments prior to their approval.

In addition, we are required, where applicable, to inform you in accordance with Article R. 225-31 of the French commercial code concerning the implementation, during the year, of the agreements and commitments already approved by the Shareholders' Meeting.

We performed those procedures which we considered necessary to comply with professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des commissaires aux comptes*) relating to this type of engagement. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

1. Agreements and commitments submitted for approval by the Shareholders' Meeting

1.1 Agreements and commitments authorized during the year

In accordance with Article L. 225-40 of the French commercial code, we have been advised of the following related party agreements and commitments which received prior authorization from your Board of Directors.

1.1.1 With J.P. Morgan Group

Person concerned

Mrs. Isabelle SEILLIER, a Director of your Company and a managing director within the J.P. Morgan Chase group.

a) Purchase agreement in connection with bond issue

Nature, purpose and conditions

The Board of Directors' meeting of April 20, 2012 unanimously authorized your Company to enter into a purchase agreement with J.P. Morgan Securities LLC in connection with the USD 850 million bond issue your Company carried out on the US market, Mrs. Isabelle SEILLIER abstaining from voting.

Therefore, on May 29, 2012, your Company entered into a purchase agreement with the banks responsible for placing the bonds (which included J.P. Morgan Securities LLC) under the terms of which said banks underwrote your Company's entire bond issue, which they then placed with investors wishing to participate in the issue. The issue was carried out by means of a private placement with institutional investors.

The fee your Company paid to each bank responsible for placing the bonds (including J.P. Morgan Securities LLC) was strictly proportional to the underwriting commitment of the bank concerned: the fee paid by your Company to J.P. Morgan Securities LLC totaled USD 1.53 million.

b) Syndicated facilities agreement

Nature, purpose and conditions

On July 27, 2011, the Board of Directors had unanimously authorized your Company to enter into a syndicated facilities agreement and all related contractual documents with J.P. Morgan Europe Limited and J.P. Morgan Limited (hereinafter "J.P. Morgan"), Mrs. Isabelle SEILLIER abstaining from voting.

On July 28, 2011, your Company therefore signed a syndicated facilities agreement with J.P. Morgan and several other banks. This agreement provides for the establishment of a €2 billion (multi-currency) revolving credit line, combined with a €300 million "swingline" facility, up to a maximum principal amount of €2 billion. The agreement's initial term was five years, with the possibility of renewal up to two additional years subject to banks' approval.

Interest due by your Company on the amounts used with respect to this syndicated facilities agreement is calculated using market rates (EURIBOR or EONIA), plus a margin and potential additional costs under certain conditions. A utilization fee is added to the interest due based on the credit portion used and, if the facility is not drawn down, your Company owes a non-utilization fee equivalent to a percentage of the margin. Finally, your Company had paid customary fees to the banks as part of the establishment of the syndicated facilities agreement in 2011.

At its meeting on June 18, 2012, the Board of Directors unanimously authorized your Company to enter into with J.P. Morgan an amendment to the syndicated facilities agreement to provide for (i) the extension of the syndicated facilities agreement for a further year (*i.e.* until July 28, 2017) and (ii) as consideration, the addition, for all banks and in proportion to their commitments, of a utilization fee of the facilities under certain circumstances and an additional margin for drawdowns in US dollars, with Mrs. Isabelle SEILLIER abstaining from voting.

Therefore, on July 12, 2012, your Company, together with J.P. Morgan and the other banks parties to the syndicated facilities agreement amended the syndicated facilities agreement accordingly. This amendment took effect on July 28, 2012 (the syndicated facilities agreement's anniversary date).

J.P. Morgan's commitment as a lender under the syndicated facilities agreement represents €210 million, or 10.5% of the total, *i.e.* the same percentage as the other banks having the first rank in the syndicated facilities agreement. Fees and interest owed by your Company to J.P. Morgan are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to fees and interest due to the other banks having a first rank in the facilities agreement.

No amount was drawn under this syndicated facilities agreement in 2012. In 2012, the Company paid J.P. Morgan a total of €299,717 in fees related to these credit facilities (non-utilization fees).

1.1.2 With Danone Corporate Finance Services, a wholly-owned subsidiary of your Company

Nature, purpose and conditions

The Board of Directors' meeting of February 14, 2011 had authorized your Company to grant a guarantee or a security for the various financial transactions to be carried out by its subsidiary Danone Corporate Finance Services, up to an overall ceiling of €500 million per year. The Board of Directors renewed this authorization on the same terms at its February 14, 2012 meeting. The Board of Directors' meeting of April 26, 2012 increased the overall maximum of the guarantee your Company may grant in respect of financial risk management operations carried out by Danone Corporate Finance Services from €500 million to €750 million per year.

In this context, on December 3, 2012, your Company undertook, on Danone Corporate Finance Services' first request, to guarantee the commitments given by the latter to financial institutions in connection with its financial risk management operations (concerning mainly interest rate and exchange rate risks) carried out on behalf of companies within your Group, up to an overall maximum of €750 million.

If the guarantee is implemented, Danone Corporate Finance Services shall pay your Company, as consideration for the guarantee, an annual fee calculated on the basis of the average amount guaranteed under said guarantee during the corresponding calendar year.

This guarantee was not implemented in 2012.

At its February 18, 2013 meeting, the Board of Directors renewed its authorization in respect of the guarantee that could be granted by your Company in connection with the financial risk management operations carried out by Danone Corporate Finance Services, retaining the same terms and amount.

1.1.3 With Danone Finance International, an indirect wholly-owned subsidiary of your Company

Nature, purpose and conditions

At its April 28, 2011 meeting, the Board of Directors had authorized your Company to grant a joint and several guarantee to the benefit of its subsidiary Danone Finance International (and all other direct or indirect subsidiaries that might directly accede as additional borrowers to the syndicated facilities agreement entered into by your Company on July 28, 2011) with respect to all of their commitments in principal, interest, accessory payments and generally with respect to all payments due in respect of the syndicated facilities agreement in their capacity as additional borrowers, up to a maximum principal amount of €2 billion. If the guarantee is implemented, Danone Finance International shall pay your Company, as consideration for the guarantee, an annual fee calculated on the basis of the average amount borrowed during the corresponding calendar year.

At its meeting on June 18, 2012, the Board of Directors, under the terms of the extension to the syndicated facilities agreement described in section 1.1.1b), authorized an increase in the scope of the guarantee previously granted by your Company in respect of the commitments of Danone Finance International (and all other direct or indirect subsidiaries that would become additional borrowers to the syndicated facilities agreement entered into by your Company on July 28, 2011), in principal, interest, and accessory payments and, more generally with respect to any payments due in their capacity as additional borrowers (including fees and margins amended as a result of this extension), and up to a limit of a maximum principal amount of €2 billion.

Since Danone Finance International did not draw down any amount on this new syndicated facilities agreement in 2012, this guarantee was not implemented during the year.

1.2 Agreements and commitments authorized since the year end

We have been advised of the following agreements and commitments which have been authorized since the end of the year under review and which received prior authorization from your Board of Directors.

1.2.1 Commitments with regard to the Chairman and Chief Executive Officer and one of the Deputy General Managers relative to the conditions applicable to indemnities paid to them in certain cases of termination of their respective terms of office

Persons concerned

Messrs. Franck RIBOUD, Chairman and Chief Executive Officer and Emmanuel FABER, Deputy General Manager.

Nature, purpose and conditions

At its meeting on February 18, 2013, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, decided, at the time of the renewal of the tenures as Directors of Mr. Franck RIBOUD and Mr. Emmanuel FABER, subject to the approval of the Shareholders' Meeting of

April 25, 2013, to renew their rights to indemnity due in certain instances of termination of their respective terms of office. Mr. Franck RIBOUD and Mr. Emmanuel FABER abstained from voting on matters concerning them.

These rights to indemnity would be renewed on the same basis as that decided by the Board of Directors' meeting of February 10, 2010 and approved by the Shareholders' Meeting of April 22, 2010 (section 2.2.2), subject to certain amendments made in order to ensure strict compliance with the provisions of the AFEP-MEDEF code or to make the conditions of payment more restrictive.

These rights are subject to the condition precedent (i) of their approval by the Shareholders' Meeting of April 25, 2013 and (ii) of the renewal of the functions as Chairman and Chief Executive Officer (for Mr. Franck RIBOUD) and as Deputy General Manager (in the case of Mr. Emmanuel FABER) at the close of the Shareholders' Meeting.

The arrangements authorized by the Board of Directors at its meeting on February 18, 2013 are described below.

(i) Amount of the Indemnity

The person concerned will receive, by way of indemnity (the "Indemnity") and subject to performance conditions, an amount equal to twice the gross annual compensation (comprising both fixed and variable compensation) received in respect of his term of office for the twelve months preceding the date on which said term of office ceased.

The sum of the amount of (i) the Indemnity for Termination of the Employment Contract (the portion of said indemnity corresponding to the length of service acquired in respect of the term of office being also subject to performance conditions) and (ii) the Indemnity must not exceed twice the gross annual compensation (including both fixed and variable compensation) received in respect of his term of office for the last twelve months

In the event that the amount of the Indemnity and that of the Indemnity for Termination of the Employment Contract exceed this ceiling of twice the gross annual compensation, and in order to ensure strict compliance with this ceiling, the amount actually paid to the person concerned will first be charged to the Indemnity and then, where applicable, to the portion of the Indemnity for Termination of the Employment Contract subject to performance conditions and corresponding to the length of service acquired in respect of the term of office.

(ii) Cases of payment of the Indemnity

The Indemnity will be payable to the person concerned only in case of forced termination of his term of office as an executive director and officer related to a change in control or strategy, on the initiative of the Board of Directors, regardless of the form of such termination, in particular dismissal or non-renewal of his term of office (but excluding serious misconduct (*faute grave*), *i.e.* extremely serious fault preventing any continuation of the term of office, or gross negligence (*faute lourde*), *i.e.* extremely serious fault committed with the intention of harming the Company), and subject to the performance conditions being met. It is specified that change of control means any change in the Company's legal situation resulting, in particular, from a merger, restructuring, sale, takeover bid or exchange offer, following which a shareholder, whether an individual or corporate body, acting alone or in concert, comes to hold directly or indirectly more than 50% of your Company's capital or voting rights.

In addition, in accordance with the recommendations of the AFEP-MEDEF Code, no payment of the Indemnity will be due if the person concerned is able to claim his retirement rights within a short period of time in accordance with the terms and conditions defined by the pension schemes.

Given the automatic resumption of the employment contract of the person concerned in the event of the termination of his term of office as an executive director and officer, the Indemnity will also be due if the person concerned ceases to carry out his duties under said employment contract or resigns from his salaried position within the three months following the date on which his term of office as corporate officer came to an end due to a change of control.

Where applicable, no Indemnity pursuant to the office will be due if the person concerned resumes a salaried position and does not request that such position be terminated within the aforementioned three-month period.

(iii) Performance conditions governing payment of the Indemnity

Payment of the Indemnity will be based on:

a) the arithmetic average internal ("organic") growth in the Danone group's net sales (the "Group's CA") over the five completed fiscal years preceding the date of termination of the term of the executive director and officer (the "Reference Period"); and

b) the arithmetic average internal ("organic") growth in net sales recorded by the Panel members (the "CA of the Panel"), over the Reference Period.

For the application of this decision, it is noted that:

- the Group's CA refers to the arithmetic average internal ("organic") growth in the Group's net sales over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the CA of each Panel member refers to the arithmetic average internal ("organic") growth in net sales recorded by said Panel member over the Reference Period (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the Panel CAs refer to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are in even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel refers to eight benchmark international groups in the food sector, namely: Kellogg Company, Unilever N.V., Nestlé S.A., Kraft Foods Group Inc., Mondelēz International Inc., PepsiCo Inc., The Coca-Cola Company and General Mills Inc.

The Board of Directors must determine whether these performance conditions are met within three months of termination of the term of office of the executive director and officer. Its explicit decision must be duly justified and mentioned in the Board of Directors' report to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

To ensure the comparability of the CAs used, it is specified that:

- restatements will be made (such as corrections related to changes in consolidation scope and exchange rates) to the strict extent necessary to in order to ensure that the method of calculating the CAs of all Panel members and the Group's CA is consistent over the entire period;
- in the event that the audited accounting or financial results for one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member from the Panel, through a duly justified decision;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or are published late, the Board of Directors will make a decision duly justified at a later date on the basis of the most recent audited financial statements published by the members of the Panel and by Danone over the last five fiscal years for which financial statements have been published for all members of the Panel and for Danone.

In addition, it is noted that the Board of Directors may, through a duly justified decision, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity, provided that it maintains the overall consistency of the peer group.

Over the Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, 100% of the Indemnity will be paid to the person concerned;
- if the Group's CA is lower than the Median CA of the Panel, no Indemnity will be paid to the person concerned.

In accordance with the amendments to the employment contracts of Mr. Franck RIBOUD and Mr. Emmanuel FABER, it should be noted that, for each of them, the same performance conditions will apply, subject to their approval by the Shareholders' Meeting of April 25, 2013, to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of service acquired in respect of the term of office as an executive director and officer and that the sum of the Indemnity in respect of the term of office as an executive director and officer and the Indemnity for Termination of the Employment Contract may not exceed 24 months' fixed and variable gross compensation.

Each time the term of office of the executive director and officer concerned is renewed, these performance conditions as well as, where appropriate, the composition of the Panel, will be re-examined by the Board of Directors and, where appropriate, modified to take into account changes affecting your Company and its business sectors.

(iv) Payment of the Indemnity

The amount of the Indemnity determined according to the above rules will be paid within 30 days of the date of the Board of Directors' meeting which will decide whether the performance conditions governing payment of the Indemnity have been met.

In addition, it should be noted that, in accordance with the employment contracts of Messrs. Franck RIBOUD and Emmanuel FABER, amended by authorization of the Board of Directors on February 10, 2010, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to length of service acquired in respect of their terms of office as an executive director and officer will be automatically modified by the approval of this undertaking.

2. Agreements and commitments already approved by the Shareholders' Meeting Agreements and commitments approved in prior years

2.1 Whose implementation continued during the year

In accordance with Article R. 225-30 of the French commercial code, we have been advised that the implementation of the following agreements and commitments which were approved by the Shareholders' Meeting in prior years continued during the year.

2.1.1 Cooperation agreement in connection with the danone.communities project

Companies concerned

SICAV danone.communities, FCPR danone.communities, companies of the Crédit Agricole group.

Nature, purpose and conditions

The Board of Directors' meeting of April 26, 2007, within the framework of the danone.communities project, authorized the signing of a cooperation agreement established between your Company, the danone.communities open-ended investment company (*Société d'Investissement à Capital Variable – SICAV*), the danone.communities venture capital fund (*Fonds Commun de Placements à Risques – FCPR*), and companies of the Crédit Agricole group (namely IDEAM (which was merged into Amundi in 2011) and Crédit Agricole Private Equity (now renamed as Omnes Capital) respectively management companies for the SICAV and the FCPR, it being specified that as of the date of this meeting, Jean LAURENT, Director of your Company, was also the Chairman of the Board of Directors of Calyon, a subsidiary of the Crédit Agricole group).

This agreement governs the relations between your Company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the SICAV danone.communities by your Company for a maximum amount of €20 million, as well as the annual financial contribution by your Company of a maximum amount of €1.5 million for the first fiscal year, it being specified that this amount must be revised annually by the Board of Directors of your Company.

The Board of Directors' meeting of February 14, 2012 had set your Company's annual financial contribution for 2012 at a maximum of €5 million (your Company's total financial contributions toward danone.communities for 2012 reached €4.7 million).

The Board of Directors' meeting of February 18, 2013 set your Company's annual financial contribution at a maximum of €3.8 million. Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS abstained from voting on this matter, as all three are directors of the SICAV danone.communities.

2.1.2 Commitments with respect to the Chairman and Chief Executive Officer and the Deputy General Managers relative to the payment of a pension under the defined benefit pension plan

Persons concerned

Messrs. Franck RIBOUD, Chairman and Chief Executive Officer, Emmanuel FABER, Deputy General Manager, Bernard HOURS, Deputy General Manager and Jacques VINCENT, Director and former Deputy General Manager.

Nature, purpose and conditions

The Board of Directors' meeting of February 13, 2008 confirmed the commitment your Company undertook with respect to each of the four executive directors and officers relative to the payment of a pension under the defined benefit pension plan in the form of an annuity (with a reversion option), calculated based on the following elements:

- the basis of calculation for the retirement guarantee corresponds to the average of annual base salaries and bonuses for the last three entire years of activity within your Group. The length of service taken into account would include the period corresponding to the term of office;
- in the event of retirement without satisfying the conditions necessary for obtaining the full rate with respect to the social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have received his full rate social security pension will be applied to this annuity;
- the amount of the annuity that would be paid to Messrs. Franck RIBOUD and Jacques VINCENT would correspond to 2% of this calculation basis per year of seniority (this amount will however be subject to a ceiling of 65% of this calculation basis), minus the full amount of pension rights that Messrs. Franck RIBOUD and Jacques VINCENT are entitled to and have acquired over the course of their professional careers, including the supplementary pension plan fully funded by your Company;
- the amount of the annuity that would be paid to Messrs. Emmanuel FABER and Bernard HOURS would correspond to (i) 1.5% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche located between 3 and 8 French Social Security ceiling levels (*3 et 8 plafonds de la Sécurité Sociale*), and (ii) 3% per year of seniority (including the period corresponding to the term of office) of this calculation basis, for the tranche that is higher than these 8 ceiling levels (this amount will however be limited on the basis of a maximum seniority of 20 years), minus the full amount of pension rights that Messrs. Emmanuel FABER and Bernard HOURS have acquired due to the implementation of the supplementary pension plan fully funded by your Company;

The person concerned is eligible to benefit from this pension plan only if he was performing his duties within the Group at the time of retirement (it being specified that in the event the person leaves the Group before reaching the age of 55, all the rights acquired will be lost, and that in the event such officer is laid off after the age of 55, the benefit derived from this plan will be preserved, on condition that the person does not take up a salaried position).

These agreements remained in force in 2012 and were not implemented, with the exception of the one involving Mr. Jacques VINCENT, who exercised his rights to retirement benefits effective April 1, 2010 (after 40 years within your Group). The annuity which has been paid to him during the 2012 fiscal year with respect to this agreement amounted to €0.9 million.

2.1.3 Advisory agreement with the J.P. Morgan group

Person concerned

Mrs. Isabelle SEILLIER, a Director of your Company and managing director within the J.P. Morgan Chase group.

Nature, purpose and conditions

At its December 13, 2011 meeting, the Board of Directors – through a unanimous vote with Mrs. Isabelle SEILLIER abstaining – had authorized your Company to enter into an advisory agreement with J.P. Morgan Limited related to an acquisition project (not disclosed as of the publication date of the 2011 registration document).

On February 10, 2012, your Company therefore signed an advisory agreement with J.P. Morgan Limited, under the terms of which the latter undertook to act as a financial advisor to your Company and, in particular, to assist your Company in analyzing the business plan and coordinating the due diligence work pertaining to the target, structuring and defining the transaction terms and conditions, and negotiating the financial aspects of the documents needed to complete the transaction.

The advisory agreement specified that your Company would pay J.P. Morgan Limited, in consideration for that company's advisory service and subject to the successful completion of the transaction, a fee representing 0.12% of the total value – estimated at the date of the agreement – of the assets whose acquisition was being considered.

Since your Company did not implement the acquisition project (which related to the nutrition business of the Pfizer group) in 2012, said advisory agreement became null and void and did not give rise to the payment of the aforementioned fee, in accordance with the terms of the agreement (which provided for payment only in the event of the completion of the transaction).

2.2 Which were not implemented during the year

In addition, we have been advised that the following agreements and commitments which were approved by the Shareholders' Meeting in prior years were not implemented during the year.

2.2.1 Commitments with respect to the Chairman and Chief Executive officer and the Deputy General Managers relative to the conditions under which their employment contracts would be resumed following the expiration of their term of office

a) Person concerned

Mr. Franck RIBOUD, Chairman and Chief Executive officer.

Nature, purpose and conditions

At its July 21, 2004 meeting, the Board of Directors, pursuant to the Nomination and Compensation Committee's proposal, updated the conditions under which the employment contract of Mr. Franck RIBOUD (which had been suspended on August 26, 1994 when he was appointed as an executive director and officer (*mandataire social*) of your Company) would be resumed if his term of office ended, for whatever reason, and established that:

- the amount of time during which he has exercised his duties as an executive director and officer for the benefit of your Company will be entirely taken into account with respect to seniority and his resulting rights within the framework of his employment contract;
- your Company undertakes to offer him a position involving duties comparable to those currently exercised by the members of your Company's Executive Committee;
- the annual compensation that will be paid out to him cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the twelve months preceding the resumption of his employment contract;
- he will benefit from your Company's defined benefit pension plan based on his seniority as an executive director and officer and his seniority under his employment contract.

b) Persons concerned

Messrs. Emmanuel FABER, Deputy General Manager and Bernard HOURS, Deputy General Manager.

Nature, purpose and conditions

The Board of Directors' meeting of February 13, 2008 authorized an amendment to the employment contracts concluded with Messrs. Emmanuel FABER and Bernard HOURS, for the purpose of determining the conditions under which their respective employment contracts would be resumed (it being specified that such employment contracts were suspended when they were appointed as executive directors and officers of your Company), assuming that their term of office had ended, for whatever reason. These amendments provide both executives, in an identical way, with the assurance that:

- the amount of time during which they have exercised their duties as executive directors and officers for the benefit of your Company will be entirely taken into account with respect to seniority and to their resulting rights within the framework of their employment contracts;
- your Company undertakes to offer them a position involving duties comparable to those currently exercised by the members of your Company's Executive Committee;
- the annual compensation that will be paid out to them cannot be less than the total annual average compensation (gross base salary, benefits in kind, and bonus of any type) allocated to all members of the Executive Committee during the twelve months preceding the resumption of their employment contract;
- they will benefit from your Company's defined benefit pension plan based on their seniority as an executive director and officer and their seniority under the employment contract;
- the contractual indemnity due in the event of a breach of the employment contract will be cancelled.

2.2.2 Commitment with regard to the Chairman and Chief Executive Officer and the Deputy General Managers relative to the conditions applicable to indemnities paid to them in certain cases of termination of their respective terms of office

Persons concerned

Messrs. Franck RIBOUD, Chairman and Chief Executive Officer, Emmanuel FABER, Deputy General Manager and Bernard HOURS, Deputy General Manager.

Nature, purpose and conditions

The Board of Directors' meeting of February 13, 2008 approved the principle and methods for the rights to an indemnity for each of your Company's three executive directors and officers.

The Board of Directors' meeting of February 10, 2010 amended the indemnification rights of Messrs. Franck RIBOUD, Chairman and Chief Executive Officer, Emmanuel FABER, Deputy General Manager, and Bernard HOURS, Deputy General Manager, in certain events involving the termination of their terms of office, it being specified that for Mr. Bernard HOURS, the renewal of these conditions under strictly identical terms has been decided by the Board of Directors at its February 14, 2011 meeting.

These amendments were approved by your Company's April 22, 2010 Shareholders' Meeting for Messrs. Franck RIBOUD and Emmanuel FABER and by the April 28, 2011 Shareholders' Meeting for Mr. Bernard HOURS, in accordance with the conditions detailed hereafter.

(i) Amount of the Indemnity

The person concerned will receive, by way of indemnity (the "Indemnity") and subject to performance conditions, an amount equal to twice the gross annual compensation (comprising both fixed and variable compensation) received in respect of his term of office for the twelve months preceding the date on which said term of office ceased.

The total of (i) the Indemnity for Termination of the Employment Contract (the portion of said indemnity corresponding to the length of service acquired in respect of the term of office being also subject to performance conditions) and (ii) the Indemnity, must not exceed twice the gross annual compensation (comprising both fixed and variable compensation) received in respect of his term of office for the twelve months preceding the date on which said term of office ceased. Any amounts exceeding said upper limit will be deducted in priority from the Indemnity and then, where relevant, from the portion of the Indemnity for Termination of the Employment Contract subject to performance conditions and corresponding to the length of service acquired in respect of the term of office.

In the event the employment contract is terminated after the date on which the Board of Directors decides whether the performance conditions have been met, the procedure described in the previous paragraph shall apply on the basis of an estimated amount of Indemnity for Termination of the Employment Contract on the date the person concerned ceases to hold a corporate office, in which case the performance conditions taken into consideration to calculate the estimated amount of the part of the Indemnity for Termination of the Employment Contract corresponding to length of service shall also be assessed on said date.

(ii) Cases of payment of the Indemnity

The Indemnity will be due to the person concerned only in the event that his term of office as an executive director and officer is terminated by the Board of Directors, regardless of the form of such termination, including dismissal or the non-renewal of his term of office (but excluding serious misconduct (*faute grave*), *i.e.* extremely serious misconduct which precludes any continuation of the term of office, or gross negligence (*faute lourde*), *i.e.* extremely gross negligence committed by the person with the intention of harming the Company), and subject to the performance conditions being met. Termination of a term of office in this context includes, in particular, the consequence of a change of strategy or of control (change of control means all changes in your Company's legal position resulting from any merger, restructuring, disposal, takeover bid or exchange offer, following which a shareholder, whether an individual or corporate body, acting alone or in concert, directly or indirectly holds more than 50% of your Company's capital or voting rights).

In addition, no payment will be due under the Indemnity if the person concerned, as of the date on which his term of office as an executive director and officer ceases, is able to claim his retirement rights in accordance with the terms and conditions stipulated by the pension plans.

Given the automatic resumption of the employment contract of the person concerned in the event of the termination of his term of office as an executive director and officer, the Indemnity will also be due if the person concerned ceases to carry out his duties under said employment contract or resigns from his salaried position within the three months following the date on which his term of office as an executive director and officer came to an end due to a change of control.

(iii) Performance conditions governing payment of the Indemnity

The amount paid under the Indemnity will be based on:

a) the average organic growth in the Danone group's sales (the "Group CICA") over the five fiscal years preceding the date of termination of the term of office of the executive director and officer (the "Reference Period"); and
b) the average organic growth in the sales generated by the Panel members (the "Panel CICA"), over the Reference Period.

The Group CICA and the Panel CICA are both calculated at constant scope and exchange rates.

The Panel consists of seven leading international groups in the food sector: Kellogg Company, Unilever N.V., Nestlé, Kraft Foods Inc., Pepsi Co. Inc., The Coca-Cola Company and General Mills.

On the basis of a report drawn up by a financial adviser, the Board of Directors must specifically take its decision as to whether said performance conditions have been met within three months following the date on which the term of office of the executive director and officer ceases.

To ensure the comparability of the CICAs used, it is specified that:

- in the event of the absence or delayed publication of audited accounting or financial data for one Panel member, the Board of Directors will, exceptionally, have the option of excluding this member from the Panel;
- in the event of the absence or delayed publication of audited accounting or financial data for several Panel members, the Board of Directors will make a decision based on the last audited financial statements published by the Panel members and by Danone over the last five fiscal years for which financial statements have been published by all Panel members and by Danone.

In addition, it is specified that the Board of Directors may exclude a Panel member in the event of the purchase, absorption, dissolution, merger or change of activity of a Panel member, subject to the overall consistency of the sample being maintained.

The Board of Directors will determine for the Reference Period the median of the Panel CICAs (*i.e.* the central value of the CICAs of the Panel separating the CICAs of the Panel into two equal units), as well as the value corresponding to the first quartile of the CICAs of the Panel (*i.e.* the value below which 25% of the CICAs of the Panel are situated).

Over the Reference Period:

- if the Group's CICA is greater than or equal to the median Panel CICA, the person concerned will be allocated 100% of the amount of the Indemnity;
- if the Group's CICA is greater than or equal to the first quartile and lower than the median of the Panel CICAs, the person concerned will be allocated 50% of the Indemnity;
- if the Group's CICA is lower than the first quartile of the Panel CICAs, no Indemnity will be paid to the person concerned.

Each time the term of office of the executive director and officer concerned is renewed, these performance conditions as well as, where relevant, the composition of the Panel, will be reviewed by the Board of Directors and, where relevant, amended to take into account changes to the Company and its sectors of activity.

(iv) Payment of the Indemnity

The amount of the Indemnity will be paid within 30 days following the date of the Board of Directors' meeting which will decide whether the performance conditions governing payment of the Indemnity have been met.

The indemnification rights of Messrs. Franck RIBOUD and Emmanuel FABER were amended, in view of the renewal of their terms of office, by the Board of Directors' meeting of February 18, 2013 and are subject to shareholder approval (see section 1.2.1).

2.2.3 Amendments made to the suspended employment contracts of the Chairman and Chief Executive Officer and of the Deputy General Managers

Persons concerned

Messrs. Franck RIBOUD, Chairman and Chief Executive Officer, Emmanuel FABER, Deputy General Manager and Bernard HOURS, Deputy General Manager.

Nature, purpose and conditions

The Board of Directors' meeting of February 10, 2010 amended the suspended employment contracts of Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS, it being specified that for Mr. Bernard HOURS, the renewal of these conditions under identical terms has been decided by the Board of Directors at its February 14, 2011 meeting.

These suspended employment contracts were therefore amended in order that:

- the Indemnity for Termination of the Employment Contract is (i) subject to a limit of two years' fixed and variable gross compensation and (ii) in the event of the payment of both the Indemnity for Termination of the Employment Contract and the Indemnity due in certain instances of the termination of the term of office of an executive director and officer, included in an overall limit, also subject to a limit of two years' fixed and variable gross compensation, applicable to all termination indemnities paid in respect of a term of office or an employment contract;
- the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office of the person concerned is subject to the same performance conditions as the indemnity due in certain instances of the termination of the term of office of the executive director and officer;
- in the event only of the termination of his term of office caused by a change of control, the person concerned may, provided he is not guilty of serious misconduct or gross negligence, request the termination of his employment contract in the form of lay-off within three months from the date of the termination of his term of office as an executive director and officer (*i.e.* the date on which his employment contract is resumed).

In the event of the amendment of the performance conditions applicable to the indemnity due in certain instances of the termination of the term of office of an executive director and officer, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of the term of office will be automatically amended.

The portion of the Indemnity for Termination of the Employment Contract which is subject to performance conditions and which corresponds to the seniority acquired in respect of the term of office will be subject to the agreement of the Board of Directors and the approval of the shareholders on each occasion the term of office is renewed.

In addition, the non-compete clause included in the suspended employment contracts of Messrs. Emmanuel FABER and Bernard HOURS was amended such that it can only be exercised by the Company and result in the payment of consideration in the event of resignation.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit
Etienne BORIS Philippe VOGT

Ernst & Young et Autres
Jeanne BOILLET Gilles COHEN

5.5 Information originating from third parties, expert opinions and declarations of interest

Nil.

5

Corporate governance

6.1 Board of Directors

Composition of the Board of Directors

In accordance with the law, the administration of the Company is entrusted to the Board of Directors, whose members are appointed by the Shareholders' Meeting.

Directors' terms of office

The statutory duration of Directors' terms of office is three years, and may be renewed. The term of office of any Director who is an individual expires automatically at the conclusion of the Shareholders' Meeting that votes on the previous year's financial statements and that is held in the year during which such Director has turned or will turn 70. Nevertheless, pursuant to a decision of the Shareholders' Meeting, this age limit does not apply to one or more Directors who may remain in office or who may be reappointed one or more times, so long as the number of Directors concerned by this provision does not exceed one-fourth of the number of Directors in office.

All Directors' terms of office are staggered, thereby facilitating regular renewal of the Board by the shareholders (i) due to the fact that the by-laws provide for relatively short terms of three years and (ii) because of spreading the expiration dates of the various terms of office, the Shareholders' Meeting is able to vote each year on the terms of office of several Directors. Based on the current composition of the Board, the terms of office of two Directors will expire at the conclusion of the Shareholders' Meeting convened to vote on the financial statements for fiscal year 2012, the terms of office of six Directors will expire at the conclusion of the Shareholders' Meeting convened to vote on the financial statements for fiscal year 2013 and the terms of office of the remaining six Directors will expire at the conclusion of the Shareholders' Meeting convened to vote on the financial statements for fiscal year 2014.

Although French law does not impose a minimum shareholding requirement on the directors of French limited companies (*sociétés anonymes*) Danone's by-laws nevertheless require each Director to hold a minimum of 4,000 shares (representing, by way of example, and based on a share price of €50, an amount of €200,000), which must be held as registered shares.

Members of the Board of Directors as of February 28, 2013

As of February 28, 2013, the following persons are the 14 members of the Board of Directors:

Name	Age	Principal position [(a)]	Starting date of Director's term	Expiration date of Director's term (date of Shareholders' Meeting)
Franck RIBOUD	57	Chairman and Chief Executive Officer of Danone	1992	2016 [(c)]
Emmanuel FABER	49	Vice-Chairman of the Board of Directors and Deputy General Manager of Danone	2002	2016 [(c)]
Bernard HOURS	56	Vice-Chairman of the Board of Directors and Deputy General Manager of Danone	2005	2014
Bruno BONNELL [(b)]	54	Chairman of Awabot	2002	2014
Richard GOBLET D'ALVIELLA [(b)]	64	Executive Chairman of Sofina SA	2003	2015
Jacques-Antoine GRANJON [(b)]	50	Chairman and Chief Executive Office of vente-privée-com	2012	2015
Yoshihiro KAWABATA	64	Director and Deputy President, Divisional General Manager of Administrative Division and International Business Division of Yakult Honsha	2010	2014
Jean LAURENT [(b)]	68	Chairman of the Board of Directors of Foncière des Régions	2005	2015
Benoît POTIER [(b)]	55	Chairman and Chief Executive Officer of L'Air Liquide SA	2003	2015
Isabelle SEILLIER	53	Head of Financial Institutions EMEA of J.P. Morgan	2011	2014
Mouna SEPEHRI [(b)]	49	Member of the Executive Committee, Executive Vice-President of Renault SAS	2012	2015
Jean-Michel SEVERINO [(b)]	55	Head of "Investisseur and Partenaire Conseil"	2011	2014
Virginia A. STALLINGS [(b)]	62	Professor of Pediatrics at Children's Hospital of Philadelphia	2012	2015
Jacques VINCENT	66	Chairman of Compassion Art	1997	2014

(a) Each Director's term of office and duties are detailed in section 11.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.
(b) Director deemed independent by the Board of Directors on the recommendation of the Nomination and Compensation Committee, in accordance with the AFEP-MEDEF Code (see section 6.1 *Board of Directors*).
(c) Provided his term of office is renewed by the Shareholders' Meeting of April 25, 2013.

As of February 28, 2013, the Board of Directors includes a Lead Independent Director, Mr. Jean LAURENT, who was appointed by the Board of Directors at its meeting on February 18, 2013 on the recommendation of the Nomination and Compensation Committee (please refer to the section *Board of Directors' rules of procedure* hereafter for a description of the Lead Independent Director's powers).

In addition, Mr. Michel DAVID WEILL was appointed Honorary Vice-Chairman of the Board of Directors at the conclusion of the Shareholders' Meeting of April 28, 2011; he has an advisory role in this capacity.

The Shareholders' Meeting of April 25, 2013 is asked to renew the terms of office as Directors of Messrs. Franck RIBOUD and Emmanuel FABER (see section 9.3 *Comments on the resolutions submitted to the Shareholders' Meeting* hereafter).

Provided that the renewal of the terms of office of the latter is approved by the Shareholders' Meeting of April 25, 2013, the composition of the Board will have the following characteristics:

(i) a rate of independence of 57% (compared with a rate of 43% as of December 31, 2009 when the terms of office of Messrs. Franck RIBOUD and Emmanuel FABER were last renewed). This rate of independence is higher than that recommended by the AFEP-MEDEF Code (which is 50% for widely-held companies without controlling shareholders, such as Danone);

(ii) a percentage of women of 21% (compared with a rate of 7% as of December 31, 2009 when the terms of office of Messrs. Franck RIBOUD and Emmanuel FABER were last renewed), *i.e.* three of 14 Directors, in accordance with the prevailing regulations, which require the percentage of women to be 20% by 2014;

(iii) an average age of Directors of 57.3 years (compared with an average age of 60.6 years as of December 31, 2009 when the terms of office of Messrs. Franck RIBOUD and Emmanuel FABER were last renewed); and

(iv) an average duration of Directors' term of office of 6.5 years (compared with an average term of 11.6 years as of December 31, 2009 when the terms of office of Messrs. Franck RIBOUD and Emmanuel FABER were last renewed). Despite this significant decrease in the average seniority of its members, the Board of Directors has striven to retain, in order to preserve the diversity of the Board, several non-executive Directors who have extensive knowledge of the Group (in particular, Mr. Jacques VINCENT, who has been a Director since 1997) and one Director who will turn 70 during his term of office (Mr. Jean LAURENT).

It should be noted that, for several years, the Board has been committed, and has reiterated its commitment towards its shareholders, to continue, in the future, to make proposals to the Shareholders' Meeting that improve its corporate governance, particularly in terms of its independence, the percentage of women on the Board and the diversity of its expertise and composition.

In accordance with the law, four members of the Danone works council, nominated by said council (two from the employees category, one from the supervisors and technicians category and one from the executives category) attend all Board meetings in an advisory capacity.

Board of Directors' rules of procedure

The Board of Directors' rules of procedure, which set out the Directors' rights and obligations and the method of operation of the Board of Directors, were adopted by the Board of Directors on April 25, 2002.

Following each of the self-assessments (the most recent being carried out in 2003, 2007, 2008, 2010 and 2012), the Board of Directors amended the rules of procedure (see section *Self-assessment of the Board of Directors* hereafter). More specifically, the Board of Directors' meetings of February 14, 2011, February 14, 2012 and February 18, 2013 amended the rules of procedure to take into account best practices in governance (see, in particular, the section *Directors' Code of Ethics* hereafter).

The main provisions of the Board of Directors' rules of procedure are summarized hereafter.

Responsibilities of the Board of Directors

The Board of Directors is a collegial body in which all Directors have the same powers and duties, and in which decisions are made collectively. It is responsible towards the shareholders, it meets at least five times each year and establishes operating rules for itself and its various Committees.

The Board of Directors sets the Company's business policies and ensures that they are implemented. It votes on all decisions concerning the Company's major strategic, economic, social, financial and technological policies.

At each Board meeting, the Chairman reports on transactions concluded since the previous meeting and on significant projects in progress that may be concluded before the following meeting. Each year, the Board reviews the key points of the Group Management Report, as well as the resolutions to be submitted to the Shareholders' Meeting. Furthermore, at least once every six months, General Management informs the Board of Directors of the Company's financial position, cash position and commitments.

Between Board meetings, the Directors receive all necessary information concerning events or transactions of significance to the Group. More generally, the Directors may at any time request from the Chairman all information and documents they deem necessary to perform their duties.

Limits on the powers of the Chief Executive Officer

The list of transactions for which the rules of procedure require the Chief Executive Officer to obtain prior Board approval is detailed in section 6.5 *Powers of the Chief Executive Officer*.

Board of Directors' meetings

In accordance with statutory and regulatory provisions and the Board of Directors' rules of procedure, Directors who attend Board meetings by videoconference or other means of telecommunication are deemed to be present for the purposes of calculating the quorum and majority. However, this method of attendance is not permissible when the Board decides on whether to approve Danone's statutory and consolidated financial statements or when it prepares the management report, including the Group Management Report.

Committees of the Board of Directors

The Board of Directors may create one or more specialized Committees and determine their composition and powers. The Committees perform their duties under the Board of Directors' responsibility. These Committees may not interfere in the Company's management or reduce or limit the powers of the Chairman and Chief Executive Officer, the Deputy General Manager or the Board of Directors. On matters within its jurisdiction, each Committee submits proposals, recommendations and opinions, and reports to the Board of Directors on its activities.

The Committees are comprised solely of Directors. Their members are appointed by the Board of Directors on the recommendation of the Nomination and Compensation Committee. They are appointed in their individual capacity and may not, in turn, appoint a proxy to represent them. The Committee Chairmen are appointed by the Board of Directors on the recommendation of the Nomination and Compensation Committee.

Compensation of Board of Directors' members

The Shareholders' Meeting determines the total maximum amount of attendance fees to be divided among the Directors. Directors who are members of the Executive Committee do not receive attendance fees. At the Shareholders' Meeting of April 25, 2013, shareholders will be asked to change the total amount of these attendance fees in order to compensate the new role of Lead Independent Director and to take into account the specific situation of Directors who are resident abroad (by granting them an additional amount to cover their travel to Board meetings).

Directors' Code of ethics

The Board's rules of procedure include a Directors' Code of ethics. Under this Code, the Directors are bound by a general confidentiality obligation regarding the decisions of the Board and of the Committees, as well as with respect to confidential information of which they become aware in the performance of their duties. Each Director is required to act in the interest of and on behalf of all shareholders.

In performing his/her duties, each Director must act independently of any interest other than the corporate interest of the Group and its shareholders. Each Director must at all times ensure that his/her personal situation does not create a conflict of interests with the Group. Any Director who has a conflict of interests must report it to the Board so that it may make a decision thereon, and must refrain from taking part in any vote on the relevant matter.

Following the Board of Directors' meeting of February 14, 2011, the provisions of the rules of procedure were bolstered with respect to the following three points:

Awareness of Directors' rights and obligations

At the time he/she takes office, each Director must be aware of the general and specific obligations incumbent on his/her position;

Directors' confidentiality obligation

The Directors' general confidentiality obligation was extended to all information and documents of which they may become aware in the course of performing their duties;

Duty to report conflicts of interest

Each Director must provide a sworn statement describing whether or not he/she has any conflicts of interest, including potential conflicts of interest: (i) at the time he/she takes office, (ii) annually, in response to the Company's request when it prepares the Registration Document, (iii) at any time, if requested by the Chairman of the Board of Directors, and (iv) within ten business days of the occurrence of any event that causes the Director's previously filed statements to become inaccurate, in whole or in part. In addition, in cases when the Director cannot avoid a conflict of interest, including potential conflicts of interest, he/she must abstain from taking part in discussions and from voting on the subjects concerned.

Moreover, at its meeting of February 14, 2012, the Board of Directors strengthened and detailed the Directors' obligations regarding their commitment to the Board as follows: Directors must limit the number of their appointments as a director or chairman of committees of the board of directors of other companies in such a manner as to ensure they are able to commit fully to the Danone Board. Furthermore, should a Director wish to accept a new appointment within a French or foreign listed company, he or she must inform the Chairman of the Board of Directors and the Chairman of the Nomination and Compensation Committee.

Transactions involving the Company's securities

The relevant securities include the Company's shares and all financial instruments linked to the shares.

In general, the members of the Board of Directors are bound by a duty to exercise due care and diligence, as well as an obligation to exercise particular care with respect to any personal transactions involving the Company's securities.

In particular, Directors may not engage in speculative or short-term transactions involving the Company's securities.

Furthermore, they may not engage in transactions involving the Company's securities in the following cases:

- if they have information that, when published, is likely to affect the price of the securities;
- during periods explicitly indicated by the Company, in particular, during the month preceding announcements of the Company's annual and semi-annual results, or during the two-week period prior to publication of the Company's quarterly sales figures.

In addition, the members of the Board of Directors must not use any instruments to hedge DANONE shares or any financial instruments linked to DANONE shares (in particular, stock-options or rights to allotments of DANONE shares subject to performance conditions). This rule also applies to all transactions engaged in by persons who have ties to the Directors (within the meaning of the regulations in force). Finally, any Director who is unsure about a transaction involving the Company's securities (or other financial instruments) that he/she intends to enter into or about the precise nature of the information he/she is required to disclose must inform the Chairman of the Board of Directors or the Lead Independent Director accordingly.

Assessment of the Board of Directors' performance

The Board's performance is assessed every two years. This assessment may be a self-assessment, an assessment by the Nomination and Compensation Committee or an assessment by a third party organization.

At its February 14, 2012 meeting, in its annual report on its operations, the Board of Directors reviewed progress to date in implementing the recommendations issued as a result of the self-assessment carried out in December 2010. The last self-assessment was carried out at the end of 2012. Its findings were reviewed by the Board at its meeting on February 18, 2013 (see section *Self-assessment of the Board of Directors* hereafter).

Lead Independent Director

Discussions with the Company's shareholders have enabled the Board of Directors to note that certain shareholders consider that the aggregation of the offices of Chairman of the Board of Directors and Chief Executive Officer could cause risks as regards corporate governance. It therefore appeared opportune to the Board to make obligatory the appointment of a Lead Independent Director when the functions of Chairman of the Board of Directors and Chief Executive Officer are combined in order to provide additional assurance as to the smooth operation of the Board and the balance of powers within General Management and the Board. Consequently, at the Board meeting on February 18, 2013, the Board's rules of procedure were amended to provide for the position of Lead Independent Director.

The Lead Independent Director is appointed by the Board of Directors from among the independent Directors, based on a proposal from the Nomination and Compensation Committee. He/she remains in office throughout the duration of his/her term of office. Each time the Lead Independent Director's term of office expires, a review will be carried out of the operation of said role and its holder's powers so that, if necessary, they can be adapted.

Excerpt from the Board's rules of procedure relating to the Lead Independent Director

Duties of the Lead Independent Director

"The Lead Independent Director's primary function is to ensure the smooth operation of the Board of Directors and its Committees. In that context, he/she is in charge of the following matters:

Board of Directors assessment

The Lead Independent Director participates in the Board of Directors assessment process.

Management of conflicts of interest

The Lead Independent Director prevents conflicts of interest from occurring, notably by taking preventive measures to raise awareness.

He/she brings any conflicts of interest involving executive directors and officers and other Board members that he/she has identified to the attention of the Board of Directors.

As part of the duty to report conflicts of interest as specified in Article 8.3 of these rules of procedure [see section above *Directors' Code of Ethics*], any Director having a conflict of interest, even potential, notifies the Lead Independent Director.

Compliance with the rules of procedure

The Lead Independent Director ensures that these rules of procedure are complied with.

As part of the consultation procedure with respect to market ethics as specified in Article 8.8 of these rules of procedure [*i.e.* the consultation procedure concerning transactions by the Directors involving DANONE shares, see section above *Transactions involving the Company's securities*], the Lead Independent Director may be consulted by the Directors in the same capacity as the Chairman and Chief Executive Officer.

Relations with shareholders

The Lead Independent Director assists the Chairman and Chief Executive Officer, upon his/her request, to answer questions from shareholders, and makes himself/herself available to meet with them and receive comments and suggestions from them, at the request of and with the approval of the Chairman and Chief Executive Officer.

Activity report

The Lead Independent Director reports on the execution of his/her duties once a year to the Board of Directors.

During the Shareholders' General Meetings, he/she may be requested by the Chairman and Chief Executive Officer to report on his/her actions.

Prerogatives of the Lead Independent Director

As part of his/her duties, the Lead Independent Director exercises the following prerogatives:

Convening of the Board of Directors/Agenda/Informing Directors

The Lead Independent Director may request the Chairman and Chief Executive Officer to convene the Board of Directors for a given agenda.

He/she may propose to the Chairman and Chief Executive Officer additional agenda items.

He/she ensures that the Directors are capable of performing their duties under the best possible conditions, and notably that they are properly informed prior to the Board of Directors meetings.

Independent Directors

Directors certified as independent by the Board of Directors may hold a meeting at the initiative of the Lead Independent Director.

The Lead Independent Director ensures the link between independent Directors and the Chairman and Chief Executive Officer, the other Board members and the General Management.

Board of Directors Committees

The Lead Independent Director may be appointed by the Board of Directors to serve as Chairman or member of one or more Board of Directors Committees. Even if not appointed, the Lead Independent Director may attend the meetings and has access to the work of the other Committees. In particular, the Lead Independent Director is involved in the work of the Nomination and Compensation Committee concerning the annual performance assessment and recommendations regarding the compensation of executive directors and officers.

Meetings with managers

The Company keeps the Lead Independent Director regularly informed of its activities, including through the organization of regular meetings with operational or functional managers, on his/her request.

Means

The Lead Independent Director has access to all documents and information that he/she deems necessary to fulfill his/her duties."

Operation of the Board of Directors

Independence of Board members

Independence rules

Each year, after reviewing the opinion of the Nomination and Compensation Committee, the Board of Directors considers the individual situation of each Director having regard to the corpus of the AFEP-MEDEF Code independence rules.

This Code considers a Director to be independent if he/she "has no relationship of any type with the Company, its Group or its management that could compromise his/her ability to freely exercise his/her judgment", and sets forth the following independence criteria. A Director is deemed independent if:

- "he/she is not, and during the previous five years has not been, an employee or executive director and officer of the Company, or an employee or director of its parent company or of a company within its consolidation scope;
- he/she is not an executive director and officer of a company in which the Company directly or indirectly holds a directorship or in which an employee appointed for such purpose or an executive director and officer of the Company (currently or who has held such position within the previous five years) holds a directorship;
- he/she is not a customer, supplier, investment bank or commercial bank:
  - that is significant to the Company or its Group;
  - or for which the Company or its Group represents a significant part of its business;

6

- he/she does not have close family ties with an executive director and officer;
- he/she has not been one of the Company's auditors during the previous five years;
- he/she has not been a Director of the Company for more than 12 years."

Review of Board members' independence

As it does every year, the Board of Directors, on the recommendation of the Nomination and Compensation Committee, reviewed the independence of each Director.

Danone's Board of Directors is composed of 14 Directors, of which eight are considered to be independent, giving an independence rate of 57%.

The six Directors who are not considered to be independent are:

- Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS in their capacity as executive directors and officers as well as Mr. Jacques VINCENT in his capacity as a former executive director and officer of Danone (he was Deputy General Manager until April 2010);
- Mr. Yoshihiro KAWABATA due to the fact that Yakult Honsha, of which he is a director, is accounted for by the Group as an associate;
- Mrs. Isabelle SEILLIER, an executive within the J.P. Morgan Chase banking group, which is one of the banks with which the Group regularly does business. Various measures have been implemented to ensure that any potential conflicts of interest linked to Mrs. Isabelle SEILLIER's responsibilities are properly controlled by the Group, namely: (i) systematic abstention of Mrs. Isabelle SEILLIER during deliberations involving, directly or indirectly, the J.P. Morgan group (as stipulated by law), (ii) express reference in the report of the Board of Directors to the Shareholders' Meeting of her classification as a non-independent Director and of the existence of potential conflicts of interest involving her, (iii) full transparency on compensation terms for the J.P. Morgan group by the Group as part of agreements subject to shareholder approval, and (iv) a systematic resolution concerning all new regulated agreements entered into with the J.P. Morgan group, which will automatically be put to a separate shareholder vote during the subsequent Shareholders' Meeting.

The eight independent Directors are:

- Messrs. Bruno BONNELL, Jacques-Antoine GRANJON, Richard GOBLET d'ALVIELLA, Jean LAURENT, Benoît POTIER, Jean-Michel SEVERINO, Mrs. Mouna SEPEHRI and Mrs. Virginia STALLINGS, who meet all of the AFEP-MEDEF Code's independence criteria;
- in response to a question from a shareholder representative concerning Mr. Richard GOBLET d'ALVIELLA's independence due to his responsibilities within Sofina, it was specified that Mr. Richard GOBLET d'ALVIELLA is the Executive Chairman of Sofina, that held, as of December 31, 2012, 2.1% of Danone's share capital and 3.6% of its gross voting rights (due to the double voting rights mechanism). As a result of this relatively low stake, the Board confirmed that Mr. Richard GOBLET d'ALVIELLA satisfies all of the AFEP-MEDEF Code's independence criteria and that his situation is not likely to be a source of any conflicts of interest;
- in response to a question from the same shareholder representative concerning Mr. Jean LAURENT's independence due to his responsibilities within Eurazeo, it was specified that Mr. Jean LAURENT is Vice-Chairman of the supervisory board of Eurazeo. This group held, as of December 31, 2012, 2.6% of the Company's share capital and 4.6% of its gross voting rights (due to the double voting rights mechanism). In addition, Eurazeo's entire equity interest in the Company is pledged to the holders of bonds convertible into DANONE shares, issued by Eurazeo in 2009. These convertible bonds mature on June 10, 2014 and Eurazeo is therefore likely to cease to be a shareholder in the Company on that date. Consequently, the Board has confirmed that Mr. Jean LAURENT satisfies all of the AFEP-MEDEF Code's independence criteria and that his situation is not likely to be a source of any conflict of interest;
- in response to a question from the same shareholder representative concerning Mrs. Mouna SEPEHRI's independence due to her responsibilities within Renault, it was noted that her independence was specifically reviewed by the Nomination and Compensation Committee, followed by the Board of Directors in February 2012, when her candidacy was being considered. Thus, consideration was given as to whether the presence of Mr. Franck RIBOUD on the board of directors of Renault, a group in which Mrs. Mouna SEPEHRI performs management functions, was of a type to compromise Mrs. Mouna SEPEHRI's independence. The rules of the AFEP-MEDEF Code stipulate that the independence of a Director would be compromised only if said Director were herself an executive director and officer of Renault, which is not the case here (since Mrs. Mouna SEPEHRI is not a director of Renault). In addition, Mr. Franck RIBOUD is himself an independent director on the Renault board of directors. The Board therefore confirmed that Mrs. Mouna SEPEHRI satisfies all of the AFEP-MEDEF Code's independence criteria and that her situation is not likely to be a source of any conflicts of interest.

Conflicts of interest

To the Company's knowledge, (i) there are no family ties between the Company's executive directors and officers, and (ii) during the last five years, no executive director and officer has been convicted of fraud, declared bankruptcy, been placed in receivership or liquidation, been officially and publicly accused and/or penalized by any statutory or regulatory authority, or been deprived by a court of the right to hold a position in a company's administrative, management or supervisory bodies or to participate in a company's management or business operations.

To the Company's knowledge, there are no potential conflicts of interest between any Director's duties to the Company and their private interests and/or other duties, with the exception of Mrs. Isabelle SEILLIER.

In the case of Mrs. Isabelle SEILLIER, after the matter was reviewed by the Nomination and Compensation Committee, the Board, at its meeting in February 2011, reviewed her proposed appointment as a Director and took note of the existence of a potential conflict of interest due to her position as an executive of the J.P. Morgan banking group, which is one of the banks with which the Group regularly does business. Due to the foregoing, the Board's rules of procedure were amended to increase Directors' reporting obligations with respect to conflicts of interests (see in this section the points concerning changes to the Board of Directors' rules of procedure). Furthermore, in accordance with the law and the Board's rules of procedure, since her appointment, Mrs. Isabelle SEILLIER has not participated in any discussions or votes on decisions that create a conflict of interest for her. Moreover, the new regulated agreements concluded with the J.P. Morgan group are the subject of specific disclosure in the Board's report to the Shareholders' Meeting of April 25, 2013.

As of the date of this Registration Document, no executive director and officer is a party to a service agreement with the Company or any of its subsidiaries that provides him/her with any specific benefits.

Organization of Board of Directors' meetings

The executive directors and officers always attend Board of Directors' meetings. The Company's external Directors meet only when the internal Directors are present to ensure that all Board members have access to the same amount of information and to reinforce the collegial nature of the Board. However, the Lead Independent Director may now convene meetings of the independent Directors.

When the Board sets the compensation of executive directors and officers, they are present at the time of the Board's deliberations but, in accordance with the law, they do not take part in the vote. However, no executive director and officer attends any meeting of the Nomination and Compensation Committee during which his/her own compensation is discussed.

Directors' attendance fees

The Shareholders' Meeting of April 23, 2009 increased from €500,000 to €600,000 the maximum total yearly amount of attendance fees to be divided by the Board of Directors among its members. This total amount was increased solely to take into account an increase in the number of Directors and Board meetings and the creation of a new Committee (the Social Responsibility Committee).

Directors who are also members of the Executive Committee and/or executive directors and officers do not receive attendance fees.

The gross amount of attendance fees due in respect of 2012 was €515,000 (compared to €410,000 in respect of 2011).

A Director who is a member only of the Board of Directors receives compensation that includes a fixed component of €10,000 per year and a variable component of €2,000 for each Board meeting he/she attends. In addition, Directors who are also members of one of the three Committees created by the Board of Directors receive compensation of €4,000 for each Committee meeting he/she attends. The Chairmen of these Committees receive €8,000 per meeting. Honorary Directors do not receive attendance fees.

The Shareholders' Meeting of April 25, 2013 will be asked to increase the total annual maximum amount of attendance fees that could be paid to all Directors from €600,000 to €800,000 (see section 9.3 *Comments on the resolutions submitted to the Shareholders' Meeting*). This increase would enable to (i) meet the costs associated with the appointment of a Lead Independent Director by the Board of Directors at its meeting on February 18, 2013 and (ii) take into account the particular situation of Directors residing abroad through the allocation of an additional amount to cover the cost of their travel to Board meetings. The other rules for allocating board attendance fees would not be amended and, more particularly, the amount of attendance fees for Directors would not be increased in fiscal year 2013 (with the exception of the two changes described above). Any increase in the amounts to be paid to Directors which may, where relevant, be decided upon subsequently will relate only to the variable portion, in order to encourage attendance at Board meetings.

Self-assessment of the Board of Directors

In accordance with its rules of procedure, every two years, the Board of Directors conducts a self-assessment (most recently in 2008, 2010 and 2012), which covers the performance of the Board itself and of each of its Committees.

The Board's self-assessment in 2008 led the Board of Directors to amend its rules of procedure in order to *inter alia* (i) clarify the rules concerning information to be provided to the Board on the Company's financial position (*i.e.* at least once every six months, which was already the practice) and (ii) definitively prohibit the Directors from using any hedging instruments in connection with the Company's shares. In addition, following this self-assessment, a dedicated one-day event was initiated for presenting and discussing strategic plans and the annual budget.

The self-assessment of the Board and its various committees in 2010 led to improvements in (i) the operation of the Board, by the introduction of annual meetings on specific topics, (ii) the integration of new Directors, by offering them the opportunity of benefitting from a mentor director and an integration process including site visits and meetings with operational managers and (iii) the composition of the Board, particularly as regards its independence and the diversity of its composition.

To date, the following improvements have been implemented:

- a three-day study program, which, in all cases, includes visits to the sites of the Fresh Dairy Products Division, was set up to speed up new Directors' integration and to broaden all Board members' knowledge of the main issues and opportunities specific to that business. The first two sessions took place in the winter and spring of 2012;
- a procedure, providing for annual feedback to the Board on the work performed by the various Committees, has been set up;
- the Board has regularly reviewed the performance of the Unimilk group's companies since their acquisition in November 2010 and progress as regards their integration into the Group;
- concerning the composition of the Board, the percentage of women on the Board increased in 2012 from 14% to 21%, the proportion of independent Directors also increased (from 50% to 57%) and its diversity was improved by the appointment of new Directors with additional skills and expertise.

The most recent self-assessment of the Board and its various Committees was conducted in December 2012. The following changes were decided at the Board meeting on February 18, 2013.

This self-assessment highlighted the fact that Directors regard the Board's operation and composition to be satisfactory overall. However, the Directors expressed their wish to (i) strengthen the balance of powers between the Board and General Management and (ii) continue to improve the integration of new Directors.

To implement some of the suggestions made by the Directors following the self-assessment carried out in December 2012, the following changes were decided on by the Board of Directors on February 18, 2013:

- institution of the position of Lead Independent Director in the event of the non-separation of the offices of Chairman of the Board of Directors and of Chief Executive Officer of the Company;
- implementation of an improved integration process for new Directors comprising (i) individual meetings with several existing Directors and (ii) individual meetings with members of General Management and the Executive Committee;
- improved training for the other Directors: proposed presentation sessions by the managers of the Group's main functions, continuation of site visits and Directors to be encouraged to undertake external training;
- implementation of a regular update on the results of the Board of Directors' assessment.

Work performed by the Board of Directors

Actions undertaken to improve the efficiency of the Board of Directors' operation continued in 2012.

The Board of Directors met nine times in 2012 (compared to five times in 2011). The average length of each meeting was 2½ hours (compared to 3½ hours in 2011).

The Directors' attendance, expressed as their attendance rate at meetings, was 92% in 2012 (compared with 94% in 2011).

Following discussions with the shareholders, the decision was taken to disclose, when a Director's term of office is being renewed by the Shareholders' Meeting, said Director's average individual attendance rate, during their expiring term of office.

Recurring matters

The following recurring matters were reviewed and discussed by the Board of Directors in 2012:

(i) Monitoring major policies of day-to-day management

Detailed review of the Group's business activities, presentation of annual budgets, approving statutory and consolidated annual financial statements, approving the semi-annual financial statements and financial communications (in particular, when the annual and semi-annual financial statements are published), acquisitions and sales of assets or equity interests, reviewing the Group's financial position and its debt (changes, amount, composition and repayment dates, off-balance sheet commitments, equity levels, liquidity, hedging of financial risks, credit ratings), reviewing the Statutory auditors' approach to their work, authorizations for commercial paper issuance programs, financial commitments (security interests and guarantees), annual authorization to General Management with respect to the Group's bond issuance program (EMTN), receiving regular information on the Group's risk management and internal control systems and reviewing the Group's risks by overseeing the work of the Audit Committee, annual capital increases reserved for employees, allotting Group performance units and Group performance shares (including setting, each year, the performance objectives for the following year and verifying that such objectives were met the previous year), monitoring the Company's share price and shareholder structure, setting the proposed dividend, approving the Group's yearly contributions to danone.communities and the Danone Ecosystem Fund.

(ii) Operation of corporate bodies

Monitoring corporate governance issues, receiving regular reports on the meetings of the three Board Committees (Audit Committee, Nomination and Compensation Committee and Social Responsibility Committee), which are submitted to the Board following each of their meetings, determining all components of the compensation of each of the Company's three executive directors and officers, approving the various Board reports and proposed resolutions submitted for shareholder approval, and preparing for the Shareholders' Meeting.

(iii) Group strategy

Reviewing the Group's transformation axes (*i.e.* exposure to emerging markets, prioritizing certain key countries, etc.) and their various impacts on the Group (in terms of organization and operation of human resources, adaptation of the Group's products to local demand, etc.), attending the annual strategic presentations made to the Board by each member of the Executive Committee at a dedicated one-day event held off-site in December. These presentations are always followed by discussions with the Directors.

In addition, each year Directors are invited to attend several working days organized in Evian, where an annual seminar is held for all of the Group's executives, during which the strategies of the Group's various Divisions are reviewed and discussed.

Specific matters

The following specific matters were reviewed by the Board of Directors in 2012 and in February 2013:

(i) Transactions and the Group's accounting and financial position

- review of year-end closing process in connection with the 2012 consolidated financial statements;
- share buyback transactions completed in 2012 and 2013 and cancellation of treasury shares upon completion of these transactions;
- examination of diversified sources of financing for the Company, including a review of the bond issue carried out in the U.S. market by means of a private placement with institutional investors;
- review of the restructuring of the Group's debt, including the extension for an additional year of the €2 billion syndicated facilities agreement;
- review of the authorization for Danone's guarantee, increased to a total amount of €750 million, for commitments of Danone Corporate Finance Services (in connection with financial risk management transactions carried out by it on behalf of Group companies);
- review of the adjustment of the trading operating margin target for 2012;
- in connection with the Shareholders' Meeting of April 25, 2013, review of the resolutions to be submitted to the Shareholders' Meeting concerning the renewal of financial authorizations and the resolution concerning the payment of dividends.

(ii) Corporate governance

In connection with the Shareholders' Meeting of April 26, 2012

- review of the composition of the Board vis-à-vis its renewal and member recruitment policies, in particular as regards the number of women and of independent members and the diversification of its composition, resulting in the proposal to renew the terms of office of Messrs. Richard GOBLET D'ALVIELLA, Jean LAURENT and Benoît POTIER, and to appoint Mrs. Mouna SEPEHRI, Mr. Jacques-Antoine GRANJON and Mrs. Virginia STALLINGS to positions on the Board;
- review of the composition of the Nomination and Compensation Committee, and in particular the decision to replace Mr. Hakan MOGREN (whose term of office was not renewed at the conclusion of the Shareholders' Meeting of April 26, 2012) with Mr. Benoît POTIER;
- review of the composition of the Audit Committee, and in particular, in compliance with the Nomination and Compensation Committee's recommendations, the decision to appoint Mr. Jean-Michel SEVERINO and Mrs. Mouna SEPEHRI as members of this Committee (following the non-renewal of the directorships of Mr. Christian LAUBIE and Mrs. Guylaine SAUCIER), and the appointment of Mr. Jean-Michel SEVERINO as the Chairman of the Audit Committee and a financial expert.

  In this framework, the expertise and skills of new members of the Audit Committee have been reviewed:

  - concerning Mr. Jean-Michel SEVERINO, an Inspector General of Finances, the Board noted that in his previous positions (notably as Vice-President for East Asia at the World Bank and as the Chief Executive Officer of the French Development Agency (*Agence*

Française de Développement)) he had developed solid expertise in accounting and finance as well as in internal control and risk management issues. The Board also valued his excellent knowledge of emerging markets. The Board also noted that due to his appointment one year previously as a Director and member of the Social Responsibility Committee, Mr. Jean-Michel SEVERINO is well acquainted with the issues facing the Group;
- concerning Mrs. Mouna SEPEHRI, the Board had noted that for the last 16 years she had been closely involved in the development of the Renault group and in its major acquisitions and strategic partnerships. The Board also considered that her expertise in the corporate functions delegated to the Chief Executive's Office, and legal affairs in particular, would enhance the Audit Committee's skills;

- amendments to the rules of procedure of the Board, the Audit Committee and the Social Responsibility Committee.

In connection with the Shareholders' Meeting of April 25, 2013

- review of the composition of the Board and, more specifically, consideration of (i) the renewal of the terms of office as Directors of Messrs. Franck RIBOUD and Emmanuel FABER and (ii) the renewal of their respective terms of office as Chairman and Chief Executive Officer and Deputy General Manager, subject to the condition precedent of the renewal of their terms of office as Directors by the Shareholders' Meeting.

  In connection with this review, the Board paid particular attention to the following matters:
  - concerning Mr. Franck RIBOUD: the Board of Directors examined his situation with regard to: (i) the rules relating to the aggregation of offices, (ii) the continuing non-separation of his offices of Chairman of the Board of Directors and Chief Executive Officer, (iii) his employment contract remaining in force, (iv) the indemnities for breach of this employment contract and (v) the obligation to hold shares acquired through the grant of shares subject to performance conditions;
  - concerning Mr. Emmanuel FABER: the Board of Directors examined his situation also with regard to (i) the rules relating to the aggregation of offices, (ii) the indemnities for breach of his employment contract and (iii) his obligations to hold shares acquired through the grant of Group performance shares;

- examination of the amount of attendance fees paid to the Directors and the proposal to increase the total maximum amount to provide compensation for the new position of Lead Independent Director created by the Board of Directors at its meeting on February 18, 2013 and to take into account the specific situation of Directors residing abroad through the allocation of an additional amount to cover the costs of their travel to Board meetings;
- amendments to the Board's rules of procedure concerning, in particular, the creation of the position of Lead Independent Director and the modification of the rules for allocating attendance fees;
- review of the self-assessment of the Board of Directors and annual update on the operation of the Board;
- review and authorization of related party transactions.

(iii) Restructuring, disposals and acquisitions

- overseeing the completion of the acquisition of the Wockhardt group's baby and medical nutrition business in India;
- overseeing the integration of the Unimilk group's companies within the new Danone-Unimilk entity and the performance of this entity in 2012;
- overseeing the acquisition in progress of Centrale Laitière du Maroc; and
- reviewing the possibility of acquiring the nutrition activities of Pfizer Inc. (this acquisition did not ultimately take place).

(iv) Corporate Social Responsibility (CSR)

- annual review of the Group's situation and policy concerning gender equality at work and pay equality;
- monitoring the activities of the Danone Ecosystem Fund, danone.communities and Livelihoods funds;
- review of the Group's four strategic priorities (Health, For All, Nature, People); and
- review of the consequences for the Group of the new "Grenelle II" regulations.

6.2 Audit Committee

Composition of the Audit Committee

As of February 28, 2013, all the members of the Audit Committee are independent Directors (as a reminder, the AFEP-MEDEF Code requires only two-thirds of the Committee members to be independent directors).

- Mr. Jean-Michel SEVERINO, the Chairman of the Audit Committee, was appointed as a member and Chairman of this Committee in April 2012. On the same date, he was also designated the "Committee's financial expert", within the meaning of Article L. 823-19 of the French commercial code because of his skills and expertise. In fact, Mr. Jean-Michel SEVERINO is an Inspector General of Finance and previous positions have included Development Director at the French Ministry of Cooperation, the World Bank's Vice-President in charge of Far East Asia and Chief Executive Officer of the *Agence Française de Développement* (AFD). In these previous positions, he developed solid expertise in accounting and finance as well as in internal control and risk management issues;
- Mr. Richard GOBLET D'ALVIELLA was appointed to this Committee in April 2003. Mr. Richard GOBLET D'ALVIELLA is Executive Chairman of the financial company Sofina S.A. He is also a member of the audit committee of Caledonia Investments and a member of Eurazeo's audit committee;
- Mrs. Mouna SEPEHRI was appointed to the Audit Committee in April 2012. Mrs. Mouna SEPEHRI has been closely involved in the development of the Renault group for the last 17 years and in its major acquisitions and strategic partnerships, including the Renault-Nissan Alliance. As Executive Vice-President of the Chief Executive's Office, she oversees the corporate functions delegated to that office, including legal affairs.

Audit Committee's rules of procedure

At its meeting of December 15, 2006, the Board of Directors adopted rules of procedure for the Audit Committee, which specify its responsibilities. Since then, the Board of Directors has regularly updated these rules of procedure:

- in 2007, the Board of Directors amended the rules of procedure to clarify the allocation of responsibilities between the Audit Committee and the Social Responsibility Committee;
- in 2009, the Board of Directors approved a new version of this Committee's rules of procedure to reflect statutory and regulatory changes concerning audit committees;
- at its meeting of December 14, 2010, the Board of Directors adopted a revised version of the rules of procedure to bring them into compliance with recent legislative amendments (concerning the liability of Board members for the work of the Committee) and to comply with the recommendations made by the *Autorité des marchés financiers* working group on audit committees in its report issued on July 22, 2010;
- at its meeting of February 14, 2012, the Board of Directors amended the rules of procedure in order to specify: (i) that at least two-thirds of the members of this Committee must be independent within the meaning of the AFEP-MEDEF Code, (ii) that the other members may not be executive directors and officers, nor have an employment contract with the Company or any of its fully-consolidated subsidiaries and finally that (iii) at least one member of the Committee must be independent and have the particular financial and accounting expertise required having regard to the governance criteria adopted by the Group, in this case the AFEP-MEDEF Code.

The rules of procedure stipulate that the Audit Committee is responsible, in particular, for:

- reviewing the Company's statutory and consolidated financial statements before they are submitted to the Board of Directors. The Audit Committee (i) ensures the relevance and consistency of the accounting policies the Company applies, (ii) reviews the accounting treatment of complex and/or non-recurring transactions, (iii) reviews the scope of consolidation, (iv) reviews the policy for monitoring off-balance sheet commitments, (v) reports to the Board of Directors on options for the year-end closing of the annual and semi-annual consolidated financial statements, (vi) in conjunction with General Management, reviews press releases on results, and (vii) twice a year receives a report on significant disputes involving the Group and any corresponding accounting provisions booked therefor;
- managing the selection process for the Company's Statutory auditors by supervising the tenders launched by General Management, in particular making proposals for the appointment, renewal and compensation of the Statutory auditors, reviewing the results of their work and audits and ensuring their independence. In accordance with the recommendations of the *Autorité des marchés financiers* working group on audit committees, at its meeting of December 14, 2010, the Board of Directors supplemented the rules of procedure to provide for a joint review by the Audit Committee and the Statutory auditors of the protective measures the Statutory auditors adopt to mitigate potential risks to their independence, and ensure that they comply with statutory and regulatory provisions concerning the conflicts set out in the Statutory auditors' Code of ethics;
- ensuring that structures and systems are in place to identify and evaluate the risks that the Group faces, monitoring the effectiveness of such systems and verifying that major risks faced by the Group are adequately taken into account and are the subject of action plans;
- ensuring that an internal control system is in place and monitoring its effectiveness, and reviewing the report of the Chairman of the Board of Directors on the composition, preparation and organization of the Board's work, as well as the internal control and risk management procedures established by the Company; and
- approving the internal audit plan and overseeing its implementation.

In performing its duties, the Audit Committee may regularly interview the executive directors and officers, the General Management of the Group and of its subsidiaries, in particular the Internal Audit Director, its the Statutory auditors and senior managers of the Group (in particular, managers in charge of preparing the financial statements, risk management, internal control, internal audit, legal, tax, treasury and financing and ethics compliance). At the Committee's request, these interviews may take place without the presence of representatives of the Company's General Management. In addition, the Audit Committee may request opinions from independent external advisors, in particular on legal and accounting matters, and request any internal or external audits.

Work of the Audit Committee

In 2012, the Audit Committee met six times (compared with five times in 2011). Its members' attendance rate at meetings was 89% (compared with 100% in 2011).

In 2012, the Committee's work focused primarily on the following matters:

- the Group's financial position;
- review of the Group's annual and semi-annual consolidated financial statements. In all cases, this review involves (i) a presentation of the Group's financial position by the Chief Financial Officer, (ii) a presentation by the Statutory auditors of their audit approach, (iii) a joint presentation by the Chief Financial Officer, the executive responsible for preparing the financial statements and the Statutory auditors of the main accounting options chosen, (iv) a review of the Group's main disputes, and (v) hearing the conclusions of the Statutory auditors;
- review of the preparatory work for closing the 2012 annual and semi-annual consolidated financial statements;
- the accounting treatment of the acquisition of the Unimilk group's companies and of the put options granted to the non-controlling shareholders of the Danone-Unimilk entity;
- changes to the Group's consolidation scope;
- review of the draft press releases on the annual and semi-annual consolidated results. At such time, the Committee ensures that the financial information presented to the markets is consistent with the consolidated financial statements, and that the process of preparing the press releases included a review thereof by the Statutory auditors;
- presentation of the proposed dividend distribution to be submitted to a vote of the shareholders;

- review of the proposed resolutions concerning financial authorizations submitted for the approval of the Shareholders' Meeting of April 25, 2013;
- review of the Group's crisis management system, including a semi-annual review of all of the Group's financial risks, and presentation of an annual update to the Group's risks map;
- presentation of the main risks faced by the Group, in particular through special presentations and discussions with the operational managers in charge of such risks;
- monitoring the effectiveness of the internal control systems;
- approval of the Group's internal audit plan, and review of the principal results of audits conducted during the year and the summary thereof;
- review of the section of the Chairman's report on internal control and risk management;
- pre-approval policy for assignments by the Statutory auditors (other than statutory audit assignments), thereby ensuring their independence (including a regular review of their fees);
- adjustment of the definition of the like-for-like financial indicators used internally and externally;
- review of the change in the method of accounting for retirement benefits in anticipation of changes in IFRS;
- review of the financing of the possible acquisition of the Pfizer group's nutrition business (this acquisition did not ultimately take place);
- examination of the repurchase of a non-controlling interest in Danone Spain;
- operation of the Committee, and establishing its program and priorities for the 2012 and 2013 fiscal years.

The Audit Committee reviews the annual and semi-annual consolidated financial statements at meetings held at least three days before the Board meeting that will approve the financial statements.

A report on each Audit Committee meeting is made at the next Board of Directors meeting. The purpose of these reports is to keep the Board fully informed, thereby facilitating its decisions.

6.3 Nomination and Compensation Committee

Composition of the Nomination and Compensation Committee

As of February 28, 2013, the Nomination and Compensation Committee comprises the following three Directors, two of whom have been deemed to be independent by the Board of Directors:

- Mr. Jean LAURENT, the Committee Chairman and an independent Director, a member since April 2005 and Committee Chairman since April 2011;
- Mr. Yoshihiro KAWABATA, a Director, and a Committee member since April 2011; and
- Mr. Benoît POTIER, an independent Director, and a Committee member since April 2012.

The composition of the Nomination and Compensation Committee complies with the requirements of the AFEP-MEDEF Code as two-thirds of its members are independent within the meaning of this Code.

Nomination and Compensation Committee's rules of procedure

At its meeting of December 15, 2006, the Board of Directors adopted rules of procedure for the Nomination and Compensation Committee, which specify its various responsibilities.

In particular, the Nomination and Compensation Committee is responsible for:

- making proposals to the Board of Directors for appointments to the Board of Directors;
- preparing the Board of Directors' review of corporate governance issues;
- assessing the Board of Directors and the Audit Committee, at their request;
- proposing criteria for establishing all components of the compensation of the Company's executive directors and officers;
- making proposals on granting executive directors and officers stock-options or Group performance shares;
- proposing the allocation of attendance fees among the Directors;
- more generally, at the Board of Directors' request, making recommendations on the Group's compensation policy.

For all matters concerning the appointment of executives (other than compensation issues), the Chairman and Chief Executive Officer participates in the Committee's work.

Based on the recommendations of the Nomination and Compensation Committee, at its meeting of February 10, 2009, the Board of Directors amended the Committee's rules of procedure, which now specify that:

- the Committee's aforementioned preparation of the Board of Director's review of corporate governance issues would henceforth be done annually;
- the presentation on the compensation policy for members of the Group's Executive Committee (other than the executive directors and officers), which the Committee makes each year, would henceforth require the presence of one or more executive director and officer (which was already the case in practice); and
- the Nomination and Compensation Committee would henceforth undergo a regular assessment of its performance.

Based on the recommendations of the Nomination and Compensation Committee, at its meeting of February 14, 2011, the Board of Directors amended the Committee's rules of procedure, in particular to provide that:

- the Committee could henceforth also assess the operation of the Social Responsibility Committee, at that Committee's request, as it was already authorized to do for the Audit Committee and the Board of Directors;

- the specific confidentiality clause for this Committee was deleted and replaced with the clause in the Board's rules of procedure, which was itself clarified and reinforced, and which applies to the Board and all Committees.

Work of the Nomination and Compensation Committee

In 2012, the Nomination and Compensation Committee met five times (compared to four times in 2011). Its members' attendance rate at meetings was 92% (compared to 100% in 2011).

A report on each Nomination and Compensation Committee meeting is made at the next Board of Directors' meeting. The purpose of these reports is to keep the Board fully informed, thereby facilitating its discussions.

In 2012 and early in 2013, the Nomination and Compensation Committee focused primarily on the following matters:

Concerning General Management

- in connection with the Shareholders' Meeting of April 25, 2013, the review of (i) the organization of General Management and, more specifically (ii) the renewal of the terms of office of Mr. Franck RIBOUD as Chairman and Chief Executive Officer and of Mr. Emmanuel FABER as Deputy General Manager (in connection with the renewal of their terms of office as Directors, to be approved by the Shareholders' Meeting of April 25, 2013);
- research into the status of executives and, in particular:
  - examination of the non-separation of the offices of Chairman of the Board of Directors and of Chief Executive Officer and the recommendation to maintain this aggregation of offices;
  - review of the commitments entered into by the Company relating to the indemnities for breach of employment contracts in certain instances of the cessation of the terms of office of Messrs. Franck RIBOUD and Emmanuel FABER and the proposed amendments to be made to the preceding arrangements;
  - consideration as to whether Mr. Franck RIBOUD's employment contract should remain in force;
  - review of all of the offices held by Messrs. Franck RIBOUD and Emmanuel FABER with regard to the legal provisions and the recommendations of the AFEP-MEDEF Code concerning the aggregation of offices;
  - when the terms of office of Messrs. Franck RIBOUD and Emmanuel FABER are being renewed, the review of the obligation of executive directors and officers and Executive Committee members to hold DANONE shares acquired through the grant of shares subject to performance conditions. On this occasion, the decision was taken not to apply the AFEP-MEDEF Code's recommendation relating to the additional obligation to buy DANONE shares on the market when the shares granted vest, in view of the demanding nature of the holding obligation already implemented;
  - review of the process and practices in effect within the Group in terms of the succession plan for the Group's General Management and key positions in the Group's companies;
  - review of the Group's variable compensation policy (including a review of the balance of the benefits granted to the various categories of beneficiaries of shares subject to performance conditions) and the weighting between the long-term programs (Group performance shares – GPS) and medium-term programs (Group performance units – GPU);
  - review of all components of the compensation of each of the three executive directors and officers and of the other members of the Executive Committee. In particular, the Committee reviewed the following variable compensation programs:
    (i) the short-term program (variable annual compensation) granted subject to performance conditions;
    (ii) the medium-term program (Group performance units), including a review of whether performance objectives were met in each of the preceding fiscal years, and setting performance objectives at the beginning of each new fiscal year; and
    (iii) the long-term program (Group performance shares), including a review of the obligation of the executive directors and officers and the other members of the Executive Committee to hold their shares.

Concerning the composition of the Board of Directors

In connection with the Shareholders' Meeting of April 26, 2012

- implementing the selection process of members of the Board of Directors, as discussed during three meetings of the Committee, including: (i) reviewing the general guidelines as to changes in the composition of the Board, (ii) recommending a medium-term recruitment and renewal policy for its members, notably taking into consideration the objective of increasing the number of women, and the Board's independence and diversity in terms of nationality and international expertise, whilst retaining continuity of expertise, (iii) determining selection criteria for candidacies, and (iv) examining each proposed appointment both in regard to the determined selection criteria and to the different assumptions on changes in the Board and each of its committees;
- in this context, the Committee recommended:
  - the renewal of the terms of office of Messrs. Richard GOBLET D'ALVIELLA, Jean LAURENT and Benoît POTIER;
  - the appointment of Mrs. Mouna SEPEHRI, Mr. Jacques-Antoine GRANJON and Mrs. Virginia STALLINGS as Directors. The Committee deemed that each one met all of the independence criteria applied to Board members, *i.e.* the criteria set forth in the AFEP-MEDEF Code. In this respect, the Committee acknowledged that the terms of office as Directors of Messrs. Christian LAUBIE, Hakan MOGREN and Mrs. Guylaine SAUCIER would not be renewed when they expired on conclusion of the Shareholders' Meeting of April 26, 2012;
  - subject to the Shareholders' Meeting of April 26, 2012 adopting all resolutions concerning changes to the composition of the Board, taking note of the changes to the Board, in particular in terms of independence, the number of women, diversification and reduction in the average age;
  - recommendation of the Committee to the Board to continue, in the future, to submit proposals to the Shareholders' Meeting that would improve corporate governance, in particular with respect to the independence of Directors and the diversity of the composition of the Board;
  - in-depth review of the provisions of the AFEP-MEDEF Code, the amendments thereto and, more specifically, an individual, yearly review of the independence of each Director and the existence or not of conflicts of interest, including potential conflicts of interest. Details of the review of the independence criteria applicable to these candidates and of their individual expertise and skills are provided in the Board's report to the Shareholders' Meeting of April 26, 2012.

In connection with the Shareholders' Meeting of April 25, 2013

- review of the composition of the Board;
- review of the number of offices held by each Director;
- annual individual review of the independence of the Directors and of the existence of conflicts of interest, including potential conflicts of interest;
- recommendation to create the position of Lead Independent Director in the event of the non-separation of the offices of Chairman and Chief Executive Officer and choice of a candidate for this position;
- review of the rules for allocating attendance fees.

Concerning the composition of the various Committees in connection with the Shareholders' Meeting of April 26, 2012

- review of changes in the composition of the Nomination and Compensation Committee, and the proposal to appoint Mr. Benoît POTIER as a member of the Committee to replace Mr. Hakan MOGREN;
- review of changes in the composition of the Audit Committee, and the proposal to appoint Mr. Jean-Michel SEVERINO as a member and Chairman of the Committee and its financial expert, and to appoint Mrs. Mouna SEPEHRI as a member of the Committee;
- review of the proposed amendments to the Board of Directors' rules of procedure and the rules of procedure of the Audit Committee and the Social Responsibility Committee.

Concerning the components of medium-term compensation (in the form of Group performance units) and long-term compensation (in the form of Group performance shares)

- review at the start of each new fiscal year of the performance conditions applicable to the GPU (Group performance units) and GPS (Group performance shares);
- annual review of the achievement of the performance conditions applicable to the GPU and GPS respectively; and
- proposal to renew the resolution relating to GPS at the Shareholders' Meeting of April 25, 2013.

6.4 Social Responsibility Committee

At its meeting of December 15, 2006, the Board of Directors created a third specific governance body, the Social Responsibility Committee.

Composition of the Social Responsibility Committee

As of February 28, 2013, the Social Responsibility Committee comprised the following four Directors, three of whom have been deemed by the Board of Directors to be independent within the meaning of the AFEP-MEDEF Code:

- Mr. Jean LAURENT, the Committee Chairman, an independent Director and a Committee member and Chairman since February 2007;
- Mr. Bruno BONNELL, an independent Director and a Committee member since February 2007;
- Mr. Emmanuel FABER, a Director and Deputy General Manager, a Committee member since February 2007; and
- Mr. Jean-Michel SEVERINO, an independent Director and a Committee member since April 2011.

Social Responsibility Committee's rules of procedure

At its meeting of February 14, 2007, the Board of Directors adopted rules of procedure for this Committee, which detail its responsibilities and method of operation.

At its meeting of December 17, 2009, the Board of Directors amended the rules of procedure, which stipulate that henceforth the Social Responsibility Committee will undergo a regular assessment of its performance.

Moreover, in February, 2012 the Board of Directors amended the rules of procedure to specify that at least two thirds of the Committee's members should be independent within the meaning of the AFEP-MEDEF Code (and no longer just the majority).

In particular, the Social Responsibility Committee is responsible for:

- reviewing the Group's main environmental risks and opportunities in relation to its objectives and activities;
- reviewing the Group's social policies, their objectives and the results obtained;
- reviewing the reporting, evaluation and control systems to enable the Group to produce reliable non-financial information;
- reviewing all non-financial information published by the Group, in particular concerning social and environmental matters;
- annually reviewing the summary of the ratings given to the Company and its subsidiaries by non-financial rating agencies; and
- ensuring application of the ethical rules adopted by the Group.

In addition, in the area of socially responsible investments, the Committee is responsible for:

- evaluating the impact of these investments for the Group;
- reviewing application of the rules established by the Group concerning social investments and programs in areas related to the Group's activities; and
- ensuring that the Company's interests are protected, with particular focus on preventing any conflicts of interest between these investments and the rest of the Group's activities.

Work of the Social Responsibility Committee

In 2012, the Social Responsibility Committee met three times (compared with four times in 2011). Its members' attendance rate at meetings was 100%, as in 2011.

In 2012, the Committee's work focused on:

- review of the Group's ongoing social projects and, more specifically, reviewing the activities of the funds sponsored by Danone, *i.e.* danone.communities, the Danone Ecosystem Fund and the Livelihoods fund;
- the amount paid by the Company as its annual financial contribution to danone.communities (see sections 5.4 *Related party transactions*, 7.3 *Other information related to the Group social, societal and environmental responsibility*, and the special report of the Statutory auditors in section 5.4 *Related party transactions*);
- the amount paid by the Company as its financial contribution to the Danone Ecosystem Fund;
- review of the various challenges created by the transformation of the Group in terms of human resources;
- review of the Group's situation and policies with respect to gender equality at work and pay equality and the various projects initiated to improve women's professional situation in the Group;
- review of the Group's non-financial rating;
- examination of new strategic social priorities for the Group;
- examination of the consequences of the new "Grenelle II" regulations for the Group;
- reassessment of the danone.communities governance charter.

In addition, in 2009, the Committee carried out a first assessment of its activities, which led to a reflection on the Committee's positioning, in particular in relation to the Audit Committee. As a result, the Committee decided to have its activities assessed again by all of the Directors, the results of which were reviewed in 2010. This assessment confirmed the Committee's contribution to the Group's strategy, because the Committee enables a better understanding of changes that affect the Group's business, as well as consumer expectations in the face of new issues (in particular, environmental, health and social policy issues).

Following this assessment, it was decided (i) to improve coordination in reviewing Group risks with the Audit Committee and (ii) to provide feedback on its work to the Board in a more concrete manner. Furthermore, the Committee's duties were expanded to ensure (i) the implementation of the Group's four social initiatives and verifying the actual impact of the transformation process on corporate management, and (ii) the accuracy and reliability of the Group's non-financial communications.

A report on each Social Responsibility Committee meeting is made at the next Board of Directors meeting. The purpose of these reports is to keep the Board fully informed, thereby facilitating its discussions.

6.5 Powers of the Chief Executive Officer

At its meetings on April 25, 2002 and February 10, 2010, the Board of Directors decided not to separate the offices of Chairman of the Board of Directors and Chief Executive Officer in order to maintain cohesiveness between the powers of the Board of Directors and those of General Management, thereby avoiding diluting the powers and responsibility of the Company's Chairman.

That decision was confirmed by the Board of Directors on February 18, 2013, which deemed that:

- this aggregation of the offices enables the General Management bodies to operate in a straightforward, quick and flexible manner, in accordance with the Group's traditions;
- not separating these offices has not resulted in an excessive centralization of powers because General Management includes two Deputy General Managers and most significant transactions within the remit of the Chief Executive Officer require the prior approval of the Board of Directors, thereby ensuring proper balance of General Management's powers;
- eight Directors out of 14 are deemed to be independent by the Board of Directors on the basis of the application of the AFEP-MEDEF Code; moreover, 100% of the Audit Committee members, 67% of the Nomination and Compensation Committee members and 75% of the Social Responsibility Committee members are independent;
- in addition, following discussions with the shareholders, an additional guarantee has been provided as regards the balance of powers and good governance, by the appointment of a Lead Independent Director in the event of the non-separation of the offices of Chairman of the Board of Directors and of Chief Executive Officer (details of the Lead Independent Director's powers are provided above in section *Board of Directors' rules of procedure*).

Limits on the powers of the Chief Executive Officer

The Board of Directors approves (i) strategic investment projects and (ii) all transactions, such as acquisitions or disposals, which may significantly impact the Group's results, its balance sheet structure or its risk profile. In particular, the Chairman and Chief Executive Officer must obtain the Board of Directors' prior authorization for the following transactions:

Types of transactions	Authorization thresholds
Acquisitions or disposals of securities and/or assets, partnerships or joint-ventures (in cash or by asset contributions, carried out in one or several operations)	Threshold of €250 million applicable: • to acquisitions, partnerships and joint ventures: by investment for the Group's share; • for disposals: proceeds received for the Group's share.
Any off-balance sheet commitment made by the Group	Threshold of €100 million for the Group's share
Other investments	Any significant excess over the amount set in the framework of the annual budget
Internal reorganizations	Any reorganization representing an overall cost for the Group's share exceeding €50 million

6.6 Executive Committee

Under the authority of Mr. Franck RIBOUD, the Executive Committee is responsible for the Group's operational management. It implements the strategy defined by the Board of Directors, approves annual budgets, ensures the consistency of actions undertaken by each of the subsidiaries and Divisions and, depending on the results achieved, decides on action plans to be implemented. The Executive Committee meets at least once a month.

As of February 28, 2013, the following are the ten members of the Executive Committee:

Name	Age	Principal position within the Group	Starting date of term [(a)]
Franck RIBOUD	57	Chairman and Chief Executive Officer	1996
Emmanuel FABER	49	Vice-Chairman of the Board of Directors and Deputy General Manager	2000
Bernard HOURS	56	Vice-Chairman of the Board of Directors and Deputy General Manager	2001
Thomas KUNZ	55	General Manager, Fresh Dairy Products	2004
Felix MARTIN GARCIA	52	General Manager, Baby Nutrition	2008
Muriel PENICAUD	57	General Manager, Human Resources	2008
Pierre-André TERISSE	46	Chief Financial Officer	2008
Flemming MORGAN	57	General Manager, Medical Nutrition	2009
Jean-Philippe PARE	54	General Manager, Research and Development	2011
Francisco CAMACHO	47	General Manager, Waters	2011

(a) Date of appointment to the Executive Committee.

6.7 Application of the AFEP-MEDEF Corporate Governance Code for listed companies

The Company complies with the corporate governance system applicable in France, in accordance with the provisions described in this section.

Pursuant to the Act of July 3, 2008, at its meeting of December 18, 2008, the Board of Directors in its meeting of December 18, 2008 studied the provisions of the AFEP-MEDEF Code and decided that the Group would refer to this Code of Governance (this decision was published in a press release issued on December 19, 2008). This code is available on the MEDEF website (www.medef.fr).

6.8 Additional information

The obligations of executive directors and officers to hold their DANONE shares received by exercising stock-options or from Group performance shares are described in section 6.10 *Compensation and benefits paid to executives*.

The principles and rules adopted by the Board of Directors to determine the compensation and benefits of all types provided to executive directors and officers are discussed in section 6.10 *Compensation and benefits paid to executives*.

The steps that shareholders must take in order to attend the Shareholders' Meeting are summarized in section 9.1 *Shareholders' Meetings*.

The information required by Article L. 225-100-3 of the French commercial code is set out in section 8.9 *Factors that might have an impact in the event of a tender offer*.

Lastly, on February 18, 2013, the Board of Directors approved the report prepared pursuant to Article L. 225-37 of the French commercial code.

6.9 Information on transactions entered into with members of the Company's Administrative, Management and Supervisory bodies

See section 5.4 *Related party transactions*.

6.10 Compensation and benefits paid to executives

Compensation policy for executives

The Nomination and Compensation Committee met several times in 2012 and at the beginning of 2013 to review the compensation policy of executive directors and officers and members of the Executive Committee.

This compensation policy was presented to the members of the Nomination and Compensation Committee in a reference file based on a study produced by a specialized firm and observing the practices on two main markets (France and Europe). It was developed through an approach organized in levels of responsibility corresponding to the job content and relative to market practices. In addition, this policy is based on collective principles that are applicable to approximately 1,500 executives and senior managers worldwide including all the General Managers. The principles retained can be broken down into two parts: annual compensation and pluri-annual compensation.

Annual compensation

This annual compensation consists of:

Fixed compensation

The fixed compensation is reviewed on a pluri-annual basis in accordance with the recommendations of the AFEP-MEDEF Code.

Variable compensation

The short-term variable compensation is subject to performance conditions, calculated on the basis of objective and specific quantitative and qualitative criteria (described hereafter) and determined on the basis of economic, societal and managerial objectives.

Executive directors and officers

For the Chairman and Chief Executive Officer, Mr. Franck RIBOUD, as well as for Mr. Emmanuel FABER, Deputy General Manager and Mr. Bernard HOURS, Deputy General Manager, this variable compensation comprises the following items:

(i) a variable economic portion, calculated with reference to Group objectives as disclosed to the financial markets in terms of:

- sales;
- trading operating margin;
- free cash-flow.

For each of the three executive directors and officers, the level of performance expected for these quantitative criteria was established on the recommendation of the Nomination and Compensation Committee but cannot be disclosed for reasons of confidentiality;

(ii) a variable societal portion, calculated with reference to the Group's societal objectives (which are derived from employment parameters such as safety at work, employee training and skills development, and from environmental parameters such as carbon footprint reduction); and

(iii) a variable managerial portion calculated with reference to objectives linked to the expansion of the Group's business (product innovation, market share, expansion in new geographic areas and implementation of strategic themes).

Members of Executive Committee who manage a Division

For the members of the Executive Committee who manage a Division, this variable compensation consists of the following items:

(i) a variable economic portion, based on objectives set in the budget of the relevant Division (in terms of sales, trading operating margin and operating free cash-flow);

(ii) a variable societal portion, based on the societal objectives set for the Division concerned (which are derived from employment parameters such as safety at work, employee training and skills development, and from environmental parameters such as carbon footprint reduction);

(iii) a variable managerial portion calculated with reference to objectives linked to the expansion of the Division's activity (product innovation, market share, expansion in new geographic areas and implementation of strategic themes).

Other members of the Executive Committee

For the other members of the Executive Committee, this variable compensation consists of the following items:

(i) a variable economic portion, calculated with reference to Group objectives (in terms of sales, trading operating margin and free cash-flow), as communicated to the financial markets;

(ii) a variable societal portion, calculated with reference to the Group's societal objectives (which are derived from employment parameters such as safety at work, employee training and skills development, and from environmental parameters such as carbon footprint reduction);

(iii) a variable managerial portion calculated with reference to objectives linked to the expansion of the Group's business.

Pluri-annual compensation

This pluri-annual compensation consists of the following items:

Medium-term variable compensation in the form of Group performance units

Medium-term variable compensation is granted in the form of GPU (Group performance units, described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*), subject to pluri-annual performance conditions over a three-year period. The GPU were introduced in 2005 with the objective of aligning more closely the compensation of executive directors and officers, members of the Executive Committee and 1,500 senior managers with the Group's overall economic performance in the medium term.

GPU are allocated upon the decision of the Board of Directors every year. At the end of a three-year period, the beneficiaries receive compensation in the amount of €30 per unit allocated if the Group has achieved, for each of the three years in question, all of the established objectives. This compensation is decreased to €20 per GPU if the objectives were achieved only two years out of the three and to €0 per GPU if the objectives were achieved only one year out of the three or were never achieved.

Long-term variable compensation in the form of Group performance shares

Long-term variable compensation is granted in the form of GPS (Group performance shares, described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*). GPS are Company shares subject to performance conditions. GPS were introduced in 2010 by the Shareholders' Meeting held in April 2010 (to replace the stock-option program that was consequently closed). GPS are valued and recognized in the Group consolidated financial statements in accordance with IFRS 2, *Share-based payment* (see Notes 1.24 and 29 of the Notes to the consolidated financial statements). These grants are subject to two ceilings, the first with respect to the number of shares under the grants (namely 0.4% of the share capital in 2012), and the second with respect to grants to executive directors and officers (namely a secondary ceiling of 0.1% for each executive).

The proportion of medium and long-term variable compensation increases with the level of responsibility of the executives and senior managers concerned.

The compensation of Mr. Franck RIBOUD, Chairman and Chief Executive Officer, Mr. Emmanuel FABER, Deputy General Manager, and Mr. Bernard HOURS, Deputy General Manager, is determined by the Board of Directors on the basis of recommendations made by the Nomination and Compensation Committee. The compensation of the other members of the Group's Executive Committee is presented to the Nomination and Compensation Committee.

Agreements, plans and indemnities applicable to executive directors and officers

The table hereafter shows the various agreements, plans and indemnities applicable to the executive directors and officers of the Group:

Name	Employment contract [a]		Supplementary retirement plan [b]		Indemnities or benefits due or possibly due as a result of cessation or change in function [c]		Indemnities relating to a no-compete clause [d]	
	Yes	No	Yes	No	Yes	No	Yes	No
Franck RIBOUD Chairman and Chief Executive Officer Date of first appointment: 1992 Date appointment ends: 2013	X		X		X			X
Emmanuel FABER Deputy General Manager Date of first appointment: 2002 Date appointment ends: 2013	X		X		X		X	
Bernard HOURS Deputy General Manager Date of first appointment: 2005 Date appointment ends: 2014	X		X		X		X	

(a) The employment contracts of Mr. Franck RIBOUD, Mr. Emmanuel FABER and Mr. Bernard HOURS have been suspended, see section 5.4 *Related party transactions*.
(b) These supplementary retirement plans are described in section 5.4 *Related party transactions*.
(c) The indemnities payable in the event of certain cases of the cessation of the corporate mandate of executive directors and officers are detailed in section 5.4 *Related party transactions*. In the event that these office holders are dismissed, no contractual indemnity would be payable. The indemnities provided for in the collective agreement (Group collective status) would be due, however. The application conditions of these indemnities are set out in section 5.4 *Related party transactions*.
(d) This clause enables the Group, solely in the event of the resignation of the officer concerned, either to activate the clause for a period of 18 months in exchange for financial compensation equivalent to 50% of the officer's fixed and variable compensation, or to release him from the clause with no financial compensation. See section 5.4 *Related party transactions*.

Termination indemnities for executive directors and officers

At the time of renewal of the terms of office of the three executive directors and officers (Messrs. Franck RIBOUD and Emmanuel FABER at the Shareholders' Meeting of April 22, 2010 and Mr. Bernard HOURS at the Shareholders' Meeting of April 28, 2011), their termination indemnities with respect to their positions as executive directors and officers were approved by the shareholders of the company. Also, in accordance with applicable law, payment of these termination indemnities was subjected to performance conditions. In addition, and in compliance with the French corporate governance AFEP-MEDEF Code, the amount of these termination indemnities is subject to a limit and they are to be paid only in certain cases.

At the time of renewal of the terms of office of Messrs. Emmanuel FABER and Franck RIBOUD at the April 25, 2013 Shareholders' Meeting, a resolution will be put to renew their termination indemnities on an identical basis to that set by the Board of Directors' meeting on February 10, 2010 and approved by the April 22, 2010 Shareholders' Meeting, subject to a few modifications in order to ensure strict compliance with the provisions of the AFEP-MEDEF Code or to make the conditions of payment more restrictive.

Comprehensive information about the termination indemnities of the Company's three executive directors and officers is provided in section 5.4 *Related party transactions*.

Suspension of employment contract of the Chairman and Chief Executive Officer

Upon the renewal of Mr. Franck RIBOUD's term of office as Chairman and Chief Executive Officer and following the publication of the AFEP-MEDEF Code, the Board of Directors meeting of February 18, 2013, pursuant to the recommendation of the Nomination and Compensation Committee, confirmed the position adopted in 2010 and considered that Mr. Franck RIBOUD's employment contract should be maintained (although it should remain suspended), given his age, personal circumstances and length of service as a Group employee. Indeed, the Board considered this system relevant for executives with at least 10 years of seniority within the Group, to encourage internal promotion and the sustainable management that the Company is striving to implement, as terminating the employment contract could, on the contrary, dissuade internal candidates from accepting positions as executive directors and officers.

As of December 31, 2012, Mr. Franck RIBOUD has been with the Group for 31 years, including more than 16 years as Chairman and Chief Executive Officer of Danone.

Stock-options and Group performance shares granted to executive directors and officers

Policy for granting stock-options and Group performance shares

Since the Shareholders' Meeting of April 22, 2010, grants of shares subject to performance conditions (Group performance shares – GPS) have replaced grants of stock-options. The GPS and the stock-options are described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

The Board of Directors grants GPS annually on the basis of an amount determined globally, as recommended by the Group's Nomination and Compensation Committee.

As of December 31, 2012, the members of the Executive Committee benefited from (i) exercisable stock-options for an aggregate of 2,584,248 shares (of which 48% were out of the money as of December 31, 2012) and (ii) 564,200 GPS which could be delivered to them.

The first GPS-related shares granted in 2010 will be delivered, subject to a continued employment condition (the performance conditions having been met – see section 7.3 *Other information related to the Group social, societal and environmental responsibility*) (i) as from July 2013 in the case of the "3+2" plan for beneficiaries subject to French social security contributions and (ii) as from July 2014 in the case of the "4+0" plan for other beneficiaries.

The GPS-related shares granted in 2011 will be delivered, subject to continued employment and performance conditions, (i) as from 2014 in the case of the "3+2" plan for beneficiaries subject to French social security contributions and (ii) as from 2015 in the case of the "4+0" plan for other beneficiaries.

The GPS-related shares granted in 2012 will be delivered, subject to continued employment and performance conditions, (i) as from 2015 in the case of the "3+2" plan for beneficiaries subject to French social security contributions and (ii) as from 2016 in the case of the "4+0" plan for other beneficiaries.

Obligation to hold Company shares resulting from stock-options and Group performance shares

Shares resulting from the exercise of stock-options

All executive directors and officers and other Executive Committee members are subject to an obligation to hold the shares in the Company they acquired through the exercise of stock-options. In accordance with Article L. 225-185 of the French commercial code, the Chairman and Chief Executive Officer and the Deputy General Managers must hold (in registered form) a certain number of shares resulting from the exercise of options granted under each stock-option plan approved from January 1, 2007 until such time as the termination of their functions.

Accordingly, the Board of Directors has decided (i) that this commitment to hold a portion of the shares would apply to a number of shares corresponding to 35% of the capital gain upon acquisition, net of tax and social security contributions, realized on all of the shares resulting from an exercise of stock-options by the executive concerned under this plan; and (ii) to subject all other members of the Executive Committee to this obligation to hold shares under the same conditions.

Also, in accordance with the AFEP-MEDEF Code and upon the recommendation of the Nomination and Compensation Committee, the Board of Directors reviewed and confirmed the obligation to hold shares resulting from the exercise of options as part of the renewal of the terms of office of Messrs. Franck RIBOUD, Emmanuel FABER (in February 2013) and Bernard HOURS (in February 2011).

Shares resulting from the delivery of Group performance shares

All executive directors and officers and other Executive Committee members are also subject to an obligation to hold the shares in the Company they acquired through Group performance shares. They must hold (in registered form) a number of shares derived from each GPS plan granted as from July 26, 2010 (until termination of their corporate functions) corresponding to 35% of the capital gains upon acquisition, net of tax and social security contributions, which would be realized if all shares resulting from each GPS plan granted to the executive were sold.

Given the significant level of the obligation to hold shares applicable to executive directors and officers and other Executive Committee members, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, agreed it was not necessary to require them to purchase a certain number of Company shares at the end of the holding period for their shares subject to performance conditions.

In addition, acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors meeting of February 14, 2012 decided to complement the current system with the addition of an overall holding target for shares resulting from the shares subject to performance conditions or from stock-options, representing in shares the equivalent of four years of fixed compensation for General Management and two years of fixed compensation for members of the Executive Committee.

The Board of Directors meetings of February 14, 2011 and February 18, 2013 confirmed this obligation to hold shares applicable to Messrs. Bernard HOURS, Emmanuel FABER and Franck RIBOUD at the time of renewal of their respective terms of office.

The amounts recognized as compensation and other benefits for all Directors and members of the Executive Committee are detailed in Note 29 of the Notes to the consolidated financial statements and in Notes 12 and 17 of the Notes to the financial statements of the parent company Danone.

Compensation to members of the Board of Directors and Executive Committee for 2011 and 2012

Compensation for 2012

For the 2012 fiscal year, the overall amount of direct and indirect compensation paid to members of the Board of Directors and the members of the Executive Committee totaled €18.6 million.

This amount includes:

(i) the compensation paid to the three executive directors and officers and the seven other members of the Executive Committee for €18.1 million (including €12.0 million in variable compensation);

(ii) €0.5 million in attendance fees paid to directors, it being noted that executive directors and officers are ineligible to receive such fees.

Upon the recommendation of the Nomination and Compensation Committee, the variable compensation for each executive officer may not represent more than two times the executive's annual fixed compensation. Therefore, as of December 31, 2012, the short-term variable compensation for the three executive directors and officers (Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS) represented an average of 1.1 times their fixed compensation. Moreover, in 2012, the cumulative annual GPS grants for the three executive directors and officers represented less than 0.021% of the Company's share capital.

Compensation for executive directors and officers

The overall amount of the compensation and the value of the GPS granted in 2011 and 2012 to each executive director and officer breaks down as follows:

	Year ended December 31							
(in €)	Annual compensation (a)		Pluri-annual variable compensation (GPU) (b)		Value of GPS granted during the year (c)		Total	
Name	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**	**2011**	**2012**
Franck RIBOUD	2,840,670	2,401,245	1,500,000	817,500	1,716,560	2,197,985	6,057,230	5,416,730
Emmanuel FABER	1,550,732	1,334,720	840,000	618,750	1,201,592	1,663,613	3,592,324	3,617,083
Bernard HOURS	1,550,732	1,334,720	900,000	618,750	1,287,420	1,663,613	3,738,152	3,617,083

(a) Amounts due, fixed and variable. See details hereafter.
(b) Pluri-annual variable compensation due corresponds to GPU granted respectively in 2011 and 2012, see details in table hereafter.
(c) Represents the full fair value estimated as of the grant date in accordance with IFRS 2. See Notes 1.24 and 29 of the Notes to the consolidated financial statements.

The overall amount of pluri-annual compensation due and paid to executive directors and officers in 2012 breaks down as follows:

	Year ended December 31, 2012			
(in €)	Pluri-annual variable compensation (GPU) (a)			
Name	**Amounts due**	**Amounts paid**	**Value of GPS granted during the year (b)**	**Total pluri-annual compensation (c)**
Franck RIBOUD	817,500	1,500,000	2,197,985	3,015,485
Emmanuel FABER	618,750	750,000	1,663,613	2,282,363
Bernard HOURS	618,750	750,000	1,663,613	2,282,363

(a) Pluri-annual variable compensation due corresponds to GPU granted in 2012. The amounts paid in 2012 were in respect of GPU granted in 2009 for the achievement of the performance conditions in 2009, 2010 and 2011.
(b) Represents the full fair value estimated as of the grant date in accordance with IFRS 2. See Notes 1.24 and 29 of the Notes to the consolidated financial statements.
(c) On the basis of the amounts of pluri-annual, variable compensation due and the value of the GPS.

Compensation to members of the Board of Directors

The overall amount of annual compensation due and paid as well as all other types of benefits granted to members of the Board of Directors in 2012 (including the three executive directors and officers) breaks down as follows:

Year ended December 31, 2012

(in €)	Fixed annual compensation [a]		Variable annual compensation [a]		Benefits in kind [b]		Extraordinary compensation	Attendance fees [c]	Total annual compensation	
Name	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts due and paid**	**Amounts due**	**Amounts paid**
Franck RIBOUD	1,050,000	1,050,000	1,346,625	1,786,050	4,620	4,620	NA	NA	2,401,245	2,840,670
Emmanuel FABER	681,500	681,500	648,600	864,612	4,620	4,620	NA	NA	1,334,720	1,550,732
Bernard HOURS	681,500	681,500	648,600	864,612	4,620	4,620	NA	NA	1,334,720	1,550,732
Jacques VINCENT [d]								28,000	28,000	28,000
Bruno BONNELL								34,000	34,000	34,000
Richard GOBLET D'ALVIELLA								44,000	44,000	44,000
Yoshihiro KAWABATA								36,000	36,000	36,000
Christian LAUBIE [e] [f]								23,000	23,000	23,000
Jean LAURENT								90,000	90,000	90,000
Hakan MOGREN [f]								27,000	27,000	27,000
Guylaine SAUCIER [f]								31,000	31,000	31,000
Benoît POTIER								32,000	32,000	32,000
Isabelle SEILLIER								28,000	28,000	28,000
Jacques-Antoine GRANJON								18,000	18,000	18,000
Mouna SEPEHRI								34,000	34,000	34,000
Virginia A. STALLINGS								18,000	18,000	18,000
Jean-Michel SEVERINO								72,000	72,000	72,000

(a) Gross amount. The amounts due correspond to amounts allocated in respect of the fiscal year concerned. The amounts paid correspond to amounts effectively paid during the fiscal year and include amounts due in respect of the preceding fiscal year.
(b) Benefits in kind correspond to the Company car pool and drivers made available to all Executive Committee members.
(c) Gross amount due during the year before withholding at source. The three executive directors and officers are not entitled to attendance fees.
(d) The amount paid to Mr. Jacques VINCENT in 2012 under the retirement plan for which he qualifies as a result of his 40 years of service with the Group was €0.9 million.
(e) The amount paid to Mr. Christian LAUBIE in 2012 under the retirement plan for which he qualifies as a result of his 40 years of service with the Group was €0.6 million.
(f) The Director's term of office of Mrs. Guylaine SAUCIER, Mr. Christian LAUBIE and Mr. Hakan MOGREN ended after the April 26, 2012 Shareholders' Meeting.

Compensation for 2011

Compensation for executive directors and officers

The overall amount of compensation and the value of GPS granted in 2011 to each executive director and officer is presented in the previous section.

The overall amount of pluri-annual compensation due and paid to executive directors and officers in 2011 breaks down as follows:

Year ended December 31, 2012

(in €)	Pluri-annual variable compensation (GPU) [a]		Value of GPS granted during the year [b]	Total pluri-annual compensation [c]
Name	**Amounts due**	**Amounts paid**		
Franck RIBOUD	1,500,000	1,500,000	1,716,560	3,216,560
Emmanuel FABER	840,000	750,000	1,201,592	2,041,592
Bernard HOURS	900,000	750,000	1,287,420	2,187,420

(a) Pluri-annual variable compensation due corresponds to GPU granted in 2011. The amounts paid in 2011 were in respect of GPU granted in 2008 in light of the achievement of performance conditions in 2008, 2009 and 2010.
(b) Represents the full fair value estimated as of the grant date in accordance with IFRS 2. See Notes 1.24 and 29 of the Notes to the consolidated financial statements.
(c) On the basis of the amounts of pluri-annual, variable compensation due and the value of the GPS.

Finally, the indemnification conditions applicable in the event of the termination of office of the three executive directors and officers of the Company are described in section 5.4 *Related party transactions*. In certain cases of termination of office, the other Executive Committee members benefit from obligations involving comparable amounts, also capped at two years of compensation from the Company.

Compensation to members of the Board of Directors

The overall amount of annual compensation due and paid, as well as all types of benefits granted in 2011 to the members of the Board of Directors (including the three executive directors and officers) in 2011 breaks down as follows:

										Year ended December 31, 2011
(in €)	**Fixed annual compensation** (a)		**Variable annual compensation** (a)			**Benefits in kind** (b)	**Extraordinary compensation**	**Attendance fees** (c)		**Total annual compensation**
Name	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts due and paid**	**Amounts due**	**Amounts paid**
Franck RIBOUD	1,050,000	1,050,000	1,786,050	1,842,750	4,620	4,620	NA	NA	2,840,670	2,897,370
Emmanuel FABER	681,500	681,500	864,612	1,009,250	4,620	4,620	NA	NA	1,550,732	1,695,370
Bernard HOURS	681,500	681,500	864,612	1,031,250	4,620	4,620	NA	NA	1,550,732	1,717,370
Jacques VINCENT (d)								20,000	20,000	20,000
Bruno BONNELL								34,000	34,000	34,000
Michel DAVID-WEILL (e)								23,000	23,000	23,000
Richard GOBLET D'ALVIELLA								40,000	40,000	40,000
Yoshihiro KAWABATA								26,000	26,000	26,000
Christian LAUBIE (f)								38,000	38,000	38,000
Jean LAURENT								76,000	76,000	76,000
Hakan MOGREN								36,000	36,000	36,000
Jacques NAHMIAS (e)								9,000	9,000	9,000
Benoît POTIER								18,000	18,000	18,000
Guylaine SAUCIER								60,000	60,000	60,000
Isabelle SEILLIER								11,000	11,000	11,000
Jean-Michel SEVERINO								19,000	19,000	19,000

(a) Gross amount. The amounts due correspond to amounts allocated in respect of the fiscal year concerned. The amounts paid correspond to amounts effectively paid during the year and include amounts due in respect of the previous year.
(b) Benefits in kind correspond to the Company car pool and drivers made available to all Executive Committee members.
(c) Gross amount due during the year before withholding at source. The three executive directors and officers are not entitled to attendance fees.
(d) The amount paid to Mr. Jacques VINCENT in 2011 under the retirement plan for which he qualifies as a result of his 40 years of service with the Group was €0.88 million.
(e) The board terms of Mr. Michel DAVID-WEILL and Mr. Jacques NAHMIAS ended with the conclusion of the April 28, 2011 Shareholders' Meeting.
(f) The amount paid to Mr. Christian LAUBIE in 2011 under the retirement plan for which he qualifies as a result of his 40 years of service with the Group was €0.61 million.

Detailed information on the compensation of executive directors and officers

Fixed compensation

Fixed compensation paid to Mr. Franck RIBOUD for the 2012 fiscal year totaled €1,050,000. This amount has been stable for more than five years, which is consistent with the recommendations of the AFEP-MEDEF Code.

Fixed compensation paid to Messrs. Emmanuel FABER and Bernard HOURS also remained stable relative to that of 2011 and totalled €681,500 for each person.

Short-term variable compensation target

In 2012, variable compensation for the executive directors and officers was subject to the following performance criteria.

The expected level of fulfillment for each of these criteria was established in a detailed manner but cannot be disclosed publicly for reasons of confidentiality, in accordance with the AMF recommendation of February 9, 2012.

The Board of Directors meeting of February 18, 2013, in accordance with the policy described in the section on annual compensation and upon the recommendation of the Nomination and Compensation Committee, set the short-term variable compensation target to be paid, subject to performance conditions, in 2014 for the 2013 fiscal year, namely €1,417,500 for Mr. Franck RIBOUD and €564,000 each for Messrs. Emmanuel FABER and Bernard HOURS.

Group performance units

The Board of Directors, upon the recommendation of the Nomination and Compensation Committee, grants GPU annually to executive directors and officers (as described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*). The payment of the GPU occurs at the conclusion of a three-year vesting period, subject to the Group's objectives being achieved. These objectives and the level of achievement are presented in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

The number of GPU granted to each executive director and officer breaks down as follows:

Grants for the 2012 fiscal year

(in € except number of GPU)	Date of Board of Directors' meeting granting the GPU	Number of GPU granted during the year	Value of GPU granted during the year
	Year ended December 31, 2012		
Franck RIBOUD	July 26, 2012	27,250	817,500
Emmanuel FABER	July 26, 2012	20,625	618,750
Bernard HOURS	July 26, 2012	20,625	618,750

Grants for the 2011 fiscal year

(in € except number of GPU)	Date of Board of Directors' meeting granting the GPU	Number of GPU granted during the year	Value of GPU granted during the year
	Year ended December 31, 2011		
Franck RIBOUD	April 28, 2011	50,000	1,500,000
Emmanuel FABER	April 28, 2011	28,000	840,000
Bernard HOURS	April 28, 2011	30,000	900,000

Grants for the 2010 fiscal year

(in € except number of GPU)	Date of Board of Directors' meeting granting the GPU	Number of GPU granted during the year	Value of GPU granted during the year
	Year ended December 31, 2010		
Franck RIBOUD	July 26, 2010	50,000	1,500,000
Emmanuel FABER	July 26, 2010	25,000	750,000
Bernard HOURS	July 26, 2010	25,000	750,000

Group performance shares

Grants of Group performance shares for the 2012 fiscal year

In accordance with Article L. 225-197-4 of the French commercial code, the Company's shares subject to performance conditions granted in 2012 to the three executive directors and officers are presented hereafter:

(in € except number of GPS)	Date of Board of Directors' meeting authorizing the GPS	Delivery date	Date of availability [(a)]	Number of GPS granted during the year [(c)]	Value of GPS granted during the year [(b)]
	Year ended December 31, 2012				
Franck RIBOUD	July 26, 2012	July 27, 2015	July 27, 2017	54,500	2,197,985
Emmanuel FABER	July 26, 2012	July 27, 2015	July 27, 2017	41,250	1,663,613
Bernard HOURS	July 26, 2012	July 27, 2015	July 27, 2017	41,250	1,663,613

(a) End of the 2-years retention period.
(b) Represents the full fair value estimated on the grant date in accordance with IFRS 2. See Notes 1.24 and 29 of the Notes to the consolidated financial statements.
(c) As a percentage of the share capital as of December 31, 2012, these grants represent 0.008% for Mr. Franck RIBOUD, 0.006% for Mr. Emmanuel FABER and 0.006% for Mr. Bernard HOURS.

The total number of GPS granted to the three executive directors and officers (*i.e.* approximately 17.5% of the total grants in 2012) represented around 0.021% of the number of shares making up the share capital as of December 31, 2012.

History of Group performance share grants to executive directors and officers

GPS granted to the three executive directors and officers are presented in the table hereafter:

GPS plans outstanding				
Shareholders' Meeting authorizing the GPS	04/22/10		04/26/12	
GPS authorized by the Shareholders' Meeting [a]	2,587,963		2,568,986	
of which, GPS not granted	*1,229,737*		*1,784,674*	
Board of Directors meeting authorizing the GPS	07/26/10	04/28/11	07/26/12	10/23/12
Plans	"3+2" and "4+0"	"3+2" and "4+0"	"3+2" and "4+0"	"4+0"
Number of GPS granted	**644,565**	**696,311**	**780,912**	**3,400**
GPS characteristics for "3+2" plans [b]				
Delivery date	07/27/13	04/29/14	07/27/15	10/24/16
Retention period [c]	2 years	2 years	2 years	-
Performance conditions [d]	Conditions determined at the February 10, 2010 Board meeting: – average (arithmetic) annual growth in consolidated sales of 5% over two fiscal years; – average (arithmetic) annual growth in free cash-flow of 10% over two fiscal years.		Conditions determined at the February 14, 2012 Board meeting: – growth in sales equal to or greater than the median sales of the Panel over the 2012, 2013 and 2014 fiscal years; – achievement of a consolidated free cash-flow level of at least €2 billion per year on average over the 2012 and 2013 fiscal years.	
Review to determine whether performance conditions have been achieved	Achievement for the two fiscal years determined by the February 14, 2012 Board of Directors meeting (average growth in 2010 and 2011 (i) of consolidated sales of 7.3% and (ii) of free cash-flow of 14.3%).	Achievement for the two fiscal years determined by the February 18, 2013 Board of Directors meeting (average growth in 2011 and 2012 (i) of consolidated sales of 6.6% and (ii) of free cash-flow of 11.7%).	The review to determine whether these various criteria have been achieved will be performed in 2014 by the Board of Directors following the recommendation of the Nomination and Compensation Committee.	
GPS granted to executive directors and officers				
Franck RIBOUD	38,750	40,000	54,500	-
Emmanuel FABER	25,000	28,000	41,250	-
Bernard HOURS	25,000	30,000	41,250	-

(a) Authorization expressed as a percentage of the Company's share capital.
(b) Only GPS of "3+2" plans were granted to executive directors and officers (beneficiaries of GPS of "3+2" plans are subject to the French system of social security contributions).
(c) The retention period starts from the delivery date.
(d) Conditions other than continuing employment.

The performance conditions are presented in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

Delivery of Group performance shares

In 2011 as in 2012, no GPS were delivered to any of the three executive directors and officers, with all GPS granted still in the vesting process as of December 31, 2011 and 2012.

Stock-options

History of stock-option grants to executive directors and officers

The history of stock-options relating to plans that have yet to expire and granted to the three executive directors and officers is presented hereafter:

Stock-option plans outstanding						
Shareholders' Meeting authorizing the stock-options		04/11/03		04/22/05		04/26/07
Stock-options authorized by the Shareholders' Meeting		8,000,000 [b]		6,000,000 [b]		6,000,000 [b]
of which, stock-options not granted		*1,762,184* [c]		*1,497,900* [c]		*476,942* [c]
Board of Directors' meeting authorizing the stock-options	04/15/04	04/22/05	04/27/06	04/26/07	04/29/08	04/23/09
Stock-options granted [a]	**3,976,442**	**2,411,983**	**2,045,853**	**2,633,517**	**2,762,403**	**2,704,611**
Stock-options characteristics						
First exercise date	04/16/06	04/23/07	04/27/10	04/26/11	04/29/11	04/23/13
Expiry date	04/15/12	04/22/13	04/26/14	04/25/15	04/28/16	04/22/17
Exercise price	31.80	35.43	46.92	57.54	53.90	34.85
Stock-options granted to executive directors and officers						
Franck RIBOUD	318,000	212,000	212,000	424,000	212,000	164,300
Stock-options fair value [e] *(in €)*	*2,373,000*	*1,372,000*	*2,088,000*	*5,846,000*	*3,142,000*	*1,573,250*
Emmanuel FABER	106,000	56,535	56,180	56,180	106,000	82,150
Stock-options fair value [e] *(in €)*	*791,000*	*365,877*	*553,320*	*774,595*	*1,571,000*	*786,625*
Bernard HOURS	106,000	56,535	56,180	56,180	106,000	82,150
Stock-options fair value [e] *(in €)*	*791,000*	*365,877*	*553,320*	*774,595*	*1,571,000*	*786,625*

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.
(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.
(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.
(d) Last grant to executive directors and officers.
(e) Fair value estimated at the grant date, *i.e.* based on number of stock-options granted, which was not adjusted to reflect the June 25, 2009 capital increase.

Exercise of stock-options

In accordance with Article L. 225-184 of the French commercial code, details of the exercise of Company stock-options in fiscal year 2012 by the three executive directors and officers (relating to grants made prior to the termination of the stock-option program in 2010), are presented hereafter:

			Year ended December 31, 2012	
(in € except exercise price in € per share)	**Date of Board of Directors' meeting granting the stock-options**	**Exercise date**	**Number of stock-options exercised**	**Average exercise price**
Emmanuel FABER	April 15, 2004	March 2, 2012	106,000	31.80

Obligations relative to executives' retirement plans

Executive directors and officers are covered by a defined benefit retirement plan provided to certain managers who are classified as Group Senior Managers (see section 7.3 *Other information related to the Group social, societal and environmental responsibility*). This retirement plan was closed to new members as of December 31, 2003.

In accordance with the recommendations of the AFEP-MEDEF Code, eligibility for these arrangements is subject to the following conditions:

- the group of potential beneficiaries is larger than just the executive directors and officers. In fact, as of December 31, 2012, more than 170 executives who were classified as senior managers and who were members of the French retirement plan as of December 31, 2003 remained eligible for membership of said plan (excluding beneficiaries who had already liquidated their rights). It should be noted that in 2009 more than 210 executives were eligible for this plan;
- this eligibility is subject to the continued employment by the Group of the executive director and officer concerned on the date of his/her retirement (it being specified that as an exception to this principle, in the event of said executive director and officer leaving the Group before the age of 55, his rights are forfeited and that, only in the event of dismissal after the age of 55, he continues to be eligible to benefit from the plan provided that he does not take salaried employment elsewhere). This last provision, which is consistent with applicable French regulations, makes it possible to protect all beneficiaries against the risk of termination after the age of 55 and before they have reached retirement age;
- beneficiaries must have at least five years' service within the Group;
- this benefit is taken into account when the total compensation of each executive director and officer is set;

- the basis of calculation of this retirement guarantee corresponds to the average of the base salaries and variable annual compensation received by each beneficiary during the last three complete years of service within the Group (the term of executive director and officer included);
- the increase in the potential rights each year represents only a limited percentage of the beneficiary's compensation. Thus:
  - (i) the amount of the annuity that would be paid to Mr. Franck RIBOUD would correspond to 2% of this calculation base per year of service (this amount will, however, be capped at 65% of the calculation base), minus the full amount of the retirement rights acquired by Mr. Franck RIBOUD during his professional life, including the Company's non-contributory supplementary retirement plan. As of December 31, 2012 Mr. Franck RIBOUD length of service was 31 years. As a consequence, he could benefit from an overall retirement arrangement that would amount to 62% of his compensation as defined above;
  - (ii) the amount of the annuity which would be paid to Messrs. Emmanuel FABER and Bernard HOURS would correspond to (i) 1.5% per year of service (including the period corresponding to the term of executive director and officer) of this calculation base, for the tranche falling between three and eight times the French social security ceiling, and (ii) 3% per year of service (the term as executive officer and director included) of this calculation base, for the tranche that is higher than 8 times the ceiling (this amount will, however, be capped on the basis of a maximum period of service of 20 years), minus the full amount of the retirement rights acquired by Messrs. Emmanuel FABER and Bernard HOURS resulting from the implementation of the Company's non-contributory supplementary retirement plan. As of December 31, 2012 Messrs. Emmanuel FABER and Bernard HOURS respective length of service were 15 years, and 27 years;
  - (iii) for each executive officer and director, in the event of retirement without satisfying the conditions necessary for obtaining the full rate of social security pension, a reduction of 1.25% per quarter between the age at which the person retired and the age at which he would have received his full rate social security pension will be applied to this annuity.

As of December 31, 2012, the portion of the total amount of the Group's obligation relating to the Company's executive officers and directors and to members of the Executive Committee under this retirement plan amounted to €64.9 million, which takes into account the impact of the new charges applicable as of 2013, as provided in the amended 2012 Finance Act). See also Note 31 of the Notes to the consolidated financial statements.

The total amount paid by the Company with respect to this retirement plan for the benefit of members of the Board of Directors, based on their functions exercised within the Group, amounted to €1.5 million in 2012 and currently concerns Mr. Christian LAUBIE (€0.6 million) and Mr. Jacques VINCENT (€0.9 million), each of them for their 40 years' service with the Group.

As regards the eligibility of each of the Company's three executive directors and officers in respect of this retirement plan, see section 5.4 *Related party transactions*.

Transactions made in 2012 involving Company shares by members of the Board of Directors and Executive Committee

6

Name	Position	Type of securities	Type of transaction	Transaction date	Gross price per share	Number of shares	Total gross amount
A person linked to Franck RIBOUD		Shares	Disposal	02/17/12	€50.12	13,510	€677,064.46
		Shares	Disposal	03/08/12	€51.90	10,806	€560,831.40
		Shares	Disposal	03/13/12	€52.90	16,800	€888,720.00
		Shares	Disposal	04/23/12	€53.73	44,400	€2,385,483.00
Emmanuel FABER	Deputy Managing Director	Shares	Exercise of stock-options	03/02/12	€31.80	106,000	€3,370,800.00
		Shares	Disposal	05/02/12	€53.52	9,100	€487,010.16
Francisco CAMACHO	Executive Committee member	Shares	Exercise of stock-options	03/02/12	€31.80	11,872	€377,529.60
		Shares	Disposal	03/02/12	€51.16	11,872	€607,319.28
Felix MARTIN GARCIA	Executive Committee member	Shares	Exercise of stock-options	01/04/12	€31.80	8,220	€261,396.00
		Shares	Disposal	01/04/12	€49.35	8,220	€405,620.83
		Shares	Exercise of stock-options	04/25/12	€35.43	6,720	€238,089.60
		Shares	Disposal	04/25/12	€54.28	6,720	€364,773.02
		Shares	Exercise of stock-options	06/15/12	€35.43	6,000	€212,580.00
		Shares	Disposal	06/15/12	€52.50	6,000	€315,000.00
Thomas KUNZ	Executive Committee member	Other [(a)]	Subscription	05/11/12	€10.00	3,000	€30,000.00
Jean-Philippe PARE	Executive Committee member	Other [(a)]	Subscription	05/11/12	€10.00	3,000	€30,000.00
Muriel PENICAUD	Executive Committee member	Other [(a)]	Subscription	05/11/12	€10.00	2,000	€20,000.00
Pierre-André TERISSE	Executive Committee member	Other [(a)]	Subscription	05/11/12	€10.00	3,000	€30,000.00
Virginia STALLINGS	Director	Shares	Purchase	05/24/12	USD 65.23418	800	USD 52,187.34
		Shares	Purchase	05/29/12	USD 66.05971	1,000	USD 66,059.71
		Shares	Purchase	06/20/12	USD 61.30024	125	USD 7,662.53
		Shares	Purchase	06/22/12	USD 60.258453	2,075	USD 125,036.29

(a) This transaction involves a subscription as part of the annual capital increase reserved for employees of the Company and its French subsidiaries, with the subscription made to a Temporary Fund (*Fonds Relais*) with shares valued at €10 per share in 2012. At the completion of this capital increase, this Temporary Fund was merged into the "Fonds Danone" company investment fund.

Executive directors and officers must hold a certain number of shares obtained from the exercise of stock-options granted under each option plan as from January 1, 2007 until their term of office ends. This obligation to hold shares was extended by the Board of Directors to the other members of the Executive Committee (for more details concerning this obligation, see section above *Obligation to hold Company shares resulting from stock-options and Group performance shares*).

6.11 Internal control and risk management

In accordance with the Article L. 225-37 paragraph 6 of the French commercial code (*Code de commerce*), the section 6.11 *Internal control and risk management* represents the report of the Chairman of the Board of Directors on the internal control and risk management procedures implemented by the Group.

The Audit Committee examined this report of the Chairman of the Board of Directors, which had been then reviewed and approved by the Company's Board of Directors on February 13, 2013, in accordance with the French Law of July 3, 2008.

General organization of internal control

Internal control objectives and guidelines used

Internal control is a process put in place by Danone's General Management, line management and operational teams. It is designed to provide reasonable assurance, albeit not absolute certainty, that the following main objectives are being met:

- accuracy of financial information;
- compliance with applicable laws, regulations and internal policies;
- effectiveness and efficiency of internal processes, including those related to the protection of the Group's assets.

Group's internal control referential: DANgo

Danone's internal control system is adapted to the Group's strategic orientations and consistent with its international development and organization. The internal control referential drawn up and used by the Group – DANgo (Danone Governing and Operating Processes) is based on the reference framework implementation guidelines suggested in 2007 by the French Financial Markets Authority (*Autorité des marchés financiers*), completed by its application guide, and updated in 2010. This reference framework relates to risk management and internal control procedures, and approaches monitoring processes and the preparation of the accounting and financial information. This reference framework is consistent with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) I and II guidelines. It was created in its present form in 2003, and greatly enriched in 2005 and 2006, as Danone, being a publicly listed corporation in the United States at the time, was subject to the Sarbanes-Oxley Act.

It includes operating procedures (Danone Operating Models), internal control items *per se* (Danone Internal Control Evaluation), and the practices promoted by the Danone Way approach (see section 7.1 *Danone social, societal and environmental approach*) and is the subject of a systematic annual review (see section hereafter *Control environment*).

In addition, this DANgo referential is managed in an eponymous software application accessible to everyone worldwide.

Scope of internal control

Danone's internal control system applies to the Group's fully consolidated subsidiaries. In the specific case of very small or newly-acquired entities, a simplified referential focused on the DANgo "fundamentals" was specifically established in order to facilitate their integration and development while ensuring adequate control of their financial and accounting processes.

During the fiscal year 2012, 174 Group-owned entities located in 60 countries and accounting for 99% of the Group's consolidated net sales were evaluated under Danone's internal control system (*i.e.* 20 more entities than in the fiscal year 2011), including 42 using the referential focusing on the fundamentals.

The Unimilk group's companies were also integrated into the Group's internal control system in 2012:

- initially, preliminary work was carried out during the fiscal years 2011 and 2012 by means of internal audits of subsidiaries, the purpose of which was to make an initial assessment of the level of internal control and its compliance with the DANgo referential. Following the findings of these audits, the subsidiaries have implemented action plans;
- in addition to these action plans, the subsidiaries have implemented the revised internal control structure and provided staff with the necessary training for the roll-out of the Group's internal control system;
- in accordance with the Group's rules on internal control, they carried out a first DANgo self-assessment in fiscal year 2012.

Internal control participants

General Management

General Management is responsible for the Group's internal control system, while the Audit Committee is responsible for monitoring the effectiveness of the Group's internal control and risk management systems (see section 6.2 *Audit Committee*). In order to accomplish this, General Management relies on the Group Finance Department and the operational reporting lines (Divisions, regions, business lines, subsidiaries).

Group Finance Department

The Group Finance Department is responsible for the Finance function within the entire Group, directly through centralized functions (Finance Control, Consolidation, Reporting and Standards, Treasury and Financing, Tax, Strategy, Financial Communication, Acquisitions, Corporate Legal), and, through functional ties, with the Finance Directors of the respective Divisions.

The Group Finance Department is also responsible for risk management, internal control and internal audit, which enables a focus on corporate governance and compliance-related topics.

The Chief Financial Officer, who reports to one of the two Deputy General Managers, is a member of the Group's Executive Committee. The main heads of the functions and Divisions are members of an Executive Finance Committee, which meets monthly.

Risk management

Reporting to the Finance Control Department, the Risk Management Department is responsible for the Group's risk identification and management system (Vestalis). It is supported by several other teams, notably Group operational managers through various internal committees, including the Group Risks Executive Committee, and for the Finance business line through the Finance Directors of the regions. The approach used is described in section 2.7 *Risk factors* and hereafter in the section *Risk identification and assessment*.

Internal Control Department

Reporting to the Finance Control Department, the Internal Control Department is composed of a three-member central team, supported by (i) a head of the Asia/Pacific region, (ii) a coordinator dedicated to the Baby Nutrition and Medical Nutrition Divisions, and (iii) a network of local internal controllers, who typically report to the Finance Directors of the subsidiaries. These internal controllers ensure that the procedures defined by the Group are properly applied in their entities and organizations.

The Internal Control Department's main responsibilities are as follows:

- preparing and rolling out DANgo, the Group's internal control referential;
- defining (i) the priorities as regards to internal control, (ii) the methodology for analyzing and documenting operating processes, and (iii) the methodology to be used for the self-assessment process;
- managing and analyzing the (i) internal control indicators, and (ii) results of the assessments and action plans implemented by the community of internal controllers;
- supporting and guiding this international network of internal controllers through coordination, communication and training.

Internal Audit Department

The Internal Audit Department reports to the Group Finance Department. It reports functionally to the Chairman of the Audit Committee (see section 6.2 *Audit Committee*) and submits twice a year reports to the Audit Committee on internal audit activity and fraud management.

The Internal Audit Department consists of a central team of audit engagement managers and directors who supervise specialized teams from international audit and consulting firms (including KPMG in particular). It conducts regular audits in the operating units as well as audits covering central and transversal functions. In 2009, the Internal Audit Department was certified, for the first time, by the French Institute for Internal Audit and Internal Control (IFACI) in accordance with International Internal Auditing Standards. Following annual renewals of this initial certification, the Internal Audit Department was re-certified by IFACI in 2012 for a further three-year period.

This central unit is supported by local internal auditors in certain major subsidiaries, as well as by the audits and supervision activities of other centralized functions (Quality, Industrial, Safety, Environment, Information Systems, Crisis Management, Organization, Human Resources, etc.).

Other internal control participants

In a growing number of countries or country groups, organizations covering Risk Management, Internal Control and Internal Audit have been developed in order to provide a higher level of service and support to the Danone subsidiaries, particularly in emerging countries.

In addition, the line management teams at headquarters and in the subsidiaries have a major role in internal control and its implementation in their respective areas of responsibility, with support from relevant central corporate departments (mainly Finance, but also Human Resources, Sustainable Development, Environment, Safety, Quality, Information Systems, Legal, etc.).

Finally, (i) the DANgo steering Committee, (ii) the Internal Control steering Committee, (iii) the transversal coordination Committee, (iv) the Dialert Committee (fraud monitoring) and (v) the Compliance Committee described hereafter are involved in the management and continuous monitoring of internal control, with a view to ensuring, in particular, consistency with the operating activity at all levels.

Danone's overall internal control and risk management procedures

Internal control consists of the following five closely-related components:

- control environment;
- risk identification and assessment;
- control activities;
- information and communication;
- continuous monitoring.

They are implemented by the Group as described hereafter.

Control environment

The aim of the control environment is to make staff aware of the usefulness and necessity of internal control, and it is the foundation on which the other components of internal control are built, notably by establishing an ethic, discipline and organization.

Danone's control environment is based on the following:

- Danone values, which are widely communicated across all of the subsidiaries and the Group's dual economic and social project;
- the Business Conduct Policy, defined by the Group and conveyed through a Questions & Answers booklet updated in 2012;
- the human resources and social policy, particularly with regard to employee development and training;
- the impetus given by the Board of Directors and the willingness to achieve continuous improvements in all operating procedures, as expressed by the Group's General Management;
- the Danone Way approach, which is deployed in nearly all of the Group's subsidiaries;
- an anti-fraud program, which has been deployed and operated by the Group for several years and which informs the subsidiaries' Management Committees and all employees of internal fraud and corruption risks. This antifraud program is based on seven "stages": (i) raising awareness, (ii) prevention, (iii) detection, (iv) investigation, (v) penalties, (vi) reporting and (viii) continuous improvement of the internal control system. In addition, since 2006 Danone has operated a whistleblowing system (Dialert), which focuses on internal control matters concerning (i) employees, (ii) suppliers and (iii) any failure to comply with the terms defined by the WHOCode (see section hereafter *Monitoring internal fraud* and section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*). The system's visibility was enhanced in 2010 through the progressive deployment of an introductory guide (Danone Inside Pack) for new employees that highlights the Business Conduct Policy and the ethics hotline;

- the standardization of the Group's operating processes through the implementation of the DANgo referential and the regular use of a single integrated information system (Themis, see section hereafter *SAP/Themis integrated information system*) which contribute to the strength of the control environment;
- the DANgo referential (see section above *Group's internal control referential: DANgo)*: accessible to all Group employees, in a user friendly electronic version, it is subject to a systematic annual review by which the Group ensures that the DANgo internal control and best practices referential is kept up-to-date. DANgo is updated by (i) experts from the network of internal controllers and (ii) operational managers from various business lines, which enables DANgo to be used by participants in the various departments and makes it possible to enhance the referential through best operating practices;
- in addition to DANgo, there is an intranet site dedicated to the Group's internal controllers presenting all the documents useful for internal control and contributing to the sharing of experiences and best practices in the area of internal control. It is also accessible to all Danone employees and is updated regularly;
- the elaboration and diffusion of internal control guidelines, which were reviewed in 2012.

Risk identification and assessment

Every company faces internal and external risks that may hinder the achievement of its objectives. The principal risks the Group faces are described in section 2.7 *Risk Factors*, which also includes a brief description of the risk management policy and scope.

The Group has established a systematic risk identification system, using a special risk-mapping application called Vestalis. Risks are updated annually in most of the subsidiaries of the Waters and Fresh Dairy Products Divisions, and they were mapped for the first time in this way in 2009 in several subsidiaries of the Baby Nutrition and Medical Nutrition Divisions. In 2012, 80 entities from these two Divisions applied this system and compiled their risk mapping, working either with support from Risk Management or independently.

The methodology employed enables the risks and weaknesses of all operations in the covered companies to be identified, consolidated and ranked based on their probability of occurrence and their financial impact, on the scale of a country or a Division, and accordingly to define the preventive or corrective measures to be taken, either locally or globally as the case may be. The most significant risks are reviewed once a year with the top management of the regions, at specific meetings attended by the General Manager and Finance Director of each region. In 2012, Almost all of these regional risk Committee meetings were held.

A review of the most significant risks is also performed regularly by the Group Risks Executive Committee, whose members comprise Danone's two Deputy General Managers, the Chief Financial Officer, the Head of Human Resources, the Group Finance Control Director and the Head of Risk Management. A mapping of Danone's major risks is assessed during these meetings, risk owners are systematically designated, and risk mitigation plans are reviewed and assessed. This work serves as the basis for the presentations made to Danone's Executive Committee and to the Audit Committee.

In addition, the existence of procedures – regarding the monitoring of competition, training, risk prevention and protection, etc. – and the initiatives taken by specialized departments – such as the Environment Department and the Quality and Safety Department for food – contribute to the identification and analysis of risks. The Safety Department helps to identify threats against Group employees or assets. The Crisis Management Department uses information made available by the Vestalis risk maps to identify potential crises and prepare the affected entities accordingly, ensuring that an appropriate response is provided for all crises, even if the risk was not identified beforehand.

Moreover, the identification and reporting of risks is also facilitated by the relatively low number of reporting levels, short decision-making channels and input from the operating units in strategic discussions. In addition, a quarterly transversal Compliance Committee, headed by the Internal Audit Department, has been set up to deal with compliance issues, whose members have, since 2006, come from various central functions that collaborate on the quality of the control environment.

Control activities

The control activities are intended to ensure the application of the standards, procedures and recommendations that contribute to the implementation of the main strategic orientations made by the Group's General Management.

All the subsidiaries integrated into DANgo use an annual self-assessment process, and the largest of them follow a more detailed internal control review methodology that includes information flows, control points and tests conducted by management.

- the IT application that hosts DANgo allows subsidiaries to document their operating processes, especially those used to prepare financial information, to perform self-assessments, to determine whether they are compliant with the Group's internal control referential, and to monitor any necessary action plan;
- the results of the annual self-assessments by the subsidiaries are sent to the Internal Control Department, which analyzes them and communicates relevant summaries to the different interested parties. Appropriate action plans are put in place by the entities with a view to continuous improvement and under the supervision of the Internal Control Department. Internal audits are subsequently carried out to validate that corrective measures have indeed been taken.

In addition, the performances and results of each operating unit in the area of internal control are regularly and systematically monitored by the entities' Management Committees.

Information and communication

Appropriate information must be identified, collected, quantified and communicated in a format and within an appropriate time frame that enables each person to carry out his or her responsibilities.

To accomplish this, Danone relies on:

- its organization and information system, which are elements that facilitate the communication of the necessary information to the decision-making process;
- the various intranet sites and documentation databases that enable information to be shared within the Group. This information includes not only financial information but also non-financial information that meets the needs of the various operating and administrative departments. In 2012, the Group deployed its Danone Social Network, which is accessible to all, to transmit information and develop communication and the sharing of experience;
- the distribution of the DANgo referential and the Internal Control Department, which manages, trains and coordinates the internal controllers' network:
  - it organizes working and annual training sessions for the internal controllers' network including workshops and information-sharing seminars. The two sessions organized in 2012 were attended by more than 160 internal controllers;
  - it is responsible for the training and integration of new internal controllers, including those working for newly-acquired companies;

- it is also responsible for internal control training sessions open to all managers of the finance functions;
- it coordinates and communicates regularly at various levels of the organization (Corporate Committees, meetings at Division level with the Finance Directors or Operations Directors, systematic annual presentations to the General Managers and Finance Directors of the regions, and participation on the Management Committees of central functions).

Continuous monitoring

The internal control system is reviewed periodically so that its performance and effectiveness may be qualitatively assessed.

The continuous monitoring of control procedures is part of the ongoing activities of the Company and its subsidiaries.

The quality of the internal control system's steering and monitoring is ensured by two Committees – led by the Internal Control Department – which meet regularly:

- the DANgo steering Committee, which meets twice a year and consists of the operational executive managers designated to represent the Group's key functions: Research and Development, Purchasing, Operations, Marketing, Sales, Finance, Human Resources, Information Systems, etc.;
- the Internal Control steering Committee, which consists mainly of the heads of the Finance function of the headquarters and the Divisions and meets quarterly.

In addition, the Audit Committee, as well as Group's General Management, are informed at least twice a year of the self-assessments' progress in the subsidiaries, the related findings, and the results of the audits conducted by the Internal Audit Department. The following year's targets are also presented as well as the priorities selected by the Risk Management, Internal Control and Internal Audit functions.

Monitoring internal control indicators

The Internal Control Department has introduced and monitors internal control performance indicators (coverage rate, internal control intensity rate and deficiency rate on control points) to analyze and communicate the internal control results of the subsidiaries and of the Group together with a monitoring by geographic region and by Division. The targets for these performance indicators are discussed in the internal control steering Committee and in the DANgo steering Committee, and are then presented to the Audit Committee (see section 6.2 *Audit Committee*), before being sent to the subsidiaries, which assists in harmonizing and developing a shared vision of the internal control priorities.

In 2012, Danone's internal control key indicators showed again signs of improvements: the coverage rate of subsidiaries increased by six points relative to 2011, to reach 97%; the deficiency rate was stable compared to 2011: the impact of the Unimilk group's companies integration was totally balanced by an improvement of the whole other subsidiaries of the Group, this improvement was also noted at each Division level. This was achieved thanks to continuous monitoring of DANgo and internal control throughout the organization.

Monitoring internal fraud

The Group has introduced six-month internal fraud reporting covering 175 entities, *i.e.* nearly all of the Group's operating entities. These entities report twice a year on identified fraud cases. The number of suspected or confirmed fraud cases reported by the subsidiaries has remained stable for three years. In 2012, approximately 170 suspected cases were reported per six-month period, of which approximately 120 were subsequently proven to be fraudulent, the majority of these proven cases involved minor incidents (thefts of products or equipment or minor embezzlement). None of these fraud cases had a significant impact on Danone's consolidated financial statements. In the majority of the identified cases, the employment agreements of the corresponding employees were terminated following investigations of these frauds.

The Group has also introduced a whistleblowing system (Dialert), which enables employees and suppliers to confidentially disclose any fraud case they suspect (see also the section above *Control environment*).

A monitoring meeting of fraud cases and suspected frauds is held monthly at Group headquarters level in order to ensure the effective monitoring of fraud cases and their appropriate management with respect to compliance and internal control. To that end, detailed information on the nature of the main cases is collected and analyzed by the Dialert Committee (fraud monitoring), which comprises representatives from the Human Resources, Internal Audit and Legal functions and meets once a month.

In 2012, the Group received notifications of around 60 suspected fraud cases, of which around ten were subsequently confirmed to be fraudulent.

6

Internal audit assignments

In 2012, the Internal Audit Department conducted 55 internal audits at subsidiaries or transversal functions, based on the plan previously approved by the Audit Committee. These audits confirmed the overall reliability of the DANgo self-assessment performed by the subsidiaries.

Following each audit, an action plan is prepared by the management of the subsidiary to correct weaknesses identified in the audit report. The implementation of action plans is systematically monitored by the operational and functional managers, under the supervision of the Internal Audit Department. In particular, in 2012, 16 short follow-up audits on the implementation of action plans were carried out, within 12 months from the initial audit as far as possible.

In addition, the Treasury and Financing, Information Systems, Internal Control, Environment, Legal and Crisis Management Departments all arrange for audits and periodic reviews in the subsidiaries, in addition to the internal audit assignments.

Internal control procedure for the preparation and processing of Danone's financial and accounting information

Organization of the finance function

The finance function's organization is based on:

- centralized functional departments: Treasury and Financing, Acquisitions, Strategy, Finance Control (to which the following departments report: (i) Consolidation, Reporting and Standards and (ii) Controlling), Financial Communication, Corporate Legal and Internal Audit;
- the Finance Department of each Division. These departments are organized by geographic regions supervising business units and, in some countries, the accounting, treasury and certain specialized functions are shared.

Production of financial and accounting information

Financial information is generated by a rigorous and comprehensive financial planning process. This process integrates, in particular:

- a medium-term strategic plan;
- an annual budget process, preceded by the preparation of a framework defining key financial targets;
- comprehensive re-estimates of financial indicators projected to the year end, calculated at regular intervals;
- monthly reports;
- monthly updated forecasts of certain financial indicators as well as monthly performance review meetings attended by the finance teams and the General Managers of the Divisions.

The relevance of the financial indicators selected to monitor performance is reviewed on a regular basis.

In this context, each operating unit prepares a monthly, detailed financial reporting, and twice a year an exhaustive consolidation package used in the preparation of the Group's consolidated financial statements.

These consolidation packages are verified by a central team, which is responsible for all elimination and consolidation entries, as well as analyzing and validating the most significant line items of the Group's consolidated financial statements (intangible assets, financial assets, taxes, provisions and debt).

In addition, the production of financial information integrates the following preliminary control stages, carried out by the Consolidation, Reporting and Standards Department:

- validation by the central team, throughout the year, of the main accounting options adopted by the subsidiaries and central functions and simulation of complex transactions in the consolidation software;
- in-depth review of certain subsidiaries' monthly reports at the end of May and November based on the specific transactions and risks identified;
- meetings to share information and best practices are attended regularly by the main financial managers of each Division and some department heads and training sessions covering specific accounting topics are also held regularly;
- (i) preparation meetings with the financial staff of the Group's main subsidiaries based on the specific transactions and risks identified, and (ii) presentations to the Audit Committee (specific transactions during the period, the main accounting options concerning the closing and the contemplated significant changes introduced by developments of the International Financial Reporting Standards) (See section 6.2 *Audit Committee*).

In addition, the Group's financial and accounting information is produced and communicated using the following applications.

SAP/Themis integrated information system

The management and optimization of information flows for the financial functions as well as the purchasing, industrial, quality, supply chain and sales functions, both within the subsidiaries and between them, is performed primarily through the SAP/Themis integrated information system. This application is being steadily deployed in all Group subsidiaries and its features are constantly being improved.

The activities supported by Themis accounted for 75% of consolidated sales in the Fresh Dairy Products and Waters Divisions (excluding the Unimilk group's companies) for the year ended December 31, 2012. The roll-out is continuing in the Unimilk group's companies.

The same information system is currently being rolled out in the subsidiaries of the Medical Nutrition and Baby Nutrition Divisions (covering around 20% of these two activities' total sales for the year ended December 31, 2012).

Consolidation software

Monthly financial reports, and more generally the financial information used to manage and control the activities of the operating units, are produced by a unified information system (SAP/BusinessObjects Financial Consolidation).

This same system is also used to produce the six-month and full year consolidated financial statements. The procedures related to the security, use and development of new features of this consolidation system are documented.

Control environment

The control environment relating to the preparation and processing of Danone's financial and accounting information is based on the following:

- the organization of the finance function, which is based on central functional departments and the Finance Department of each of the Divisions (see section above *Organization of the finance function)*. In all cases, the operating units are responsible for the production and content of their financial statements as well as their internal control;
- the control practices and procedures mentioned in DANgo, which help to ensure the reliability of the processes for preparing the financial statements. Indeed, the DANgo referential includes many points that address the quality of the financial and accounting information;
- the control stages carried out by the Consolidation, Reporting and Standards Department (see section above *Production of financial and accounting information)*;
- the definition for the Group of the roles and skills required at the different levels of the organization and the drawing up, as a result, of the internal training programs;
- the production and communication of the Group's financial and accounting information via the unified tools described above;
- the single set of guidelines covering accounting procedures and principles, which are consistent with its internal control principles. Available on the Daφnet intranet, these guidelines are accessible to all the Group's employees.

Risk identification and assessment

The monitoring and management of the main identified risks relating to the preparation and processing of Danone's financial and accounting information is organized as follows:

- the identified risks and results obtained through the various approaches established (DANgo, Danone Way and Vestalis) are used;
- the budgeting and strategic planning processes, the performance monitoring, the regularly scheduled meetings that highly involve finance functions (Controlling, Treasury and Financing, Consolidation, Reporting and Standards, Development) as well as the meetings of the Group Risks Executive Committee and the Group's Executive Committee allow to monitor and manage the most important risks identified;
- specific risks related to the processes used to prepare and communicate financial information are also reviewed and the internal control system is adapted based on the identified risks.

Control activities

Each Division has a Finance Department, which is responsible for monitoring performance, capital expenditure and operating cash-flow, primarily through the rigorous financial planning and reporting process. The Divisions' Finance Departments are supported by the Finance Departments in the geographic regions and operating units, with the overall management control process administered by the Controlling Department.

Members of the central departments visit the operating units on a regular basis (performance monitoring, procedure reviews, pre-closing meetings, *ad hoc* audits, progress on improving internal controls, follow-up on action plans, and training in accounting standards). The appropriate documents are provided sufficiently well in advance for them to be reviewed by the Group's management bodies.

Twice a year, the General Manager and Finance Director of each subsidiary along with their counterparts in the regions and Divisions provide written confirmation of compliance with the Group's applicable procedures and with all of the standards applicable to the financial information sent to the central teams. This confirmation is provided in a representation letter that covers the six-month and full year closings of the financial statements, including all subjects involving risk management, internal control and corporate law.

The control activities are therefore conducted at all of the Group's hierarchical and functional levels and include a variety of actions such as approving and authorizing, verifying and comparing, assessing operational performances, ensuring the protection of assets and monitoring the segregation of duties. The audits administered and conducted independently by the Internal Audit Department provide appropriate validation.

Information and communication

The Group's financial and accounting information is produced and communicated *via* the tools described above.

To communicate financial information within the Group, each quarter the Group's entire finance function can log onto a website where the Chief Financial Officer comments on the activity for the quarter, the year-to-date financial results and the main challenges for the Group.

Lastly, the Group's referential covering financial and accounting information (Daφnet, DANgo, etc.) are accessible to all employees.

Continuous monitoring

One of the responsibilities of each Division's Finance Director and Function Manager is to improve the procedures used to prepare and process financial information. Detailed audits are conducted on the key control procedures in the preparation of financial information (particularly published disclosures) in the subsidiaries and in the Group's headquarters and on their effective application. Moreover, the internal audit assignments conducted in the operating units are aimed primarily at verifying the quality of the accounting and financial information. The Divisions' Finance Departments ensure that the action plans established subsequent to the above-mentioned internal and external audits have been carried out correctly.

Assessment

The procedures intended to control the accounting and financial information provided by the consolidated subsidiaries, as well as the internal control procedures used to prepare the consolidated financial statements, are adequate to provide reliable accounting and financial information.

Statutory auditors' report

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

Statutory auditors' report prepared in accordance with article L. 225-235 of the French commercial code on the report prepared by the Chairman of the Board of Directors of Danone

To the Shareholders,

In our capacity as Statutory auditors of Danone, and in accordance with Article L. 225-235 of the French commercial code (*Code de commerce*), we hereby report to you on the report prepared by the Chairman of your Company in accordance with Article L. 225-37 of the French commercial code for the year ended December 31, 2012.

It is the Chairman's responsibility to prepare, and submit to the Board of Directors for approval, a report describing the internal control and risk management procedures implemented by the Company and providing the other information required by Article L. 225-37 of the French commercial code, in particular relating to corporate governance.

It is our responsibility:

- to report to you on the information contained in the Chairman's report on internal control and risk management procedures relating to the preparation and processing of financial and accounting information; and
- to attest that the report contains the other information required by Article L. 225-37 of the French commercial code, it being specified that it is not our responsibility to assess the fairness of this information.

We conducted our work in accordance with professional standards applicable in France.

Information concerning the internal control and risk management procedures relating to the preparation and processing of financial and accounting information

The professional standards require that we perform due diligence procedures to assess the fairness of the information on internal control and risk management procedures relating to the preparation and processing of financial and accounting information contained in the Chairman's report. These procedures mainly consist of:

- obtaining an understanding of the internal control and risk management procedures relating to the preparation and processing of financial and accounting information on which the information presented in the Chairman's report is based, and of the existing documentation;
- obtaining an understanding of the work performed to support the information given in the report and of the existing documentation;
- determining if any material deficiencies in the internal control procedures relating to the preparation and processing of financial and accounting information that we may have identified in the course of our assignment are properly described in the Chairman's report.

On the basis of our work, we have no observations to make on the information given on internal control and risk management procedures relating to the preparation and processing of financial and accounting information, set out in the Chairman of the Board's report, prepared in accordance with Article L. 225-37 of the French commercial code.

Other information

We attest that the Chairman's report contains the other information required by Article L. 225-37 of the French commercial code.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit
Etienne BORIS   Philippe VOGT

Ernst & Young et Autres
Jeanne BOILLET   Gilles COHEN

Social, societal and environmental responsibility

7

This chapter describes the Group's policy and accomplishments in the area of social, societal and environmental responsibility. It is organized as follows:

- *description of Danone's approach to social, societal and environmental responsibility;*
- *information concerning the Group's social, societal and environmental performance in compliance with the provisions of article 225 of law No. 2010-788 of July 12, 2010 ("Grenelle II") and its implementing decree;*
- *other information related to the Group social, societal and environmental responsibility.*

More extensive information concerning Danone's strategy and performance with regard to Sustainable Development can be found in the Group's Sustainable Development Report published annually. The Group's practices and quantitative results are described there, based in particular on the Global Reporting Initiative (GRI) indicators.

Danone has also been a pilot participant in the IIRC (International Integrated Reporting Council) integrated reporting program since 2011.

7.1 Danone social, societal and environmental approach

General policy

As a direct result of Danone's dual economic and social project, Corporate Social Responsibility (CSR) is deeply anchored in the Group's business activity (see section 2.2 *Presentation of the Group*).

2006 marked a key stage for the Group approach with the formalization of Danone's mission: "bringing health through food to as many people as possible." This mission requires that Danone take concrete steps with regard to the major societal challenges today:

- social challenges: employment, enhancing employability and professional skills, consideration for the local and regional areas were the company operates and employee commitment;
- challenges linked to products and consumers: taking nutrition and food into account as basics elements in public health policies;
- environmental challenges: address the dilemma facing food and beverage industry namely satisfying the needs of an ever-increasing number of consumers while minimizing the Group's environmental impact.

To achieve these challenges and grow in accordance with its mission, Danone decided to focus on four key areas to insure sustainable and responsible growth:

- Health: strengthening the Group's capacity to deliver relevant benefits with respect to nutrition and health challenges;
- For all: establishment of new economic models to bring high quality nutritional solutions to populations with limited purchasing power in a growing number of countries;
- Nature: faster recognition of environmental impacts through reductions in the Group's carbon footprint and water consumption;
- People: transformation of the Company as a place for the development of all employees and promoting their commitment to socially responsible programs.

These four strategic priorities (Health, For all, Nature, People) are guiding principles by which Danone can design, produce and market its products.

Danone's CSR policy in detail

Danone's CSR approach is characterized by the depth of its integration into the Group businesses and the systematic intention to create value for the shareholder and for all stakeholders as well.

Danone seeks in particular to ensure that its action enables the development of economic and social benefits. Thus, for each of the four strategic priorities (Health, For all, Nature, People), Danone offers:

- products adapted to people's nutritional needs and health taking into account the need for marketing to attract consumers through flavor or even emotions and fantasy;
- products designed, produced and distributed based on policies that help to protect the environment;
- products produced and sold following processes and methods that develop staff employability, favor local employment, and ensure safe and healthy production plants.

To achieve this, Danone has integrated its CSR approach into its primary processes, in particular:

- production, with direct participation in CSR by production functions as well as functions upstream and downstream of the Group's business;
- purchasing through a responsible procurement policy;
- human resources through the integration of CSR into its process;
- marketing and sales by developing synergies between CSR and these functions.

Danone has in particular created specific organization and governance, including:

Social Responsibility Committee

It is formed from the Board of Directors and is made up of independent Directors for three-quarters of its membership. It notably examines the Group's extra-financial data and ratings, and aims to prevent conflicts of interest between Danone's social investments and its other activities (see section 6.4 *Social Responsibility Committee*).

Health governance

It integrates the principles, mechanisms and evaluation methods that allow Danone to meet its commitments as defined in 2009 in the Danone Food Nutrition Health Charter.

CSR goals defined at Group level

These goals are set by General Management at consolidated Group level, and may be defined over the medium term, such as the Group's carbon footprint reduction goal, staff safety, etc. Certain goals are used as criteria for variable compensation, as described hereafter.

Variable compensation system

Social performance has been included since 2008, with the introduction of criteria to evaluate the performance of the Company's 1,500 directors and executive managers. This system is based on a three-part approach to performance: one third economic, one third social and environmental, and one third individual performance (see section 7.3 *Other information related to the Group social, societal and environmental responsibility*).

Funds sponsored by Danone

These are funds created at Danone's initiative: danone.communities created in 2007, the Danone Ecosystem Fund (Fond Danone pour l'Ecosystème) created in 2009 and the Livelihoods fund created in 2011 (see section 7.3 *Other information related to the Group social, societal and environmental responsibility*).

Deployment of the CSR approach in all the Group's subsidiaries via the design and implementation of programs, policies and framework agreements

The main programs, policies and framework agreements are detailed in the section hereafter and illustrated in section 7.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law.*

External information systems and studies

To monitor and evaluate Danone's performance with regard to CSR, Danone extends its information systems in its subsidiaries and also uses external studies.

Primary policies, programs and actions implemented by Danone with regard to social, societal and environmental responsibility

Danone Way

The Danone Way approach, launched in 2001 and updated in 2007, is a key component of Danone's sustainable development strategy, with the goal of ensuring compliance with basic sustainable development criteria by all subsidiaries. In 2012, the subsidiaries covered by the program represent 89% of the Group consolidated net sales.

It defines best practices for social, societal and environmental responsibility in the various stages of the Group business, from raw materials sourcing to recycling the packaging of finished products. These practices are then deployed in all Group subsidiaries. To ensure these best practices are spread throughout the Group, the Danone Way approach also includes an evaluation of subsidiaries' performance in complying with these best practices.

Every year, every subsidiary self-evaluates its sustainable development performance based on 16 fundamental principles, organized into five thematic areas:

- human rights (equal opportunity and diversity, workplace safety and health);
- human relations (employee dialogue, working hours, individual development and training);
- environment (environmental footprint management, environmental risk control, raw materials management and reduction of packaging);
- consumers (quality management and nutrition and health standards);
- governance (business conduct policy, social responsibility applied to suppliers and relations with local communities).

WISE "Work In Safe Environment"

WISE is a global program rolled out by Danone for several years which aims to develop a robust health and safety culture in all its subsidiaries and reduce workplace accidents.

This program defines rules and best practices for safety and health. It is deployed in all Divisions around the world, in Group's plants and logistics warehouses and in distribution. It also applies to subcontractors working at Danone sites. The program is led by the Human Resources Department, with designated managers at the level of each Division, subsidiary and site.

To disseminate the health and safety culture throughout the Group, the WISE program relies on WISE audits to evaluate subsidiaries' performance in the following 13 categories: organization, policy, responsibility and accountability, goals and objectives, standards, motivation, communication, training, observation (audit), contractors, supportive safety personnel and incident investigations.

IUF agreements

Danone has signed worldwide framework agreements with the IUF (International Union of Food workers), beginning in 1988. Nine agreements between Danone and the IUF were in effect as of December 31, 2012.

These agreements define rules and best practices, notably with regard to diversity, employee dialogue, steps to be implemented for business changes impacting employment or working conditions, combating all forms of discrimination and encouraging diversity, trade union rights, and procedures for consulting employee representatives in the case of business changes with consequences for employment.

The latest agreement between Danone and the IUF was signed on September 29, 2011 and concerns health, safety, working conditions and stress, following on the framework agreement signed in 2010 with trade union organizations in France.

This agreement defines the following principles:

- consideration for the human consequences of change, in advance of major changes to the organization;
- preservation of the balance between personal and professional life;
- identification of pathways for simplifying work to improve efficiency as well as employee well-being;
- employee participation in safety-related preventive actions enabling ensuring their safety, as well as their right to remove themselves from a hazardous situation;
- implementation of medical monitoring in all subsidiaries and at all sites.

These framework agreements between Danone and the IUF are deployed in every Group subsidiary, and their application is jointly evaluated every year by a representative from Danone and a representative from the IUF.

RESPECT

The RESPECT policy aims to protect sustainable development principles across the entire Group supply chain and in particular with Danone's primary suppliers.

This policy was launched in 2005 and is rolled out since 2006 in all Divisions to ensure compliance with the seven fundamental labor principles formalized by Danone since 2001 based on standards defined by the International Labor Organization: (i) child labor, (ii) forced labor, (iii) non-discrimination, (iv) freedom of association and the right to collective bargaining, (v) workplace health and safety, (vi) working hours and (vii) compensation. Those principles are described in the section hereafter.

The RESPECT methodology is based on a system of controls which includes: (i) suppliers' signature of the sustainable development principles, (ii) a map of supplier risks drawn up by purchasing managers, (iii) external employment audits for the most "at risk" suppliers, (iv) corrective action plans in case of non-compliance identified during the audit and (v) monitoring of this action plan by Danone's purchasing managers.

RESPECT achieves this by using a specific dedicated tool, Sedex (Supplier Ethical Data Exchange), an online information sharing and pooling platform used by several companies in the food and beverage sector which allows their suppliers to (i) enter the data pertaining to their production sites, sustainable development and social responsibility policies and (ii) share this information with several clients at once.

In 2009, the scope of the RESPECT policy was expanded to include environment and ethics sections.

Based on these three pillars – employment, environment and ethics – RESPECT constitutes a policy for managing sustainable development standards with suppliers.

7.2 Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law

This section presents information concerning Danone Group's social, societal and environmental performance in compliance with the provisions of article 225 of law No. 2010-788 of July 12, 2010 ("Grenelle II") and its implementing decree.

Scopes and definitions related to social, societal and environmental performance data are described in the *Methodology note*, at the end of this section.

Table of contents of information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law

Social information

Employment

Group workforce

As of December 31, 2012, the workforce of all globally consolidated Danone companies was 102,401 employees (101,885 in 2011), which shows an increase since 2011. This data cover the Total Group Scope, defined in the *Methodology note*.

Breakdown by geographic region and Division

The table hereafter shows the total number of employees and their breakdown by geographic region and by Division as of December 31, 2011 and 2012, on the Social Indicators Scope (excluding the subsidiaries that did not report in 2012, except Total Workforce, see *Methodology note*).

	As of December 31	
	2011	**2012**
Total Workforce [(a)]	**87,164**	**86,555**
By geographic region		
France	10%	10%
Rest of Europe	25%	22%
China	10%	11%
Rest of Asia Pacific	18%	19%
North and South America	31%	32%
Africa and Middle East	6%	6%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	38%	36%
Waters	42%	42%
Baby Nutrition	13%	14%
Medical Nutrition	6%	6%
Central functions	1%	2%
Total	**100%**	**100%**

(a) Social Indicators Scope (See *Methodology note*).

The decrease of the workforce between 2011 and 2012 on the Social Indicators Scope is not representative of the consolidated Group due to the exclusion on this scope of Danone-Unimilk entity (in particular Danone Russia, following the merger with the Unimilk group's companies).

Breakdown of workforce by age and by gender

Breakdown by gender

The table hereafter shows the breakdown of the workforce by gender as of December 31, 2011 and 2012.

	As of December 31					
	Women		**Men**		**Total**	
	2011	**2012**	**2011**	**2012**	**2011**	**2012**
Total Workforce [(a)]	**23,626**	**23,311**	**63,538**	**63,244**	**87,164**	**86,555**
Percentage of the total [(a)]	27%	27%	73%	73%	100%	100%

(a) Social Indicators Scope (See *Methodology note*).

Breakdown by age

As of December 31, 2012, more than 89% of Danone employees (Social Indicators Scope, see *Methodology note*) were younger than 50, in every geographic region.

	As of December 31
Workforce percentage [(a)]	**2012**
< 20 years old	2%
from 20 to 29 years old	26%
from 30 to 39 years old	39%
from 40 to 49 years old	22%
from 50 to 59 years old	10%
> 60 years old	1%
Total	**100%**

(a) Social Indicators Scope (See *Methodology note*).

As of December 31, 2012, in Western Europe and North America, fewer than 20% of employees were under 30, while in the other geographic regions workers under age 30 account for 20% to 35% of the workforce.

	As of December 31		
	2012		
Workforce percentage [(a)]	**Under 30 years old**	**From 30 to 49 years old**	**50 years old and more**
By geographic region			
Africa and Middle East	32%	62%	6%
Asia Pacific	33%	60%	7%
Easter Europe	23%	63%	14%
Western Europe	15%	61%	24%
Latin America	34%	61%	5%
North America	16%	61%	23%

(a) Social Indicators Scope (See *Methodology note*).

New hires and dismissals

Danone implements a recruiting policy based on diversified and talented profiles who are sensitive to the Group's dual economic and social project, exhibit attitudes as the ones promoted by the Danone Leadership College (see hereafter section *Danone Leadership College*), and are likely to evolve within Danone's organization. This policy is deployed by every subsidiary to meet its needs and support the evolution of its business.

As of December 31, 2012, 516 net jobs had been created compared with 2,542 as of December 31, 2011 (on the Total Group Scope, see *Methodology note*).

There were 4,558 dismissals registered in 2012 compared with 4,700 in 2011 (see *Methodology note*).

Compensation and promotion

Danone fosters competitive and equitable compensation based on its own system for evaluating and classifying jobs to support human resources development worldwide and create an individualized compensation management approach, taking into account the requirements and local situations of the various subsidiaries.

This policy is updated annually within each subsidiary, based on market studies of external compensation levels by country and on decision-making tools and process guaranteeing equitable compensation. Median salaries by classification level and rules for wage increases are defined in relation to local job market conditions and subsidiaries' needs, and under consideration of Group subsidiaries' ability to generate growth and profits, as well as employment performance.

Compensation policy is generally based on an overall compensation approach related to economic and social performance goals, including:

- fixed compensation that applies to all employees;
- variable short-term compensation for executive managers (defined based on individual and collective goals relating to the business of the subsidiary and Division);
- variable medium and long-term compensation for members of the Executive Committee (including executive directors and officers), directors and General Managers, some 1,500 people worldwide.

Certain subsidiaries also apply profit-sharing systems that involve all employees in the subsidiary's performance.

The total amount of gross compensation and the related social contributions amounted to €2,851 million in 2012 (€2,694 million in 2011, see Note 28 of the Notes to the consolidated financial statements).

For more information about variable compensation and staff benefits, see section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

Work organization

Organization of working hours

The organization of working hours varies according to the local environment of each subsidiary based on different factors, such as employees opting for a transition to part-time work (number of work hours below that legally defined for full-time employment or the number of hours generally applied in the subsidiary), which is an action to improve employees' quality of life.

Various initiatives have been implemented by some subsidiaries to facilitate such transitions, including:

- transition to part-time work for directors at Danone Netherlands (Fresh Dairy Products Division);
- indicators for monitoring promotions and raises for part-time employees of Danone France (Fresh Dairy Products Division);
- "à la carte" compensation in the form of overtime for employees of the Daniel Carasso Research and Development Center (in Palaiseau, France).

The table hereafter shows the breakdown of full-time and part-time employees by geographic region and by Division in 2011 and 2012:

				As of December 31
	Full-time employees		Part-time employees	
Workforce percentage [(a)]	**2011**	**2012**	**2011**	**2012**
By geographic region				
Africa and Middle East	99.6%	99.4%	0.4%	0.6%
Asia Pacific	99.9%	99.6%	0.1%	0.4%
Easter Europe	96.9%	96.5%	3.1%	3.5%
Western Europe	87.8%	87.1%	12.2%	12.9%
Latin America	99.7%	99.7%	0.3%	0.3%
North America	97.4%	97.6%	2.6%	2.4%
By Division				
Fresh Dairy Products	97.5%	97.5%	2.5%	2.5%
Waters	98.1%	97.9%	1.9%	2.1%
Baby Nutrition	95.8%	95.1%	4.2%	4.9%
Medical Nutrition	90.1%	90.7%	9.9%	9.3%
Central functions	92.6%	92.9%	7.4%	7.1%

(a) Social Indicators Scope (See *Methodology note*).

Danone also promotes the application by its subsidiaries of best practices for work organization, especially through the Danone Way approach, through the "Working hours and Organization" key practice (see section 7.1 *Danone social, societal and environmental approach*), which includes:

- evaluating policies implemented by the subsidiaries, notably with regard to introducing (i) procedures and information systems for measuring work time, (ii) employee surveys to assess workload and (iii) targeted action plans if excess work time is noted with regard to the standards set or wishes expressed by employees;
- monitoring indicators such as (i) average weekly time worked per employee (including overtime) and (ii) number of days off per week for each employee.

Absenteeism

The absenteeism rate, on a like-for-like basis (see *Methodology note*) is 2.3% in 2012 compared with 2.4% in 2011.

Social relations

Organization of social dialogue

Employee dialogue at Danone is organized around:

- a worldwide social dialogue body, the Information and Consultation Committee (ICC);
- the negotiation and monitoring of international framework agreements with the IUF (International Union of Food workers), see section 7.1 *Danone social, societal and environmental approach*;
- dynamic social dialogue in the Group's subsidiaries with union and personnel representatives.

Danone also promotes the application by its subsidiaries of best practices for social dialogue, in particular through the Danone Way approach's "Social Dialogue and Employee Involvement" key practice (see section 7.1 *Danone social, societal and environmental approach*), which includes:

- evaluating policies implemented by subsidiaries, in particular with regard to (i) the application of the IUF agreement on social dialogue, (ii) the creation of a favorable framework for social dialogue, (iii) the organization of elections for independent personnel representatives and (iv) the organization of discussions with personnel representatives and negotiation of agreements;
- monitoring indicators such as (i) the number of economic and employment information sessions for all employees, (ii) the proportion of employees represented by personnel representatives and (iii) the number of annual meetings between site management and personnel representatives.

Review of collective agreements

Nine agreements between Danone and the IUF are in effect as of December 31, 2012 (see section 7.1 *Danone social, societal and environmental approach*). They notably concern diversity, employee dialogue, and the phases to be implemented when a business modification impacts employment or working conditions. The most recent agreement was signed on September 29, 2011 and addresses health, safety, working conditions and stress.

These agreements are deployed in every Group subsidiary, and their application is jointly evaluated each year by a representative from Danone and a representative from the IUF. Between 2009 and 2012, 42 subsidiaries were audited in this way.

Other agreements may be signed locally at the initiative of the subsidiaries, such as the compensation policy agreement signed by Société des Eaux Minérales d'Evian and worker organizations, on February 15, 2012.

Health and safety

Workplace safety

Danone has been committed to a worldwide program, known as WISE (see section 7.1 *Danone social, societal and environmental approach*), since 2004, with the goal of developing a safety culture at all Group sites to significantly reduce the number of workplace accidents. This program is rolled out in each Division around the world, in plants and logistics warehouses and in distribution. It also applies to subcontractors working at Danone sites.

The management of health and safety and the WISE program are coordinated by the Human Resources Department with the support of designated managers at every level of the Group's organization.

The annual frequency rate of workplace accidents with medical absence (FR1 rate) has been divided by nearly six (dropping from a rate of 12 to 2.2 between 2004 and 2012 on the Safety Scope, see *Methodology note*).

The results of the 2011 survey of Group employees (the Danone People Survey employee satisfaction survey administered every two years) indicate that safety is the topic that registers the highest level of employee satisfaction.

Workplace accidents

In 2012, the Group workplace accident frequency rate 1 (FR1, see *Methodology note*) is stable as compared to 2011.

While results continued to improve in the Medical Nutrition and Waters Divisions, their stagnation at Group level can be attributed in particular to:

- certain countries in the Fresh Dairy Products Division where the safety culture is less developed;
- France, where the situation deteriorated in the industrial subsidiaries: the development of physical strain issues led to a strong rise in accidents generating work absences and to a significant reduction in adapted light duty jobs (accidents without a work absence but resulting in an adaptation of the job to allow the employee to return to work the day after the accident).

The table hereafter indicates the breakdown of work-related fatalities, lost-time accidents (with at least one day of absence), and frequency rate 1 by geographic region and by Division in 2011 and 2012.

						As of December 31
			2011			2012
(number of accidents except frequency rate in percentage)	Fatalities [(a)]	Lost-time accident (with at least one day of absence) [(a)]	Frequency rate 1 (FR1) [(a)]	Fatalities [(a)]	Lost-time accident (with at least one day of absence) [(a)]	Frequency rate 1 (FR1) [(a)]
By geographic region						
Africa and Middle East	4	29	1.8	4	46	2.9
Asia Pacific	-	26	0.5	-	28	0.5
Easter Europe	-	39	1.9	1	29	2.5
Western Europe	-	182	5.5	-	189	5.7
Latin America	-	138	2.1	-	128	1.9
North America	-	15	2.8	-	8	1.6
Total	**4**	**429**	**2.2**	**5**	**428**	**2.2**
By Division						
Fresh Dairy Products	3	206	2.8	5	220	3.3
Waters	-	134	1.5	-	119	1.4
Baby Nutrition	-	36	1.5	-	41	1.6
Medical Nutrition	1	19	2.2	-	17	1.7
Central functions	-	34	8.4	-	31	0.7
Total	**4**	**429**	**2.2**	**5**	**428**	**2.2**

(a) Safety Scope (see *Methodology note*).

In 2012, Danone decided to extend surveillance of its safety performance monitoring to the frequency rate 2 (FR2 rate) (which is the number of workplace accidents without work absence in a year for one million of worked hours).

Danone aims to report its safety performance by calculating henceforth FR1 rate, FR2 rate and the gravity rate (which is the average number calendar days lost for a thousand worked hours).

Working conditions

Use of the WISE program to promote improved working conditions

In 2012, as an extension of the WISE program (see section 7.1 *Danone social, societal and environmental approach*) and due to the increased occurrence of repetitive strain injuries among the accidents at various types of Danone site, working conditions were increasingly addressed by safety action plans with the launch of new initiatives in:

- training: movement and posture training, ergonomics training for technical and engineering teams;
- workstation adaptations;
- new project design: dedicated investments and participatory proposals.

In France, integrating physical strain issues into action plans led Danone to define physical strain criteria related to significant physical effort, the physical environment and work rates.

These action plans also enabled the development of a diagnosis method for integrating physical strain into workstation risk analysis, consistent with the French DUER (unique risk assessment document, which is a safety standard) and serving to facilitate risk prevention for operators.

Deployment of human feasibility studies

The related agreement signed with the IUF (see section 7.1 *Danone social, societal and environmental approach*) stipulates that planning for the human consequences of major organizational changes is an important factor in maximizing the success of these changes and preventing potential negative impacts on employees' working conditions.

In 2012, Danone finalized a methodology "for studying human feasibility", a method for analysing, managing and monitoring the human components of organizational projects. This methodology, which was integrated into the agreements signed in France on stress prevention and workplace quality of life, has been the object of numerous training sessions and was implemented prior to more than twenty projects in the French subsidiaries.

It was also tested in major organizational projects at international level in 2012.

Work-related illnesses

The rate of work-related illness and the associated absenteeism are monitored only at local level, notably to take into account each country's legislation.

Health at work

Danone undertakes initiatives aimed in particular at promoting and developing health and well-being at work:

Ensure the health and well-being of Group employees by promoting good nutrition and a healthy lifestyle

Danone has been promoting health through food for its employees for several years with its Health@Work training programs.

The majority of subsidiaries have rolled out programs in the workplace to encourage employees to take responsibility for their health through balanced eating and regular physical activity. Among these programs, the one implemented at the Daniel Carasso Research Center (in Palaiseau, France) is currently the object of a scientific impact study in collaboration with INSERM (French national institute for health and medical research).

Provide quality social welfare and medical coverage for all employees, notably through the Dan'Cares program

In 2010 Danone launched the Dan'Cares program with the goal of providing all Danone employees with basic healthcare coverage: hospitalization and surgery, maternity care, medical exams and pharmacy.

Dan'Cares' specificity lies in its scope of application: it is destined to be rolled out in all Group subsidiaries, including in countries where such coverage is not traditionally in place (for example, maternity care). All employees are covered, including long-term, short-term and in some cases temporary contracts.

In some countries, employees healthcare coverage is also valid for their families.

The program began in 2010 with an audit in 15 countries and 56 subsidiaries, representing 85% of employees (except Unimilk group's companies). This audit enabled to assess existing healthcare coverage in each of the countries and identify improvements that would be needed for employees to benefit from quality healthcare coverage.

In 2012, following a new audit carried out in all Danone subsidiaries, the Group established a map of the systems offered locally to 98% of employees (except Unimilk group's companies) in 41 countries.

Prevent work-related stress and improve quality of life at work

Danone addresses issues of workplace health and safety, working conditions, and preventing stress in the workplace with preventive measures applied to all subsidiaries.

It is in this framework that an agreement was signed between Danone and the IUF on September 29, 2011 (see section 7.1 *Danone social, societal and environmental approach*).

In France, this agreement has been implemented through the signature in 2011 of two company-wide agreements concerning respectively (i) prevention of stress and mental health risks and improvement of working conditions at Danone Produits Frais France and (ii) improvement of quality of life through risk prevention and collective performance at Société Anonyme des Eaux Minérales d'Evian.

In 2012, the completion of a self-assessment by subsidiaries with regard to the content of the agreement with the IUF, and the drafting of a prioritized action plan were integrated into the Danone Way "Health, Safety, Working Conditions and Stress" key practice (see section 7.1 *Danone social, societal and environmental approach*).

Training

Develop the employability of all employees

Ensuring the employability of all its employees is one of Danone's priorities. The Group therefore ensures that all employees receive regular training, sets up effective work structures that combine well-being and efficiency, and develops its employees' autonomy.

In 2012, 86,879 employees benefited from at least one training course (compared with 81,838 in 2011 on the Social Indicators Scope, see *Methodology note*), and a total of 2,682,705 training hours were provided, compared with 2,532,097 hours in 2011 (on the Social Indicators Scope, see *Methodology note*).

Allow the Group's training programs to reach a maximum of employees

Danone seeks to reach a maximum of employees with the Group's training programs.

As a first approach, Danone favors functional training courses developed and run in-house by Danone managers from various functions and countries.

Additional training courses are provided in an original corporate university format, the "Danone Campus". Those sessions combine training, networking and exploration of general interest topics (such as "social innovation and social business"). 13 Danone Campus were organized around the world in 2012.

At the same time, training kits such as Danone Learning Solutions have been distributed to Danone employees on general knowledge topics, including: finance for non-financial, marketing for non-marketers, project management, welcoming new employees.

Finally, e-learning programs have been launched to help encourage accessibility (for example, Category Manager training).

Danone Leadership College (DLC)

Along with the functional training courses, Danone launched the Danone Leadership College (DLC) training module in 2008, with the goal of enhancing autonomy and accountability of all Group employees, and of making Danone a "Great Place to Grow" (where every employee can learn and develop).

The primary advantage of the DLC is the dynamism it brings (i) to operations, by uniting and extensively involving the teams in each subsidiary's strategy and (ii) to individual and collective management and leadership capabilities formally defined as Group values.

Since 2011, the program has been expanded to involve a greater number of Danone non-management employees in the industrial and field sales teams.

Promoting best practices in training

Danone promotes application of best practices for training in its subsidiaries in particular through the Danone Way approach (see section 7.1 *Danone social, societal and environmental approach*), based on the "Training" and "Individual Development" key practices which include:

- evaluating the policies implemented by subsidiaries, notably with regard to (i) a training plan suited to the subsidiary's training needs, budget and information system, (ii) training policy, (iii) joint monitoring of employee development and (iv) training initiatives;
- monitoring indicators such as: the percentage of employees who (i) received at least 24 hours of training during the year or (ii) had a formal individual meeting with their supervisors.

Equal treatment

Diversity

Danone relies on the global agreement signed with the IUF in 2007 (Diversity agreement described hereafter) to develop its equal treatment policy.

Social dialogue and training notably serve to implement this policy.

Social dialogue

Local agreements have been signed by some subsidiaries with the trade unions to combat discrimination and encourage diversity, with the global agreement signed with the IUF (Diversity agreement) serving as a reference point and basis for dialogue between labor and management (see section 7.1 *Danone social, societal and environmental approach*).

Agreements fostering equality between men and women in particular have been signed in recent years, or are about to be signed, in many subsidiaries, particularly in France. These agreements primarily concern equality in hiring and internal promotion, training, wage equality, measures to support personal/professional life balance such as telecommuting or parenting.

Several agreements governing the employment of seniors (employees over the age of 45) have also been signed by French subsidiaries.

Training

Danone raises awareness around diversity, in particular when new employees join the Group (i) by human resources during the recruiting process and (ii) with the Dan'Discovery training for new operational staff.

Gender equality

Danone carefully monitors the evolution of the share of women in its workforce, overall and by management level.

The Group notes that the proportion of women in the population of managers, directors and executives continued to grow in 2012.

These results are derived in particular from the Women Plan program introduced in 2009 and rolled out in every subsidiary around the world, (via the Danone Way approach, see section 7.1 *Danone social, societal and environmental approach*), which is based on the two following approaches:

Organizational

- monitoring the number of women by management level and subsidiary according to three key factors: (i) internal promotions, (ii) external hiring and (iii) retention of women within the Group;
- measures in support of maternity leave;
- wage equality.

Individual

- support for women (training, networking, mentoring) and men (awareness training);
- creation of "female leadership" modules for women ranging from young managers to General Managers.

In parallel, the EVE seminar was created in 2010 by Danone, with different partners, on the theme "Dare to be yourself to act". Strengthened by its success, the EVE seminar was repeated in 2011 and 2012, in Evian, and is now a standard in education and personal development on the subject of female leadership. EVE includes women and men at all levels of organization.

Generational diversity

The Group launched two major initiatives in favor of intergenerational relations in 2012:

Octave seminar

Danone launched the Octave seminar as an extension of the EVE seminar, based on the notion that older and younger workers both have something to contribute to the Company, and that overall performance benefits when generations interact with one another. The first Octave seminar took place in April 2012, and was attended by 120 people from five companies.

Gen D program

This program launched by Danone in 2012 aims to share the Danone culture with the Group's youngest workers (employees under age 30) and to increase their contact with Group executive management.

Disabilities

The percentage of persons with disabilities working for the Group in France was 3.3% in 2012.

This data covers a variety of situations in terms of degree of advancement and integration policy for workers with disabilities, notably depending on the stringency of legislative measures and requirements applicable in the subsidiaries. Many companies have signed specific three-year agreements with labor unions, supporting a longer-term approach to this issue.

Danone also promotes the application by its subsidiaries of best practices in terms of non-discrimination and respect for diversity, in particular with the Danone Way approach, based on the "Equal opportunity and Diversity" key practice (see section 7.1 *Danone social, societal and environmental approach*) which includes:

- evaluating the policies implemented by subsidiaries, notably in terms of the establishment of (i) systems enabling employees to report discrimination, (ii) subsidiary diagnoses of diversity practices, (iii) action plans consistent with the Diversity agreement, (iv) communication to employees of actions supporting diversity and (v) integration of diversity into the major human resources process;
- monitoring of indicators such as (i) the ratio of men to women at the organization's various management levels, (ii) the number of employees rising from non-management to manager status and (iii) the percentage of employees with disabilities.

Finally, Danone has set additional goals in terms of (i) cultural diversity, in particular to significantly increase the proportion of General Managers from countries outside of Western Europe and (ii) socio-educational diversity, notably by recruiting from socio-educational backgrounds that differ from those Danone traditionally recruits from (diversity of education, career path, social background).

Promotion of and compliance with the ILO's fundamental conventions

Danone's commitment to comply with and promote the fundamental conventions of the International Labor Organization (ILO) has been defined, deployed and promoted to employees and suppliers through a variety of means and in several phases.

Danone joined the United Nations Global Compact, which integrates the ILO's fundamental conventions, in 2003, and confirmed its commitment again in 2009.

Additionally, in 2005, the seven Fundamental Social Principles (abolition of child labor and of forced labor, principles of non-discrimination, freedom of association, workplace health and safety, working hours and compensation) defined in the ILO's conventions, were addressed in an agreement between Danone and the IUF (see section 7.1 *Danone social, societal and environmental approach*).

Proper application of these principles by the Group's subsidiaries is verified by audits carried out jointly by Danone and the IUF; 42 subsidiaries were audited between 2009 and 2012 (see section above *Review of collective agreements*).

These principles are also implemented through the Danone Way approach, which comprises Human Rights and Human Relations sections, and which imposes the abolition of forced labor and child labor as a prerequisite for participation (see section 7.1 *Danone social, societal and environmental approach*).

The seven Fundamental Social Principles also form the foundation for the RESPECT policy launched in 2005, one goal of which is to extend these principles to the Group's suppliers (see section 7.1 *Danone social, societal and environmental approach*). The RESPECT policy is applied by evaluating, and if necessary auditing, supplier practices in all these areas.

Lastly, these commitments are rolled out to all Group employees with the Group code of ethics, called Business Conduct Policy which is based on principles drawn from the following international provisions:

- the Universal Declaration of Human Rights;
- the fundamental conventions of the International Labor Organization;
- the guiding principles defined by the Organization for Economic Cooperation and Development for multinational companies;
- the Global Compact on Human rights, labor rights, environmental protection and anti-corruption.

Environmental information

General environmental policy

The Group's environmental strategy relates to its businesses and its mission. The Group process natural raw materials to produce and sell products with a high health and well-being component. The Group implements sustainable industrial and agricultural models that are respectful of the environment, which allow it to reduce the environmental impact of its businesses throughout the production chain. Danone focuses its environmental actions on the priorities of the Group's Nature strategy:

- climate: contribute to fighting climate change and reduce dependency on fossil fuels;
- water: protect water resources, particularly where they are scarce, and use them in harmony with local ecosystems and local communities;
- packaging: turn waste into resources and develop renewable materials;
- agriculture and biodiversity: support competitive agriculture that creates social, environmental and nutritional value.

Danone has been setting energy and water consumption reduction and waste recovery goals since 2000. In 2008 the Group enhanced its policy by setting the goal of reducing its carbon footprint by 30% within its scope of direct responsibility between 2008 and 2012.

Organization of the Company to address environmental issues

Organization

Implementation of the Nature strategy is based on (i) a Nature sponsor of the Group Executive Board, (ii) a Nature department reporting directly to a member of the Group Executive Board and comprising a Nature finance director, and (iii) Environment directors in each of the Divisions.

Danone has also developed a network of more than a hundred environmental correspondents in its subsidiaries. A "Carbon Master" is in charge of the "Carbon Plan" for each subsidiary, measuring greenhouse gases emissions twice annually, defining and implementing action plans to reduce these emissions, and communicating with the Divisions and the Group.

Information systems

The Group has collaborated with information systems editor SAP to develop an innovative solution for measuring its products' carbon footprint. This solution uses product lifecycle analysis and operational monitoring of the various lifecycle phases to measure each product's carbon footprint. The solution was successfully validated for two pilot entities in 2010, and was deployed starting in 2011 in the subsidiaries equipped with the integrated information system SAP/Themis (see section 2.5 *Other elements related to the Group's activity and organization*).

Internal evaluation

Subsidiaries' progress is evaluated internally as part of the Danone Way approach, in which four of the 16 practices involve the "Environment" theme (see section 7.1 *Danone social, societal and environmental approach*).

External evaluation

Danone is evaluated by various extra-financial rating agencies:

- in its most recent evaluation of companies in the food and beverage sector in 2011, the non-financial rating agency Vigeo positioned Danone as the food sector environmental performance leader;
- in 2012, for the fourth consecutive year, Danone was recognized by the DJSI (Dow Jones Sustainability Index, which makes an annual selection of the companies with the best performance for criteria such as social responsibility policy, innovation management and economic performance) as a benchmark company in the food and beverage sector, notably for its environmental reporting, environmental management system, packaging policy, climate strategy and water-related risk management;
- in 2012 Danone entered the Carbon Disclosure Leadership Index for the first time since the Group began participating in the Carbon Disclosure Project, with a score of 97/100 (an eight point increase over 2011);
- Danone also participates in CDP Water Disclosure and Forest Footprint Disclosure, which do not yet publish ratings.

Certification

Danone bases its environmental management policy on the international ISO 14001 standard. Thus, ISO 14001 certification is a prerequisite set by the Group to obtain the highest level of performance in its GREEN environmental risk audits (see hereafter section *Resources devoted to preventing environmental risks and pollution*).

The table hereafter presents the rate of coverage of environmental data and data concerning ISO 14001 certification of Danone sites in 2011 and 2012:

	As of December 31	
(in number of sites except percentage)	**2011**	**2012**
Total Sites	163	194
Total Sites reporting data	161	164
Coverage	99%	85%
Total ISO 14 001 certified sites	94	91
Percentage of ISO 14 001 certified sites	58%	55%

(a) Production Sites Environment Scope (see *Methodology note*).

The 2012 coverage rate is impacted by the fact that recently acquired companies (Unimilk group's companies and Wockhardt group's nutrition activities) were not included in the total number of sites in 2011, and did not report in 2012.

Employee training and information initiatives in environmental protection

The Group has developed training and information modules (i) adapted to the needs of the various businesses and functions and (ii) consistent with Danone's environmental commitments, notably including:

- Sustainability Land, a program that helps subsidiary management committees to define their strategies and goals with inclusion of local sustainable development issues (social, societal and environmental issues);
- environmental claims Guide for the marketing and communication teams, created and distributed by Danone in all subsidiaries communicating on Nature topics, to provide them with the elements they need to frame responsible communication around their environmental initiatives. This guide was introduced in 2011 in cooperation with the English "anti-green washing" agency Futerra;
- sharing best practices with the industrial and supply chain teams, notably through (i) the creation of Nature Campus with the primary

aim of helping experts from every plant implement best practices in various areas (reducing material losses, reducing energy and water consumption, managing waste) in the Fresh Dairy Products Division, (ii) the Energy network (with one expert from every plant) which aims to reduce energy and water consumption in the Baby Nutrition Division and (iii) the development of documents listing best environmental practices illustrated by case studies in the Fresh Dairy Products and Waters Divisions;

- videoconferences for the Carbon Masters are organized monthly or quarterly by the Divisions, to review the year's priorities and goals and answer their specific questions.

Other information channels

Danone utilizes the new media, and has launched a blog specifically dedicated to sustainable development, "Down to Earth," accessible both in-house for Danone employees and externally. The goal is to share Danone's vision and innovative experiences in the field of sustainable development and corporate social responsibility.

Resources devoted to preventing environmental risks and pollution

GREEN program (Global Risk Evaluation for Environment)

The Group defined strict environmental production standards for its products ("Green Plants Program") in 1995, and began using internal audits to check compliance with these standards in 1997.

In 2006 the Group began worldwide deployment of its GREEN (Global Risk Evaluation for Environment) project, which is a tool for monitoring the main environmental risks relating to the industrial sites (accident risks, image risks and risks of non-compliance with environmental regulations).

As of December 31, 2012, 67% of the Group's industrial sites (Production Sites Environment Scope, see *Methodology note*) had been subject to an external GREEN audit, around 110 sites. Of these 110 sites, 50 underwent a follow-up audit in 2012, and more than two-thirds of them improved their score compared to their previous audit.

Environmental investments and expenditures

In 2012, Group investments targeting environmental protection amounted to around €48.2 million (stable over 2011), around 5% of the Group's total capital expenditure.

The primary categories of these investments in 2012 are the following:

- environmental compliance: waste processing, wastewater processing, treatment facilities, noise measurement, air quality, etc. These investments were 58% lower than in 2011, thanks to what had been accomplished in this area in previous years;
- investments targeting reduction of carbon emissions (energy savings, renewable energy use, logistics, eco-design of packaging). These investments rose by 26% over 2011, as reducing the carbon footprint is a priority goal for the Group.

In addition, since its creation in 2010, the Green Capex approval process (investments for environment protection) provides financing for projects with high environmental value, but with a return on investment below Danone's standards that would prevent their being accepted following the usual Group's investment approval process. This approach takes into account the number of tons of greenhouse gas reduction achieved by the projects.

Operating expenditures related to the environment amounted to €107.7 million in 2012. They include €45.1 million for waste, water and air management and €51.7 million for environmental taxes other than taxes on packaging.

Provisions and guarantees for environmental risks

No significant provision for environmental risks and charges is posted in the Group consolidated balance sheet as of December 31, 2012 (same as in 2011).

Pollution and waste management

Measures to prevent, reduce or compensate for waste directly discharged into the air, water and soil

Danone's activities discharge waste into the air (greenhouse and refrigerant gases – see the section hereafter), the water (wastewater) and the soil (sludge from treatment facilities and farming in certain specific subsidiaries). This waste is monitored under the GREEN program (see previous section).

Danone pays particular attention to the quality of wastewater at its industrial sites and seeks to reduce its pollutant content.

The net (after treatment) Chemical Oxygen Demand (COD) per ton of product has continued to decrease significantly with a 19% drop on a like-for-like basis between 2011 and 2012 (see *Methodology note*). COD helps to assess the concentration of organic or mineral materials dissolved or suspended in the water through the quantity of oxygen needed for their full chemical oxidation.

This decrease is the result of (i) improved measurements at several production sites (better consideration of successive treatments performed and changes in their sampling methodology), as well as initiatives to (ii) reduce materials loss during production (reduction in rinsing water levels) or to (iii) improve performance at on-site wastewater treatment or pre-treatment stations.

The table hereafter presents the quantities of COD discharged after treatment by the Group's production sites as of December 31, 2011 and 2012:

	Year ended December 31	
	2011	**2012**
Final discharge of Chemical Oxygen Demand (COD) *(in thousands of tons)*	4,881	4,085
Net COD ratio [a] *(kg/ton of product)*	0.18	0.14

(a) Production Sites Environment Scope (see *Methodology note*).

Measures to prevent, recycle and eliminate waste

Waste management at Danone industrial sites

The Group consolidates the quantities of waste generated by the industrial sites in four categories (see *Methodology note*): packaging waste, food waste, other conventional waste and hazardous waste (inert waste, whey and treatment facility sludge are not included) and monitors the percentage of this waste that was valued. Recovery takes place through recycling, reuse, composting and waste-to-energy conversion.

On a like-for-like basis, the ratio of waste generated per ton of product decreased by 8% between 2011 and 2012, primarily because of a better consideration of the reporting scope and an evolution in the estimation methods for certain waste categories. The proportion of waste recovered increases slightly to reach 87.9%. The table hereafter presents the quantities of waste generated by the Group's industrial sites in 2011 and 2012:

	Year ended December 31	
	2011	**2012**
Waste generated, except sludges and inert waste [(a)]		
Total quantity *(in thousands of tons)*	284	271
Ratio of total quantity of waste per ton of product *(in kg/ton)*	10.5	9.6
Recovered waste, except sludges and inert waste [(a)]		
Total quantity *(in thousands of tons)*	248	238
Proportion of recovered waste *(in %)*	87.4%	87.9%

(a) Production Sites Environment Scope (see *Methodology note*).

Packaging end of life: turning waste into resources

Danone seeks to expand collection and recycling of its packaging and aims to:

- continue to support efforts to increase collection and recovery rates for recycling in the countries where waste collection is already organized by environmental agencies;
- where this activity is not organized, contribute to the collection of materials used in the packaging of Danone products and explore new collection systems: four ongoing projects initiated by the Danone Ecosystem Fund (see section 7.3 *Other information related to the Group social, societal and environmental responsibility*);
- develop the use of recycled packaging: in 2012, more than a third of packaging for the Group's products was made of recycled materials (boxes, PET, etc.).

Monitoring of noise pollution and other forms of pollution specific to a given business

Noise pollution at Danone's production sites is measured in the framework of the GREEN program (see section above).

Sustainable use of resources

Water consumption and water supply aligned with local constraints

Total water withdrawn from the surrounding area and protection of springs

Of the 58,707 thousand cubic meters of water withdrawn, Danone uses:

- 22,996 thousand cubic meters of water in the composition of its finished products, primarily at its bottling sites (compared with 21,978 thousand cubic meters in 2011);
- 35,711 thousand cubic meters of water for production process (compared with 35,352 thousand cubic meters in 2011).

The Group's water consumption increased by 2.4% in 2012 in comparison with 2011, which breaks down to +1.8% arising from rising quantities of water used for the composition of products, and +0.6% related to increasing quantities of water used in production process.

The table hereafter presents water consumption by the Group's production sites in 2011 and 2012:

	Year ended December 31	
(in thousands of cubic meters)	**2011**	**2012**
Well water withdrawn from the surrounding area [(a)]	42,457	43,589
Municipal water withdrawn from the surrounding area [(a)]	11,055	11,862
River water withdrawn from the surrounding area [(a)]	3,818	3,256
Total water withdrawn from the surrounding area [(a)]	**57,330**	**58,707**

(a) Production Sites Environment Scope (see *Methodology note*).

Otherwise, Danone has established in 2004 an internal "Groundwater protection policy" charter. This policy aims to ensure the sustainability of resources and protect and enhance sites' natural heritage. The Group's subsidiaries are committed to applying this policy through the following actions:

- know the resource's hydrogeology and the site's natural and human environment;
- develop sustainable relationships with the local players and contribute to local development;
- take actions to protect each water resource based on local conditions;
- never withdraw more than what the spring can naturally produce;
- dedicate the necessary resources under the responsibility of a designated manager;
- periodically verify and assess that policy goals are being met.

These application principles are systematically evaluated for each spring and give rise to specific action plans. Site evaluation is carried out using SPRING (Sustainable Protection and Resources managING), an in-house water resource management tool for the physical, regulatory and community management of springs (geological formations containing underground water) and their watershed. In 2012, the Ramsar convention (United Nations international convention for wetland protection), the IUCN (International Union for Conservation of Nature) and Danone launched a certification process to give this tool benchmark status.

Reduction of water consumption in the production process

On a like-for-like basis, the intensity of water consumption related to the production process decreased by 3.1% in 2012, compared to 2011. This change is the result of a positive mix effect for 0.7% related to an increased production at Waters Division sites, and of efforts to increase productivity for all Divisions for 2.4% (see *Methodology note*).

The table hereafter presents water consumption related to production process at the Group's production sites in 2011 and 2012:

	Year ended December 31	
	2011	**2012**
Water consumption from production process *(in thousands of cubic meters)*	35,352	35,711
Intensity of water consumption related to production process *(in cubic meter/ton of product)*	1.31	1.27

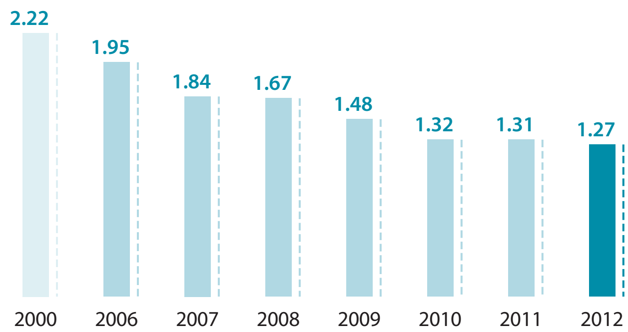
(a) Production Sites Environment Scope (see *Methodology note*).

Best practices in the Fresh Dairy Products Division, in particular the use of water in cleaning cycles, are consolidated in the NEPTUNE tool and rolled out to all plants.

Within the Waters Division, the "WaterWatcher" tool allows monitoring of water use at the bottling sites and helps identify areas for improvement. This tool has been rolled out to every Division site.

The graph hereafter shows the changes in total water consumption intensity related to the Group's production process since 2000, for the reporting scope of each of the years concerned.

Intensity of water consumption related to production process
(in cubic meter/ton of product)



Calculation of the water footprint taking into account local water stress

Danone continued its water footprint research in 2012, notably with its partner Quantis, as well as by contributing to the development of international (ISO) and European (ENVIFOOD protocol) standards.

This approach has served to establish a water footprint evaluation methodology that takes into account:

- the inventory of consumptions at each stage of a product's development (ingredients, packaging, production, packing), and for transport, consumer use and end of life;
- local water stress factors (water stress is defined as a deficit of water of satisfactory quality to meet human and environmental needs);
- compensatory measures directly related to product formulation (protection policy or CSR program), which are evaluated in the form of water volume credits.

This evaluation methodology will, in the future, help identify sensitive zones and methods for reducing impacts across the entire lifecycle of the Group's products, in the Waters Division in a first phase.

In addition, the Fresh Dairy Products Division worked with Quantis and the Livestock institute to test a water footprint evaluation methodology for upstream agriculture in four Group subsidiaries in various regions around the world.

Consumption of raw materials and measures taken to improve their efficiency of use

The table hereafter presents production at the Group's production sites in 2011 and 2012:

	Year ended December 31	
(in thousands of tons)	**2011**	**2012**
Production [(a)]	27,062	28,214

(a) Production Sites Environment Scope (see *Methodology note*).

The Group produced 28,214 thousand tons of products in 2012. Total production rose by 3.4% on a like-for-like basis in 2012 compared to 2011 (see *Methodology note*), due in particular to increased production by the Waters and Baby Nutrition Divisions.

The primary materials consumed in Group's products are:

- water;
- liquid milk and powder milk;
- packaging materials (plastic, cardboard, etc.);
- sugar;
- fruit.

The amount of raw materials consumed per ton of finished product is one of the primary criteria for industrial performance, as raw materials represent a large share of Group products' cost structure.

A number of measures are therefore taken to use them more efficiently:

- water: In the Waters Division, the sites measure all water consumed for every use (production, cleaning, etc.) to identify the items generating losses and define appropriate action plans for reducing these losses. The sites have annual goals for reducing their water losses, and their performance and ranking are published quarterly by the Division. More than 10 billion liters have been saved in this way since 2008 (equivalent to 10,000 thousand tons);
- liquid milk, sugar, fruit: raw material losses in the Fresh Dairy Products Division are monitored daily at the industrial sites, with results consolidated monthly at the level of the subsidiaries and the Division for comparison with the monthly goals included in the budget process;
- packaging materials: Danone's packaging development complies with eco-design principles. The 2002 guidelines will be further strengthened in 2013 and rolled out to all Divisions.

Energy consumption, measures taken to improve energy efficiency and use of renewable energies

Energy consumption

On a like-for-like basis (see *Methodology note*), the intensity of total energy consumption (energy consumption per ton of product) was reduced by 3.6% in 2012 compared to 2011. This improvement is primarily linked to the result of the application of energy management best practices in all the Group's Divisions, which led to a 3.8% reduction in energy consumption intensity on a like-for-like basis, and to the result of 0.2% negative mix effect (increased production at the Baby Nutrition Division sites).

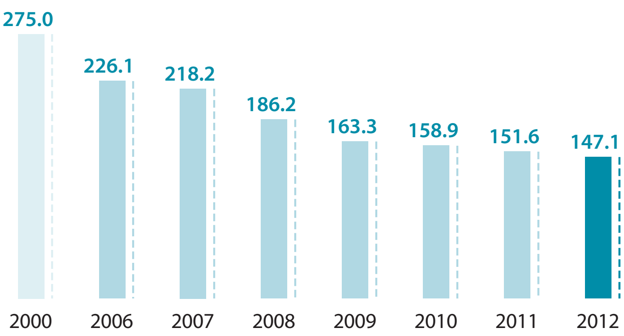
The table hereafter presents energy consumption by the Group's production sites in 2011 and 2012:

	Year ended on December 31	
(in MWh except intensity in KWh/tons of product)	**2011**	**2012**
Thermal energy [(a)]	2,283,572	2,336,932
Electricity [(a)]	1,819,939	1,814,245
Total	**4,103,511**	**4,151,477**
Intensity of energy consumption	**151.6**	**147.1**

(a) Production Sites Environment Scope (see *Methodology note*).

The graph hereafter shows the changes in the total energy consumption intensity at the production sites since 2000, for the reporting scope of each of the years concerned.

Intensity of energy consumption in the production sites
(in KWh/tons of product)



Measures taken to improve energy efficiency

Better management of energy was achieved by the Group with two main approaches:

- optimizing energy production at the plants. For example, several sites in the Fresh Dairy Products Division have installed cogeneration facilities to produce electricity and heat from a single energy source and improve plants' energy performance. Up to 90% of energy can be recovered with cogeneration, compared with 40% to 55% for traditional systems;
- optimizing energy use. For example, in the Baby Nutrition Division, the Macroom plant (Ireland) invested in March 2012 in a new drying tower more efficient in terms of energy use.

Sharing best practices and fostering emulation between Group's plants strengthened this improvement process in 2012:

- in the Waters Division, the "WattWatcher" tool deployed throughout all sites helps to define performance objectives adapted to each plant;
- in the Fresh Dairy Products Division, energy training courses known as "Energy Campus" continue to bring energy experts into play to support implementation of best practices at all industrial sites. Seven one-week sessions were organized in 2012 in the various geographic regions where Fresh Dairy Products Division plants are located;
- in the Baby Nutrition Division, through monthly Energy network actions (see above section *Employee training and information initiatives in environmental protection*)

Use of renewable energies

Thermal energy from renewable sources

Danone is experimenting projects for the production and use of renewable energies, in particular:

- in Indonesia, 80% of electricity for the Waters Division's Brastagi plant is derived from natural geothermal energy available locally;
- in Brazil, at the Poços de Caldas plant in the Fresh Dairy Products Division, a biomass boiler was launched in August 2011 to replace the fuel oil used in heat production. Thanks to the use of biomass, the thermal energy used by the plant is now generated entirely from renewable sources;
- the Baby Nutrition Division site in Wexford, Ireland invested in a wood furnace in 2012 that saves 23,500 tons of greenhouse gases each year and reduces fossil fuel costs. More widely, a project is implemented to support the development of a local FSC (Forest Stewardship Council) certified wood industry and the creation of 65 indirect jobs in the upstream segment. This project was supported by the Danone Ecosystem Fund and won the award for best nature project in 2012.

Purchase of electricity specifically generated from 100% renewable sources

Every subsidiary is responsible for choosing its energy mix. In 2012, eight industrial sites purchased electricity from 100% renewable sources (wind power, hydropower, etc.). This represents 4% of the Group's total electricity purchases.

Soil use

Danone has launched a process to study soil use. In 2012, the Group commissioned a study from Bio Intelligence Service to estimate the overall soil use related directly and indirectly to its activities. This study indicated that indirect activities (upstream agriculture) use more than 98% of the estimated surface area (3 million hectares).

Climate change

Greenhouse gases emissions

Danone applies two methodologies for measuring greenhouse gases emissions:

- a "product" approach based on a product life cycle analysis, which takes into account emissions at every stage: raw materials (including milk and upstream agriculture), packaging, production, logistics, storage, sale and products and packaging end of life;
- an "organization" approach that conduct a calculation of the greenhouse gases emissions generated by activities over which Danone has operational control (production, logistics, administration), and therefore a more restricted scope than for the "product" approach, in compliance with the provisions of article 75 of law "Grenelle II", which categorizes direct emissions, called "scope 1", and indirect emissions, called "scope 2" (see hereafter section *Greenhouse gases emissions by organization*).

Greenhouse gases emissions through product lifecycle analysis

Measuring the carbon footprint

Danone has developed and deployed a carbon footprint measurement tool based on lifecycle analysis (Greenhouse Gases Emissions – Danprint, see *Methodology note*) in almost all its subsidiaries (Danprint). This tool was successfully integrated into the Group's existing information systems thanks to a solution co-developed with the software editor SAP.

The goal is to allow the Group's subsidiaries that have this module to monitor their carbon emissions within their direct scope of activity, as well as the emissions of their suppliers and customers.

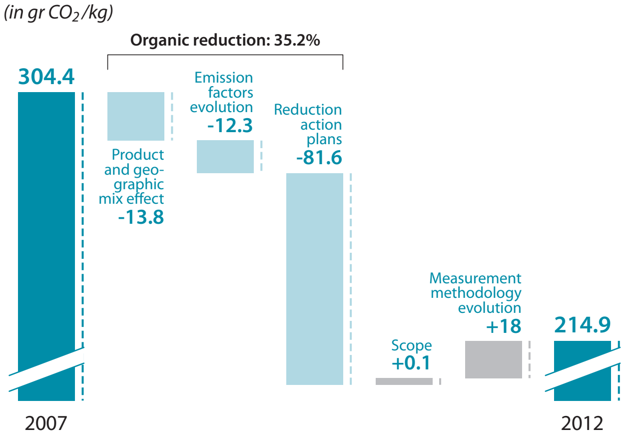
Reducing the carbon footprint: goals and results

On the direct responsibility scope

Danone had set the ambitious goal in 2008 of reducing its carbon footprint by 30% over the 2008-2012 period, wherever the Group exercises direct responsibility (production sites, packaging and end of life, transport and storage – excluding upstream agriculture). In fact, a reduction of 35.2% was achieved between end 2007 and end 2012 (on a constant activity scope). This ambitious goal was significantly exceeded thanks to the ongoing commitment of Danone's teams and of the Group's partners participating in this policy.

Every link in the business chain is the focus of a specific strategy with clear priorities.

(in gr CO_2/kg)



The actions that contribute most strongly to reducing emissions are reducing energy consumption in the production plants, reducing packaging, and streamlining supply logistics routes.

Furthermore, considering a non-constant activity scope, the Group's greenhouse gases emissions have remained stable overall for the five years since 2007 (scope of direct responsibility), despite the Group growth in sales volumes.

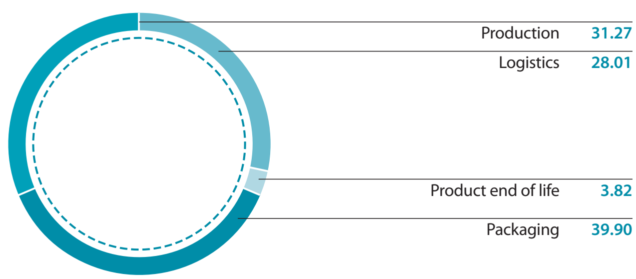
On the total products lifecycle

The Group's total emissions in 2012 (including upstream agriculture) are estimated at 17 million tons equivalent CO_2.

Expressed in grams equivalent CO_2 per kilogram of product, the Group's total emissions amount to:

- Direct responsibility scope: 215 grams equivalent CO_2 per kilogram of product (production, packaging, logistics, product and packaging end of life);
- Total scope: 548 grams equivalent CO_2 per kilogram of product (Greenhouse Gases Emissions Scope – Danprint, see *Methodology note*), which can be broken by lifecycle as follows:

Lifestyle breakdown
(in percentage)



Offset

Based on its successful experience with carbon offset projects launched in partnership with IUCN and the Ramsar convention in wetland regions since 2008, Danone invited other companies to join these initiatives by creating the Livelihoods fund in 2011. Today, several large companies participate alongside Danone in this fund and invests in natural ecosystem restoration projects. The Livelihoods fund is described in the section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

In addition, consistent with its commitment, and after reducing its carbon footprint by 40% over the 2008-2012 period, the Evian brand offset its remaining emissions in 2012 by supporting several quality projects recognized by the standards VCS and Gold Standard.

Greenhouse gases emissions by organization

Greenhouse gases emissions by organization (scope 1 and 2, see descriptions hereafter) for 2012 are calculated using the methodology described in the GHG Protocol Corporate Standard (revised 2010 version, see *Methodology note*).

The approach chosen by Danone is to integrate all emission sources over which the Company has operational control into its carbon footprint, from production plants, distribution centers, offices, Research and Development centers, etc., as well as from vehicles.

Direct emissions (scope 1) are emissions arising from consumption of fuels at the sites, vehicle fuel consumption (natural gas, heavy fuel…), and refrigerant leaks.

Indirect emissions (scope 2) are emissions arising from the production of electricity, steam, heat or cold purchased and consumed by the Group.

	Year ended December 31
(in tons equivalent CO_2)	**2012**
Emissions scope 1 [(a) (b)]	894,206
Emissions scope 2 [(a)]	847,529
Total emissions [(a)]	1,741,735

(a) Greenhouse Gases Emissions Scope – GHG (see *Methodology note*).
(b) Including vehicles emissions for 371,277 tons.

Adapting to the consequences of climate change

Danone is working on estimating climate change consequences to complete the comprehensive policy of risk identification and management described in section 2.7 *Risk factors*.

The Group has identified medium-term risks including:

- raw materials sourcing (milk, fruit, etc.) in certain regions of the world, due to possible droughts or inclement weather;
- cold production in Fresh Dairy Products Division sites in case of a significant rise in temperatures;
- for certain production sites located near coastlines which could be impacted in the case of exceptional climate events.

Danone has also launched a specific study with an external consultant (Carbone 4) to examine the issues that climate change and fossil fuel dependency represent for the Group's economic model, in particular its upstream agriculture.

Protecting biodiversity

Measures taken to preserve or develop biodiversity

Sustainable agriculture

The impact of Danone's business on biodiversity is primarily related to upstream agriculture (soil and water). A pilot product lifecycle analysis study was launched in 2012 by the Danone Brazil subsidiary in the Fresh Dairy Products Division, with NGO partners IPE (Instituto de Pesquisas Ecologicas) and IUCN (International Union for Conservation of Nature), to develop a methodology for evaluating issues relating to biodiversity in Danone's value chain.

In the area of agriculture and milk supply, the Fresh Dairy Products Division launched the FaRMS initiative, which evaluates the farmers performance based on economic, social and environmental criteria, including some regarding biodiversity, with its farmer partners in 1997 (see hereafter section *Relations with milk producers*).

Preserving and developing biodiversity near Danone sites

The Group's sites are located in very diverse ecosystems and climates. Some of those sites benefit from an exceptional environment and specific protections; this is the case in particular of the Waters Division sites, whose rainwater catchment areas are being more carefully managed:

- in 2009 the Evian spring was added to the list of wetlands covered by the Ramsar Convention, which aims to ensure sustainable management of these regions that are key to maintaining biodiversity;
- in Argentina, the Villavicencio site extends into a nature reserve of more than 70,000 hectares. Very close to the Andes, the site is home to a wealth of biodiversity. Initiatives have been taken to ensure the sustainable management of the area and protection of water resources. Ecotourism and environmental awareness projects are developed in the reserve. In 2011, Danone signed an agreement with the Wetland Foundation that aims to qualify the Villavicencio site in Argentina as a Ramsar site, similar to what was done for Evian;
- in 2012, Danone Waters China enhanced its protection initiatives at the Longmen site, relying on the expertise of the IUCN.

The Group's Forest Footprint Policy

Conscious of the importance of preserving our planet's forests (in particular the tropical forests in Indonesia and the Congo and Amazon basins), Danone is committed to a strategy of eliminating the deforestation impacts of its supply chain, and to a reforestation program, between now and 2020 (including the natural ecosystem restoring program of the Livelihoods fund).

For this purpose, Danone has created a Forest Footprint policy that aims to:

- evaluate deforestation risks related to the raw materials used directly or indirectly for the Group's businesses;
- propose specific policies;
- implement prioritized actions based on risks and associated impacts. Six major commodities have been prioritized: paper and cardboard packaging, palm oil, soy for animal feed, wood energy, sugar cane, and bio-sourced raw materials for packaging.

This policy has been rolled out for two raw materials categories:

Specific palm oil policy

With 24,000 tons (less than 0.05% of the world production), Danone used palm oil in modest proportions.

Danone undertakes to source, by 2014, 100% of its palm oil needs from CSPO sources (sustainable sources).

In the medium term, Danone will consider sourcing its palm oil from alternative resources on a case-by-case basis.

Specific paper/cardboard packaging policy

Co-developed with a NGO (Rainforest Alliance), the paper/cardboard packaging policy aims to:

- reduce paper packaging weight of each product;
- give priority to the use of recycled fibers and;
- when possible, give priority to FSC virgin fibers.

Danone makes these policies publicly available on its Internet website.

Societal information

Danone's social business approach is characterized by the systematic research to create value for the shareholder and for all stakeholders. Danone therefore ensures that its activity leads to the development of social benefits.

Within this framework, three funds were created: the Danone Ecosystem Fund, the danone.communities mutual fund (SICAV) and the Livelihoods fund. These funds are described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

Regional, economic and social impact of the Company's business

Danone has decided to consider for its business both economic factors (wages paid, purchasing and subcontracting, local taxes, etc.) and social issues (employment, contributing knowledge, training, support for local initiatives, support for education in its areas of expertise, partnerships around environmental matters). The Company's ability to develop positive relationships with its local environment plays an important role in its overall performance.

Danone's commitment to local communities is part of its "dual economic and social project," which involves:

- knowing the local players and developing sustainable relationships with them;
- participating in the economic and social development of its labor markets;
- developing products that are affordable to the greatest number of people;
- participating in maintaining local economies and employment by reindustrializing Group sites that have undergone restructuring.

Relationships with the people and organizations with an interest in the Company's business

Partnership and corporate sponsorship initiatives

More than partnerships, Danone is committed to a co-creation process involving new forms of collaboration between several partners: Danone and/or its subsidiaries together with an institution, representatives from civil society and/or a local development organization.

Due to Danone's largely decentralized organization, the subsidiaries support and develop partnerships and corporate sponsorships locally, for example:

- Juntos Ayudamos el Doble (Together we can double our help): social innovation program developed jointly by Danone with the Spanish Federation of Food Banks (FESBAL), in which the Company is committed as a true strategic partner to regularly donate products in Spain;
- 0 waste: goal targeted by the Argentinean food banks and local Danone group companies, represented by the Fundación Danone;
- Eat like a champ: a child nutrition education program in the United Kingdom that targets primary schools and seeks to improve children's eating habits and promote a more active lifestyle;
- Restos du Cœur: in 2008, Danone, Carrefour and Restos du Cœur developed a partnership comprising three focus areas:
  - Danone employees participate in national meal collection in Carrefour and Carrefour Market stores;
  - skills sponsorship between Danone employees and Restos du Coeur volunteers (volunteer recruiting, health and safety training, logistics advice, safety audits, etc.);
  - a program has been developed to help Restos du Cœur beneficiaries find employment.

Initiatives with schools

In addition to the Group's participation in various school forums, in 2008 Danone supported the creation of the Social Business/Enterprise and Poverty chair at HEC Paris. The chair's mission is to contribute to developing a more inclusive economy that creates both economic and social value.

It is co-presided by Professor Muhammad YUNUS, Bangladeshi economist and entrepreneur and Nobel Peace Prize winner, and Mr. Martin HIRSCH, President of the Civic Service Agency and member of the Danone Ecosystem Fund steering committee.

Subcontracting and suppliers

Taking into account suppliers and subcontractors' social and environmental responsibility

Due to Danone's relationships with thousands of suppliers around the world, a significant portion of its environmental and social impact takes place within these companies. A direct relation of Danone's "dual economic and social project", the RESPECT approach launched in 2005 and managed using the Danone Way approach (see section 7.1 *Danone social, societal and environmental approach*) serves to extend this vision to the Group's entire supply chain, excluding milk producers (see hereafter section *Relations with milk producers*), based on a process of:

- contractualizing suppliers' Corporate Social Responsibility (CSR) performance with the signature of Sustainable Development Principles (including employment, environmental and ethical elements) and their integration into the general terms of procurement;
- information sharing based on self-declarations by suppliers on their CSR performance using the Sedex platform (cross-company evaluation platform for the consumer goods industry, see section 7.1 *Danone social, societal and environmental approach*);
- external CSR audits of suppliers viewed as at-risk based on this information exchange, with a view to implementing an appropriate action plan.

The suppliers involved are in every category of Group procurement except milk (see hereafter section *Relations with milk producers*): raw materials (ingredients, sugar, fruit), packaging (plastic, cardboard), production machinery, transport and other services (promotional products, etc.).

Subcontractors, *i.e.* suppliers that manufacture finished products on behalf of Danone, also take part in the RESPECT approach described above, although Danone uses very little subcontracting, with the large majority of its finished products produced in the Group's own plants.

The areas addressed through this process are compliant with Human Rights, health and safety, compensation, work hours, respect for the environment and ethical principles, notably with regard to the application of the International Labor Organization's fundamental conventions.

The Danone Carbon Pact policy also engages Danone's major suppliers in efforts to reduce their greenhouse gases emissions. This approach is anchored in formal agreements in which suppliers commit to work on measuring their emissions and applying related action plans which may modify the collaboration between the parties (changed specifications, supply plan, innovative products, etc.).

In applying these proactive initiatives with regard to CSR issues with its suppliers, Danone supports the long-term sustainability of its partners and of its own development. RESPECT also contributes to changing the nature of commercial relationships, in terms of comprehensiveness and transparency of information to be documented and shared.

Relations with milk producers

Danone maintains relations with its milk producer partners that contribute to sustainable agriculture from an economic, environmental and social perspectives.

From an economic perspective, because milk accounts for half of raw materials expenditures of the Group, a balance must be maintained between competitiveness in terms of Danone's purchasing price, and farmers' need for greater financial security. From an environmental perspective, milk accounts for a large share of the Group's carbon footprint, so attention must be paid to the choice of food, as well as soil and water use. The FaRMs (Farmers Relationship Management) approach is a key tool for this relationship. It involves evaluating livestock farmers' performance with regard to economic, environmental and employment criteria, using an audit grid developed by Danone, and based on assistance from Danone technicians who visit the farms to help milk producers optimize their operations.

This approach is already in place for the milk producers with which Danone has a direct commercial relationship, and is now being deployed to those governed by an indirect relationship (such as dairy cooperatives). The approach aims to cover 75% of the milk volumes purchased by the Group.

Fair trade practices

Initiatives taken to prevent fraud and corruption

See section 6.11 *Internal control and risk management*.

Measures taken in support of consumer health

Consumer health is at the heart of Danone's history and its mission to "bringing health through food to as many people as possible".

Danone's health and nutrition strategy is aligned with the major policy orientations of health authorities in the various countries; it is defined in the Food Nutrition Health Charter.

A unique offer of products adapted to people's needs throughout their lifetime

Most of Danone's products can be consumed on a daily basis: they are either included in the recommended categories of the food pyramids in use in many countries (fresh dairy products and mineral waters, see section 2.3 *Description and strategy of the Divisions*), or belong to food categories governed by regulations (baby nutrition and medical nutrition, see section 2.3 *Description and strategy of the Divisions*).

In certain cases, product composition is dictated by strict regulations, otherwise it is governed by stringent internal Group nutrition standards based on public health authority recommendations (WHO, Eurodiet). The Nutriprogress program created by Danone monitors the nutritional quality of product portfolios and, if necessary, reformulation projects may be launched (such as progressive reduction of fat, sugar or salt content, and/or vitamin and mineral supplementation, depending on local circumstances and tastes).

For example, in 2012, certain recipes in the *Activia* range produced by the Dannon US subsidiary were modified: *Activia* fruits' sugar content was reduced by 8%, and *Activia light with fruit* now contains no added sugar, representing an 11% reduction in total sugar content for this product.

Food products designed for occasional consumption, or "indulgence" products (see section 2.3 *Description and strategy of the Divisions*).

Responsible communication

In 2002 Danone introduced an internal procedure to ensure the consistency, credibility and scientific validity of the health and nutrition claims contained in its communication.

In terms of advertising, Danone is committed to applying the ICC Code (International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication). In the specific case of children, Danone is committed to restricting advertising directed towards them exclusively to products that are adapted to their nutritional needs. Danone has joined numerous local and regional pledges with this purpose. In most countries involved, compliance with this commitment is certified by an external agency. In 2012, Danone registered 99.8% compliance with its commitments on television and 100% on the radio and in the written press.

Concerning baby nutrition, Danone is committed to the WHO Code (International Code of Marketing of Breastmilk Substitutes). This policy is rolled out in internal documents that translate the Code into principles and implement it into day-to-day operations. An independent auditor regularly evaluates the Group's compliance with this commitment.

Detailed product nutrition information

Danone products include nutrition labels in compliance with regulations. The Group's fresh dairy products and beverages (except natural mineral waters) have more detailed labeling showing the contribution of each portion to daily needs, an initiative of the European inter-branch professional organization implemented at Danone with an internal document known as the Nutritional Information Scheme Charter. This nutrition information is also available from the subsidiaries' consumer relation departments and/or websites.

Promoting a balanced diet and healthy lifestyle

A large number of Danone subsidiaries organize consumer information and education programs. Most of these initiatives are developed in partnership with local institutions to ensure their relevance to the local healthcare context. In Poland for example, the Zywiec Zdroj subsidiary has developed an education program to encourage children to drink water regularly.

Measuring the Group's nutrition and health performance

Danone has created a series of performance indicators (scorecard) since 2011 to tangibly measure progress made with regard to health and nutrition issues, in particular product composition and responsible communication, with results published annually. These indicators are consolidated for a scope of 12 countries combining all four of the Group's Divisions (45 subsidiaries in all, representing around 68% of consolidated sales in 2012).

Along with these performance indicators, subsidiaries' application of best practices in the marketing of products that contribute to consumer health is monitored under the Danone Way approach (see section 7.1 *Danone social, societal and environmental approach*).

Measures taken in support of consumer safety

Cooperation with stakeholders

Food safety is a basic requirement for public health. It is also crucial for maintaining a company's profitability based on consumer confidence and sustainable development.

Ensuring the stability of all these factors requires the cooperation of all stakeholders involved in the food chain. Food safety reaches beyond the boundaries of the company; it is a responsibility shared by governments, regulatory bodies and food-related companies as well as the media, NGOs and consumers.

In this framework, Danone has been an active member in recent years of such international organizations as the Global Food Safety Initiative (GFSI). This organization, whose vision is "safe food for consumers everywhere", is the main organization that involves all stakeholders in the international food and beverage industry.

Internal quality system

In order to ensure the quality and the safety of its products, Danone has set a specific product governance policy.

The system is based on a set of quality processes that define what must be done to ensure safe products that comply with Danone specifications at every stage of the distribution chain, from product design to consumption, everywhere in the world and all the time.

These quality criteria were reviewed in 2012. To this end, a risk and opportunity assessment has been carried out in order to prioritize resources to both, support business growth and ensure product safety and quality.

Compliance levels were defined based on the following criteria:

- level 1: respect of obligatory requirements (regulations);
- level 2: basic procedures are in place to allow the entity to rapidly correct any non-conformity;
- level 3: systems are in place to allow the entity to plan ahead (Plan/Do/Act);
- level 4: the entity's systems, culture and behavior are consistent with a continuous improvement process.

Each Division adapted this policy according to the specificities of the business lines (manufacturing process, number of ingredients, supply sourcing, etc.).

Performance indicators for each consumer's need are monitored daily at the production sites. These indicators are analyzed at the level of each Division by the Quality departments and the Group to ensure their governance:

- Food Safety Index for guaranteeing the product safety, involving 7 different indicators (good hygiene practices, good manufacturing practices, HACCP, Control and monitoring plans, bio-vigilance and traceability);
- product conformity for assessing that every day and everywhere Danone supplies the value promises to the consumers;
- consumer feedbacks for evaluating the consumer satisfaction level.

Danone employees are involved in every step of the process and trained to insure the quality and the safety of the products.

Danone has chosen the FSSC 22000 standard as a benchmark to align all Group operations, no matter the location, with a single recognized food safety standard.

Initiatives in favor of Human rights

Danone focuses on Human rights in its operations and activities through its primary policies, programs and actions, notably Danone Way, RESPECT, WISE, Dan'Cares and IUF agreements detailed above.

Methodology note

Consolidation scope and coverage

The consolidation scope is composed of all the subsidiaries fully consolidated for the establishment of the Group consolidated financial statement, in other words the subsidiaries in which the Group holds, directly or indirectly, a controlling interest (see Note 1.3 of the Notes to the consolidated financial statement).

Nevertheless, some small subsidiaries or newly acquired do not report all the social, safety and environmental indicators, notably the ones included in Unimilk and Wockhardt groups. Those subsidiaries may be different depending on the indicators, the coverage scope may differ following the categories hereafter:

- Total Group Scope;
- Social Indicators Scope;
- Safety Scope;
- Production Sites Environment Scope;
- Greenhouse Gases Emissions Scope – Danprint;
- Greenhouse Gases Emissions Scope – GHG.

Total Group Scope and Social Indicators Scope

In 2012, 187 Group entities, in 59 different countries and representing around 85% of the Group total workforce, reported social indicators (Social Indicators Scope), except regarding the total workforce indicator for which the coverage rate is 100% (Total Group Scope).

The main subsidiaries that did not report the Social Indicators and for which the integration process is planned or ongoing are (i) Danone Russia and Unimilk group's companies in Russia, (ii) the Baby Nutrition and Medical Nutrition subsidiaries constituted after the acquisition of the Wockhardt group's baby nutrition and medical nutrition businesses.

Safety Scope

In 2012, 151 Group entities representing around 83% of the Group total workforce reported safety indicators (Safety Scope).

The main subsidiaries that did not report safety indicators and for which the integration process is planned or ongoing are (i) Danone Russia, Danone Ukraine and Unimilk group's companies in Russia, (ii) the Baby Nutrition and Medical Nutrition subsidiaries constituted after the acquisition of the Wockhardt group's baby nutrition and medical nutrition businesses.

Production Sites Environment Scope

In 2012, 164 production sites (among the Group's 194 production sites), in 60 countries and representing around 92% of the Group consolidated sales reported environment indicators (Production Sites Environment Scope), excluding GHG Protocol Corporate indicators.

The environmental impact of administrative headquarters and logistics bases is not included in the consolidation scope (except for certain indicators, when the logistic bases are adjacent to an industrial site).

Greenhouse Gases Emissions Scope – Danprint (product approach)

In 2012, this scope covers 94% of the Group's volumes sold.

Greenhouse Gases Emissions Scope – GHG (organization approach)

In accordance with the GHG Protocol Corporate standard, this indicator covers all the Group's sites and vehicles under Danone operational control: production sites, distribution centers, offices, etc.

In 2012, 121 entities, in 53 countries and representing around 92% of the Group consolidated sales reported GHG Protocol Corporate indicators (Greenhouse Gases Emissions Scope – GHG).

The main subsidiaries that did not report the totality of the environmental indicators including GHG Protocol Corporate and for which the integration process is planned or ongoing are (i) Unimilk group's companies, (ii) the Baby Nutrition and Medical Nutrition subsidiaries constituted after the acquisition of the Wockhardt group's baby nutrition and medical nutrition businesses.

Regarding Medical Nutrition Division, the 10 higher contributive subsidiaries to the consolidated sales (67% of the Division sales) and including the whole Division production were integrated to the GHG Protocol Corporate reporting.

On those scopes, social, safety and environmental data is 100% integrated (comprehensive integration of data).

Variations in consolidation scope

Scope variations arise from fully integrated subsidiaries creations, acquisitions, disposals or liquidations.

The subsidiaries integration and exit of the consolidation scope rules used for environmental and social data are the same as the rules used for the Group's financial statements:

- acquisition: data for the acquired entity is included in the consolidation scope from the date the Group took control;
- creation: the entity's data is included in the scope from the date of creation;
- disposal or winding up: data for the relevant entities is withdrawn from the consolidation scope at the effective disposal or liquidation date in the current financial year.

When the data is reported at production site level and not subsidiary level (case of some environmental indicators), the sites integration and exit of the consolidation scope rules are the following:

- acquisition: data for the acquired site is included in the consolidation scope from the date of acquisition;
- creation: the newly constructed site data are integrated in the consolidation scope from the starting up date;
- disposal or closing: the data of the closed or disposed site is withdrawn from the consolidation scope at the effective disposal or closing date.

Like-for-like basis variations (constant scope)

The Group measures evolutions of some social and environmental indicators on a like-for-like basis, that is to say on a constant consolidation scope. The 2012 data are restated using a consolidation scope identical to the 2011 scope.

Data collection

To ensure the homogeneity of indicators across the reporting scope, shared data reporting guidelines for social, safety and environmental data are transmitted and updated each year following data consolidation and comments by contributors. These guidelines specify the methodologies to use for reporting indicators: definitions, primary methodologies, calculation formulas and standard ratios.

These guidelines regarding environmental, social, safety and GHG data are available on request from the Social Responsibility Department.

The social, safety and environmental indicators are transmitted from the subsidiaries and production sites and are consolidated at Group level by the concerned departments.

Social indicators

The Human Resources Department is responsible for social indicators except safety indicators. Reported data is generally derived from wage payment systems installed in the subsidiaries and are reported via the Group financial consolidation software (SAP/BusinessObjects Financial Consolidation).

Safety indicators

The Safety Department is responsible for the Safety indicators. Reported data are monthly entered at the level of each subsidiary in the Group consolidation system, WISE.

Environmental indicators

The Nature Department is responsible for environmental indicators. Environmental data is reported at the level of each production site by the Environment manager via the NatiV tool.

Regarding GHG Protocol Corporate indicators, the data regarding offices, distribution centers, Research and Development centers and vehicles are collected through a specific IT tool developed by ERM (environment consulting agency). Production sites data are collected via NatiV.

Methodological details

The methodologies used for certain social and environmental indicators may involve facto limit due to, in particular:

- the absence of shared national and/or international definitions;
- the need to estimate, the representative nature of measurements or the limited availability of external data needed for calculations.

This is why the definitions and methodologies used for the indicators hereafter are specified.

Workforce

A negligible portion of the managerial workforce is not collected in the data reporting framework (a few cases of internationally mobile employees on assignment to other Group entities). Furthermore, some disparities may exist in the workforce accounting methods for expatriate employees (it is notably the case for expatriate employees who have three-parts contracts signed between the employee and the two subsidiaries).

Employees in long-term leaves (more than 9 months) are not taken into account in the total workforce.

In China, employees remunerated by Danone, but whose contracts are with a third-party company (equivalent to a temporary work agency) are not included in the workforce.

Short-term contracts and movements within the Group are not included in the entries/exits.

Net creation of jobs

The net creation of jobs is the current financial year workforce compared with the last financial year workforce, on a like-for-like basis (with corrections of the acquisition and disposal effects).

Number of training hours and number of trained employees

Training data from French subsidiaries includes training categorized as ongoing professional training as well as other types of training.

The number of trained employees takes into account all the employees who received at least one training session during the year, including employees who have left the Group as of December 31, 2012.

The training sessions for which evidence have not been received yet at the reporting closure limit are not included, which can lead to underestimation.

Employees with disabilities

This indicator covers employees declared as disabled workers. The definition of a person with disabilities is determined by local regulations in the different countries. In addition, due to local regulatory specificities, certain countries include both externally documented disability recognition and disability recognized internally by the on-site occupational physician.

Absenteeism

The absenteeism rate is, in percentage, the total number of absence hours divided by the theoretical total number of working hours. The absence reasons taken into account for this indicator are sickness leaves (with or without hospitalization), illness and injury related to work, unauthorized leave. Long-term sickness (more than nine months) and maternity/paternity leaves are not included.

The hypothesis choice for the theoretical worked hours calculation method is at the discretion of the subsidiaries, taking into account local specificities, which can lead to minor heterogeneities.

Some subsidiaries monitor the absenteeism only for hourly paid employees; other employees are included in a specific program providing them some available off-days that can be used for several reasons (holidays, sickness…).

Frequency rates of work accidents

The frequency rate 1 (FR1) is the number of accidents with lost time of one day or more that occur over a twelve-month period, for every one million hours worked. The hours worked are real hours worked; by default, theoretical hours worked are taken into account based on local practices and regulations.

The hypothesis choice for the theoretical worked hours calculation method is at the discretion of the subsidiaries, taking into account local specificities, which can lead to minor heterogeneities.

Safety indicators cover temporary personnel working on Danone's sites and interns who have a training agreement with Danone. Temporary personnel refers to individuals under Danone's direct management for whom working time is available (in number of hours), this can create discrepancies in the scope of the workforce accounted for by the sites.

Waste

Reporting of waste data is based on four categories (packaging waste, materials waste, other non-hazardous waste and hazardous waste).

Consolidated data related to waste for 2012 does not include (i) sludge from water treatment facilities, (ii) returned products (non-compliant raw materials rejected/unsold due to commercial issues), (iii) whey and (iv) inert waste (construction water).

The data related to recovered waste includes material (recycling, compost, reuse…) and energy recovery.

Water consumption

Consumption of well or surface water may be estimated when sites have no meters. The definition and methods of accounting for various uses of water (including run off, water pumped and returned into streams) are specified in the technical environmental guide and the specific software tool developed NatiV. The water consumption includes industrial process consumption and water used in product formulation.

The calculation method used by the Group consists in taking into account the water used in open cooling circuits (water pumped and returned without any modification except of temperature).

If a logistic base is located adjacent to a production site, its water consumption is included, when the site is not able to distinguish it.

Energy consumption

By definition, the environmental indicators, excluding GHG Protocol Corporate indicators, cover the impact of production sites. When Research and Development centers or other non-industrial sites are located adjacent to the production sites, estimates may be made by the production sites to only take into account their own energy consumption (estimate and deduction of energy consumed by the non-industrial site adjacent to the plant).

In some cases, energy consumptions of buildings located adjacent to the production sites are included, when the site is not able to exclude them.

Greenhouse gases emissions by organization

Greenhouse gases emissions by organization (scope 1 and scope 2) for 2012 are calculated using the methodology described in the GHG Protocol Corporate Standard (revised 2010 version).

The approach chosen by Danone is to integrate in its carbon footprint all the emissions sources on which the Group has operational control. Every Group's site is included: plants, distribution centers, offices, Research and Development center and owned or controlled vehicles.

Scope 1

Direct emissions (scope 1) are emissions arising from consumption of fuels (coal, natural gas, propane, heating oil and fuel oil) and from consumption of refrigerants (as described in the GHG Protocol, only HFC and PFC consumption is included). No Danone site uses PCFs.

When the fuel vehicles consumption is not available, emissions are calculated using the mileage travelled.

Regarding offices, 2011 data are used for 2012 calculation, as they do not vary from one year to another.

Scope 2

Indirect emissions (scope 2) are emissions linked to generation of electricity, steam, heat or cold bought by the Group.

Direct emissions are calculated based on the emission factors and global warming potential (GWP) of each activity data 1 (scope 1 emissions sources).

The emissions factors and GWPs used in calculating emissions arising from energy consumption correspond to data in the 2006 IPCC Guidelines (2006 IPCC Guidelines for National Greenhouse Gas Inventories). IPCC is the Intergovernmental Panel on Climate Change. The emission factors regarding electricity correspond to the data from the International Energy Agency (CO_2 highlights 2012), and the factors used regarding heat, steam and cold correspond to Ademe data (Bilan Carbone Entreprises et Collectivités, Guide des facteurs d'émissions Version 5, 2007). The factors to convert mileage in CO_2 emissions are based on the GHG Protocol tool (GHG emissions from transport or mobile sources, 2010).

The emissions factors uses to characterize the impact of refrigerant fugitive emissions are based on the report "Climate Change 2007, 4th Assessment Report, The Physical Science Basis", from IPCC, published in 2007.

Wastewater

The data presented correspond to wastewater after internal of external treatment. If no information about external treatment is available, a purified output of 90% is applied.

Statutory auditors' attestation and limited assurance report on social, environmental and societal information

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

To the Executive Board,

Pursuant to your request and in our capacity as Statutory auditors of Danone, we hereby report to you on the consolidated social, environmental and societal information presented in the management report for the year ended December 31, 2012 in accordance with the requirements of Article L. 225-102-1 of the French commercial code (*Code de commerce*).

Management's Responsibility

The Board of Directors is responsible for the preparation of the management report including the consolidated social, environmental and societal information (the "Information") in accordance with the requirements of Article R. 225-105-1 of the French commercial code, presented as required by the entity's internal reporting standards (the "Guidelines") and a summary of which is provided in the methodology note presented at the end of the section "Information concerning the Group social, societal and environmental performance, in compliance with the Grenelle II law" of the management report (the "Methodology Note").

Independence and quality control

Our independence is defined by regulatory requirements, the Code of Ethics of our profession (*Code de déontologie*) and Article L. 822-11 of the French commercial code. In addition, we maintain a comprehensive system of quality control including documented policies and procedures to ensure compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Statutory Auditors' responsibility

Our role, on the basis of our work, is to:

- attest whether the required Information is presented in the management report or, if not presented, whether an appropriate explanation is given in accordance with the third paragraph of Article R. 225-105 of the French commercial code and Decree No. 2012-557 dated April 24, 2012 (attestation of completeness);
- provide limited assurance on whether the Information is fairly presented, in all material respects, in accordance with the Guidelines (limited assurance report).

We called upon our Corporate Social Responsibility experts to assist us in the performance of our work.

1. Attestation of completeness

Our engagement was performed in accordance with professional standards applicable in France:

- We compared the Information presented in the management report with the list as provided in Article R. 225-105-1 of the French commercial code.
- We verified that the Information covers the scope of consolidation, namely the entity and its subsidiaries within the meaning of Article L. 233-1 and the controlled entities within the meaning of Article L. 233-3 of the French commercial code, within the limits set out in the Methodology Note, especially the exclusion of Unimilk group entities from most of the Information.
- In the event of the omission of certain consolidated Information, we verified that an appropriate explanation was given in accordance with Decree No. 2012-557 dated April 24, 2012.

On the basis of our work, we attest that the required Information is presented in the management report.

2. Limited assurance report

Nature and scope of the work

We conducted our engagement in accordance with ISAE 3000 (International Standard on Assurance Engagements) and French professional standards. We performed the following procedures to obtain limited assurance that nothing has come to our attention that causes us to believe that the Information presented is not fairly presented, in all material respects, in accordance with the Guidelines. A higher level of assurance would have required more extensive work.

Our work consisted in the following:

- We assessed the appropriateness of the Guidelines as regards their relevance, completeness, neutrality, clarity and reliability, taking into consideration, where applicable, best practices in the sector.
- We verified that the Group had set up a process for the collection, compilation, processing and control of the Information to ensure its completeness and consistency. We examined the internal control and risk management procedures relating to the preparation of the Information. We conducted interviews with those responsible for social and environmental reporting.
- We selected the consolidated Information to be tested and determined the nature and scope of the tests, taking into consideration their importance with respect to the social and environmental consequences related to the Group's business and characteristics, as well as its societal commitments.

- Tested information is listed below:
  - social information: workforce, dismissals, absenteeism, workplace accidents and frequency, work-related illnesses, training, ILO core conventions;
  - environmental information: ISO 14001 certification, provisions and guarantees for environmental risks, waste discharged into the water and quantity of Chemical Oxygen Demand (COD), waste and recovery, water consumption and water supply aligned with local circumstances, consumption of raw materials and efficiency of use, energy consumption and energy efficiency, greenhouse gases emissions, biodiversity;
  - societal information: subcontracting and suppliers, prevention of corruption, consumer health and safety.
- Concerning the quantitative consolidated information that we deemed to be the most important:
  - at the level of the consolidating entity and the controlled entities, we implemented analytical procedures and, based on sampling, verified the calculations and the consolidation of the information;
  - at the level of the sites that we selected based on their business, their contribution to the consolidated indicators and a risk analysis:
    - we conducted interviews to verify that the procedures were correctly applied;
    - we performed tests of details based on sampling, consisting in verifying the calculations made and reconciling the data with the supporting documents.

  We selected a sample of 18 entities, comprising 8 in Europe, 6 in Latin America, 3 in Asia and 1 in North America, representatives of the different business divisions of the company: Fresh Dairy Products (Danone Dairy Brazil, Dannon Company (US), Danone Japan, Danone Argentina, Danone Produits Frais France), Waters (HOD Mexico, Danone Eaux France, Danone Waters Japan, Aqua Indonesia), Baby Nutrition (Nutricia Cuijk, Nutricia Nederland Baby, Kasdorf Argentina Baby, Nutricia Bago Argentina Baby, Nutricia Great Britain Baby) and Medical Nutrition (NV Nutricia Netherland SP Medical, Support Produtos Nutricionais Brazil Medical, Nutricia Liverpool (SP), Nutricia Great Britain Medical).

  The sample thus selected represents on average 28% of the workforce, between 16% and 30% of the other quantitative social information tested and between 18% and 41% of the quantitative environmental information tested.
- Concerning the qualitative consolidated information that we deemed to be the most important, we conducted interviews and reviewed the related documentary sources in order to corroborate this information and assess its fairness. Concerning fair trade practices, interviews were only conducted at consolidated entity level.

- As regards the other consolidated information published, we assessed its fairness and consistency in relation to our knowledge of the company and, where applicable, through interviews or the consultation of documentary sources.
- Finally, we assessed the relevance of the explanations given in the event of the absence of any information.

Conclusion

Based on our work described in this report, nothing has come to our attention that causes us to believe that the Information is not fairly presented, in all material respects, in accordance with the Guidelines.

Without questioning the conclusion expressed here above, we would like to call attention to the following points:

- Information is established in accordance with the Guidelines, with the methodological precisions provided by the company in the Methodology Note, particularly those concerning the "Number of training hours" and the "Number of trained employees". Concerning the indicator "Number of training hours", the calculation process for the end-of-year training sessions for which data are collected at a late stage should be strengthened, in order to improve the completeness of the training sessions taken into account.
- The actions already implemented by the company to reinforce the internal control process on the Information – particularly the internal control procedures to improve the accuracy of the Information and the contributors awareness to make them better know and apply more consistently the definitions and calculation methodologies – will have to be maintained, in particular for the indicators "Number of training hours", "Number of hours worked" (used for the calculation of the "Frequency rate of workplace accidents"), "Total quantity of waste generated (except sludge from treatment facilities)", and "After treatment Chemical Oxygen Demand".

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit
Philippe VOGT

Partner in the Sustainable Development Department of PricewaterhouseCoopers

Sylvain LAMBERT

Ernst & Young et Autres
Gilles COHEN

Partner in charge of the Environment and Sustainable Development Department of Ernst & Young

Eric MUGNIER

7.3 Other information related to the Group social, societal and environmental responsibility

Employee benefits

Group compensation policy

The Group's compensation policy is described in section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law* on compensation and changes thereto.

Employee profit-sharing, Company savings plan and other employee benefits

Employee incentive and profit-sharing plans

The Company's employees benefit from a three-year incentive plan, which was renewed in 2012 and which is mainly based on the Group's results.

The Group's other French subsidiaries and certain of its foreign subsidiaries have also implemented employee profit-sharing and/or incentive plans based on their own results.

In 2012, the Group recognized an expense of €100 million (€107 million in 2011) in respect of employee incentive and profit-sharing plans.

Employee shareholding

The Shareholders' Meeting of April 28, 2011 authorized the Board of Directors to carry out share capital increases reserved for employees who are members of a Company Savings Plan (*Plan d'Épargne Entreprise – PEE*), within the limit of a nominal amount of €3.7 million.

Under this authorization, the Company carried out a share capital increase reserved for Group employees who are members of a Company Savings Plan (through a transition fund later merged into the "Fonds Danone" company investment fund) for a nominal amount of €228,856.75, representing the issuance of 915,427 new shares, or 0.14% of the Company's share capital (see Note 19 of the Notes to the consolidated financial statements).

Also pursuant to this authorization by the Shareholders' Meeting of April 28, 2011, the Board of Directors meeting of February 18, 2013 decided to carry out a share capital increase reserved for Group employees who are members of a Company Savings Plan for a maximum subscription amount of €65 million, representing a maximum of 1,600,196 new shares (or 0.25% of the Company's share capital) based on a discounted DANONE share price of €40.62.

The actual amount subscribed will be disclosed in May 2013. As it has done each year, the Board specified that if the stock market price, including costs, at the end of the subscription period is below the issue price, the management company of the company investment fund will be authorized to purchase the shares directly on the stock market, within the limit of the employees' subscriptions.

Other employee benefits

In accordance with the Law of July 28, 2011, a profit-sharing bonus of €200 was paid to all employees of Danone and its French subsidiaries in 2012, in addition to the amounts paid under the Group's other incentive and profit-sharing mechanisms.

Medium-term and long-term variable compensation policy

Medium-term variable compensation in the form of Group performance units

General principles of Group performance units

Since 2005, the Group put in place a scheme of variable compensation, in the form of Danone Group performance units (GPU), for which members of the Executive Committee (including the executive directors and officers), senior managers and executives are eligible, totaling approximately 1,500 people worldwide.

This three-year variable compensation program, based on medium-term performance objectives, increases the unity and commitment of the members of the Executive Committee, General Managers and their employees, with the objective of strengthening the Group's positions in its markets and continuously improving its operational performance.

The value of the GPU, which can vary between €0 and €30, is calculated over a sliding period of three years. The payment in GPU occurs at the end of a three-year vesting period based on the Group's economic performance, as described hereafter.

At the beginning of each year, the Company's Board of Directors, upon recommendation of the Nomination and Compensation Committee, sets the performance objectives for the next calendar year and evaluates the achievement of the previous year's objectives for each GPU plan.

Thus the annual objectives for GPU currently in the process of vesting (2010 GPU, 2011 GPU and 2012 GPU) are presented hereafter.

Group performance units annual objectives

2010 objectives

For 2010, the criteria set by the Board of Directors of February 10, 2010, acting on the recommendation of the Nomination and Compensation Committee, are as follows:

- an increase in consolidated net sales of at least 5% on a like-for-like basis;
- an increase of at least 10% in free cash-flow as reported.

The 2010 results exceeded the objectives (namely 6.9% growth in consolidated net sales and 20% growth in free cash-flow). As a result, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, validated the achievement of the 2010 objectives.

2011 objectives

For 2011, the criteria set by the Board of Directors of February 14, 2011, acting on the recommendation of the Nomination and Compensation Committee, are as follows:

- an increase in consolidated net sales of at least 6% on a like-for-like basis;
- an increase of at least 8% in free cash-flow as reported.

The 2011 results exceeded the objectives (namely 7.8% growth in consolidated net sales and 9.4% growth in free cash-flow). As a result, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, validated the achievement of the 2011 objectives.

2012 objectives

For 2012, the criteria set by the Board of Directors of February 14, 2012, acting on the recommendation of the Nomination and Compensation Committee, were as follows:

- an increase in consolidated net sales of at least 5% on a like-for-like basis;
- the generation of at least €2 billion in free cash-flow as reported.

The 2012 results exceeded the objectives (namely 5.4% growth in consolidated net sales and €2,088 billion in free cash-flow). As a result, the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee, validated the achievement of the 2012 objectives.

Other characteristics of the Group performance units

In the event of a successful tender offer for shares of the Company, the performance objectives of all of the GPU plans will be considered to have been met and the GPU will be paid in the month following completion of the offer.

In the event of a disposal of all or part of a business, the performance objectives for the year in which the disposal takes place will be considered to have been met for the beneficiaries in the business considered, and all of the GPU plans concerned will be paid in the month following completion of the disposal.

The regulations of the GPU plans stipulate that the conditions regarding continuing employment and performance are partially waived in the event of death, voluntary or non-voluntary retirement. Since 2012, the GPU plans were amended in order to allow for waiving the performance conditions in the year of voluntary retirement on a pro rata basis to their continuing employment period with the Company.

GPU granted

(in € except number of GPU)	Number of GPU granted	Number of beneficiaries
GPU granted in 2012 (paid in 2015)	1,042,424	1,525
GPU granted in 2011 (paid in 2014)	1,099,772	1,454
GPU granted in 2010 (paid in 2013)	1,009,580	1,372

Long-term variable compensation in the form of Group performance shares

General principles of Group performance shares and termination of the stock-option program

The April 22, 2010 Shareholders' Meeting authorized the Board of Directors to grant Company shares, existing or to be issued, on one or more occasions, to members of personnel or to certain categories thereof that it shall select among eligible employees, directors, executive directors and officers of the Company and of affiliates of the Company within the meaning of Article L.225-197-2 of the French commercial code.

At the same time, the Shareholders' Meeting decided that this authorization canceled the as-then-unused portion of the previous authorization granted by the April 23, 2009 Shareholders' Meeting in its 30th resolution to grant options to purchase and/or subscribe shares.

The April 26, 2012 Shareholders' Meeting renewed this authorization in its 13th resolution.

This long-term, performance-based incentive program is intended to strengthen the commitment of eligible employees to support the Group's development and enhance the stock price over the long term.

Company shares subject to performance conditions (known as Group performance shares, or GPS) are therefore granted annually to the 10 members of the Executive Committee, the General Managers and certain employees.

In principle, GPS are granted twice a year: (i) the main grant during the course of the year is intended for members of the Executive Committee (including the executive directors and officers), General Managers and certain employees, and (ii) potentially, a second less important grant (generally during the last quarter) is intended for certain new employees.

The main grant generally occurs at the same calendar periods (usually each year in July). As an exception, a main GPS grant was approved in April 2011. In 2012, the Nomination and Compensation Committee proposed to the Board of Directors to review the timing of GPS grants in order to agree on a single principal grant date in the future that would apply to all cases (as opposed to an alternating schedule, *i.e.* one grant in July during the resolution renewal years and one grant in April during the other years, as was the case in 2011). The decision was therefore made that henceforth a principal grant would be made in principle at the time of the Board of Directors' meeting held to approve the interim consolidated financial statements, *i.e.* in end-July.

Finally, regardless of the date of the grant, in 2012, as in previous years, the GPS performance conditions were set in advance and mentioned in the report of the Board of Directors presenting the resolution on Group performance shares.

Group performance shares conditions

Obtaining the shares is subject to performance conditions and a continuing employment condition described hereafter.

Performance conditions

Two sets of performance conditions have been established:

- the first relating to the grants made in 2010 and 2011 pursuant to the resolution approved by the April 22, 2010 Shareholders' Meeting; and
- the second relating to the grants made in 2012 pursuant to the resolution approved by the April 26, 2012 Shareholders' Meeting.

Performance conditions of grants made in connection with the resolution approved on April 22, 2010

The performance conditions of the grants relating to the resolution approved on April 22, 2010 were:

– *Nature of performance conditions*

- growth in Group sales (on a consolidated and like-for-like basis, *i.e.* excluding changes in scope and exchange rates) ("CA");
- growth in free cash-flow (on a consolidated and like-for-like basis, *i.e.* excluding changes in scope and exchange rates) ("FCF").

– *Weighting of each performance criterion*

For Executive Committee members, the definitive grant of half of the shares subject to performance conditions attributed to a beneficiary will be subject to each of these two criteria being achieved (subject to compliance with the condition of continued employment within the Group). For the other beneficiaries, the definitive grant of shares representing a maximum of one third of the GPS grants will not be subject to the performance conditions, and the definitive grant of each half of the remainder of the shares granted will be subject to the achievement of the performance condition concerned.

– *Quantifiable objectives for each performance criterion*

The performance conditions are calculated for the first two years of the vesting period following each grant:

- for grants approved in 2010: the first and second years of the vesting period (2010 and 2011): average arithmetic annual growth over the period in sales of 5% and in free cash-flow of 10%;
- for grants approved in 2011: the first and second years of the vesting period (2011 and 2012): average arithmetic annual growth over the period in sales of 5% and in free cash-flow of 10%.

Performance conditions for grants relating to the resolution approved on April 26, 2012

The performance conditions of the grants relating to the resolution approved on April 26, 2012 are:

– *Nature of performance conditions*

(a) Comparison of the arithmetic average sales growth ("CA") of the Group with that of a reference Panel, on a like-for-like basis, during the CA Reference Period:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive grant shall be 100%;
- if the Group's CA is less than the Median CA of the Panel, the definitive grant shall be 0%.

Where:

- the Group's CA refers to the arithmetic average internal ("organic") sales growth over the CA Reference Period (on a consolidated and like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the CA of each Panel member refers to the arithmetic average internal ("organic") growth of sales recorded by the said member of the Panel over the CA Reference Period (on a consolidated and like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates);
- the Panel CAs refers to the CAs of all members of the Panel;
- the CA Reference Period refers to the first three fiscal years of the vesting period for each grant, with the first fiscal year being the one during which the grant is decided;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less or equal to the Median), it being specified that if the Panel members are in even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel refers to seven benchmark multinational companies in the food and beverage sector, specifically: Unilever, Nestlé, Pepsi Co, Coca-Cola, Kraft, General Mills and Kellogg;
- in the event that the audited financial statements accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member of the Panel through a duly justified decision at a later date that is mentioned in the Report of the Board of Directors to the Shareholders' Meeting;
- in the event that the audited financial statements or financial results of two or more members of the Panel are not published or published late, the Board of Directors will reach a decision duly justified at a later date and described in the Report of the Board of Directors to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the members of the Panel and by Danone over the three latest completed fiscal years for which financial statements were published for all members of the Panel and for Danone;
- the Board of Directors may, through a duly justified decision taken later and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of one of the companies in the Panel, provided that it maintains the overall coherence of the peer group;
- the Board of Directors must state whether the performance conditions were attained, on the basis of a duly justified decision taken later and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) a level of free cash-flow ("FCF") for the Group averaging at least €2 billion per year over the Reference Period;.

Where:

- FCF refers to the Group's free cash-flow over the FCF Reference Period;
- the FCF Reference Period refers to the first two years of the vesting period for each grant, the first fiscal year being the one during which the grant is decided.

(c) the definitive grant of each half of the shares under performance conditions attributed to a beneficiary will be subject to the criterion concerned being achieved (subject to compliance with the condition of continued employment within the Group). As a result, and in all cases subject to compliance with the continued employment condition: (i) for executive directors and officers or members of the Executive Committee: the definitive grant of half of the shares will be subject to the achievement of the performance condition relating to the FCF, and the definitive grant of the other half will be subject to the achievement of the performance condition relating to the CA and (ii) for the other beneficiaries: the definitive grant of shares representing a maximum of one-third of the grants will not be subject to the performance condition (see hereafter); the definitive grant of the remainder of the shares granted will be subject to the achievement of the performance condition relating to the FCF for the first half, and of the performance condition relating to the CA for the second half.

In addition, it was duly noted at the April 25, 2012 Shareholders' Meeting that if, by mid-2013, Danone reports medium-term market guidance for free cash-flow generation that exceeds the level set in the performance condition, this market guidance figure would be used for the performance condition.

– *Weighting of each performance criterion*

The grants made relating to the resolution approved in 2010 as well as the resolution approved in 2012 may be made without performance conditions within the following limits:

- the grantees may only be Group employees, with the exception of executive directors and officers and members of General Management – the Executive Committee;
- these shares must not represent more than 25% of the total number of shares eligible to be granted pursuant to this authorization;
- these shares must not represent more than 33% of the total number of shares granted for each respective employee. In addition, in the new resolution presented to the April 25, 2013 Shareholders' Meeting relating to the grant of Group performance shares, the delivery of all Group performance shares under this new resolution will be subject to the achievement of performance conditions.

Condition of continuing employment

All of the grants are subject to a condition of continuous employment, which applies to all GPS beneficiaries until the delivery date of the Company shares at the end of the vesting period. Therefore, a GPS beneficiary who leaves the Group prior to the end of the vesting period may not retain his/her GPS, except in statutory cases of early departure (including death and disability) or other exceptions as determined by the Board of Directors. In the event of a voluntary departure, the granted GPS are canceled. The GPS plan regulations stipulate that the continuous employment and performance conditions may be partially waived in the event of the employee's death or disability. In the event of the employee's departure or involuntary retirement, or if the business activity employing him/her is sold, only the continuing employment conditions may be partially waived.

In addition, the plan regulations for the GPS granted by the Board of Directors as of July 26, 2010 leave open the possibility, for GPS beneficiaries, of waiving the continuous employment and performance conditions in the event of a change of control of the Company (all stock-option plans introduced since 2003 have a similar procedure, which will apply until their closure, see section 6.10 *Compensation and benefits paid to executives*). Therefore, if a person or group of people acting collectively (as defined in Article L. 233-10 of the French commercial code) acquires control of Danone (as defined in Article L. 233-3 of the French commercial code), the beneficiaries would not have to satisfy any conditions in order to receive the GPS at the end of the vesting period.

Definitive grant of Group performance shares

The grants of Group performance shares become final and shares are delivered to their beneficiaries after a three-year vesting period (the duration is set by the Board of Directors, but may not be less than three years).

The beneficiaries must hold the shares for a period of two years following their definitive grant.

However, if the vesting period for all or a part of one or more grants is a minimum of four years, the Board of Directors may choose not to impose any holding period for the corresponding shares.

Consequently, to date the vesting period is three years for beneficiaries subject to French social security contributions ("3+2" plan) and four years for other beneficiaries ("4+0" plan). Beneficiaries of the "3+2" plan must also satisfy a two-year holding period during which they may not sell or transfer their GPS-issued shares. Beneficiaries of the "4+0" plan are not subject to any holding period.

In the case of executive directors and officers and members of the Executive Committee, an obligation to hold their shares received under the terms of GPS plans and stock-options has also been implemented and is described in section 6.10 *Compensation and benefits paid to executives*.

The plan regulations prohibit GPS beneficiaries from hedging in any manner their position with respect to their rights to receive GPS or their rights with respect to shares that they have already received and that are still subject to a holding period. Moreover, for the Group's executive directors and officers, the ban on hedging extends to all DANONE shares or financial instruments related to these shares that they own or may be in a position to own (see section 6.10 *Compensation and benefits paid to executives*).

Group performance shares plan characteristics and grants

On the basis of the authorizations approved by the April 22, 2010 and April 26, 2012 Shareholders' Meetings, the Board of Directors granted GPS subject to continuing employment and performance conditions in April and October 2011 and in July and October 2012.

As of December 31, 2012, the aggregate number of canceled GPS represented 151,237 GPS out of a total of 2,142,538 GPS granted.

The characteristics of the GPS plans currently outstanding, the grants made in connection with these plans and the changes in these plans during 2012 are presented hereafter.

GPS plans outstanding										**Total**
Shareholders' Meeting authorizing the GPS						04/22/10			04/26/12	
GPS authorized by the Shareholders' Meeting [(a)]						2,587,963			2,568,986	
of which, GPS not granted						*1,229,737*			*1,784,674*	
Board of Directors meeting authorizing the GPS	07/26/10	07/26/10	04/28/11	04/28/11	10/20/11	10/20/11	07/26/12	07/26/12	10/23/12	
Plans	"3+2"	"4+0"	"3+2"	"4+0"	"3+2"	"4+0"	"3+2"	"4+0"	"4+0"	
Number of GPS granted	**266,900**	**377,665**	**276,023**	**420,288**	**11,000**	**6,350**	**334,406**	**446,506**	**3,400**	**2,142,538**
GPS characteristics										
Delivery date	07/27/13	07/27/14	04/29/14	04/29/15	10/21/14	10/21/15	07/27/15	07/27/16	10/24/16	
Retention period [(b)]	2 years	-	2 years	-	2 years	-	2 years	-	-	
Performance conditions [(c)]	Conditions determined at the February 10, 2010 Board meeting: – average (arithmetic) annual growth in consolidated sales of 5% over two fiscal years; – average (arithmetic) annual growth in free cash-flow of 10% over two fiscal years.						Conditions determined at the February 14, 2012 Board meeting: – growth in sales equal to or greater than the median sales of the Panel over the 2012, 2013 and 2014 fiscal years; – achievement of a consolidated free cash-flow level of at least €2 billion per year on average over the 2012 and 2013 fiscal years.			
Review to determine whether performance conditions have been achieved	Achievement for the two fiscal years determined by the February 14, 2012 Board of Directors' meeting (average growth in 2010 and 2011 (i) of consolidated sales of 7.3% and (ii) of free cash-flow of 14.3%).		Achievement for the two fiscal years determined by the February 18, 2013 Board of Directors' meeting (average growth in 2011 and 2012 (i) of consolidated sales of 6.6% and (ii) of free cash-flow of 11.7%).				The review to determine whether these various criteria have been achieved will be performed in 2014 by the Board of Directors following the recommendation of the Nomination and Compensation Committee.			
Changes in 2012 and situation as of December 31, 2012										**Total**
GPS as of December 31, 2011	**257,557**	**347,667**	**275,373**	**390,063**	**11,000**	**6,350**	**-**	**-**	**-**	**1,288,010**
GPS granted in 2012	-	-	-	-	-	-	334,406	446,506	3,400	784,312
Void or cancelled GPS in 2012	(8,685)	(25,853)	(10,976)	(27,027)	-	(1,250)	(1,650)	(5,580)	-	(81,021)
Shares delivered in 2012	-	(100)	-	(200)	-	-	-	-	-	(300)
GPS as of December 31, 2012	**248,872**	**321,714**	**264,397**	**362,836**	**11,000**	**5,100**	**332,756**	**440,926**	**3,400**	**1,991,001**
of which, GPS granted to members of the Executive Committee [(d)]	*124,750*	*21,150*	*137,000*	*24,300*	*11,000*	*4,000*	*202,000*	*40,000*	-	*564,200*
of which, number of Executive Committee beneficiaries	*6*	*3*	*6*	*3*	*2*	*1*	*7*	*3*	-	
Number of beneficiaries [(e)]		**1,372**		**1,449**		**5**		**1,523**	**5**	

(a) Authorization expressed as a percentage of the Company's share capital.
(b) The retention period starts on the delivery date and applies only to plans "3+2" whose beneficiaries are subject to the French system of social security contributions.
(c) Conditions other than continuing employment.
(d) Note that all GPS granted to the members of the Executive Committee are subject to performance conditions.
(e) Cumulated number of beneficiaries for both plans "3+2" and "4+0" granted by the Board of Directors.

For 2012, GPS granted subject to performance conditions accounted for 77% of total GPS granted, which is consistent with the limits set by the April 26, 2012 Shareholders' Meeting.

Group performance shares grants to the ten Group employees (excluding executive directors and officers) who received the largest number of shares in 2012

In 2012, pursuant to the authorization granted by the April 26, 2012 Shareholders' Meeting, 118,400 GPS were granted to the 10 employees (excluding executive directors and officers) who received the largest number of shares in 2012 (including 105,000 GPS to seven members of the Executive Committee other than the executive directors and officers).

Long-term variable compensation in the form of Company stock-options

General principles of the stock-options and termination of the stock-options program

In its 15th resolution, the April 22, 2010 Shareholders' Meeting authorized the Board of Directors to grant Company shares already in issue or to be issued, on one or more occasions. At the same time, the Shareholders' Meeting decided that this authorization canceled the as-then-unused portion of the previous authorization granted by the April 23, 2009 Shareholders' General Meeting in its 30th resolution to grant options to purchase and/or subscribe shares.

Consequently, no stock-options have been granted since November 2009. Instead, GPS have been granted to the members of the Executive Committee (including the executive directors and officers), senior managers and executives since 2010.

Until the end of 2009, only options to purchase shares were granted to eligible employees as part of stock-option plans (the Company had not issued options to subscribe shares since 1997). These shares were granted to the same group of employees as those now receiving Group performance shares.

Therefore, these stock-options have been granted annually to members of the Executive Committee (including executive directors and officers), the chief executive officers and certain employees. The stock-options were generally granted twice a year: (i) a principal grant (generally in April) for the benefit of members of the Executive Committee (including executive directors and officers), the General Managers and certain employees, and (ii) a second grant (generally in October) intended for certain newly hired employees as well as, if applicable, certain employees of recently acquired companies.

The exercise price of the options was the equivalent of the average stock market price of DANONE shares during the 20 trading days leading up to the Board of Directors' meeting held to grant them, with no discount offered.

The term of the existing plans is eight years: with the last plan having been approved in November 2009, the Group's stock-option plans will remain in effect until October 2017. Since 2006, the options may be exercised following a four-year period from the date of grant (with the exception of the first two plans in December 2007 and April 2008, for which the respective vesting periods are two and three years). However, the regulations of the stock-option plans authorized by the Board of Directors beginning April 11, 2003 give beneficiaries the right to exercise part or all of the options granted to them in the event of a successful public offer targeting the Company's shares (see section 8.10 *Change in control*).

In the event of voluntary departures, the granted options are canceled. Thus, for example, as of December 31, 2012, the aggregate number of void or canceled options represented 2,350,980 of the 17,129,408 total options granted.

As of December 31, 2012, the main characteristics of the stock-option plans still in effect are described in the table hereafter and take into account:

- the two-for-one splits of the DANONE shares that occurred in June 2004 and June 2007;
- the adjustment following the June 25, 2009 share capital increase, made retroactively to the number of stock-options granted and to the exercise prices of the plans in existence as of that date. The maximum number of stock-options authorized by the various Shareholders' Meetings was not changed.

Characteristics and grants of stock-option plans in effect

The characteristics of the stock-options plans in effect and changes to these plans in 2012 are presented hereafter.

Stock-option plans outstanding															**Total**
Shareholders' Meeting authorizing the stock-options			04/11/03					04/22/05					04/26/07	04/23/09	
Stock-options authorized by the Shareholders' Meeting			8,000,000[b]					6,000,000[b]					6,000,000[b]	6,000,000	
of which, stock-options not granted			*1,762,184*[c]					*1,497,900*[c]					*476,942*[c]	*5,979,600*	
Board of Directors' meeting authorizing the stock-options	04/15/04	10/13/04	04/22/05	08/05/05	10/18/05	04/27/06	10/16/06	04/26/07	10/19/07	12/17/07	04/29/08	10/21/08	04/23/09	10/20/09	
Stock-options granted[a]	**3,976,442**	**93,916**	**2,411,983**	**29,680**[d]	**27,136**	**2,045,853**	**36,040**	**2,633,517**	**28,408**	**327,078**	**2,762,403**	**31,941**	**2,704,611**	**20,400**	**17,129,408**
Stock-options characteristics															
First exercise date[e]	04/16/06	10/14/06	04/23/07	08/06/07	10/19/07	04/27/10	10/16/10	04/26/11	10/19/11	12/18/09	04/29/11	10/21/11	04/23/13	10/20/13	
Expiry date	04/15/12	10/13/12	04/22/13	07/20/13	10/18/13	04/26/14	10/15/14	04/25/15	10/18/15	12/16/15	04/28/16	10/20/16	04/22/17	10/19/17	
Exercise price	31.80	30.22	35.43	38.95	42.53	46.92	52.40	57.54	52.33	56.57	53.90	43.71	34.85	40.90	
Changes in 2012 and situation as of December 31, 2012															**Total**
Stock-options as of December 31, 2011	**1,004,448**	**24,062**	**1,576,368**	**11,800**	**21,624**	**1,822,988**	**30,528**	**2,345,886**	**20,140**	**250,064**	**2,352,440**	**27,913**	**2,385,342**	**19,200**	**11,892,803**
Void or cancelled stock-options in 2012	(108,093)	(1,272)	-	-	-	(16,642)	(1,484)	(66,462)	(4,240)	(13,131)	(81,054)	(2,120)	(100,690)	(800)	(395,988)
Stock-options exercised in 2012	(896,355)	(22,790)	(532,554)	(10,300)	(9,752)	(155,229)	-	-	-	-	-	(3,604)	-	-	(1,630,584)
Stock-options as of December 31, 2012	**-**	**-**	**1,043,814**	**1,500**	**11,872**	**1,651,117**	**29,044**	**2,279,424**	**15,900**	**236,933**	**2,271,386**	**22,189**	**2,284,652**	**18,400**	**9,866,231**
of which, stock-options granted to members of the Executive Committee	-	-	*378,494*	-	-	*403,860*	-	*623,704*	-	-	*623,810*	-	*554,380*	-	*2,584,248*
of which, number of Executive Committee beneficiaries	-	-	*6*	-	-	*7*	-	*7*	-	-	*9*	-	*9*	-	

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.
(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.
(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.
(d) The July 20, 2005 Board of Directors meeting authorized the grant of the equivalent of 29,680 stock-options after adjusting for the impact of the June 25, 2005 increase. This grant was made by delegation of authority on August 5, 2005.
(e) The first exercise date corresponds to the end of the vesting period.

Exercise of stock-options by the 10 Group employees (excluding executive directors and officers) having thereby acquired the largest number of shares in 2012

No stock-options have been granted since the grant in October 2009. As of 2010, the GPS program has replaced the stock-option program.

In 2012, 356,891 options were exercised at a weighted average price of €36.34 by the 10 Group employees (excluding executive directors and officers) having thereby acquired the largest number of shares through exercise of stock-options in 2012 (including 32,812 options exercised by two members of the Executive Committee who are not executive directors and officers).

The breakdown of the options exercised during 2012 by the Company's executive directors and officers is provided in section 6.10 *Compensation and benefits paid to executives*.

Overall impact of GPS and stock-options in terms of dilution/ownership of the Company's share capital

The Group's policy with respect to authorizations for granting stock-options and GPS has always had a limited impact in terms of the dilution/ownership of the share capital.

Impact of stock-options

Up until the most recent stock-options grant in October 2009, the stock-option plans had a limited ownership/dilution impact on the share capital. As of December 31, 2009, the total number of stock-options granted to all Company stock-option beneficiaries represented approximately 0.4% of the shares making up the share capital. The total number of stock-options granted to the four executive directors and officers at the time, about 16% of the total grants in 2009, represented in 2009 around 0.1% of the shares making up the share capital.

Impact of GPS

The GPS grants also have a limited ownership/dilution impact on the share capital. In 2011 and 2012, the total number of GPS granted to all Company beneficiaries represented for each year approximately 0.1% of the number of shares making up the share capital. The total number of GPS granted to the three executive directors and officers represented around 0.021% of the number of shares making up the share capital in 2012 and around 0.015% of the number of shares making up the share capital in 2011.

These grants are in accordance with the ceilings set in the 13th resolution adopted by the Shareholders' Meeting of April 26, 2012, which specified that:

- share grants could not represent a number of new or existing shares corresponding to more than 0.4% of the Company's share capital outstanding as noted at the conclusion of the April 26, 2012 Shareholders' Meeting, with this number not taking into account any adjustments that might be made in accordance with any applicable legislative and regulatory provisions and, where applicable, to contractual stipulations calling for other adjustments in order to uphold the rights of holders of securities or other rights providing access to the share capital;
- the setting of a secondary ceiling of 0.1% of the share capital for the executive directors and officers (subject to any adjustments mentioned in the previous paragraph).

Situation as of December 31, 2012

The balance of stock-options not yet exercised as of December 31, 2012 totaled 9,866,231 options, or 1.53% of the share capital. The number of shares that could be granted under GPS as of December 31, 2012 totaled 1,991,001 shares, or 0.31% of the share capital.

The combined total for these two categories represented 1.84% of the share capital.

Retirement obligations

Approximately 170 executives who hold the status of senior manager and who were covered by French retirement schemes as of December 31, 2003 are, under certain conditions (particularly seniority and continuing employment conditions), eligible for a defined benefit retirement plan. As a reminder, in 2009, more than 210 executives were covered by this plan.

This plan provides for a pension based on years of service and the amount of final salary, under the condition that the beneficiary is still in the Group's employment at the time of retirement. The pension is paid after deducting certain pensions (corresponding, with respect to a first category of Senior Managers in the Group, to the full amount of retirement benefits they acquired over the course of their professional career and, with respect to a second category of Senior Managers in the Group, to the full amount of retirement benefits that they acquired due to the implementation of a Company non-contributory supplementary retirement plan), and may reach a maximum of 65% of final salaries. In the event of leaving the Group before the age of 55 or in the event of death before retirement, the employee loses all benefits under this plan, it being specified that if the employee is laid off after the age of 55, the plan benefits are preserved, subject to the beneficiary not taking any salaried position in the future. This provision, which is consistent with applicable French regulations, enables in particular protecting all beneficiaries against the risks related to a termination of employment occurring after the beneficiary has reached the age of 55 but prior to reaching retirement age.

This retirement plan was closed to any new beneficiaries as of December 31, 2003.

The amount accrued under this plan represents the obligation of the Group as of December 31, 2012 for the payment of annuities calculated on the basis of life expectancies derived from mortality tables (see Note 17 of the Notes to the financial statements of the parent company Danone).

Funds sponsored by Danone

danone.communities

The danone.communities mutual fund (*Société d'Investissement à Capital Variable – SICAV*) and the danone.communities venture capital fund (*Fonds Commun de Placements à Risques – FCPR*) were created in May 2007 on Danone's initiative:

- the aim of the danone.communities FCPR is to invest in businesses with significant social impact located mainly in the emerging countries, in accordance with Danone's mission; and
- the SICAV's investment strategy consists of investing a minimum of 90% of its assets in a selection of shares or units of mutual funds or investment funds invested in money market investments, government bonds and bonds of companies in the euro zone favoring a "Socially Responsible Investment" (SRI) approach, and a maximum of 10% of its assets in the danone.communities FCPR.

As of December 31, 2012, the danone.communities SICAV had assets under management totaling around €71 million.

Investment by the Group and its employees in danone.communities

At the Shareholders' Meeting of April 26, 2007, 99.77% of the shareholders approved the implementation of the danone.communities project.

With the creation of the danone.communities SICAV in May 2007, the Company subscribed for €20 million of its capital.

In addition, Danone makes a financial contribution each year to the danone.communities project. The maximum annual financial contribution is set by Danone's Board of Directors, upon the recommendation of the Social Responsibility Committee, and is reviewed each year to take into account the development of danone.communities.

During the 2012 fiscal year, Danone's financial contribution to the danone.communities projects totaled €4.7 million (compared to a maximum amount of €5 million set by the Company's Board of Directors on February 14, 2012). With respect to fiscal year 2013, at its meeting on February 18, 2013, the Company's Board of Directors, upon recommendation of the Social Responsibility Committee, reduced the Company's maximum annual financial contribution by €1.2 million, setting it at to €3.8 million. This reduction reflects the intention to focus on the consolidation of existing projects in 2013, with no major new projects expected at this stage.

The employees of the Company and its French subsidiaries also participate in the danone.communities project by investing in the SICAV through the danone.communities employee savings mutual fund (*Fonds Commun de Placement d'Entreprise – FCPE*) as part of the Group savings plan. As of December 31, 2012, approximately 27.5% of the Group's employees in France had subscribed the danone.communities FCPE for a total amount of €10.5 million (a +9.1% increase relative to 2011).

Projects supported by the danone.communities FCPR

Since its creation, the danone.communities FCPR has carried out eight investments, including one new project in 2012: JITA in Bangladesh.

In accordance with the danone.communities Governance Charter, the Company's Social Responsibility Committee is consulted prior to each investment by the danone.communities FCPR and issues an opinion as to its compliance with this charter.

In 2012, the Group decided to invest alongside the danone.communities FCPR directly in the capital of three projects in order to ensure the viability and sustainability of each of the projects: Grameen Danone Foods Limited in Bangladesh, Laiterie du Berger in Senegal and NutriGo in China.

Under the terms of its internal rules of procedure, the Company's Social Responsibility Committee must prevent potential conflicts of interest involving links between social investments and the rest of the Group's activities. The Committee must also regularly reassess the terms of the danone.communities Governance Charter in the light of past experience, and taking account of the development of issues and opportunities relating to the implementation of the Group's mission and that of the danone.communities FCPR.

In that context, the Social Responsibility Committee amended the danone.communities Governance Charter in order to restrict the conditions under which the Company may invest, directly or indirectly, in companies in which the danone.communities FCPR has invested. Co-investments can be made only if they: (i) comply with Danone's corporate purpose, (ii) are of a nature to strengthen the mission, governance and sustainability of the companies concerned and (iii) are made in agreement with the shareholders of these companies. Each co-investment is subject to prior review by the Social Responsibility Committee, which gives an opinion as to its compliance with these requirements.

Are described hereafter the eight projects in which the danone.communities FCPR (and, for three of them, the Group) invested.

Grameen Danone Foods Ltd., Bangladesh

The danone.communities FCPR made its first investment in Grameen Danone Foods Ltd., a company created in 2006 in Bangladesh at the initiative of Grameen Bank and the Group.

Grameen Danone Foods Ltd. is a social business that built a factory for manufacturing micronutrient-fortified (vitamin A, zinc, iron and iodine) yogurts. Sold at a very affordable price to the poorest families by "Grameen Ladies" and in small retail stores, these yogurts make it possible to combat children's nutritional deficiencies. In addition to its beneficial health impact, the project also aims to create local jobs so as to increase living standards in the community, protect the environment and save resources.

An approximately €2,225 million capital increase was completed in October 2012 by Grameen Danone Foods Ltd. to finance the launch of new products and the future expansion of the company. Given the local political environment, it was not possible to find new investors willing to participate in this capital increase. In October 2012, the Group therefore agreed to participate to the capital increase with a capital contribution of around €1.5 million.

As of December 31, 2012, the Group's aggregate investment in Grameen Danone Foods Ltd. (*i.e.* the initial investment of €0.675 million at the time of the company's incorporation plus the participation in the €1.5 million capital increase in October 2012) totals approximately €2.175 million, which represents 39.9% of Grameen Danone Foods Ltd.'s share capital.

As of December 31, 2012, the FCPR had invested a total of approximately €1.4 million in Grameen Danone Foods Ltd. (including a new investment of €0.45 million in October 2012).

The other shareholders of the company include various entities of the Grameen group and Grameen Crédit Agricole Microfinance Foundation.

1001 Fontaines, Cambodia

1001 Fontaines gives isolated villages in Cambodia access to a clean drinking water system so that their inhabitants can avoid drinking surface water, which is the cause of a high infant mortality rate and diarrhea-related illnesses. 1001 Fontaines uses an ultraviolet treatment process powered by solar energy that makes it possible to kill off bacteria present in the surface water and render it drinkable at a lesser cost.

The danone.communities FCPR supports this project through an investment in the company UV+Solaire, in the form of a €51,000 subscription to a capital increase and a €99,000 shareholder current account.

At end-2012, this project was operating in 60 Cambodian villages giving access to drinking water to approximately 100,000 people.

La Laiterie du Berger, Senegal

La Laiterie du Berger is a Senegalese social business created in 2005 to help improve the situation of Peuls herders by providing them with a source of fixed income.

In Senegal, imported milk in powder form accounts for the bulk of consumption, even though a significant portion of the population lives traditionally raising animals and is therefore capable of producing milk. La Laiterie du Berger manufactures products (mainly yogurts and "*crème fraîche*") made from fresh milk collected locally from Peuls herders. These products are then sold at competitive prices on the Senegalese market. The company also supplies the farmers with feed for their farm animals and offers training to improve farms' productivity.

The investment made by the danone.communities FCPR in La Laiterie du Berger totaled around €1.205 million.

At the request of all shareholders and in order to ensure the sustainability of the company, the Group agreed to acquire a 20.40% equity interest in La Laiterie Du Berger, with an investment totaling €1.4 million in connection with a capital increase carried out in November 2012.

At that time, the Group also became a party to the shareholders' agreement, entered into by all shareholders, which provides that the purpose of La Laiterie du Berger is to achieve economic sustainability and have a positive social impact on its environment. The agreement defines principles and specific and quantifiable commitments, notably with respect to (i) increasing and securing the annual income of the farmers, (ii) training, (iii) the development of a local dairy production chain, (iv) lower production costs enabling the marketing of products offering the best mix of price, quality and nutritional contributions in an environment marked by malnutrition and economic fragility and (v) the proportion of sales corresponding to fortified products targeting the most fragile populations.

Isomir, France

Financed by the danone.communities FCPR in 2010, Isomir ("Industrialisation Solidaire en Milieu Rural") supports small farmers in France developing their businesses through direct farm marketing, by providing production facilities (poultry slaughtering, meat, fruit and vegetable and dairy processing) for local sale (direct sales, collective catering, etc.).

Isomir provides small farmers with turnkey production facilities, advice and services to start up and launch their business (regulatory training, technical support, marketing advice, etc.) as well as with a financial partnership (through direct investment in the financing of the business, with the remainder financed by loan provided by traditional banking institutions). This project seeks (i) to combat the weakening of the farming business, (ii) preserve and create agricultural jobs, (iii) strengthen social cohesion in rural and non-urban areas and (iv) build a bridge between agriculture and the rest of society.

The FCPR participated in the establishment of Isomir with an equity investment of €100,000.

Naandi Community Water Services, India

Financed by the danone.communities FCPR in 2010, Naandi Community Water Services was created through an initiative of the Indian foundation Naandi in 2006 to provide very low cost drinking water to village communities in India.

The water treatment and distribution systems were installed in more than 400 villages by Naandi Community Water Services. The installation, maintenance and technical operation of the installations are ensured by the company's staff, but are managed directly in the villages by people who have been specially recruited and trained.

The danone.communities FCPR participated in the creation of the company through an investment totaling around €1.6 million, which has been fully paid as of December 31, 2012.

El Alberto, Mexico

The danone.communities FCPR's sixth investment, made in 2011, concerns the El Alberto project, which is the result of a partnership between the Porvenir Foundation, HOD Mexico, the Mexican government and danone.communities. Its objective is to give the indigenous communities in the El Alberto region of Mexico access to clean and inexpensive water.

The danone.communities FCPR has invested around €78,500 in equity and around €193,000 in convertible bonds (*i.e.* a total investment of around €271,500) in this project.

Nutrigo, China

The FCPR's seventh investment concerns the Nutrigo project, implemented in partnership, notably with the non-governmental organization Shanghai NPI Social Innovation Development Center, a major player in social innovation and social entrepreneurship in the People's Republic of China.

This project, which was launched in 2011, seeks to:

- market YingYangBao, a powdered food supplement that provides children with key nutrients (notably proteins, vitamins, iron and calcium), in the economically disadvantaged rural areas of China whose people suffer from chronic malnutrition; and
- provide stronger nutritional education to local populations.

It is expected that the danone.communities FCPR will invest a maximum of around €900,000 in the Nutrigo project over the next years.

At the end of 2011, danone.communities was not able to enter into the partnership agreement contemplated at the beginning of the project with the previously identified potential local partners. Therefore in 2012, the Group (though its Chinese subsidiary Danone Baby Nutrition (HK) Ltd) agreed to invest in the project and become a shareholder in Nutrigo in order to enable the launch of the project, pending a long-term solution. The Group therefore plans to invest €793,000 in the project, which represents 43.65% of Nutrigo's share capital.

JITA, Bangladesh

The FCPR's eighth investment, made in January 2012, concerns JITA, a women-operated rural distribution network for basic products in Bangladesh.

It is an extension of "Rural Sales," which was launched by the non-governmental organization CARE Bangladesh in 2004 and seeks to create and develop a women-operated rural distribution network of basic products.

The objective is to largely increase the number of "sales ladies" working with JITA (they were 2,580 in 2011), by carving out a social business from CARE Bangladesh. Its objectives are to (i) create job opportunities for several thousand women living in fragile economic conditions, (ii) enable the establishment of distribution points in rural areas, (iii) make basic products and services available to numerous Bangladeshis, and to (iv) enable companies to access the rural market. JITA therefore seeks to promote a sustainable, rural sales model and to develop a rural company network thanks to greater access to the market and services.

The danone.communities FCPR invested a total of €0.6 million in the project in 2012.

Danone Ecosystem Fund (Fonds Danone pour l'Ecosystème)

At the April 23, 2009 Shareholders' Meeting, shareholders approved the proposed creation the Danone Ecosystem Fund, with 98.36% of shareholders casting ballots in favor.

Description of Danone Ecosystem Fund

The fund is governed by the provisions of the French Law of August 4, 2008 and is run by a board of directors. Furthermore, a steering committee, composed of representatives of the Danone Group and non-Group members, establishes the fund's major strategic guidelines, especially with regard to priorities and resource allocation principles, as presented by the fund's board of directors.

The purpose of the fund is to strengthen and develop activities of public interest within the Danone ecosystem. Together with non-profit organizations, the fund supports economic initiatives of certain Danone constituents (farmers, suppliers, local authorities, economic agents located close to plants, small distributors, etc.) in order to strengthen the

Company's ecosystem, promote job creation and develop micro-entrepreneurship.

Contributions from the Group to Danone Ecosystem Fund

Under the terms of the resolution approved by the April 23, 2009 Shareholders' Meeting, the Company made a free and irrevocable capital endowment of €100 million into the fund in 2009.

In addition to this capital endowment, every year, for a five-year period beginning in 2009, the Company and its subsidiaries may also make supplementary annual endowments totalling up to 1% of the Danone underlying net income per year.

Acting upon the recommendation of Danone's Social Responsibility Committee, Danone 's Board of Directors therefore approved:

- for the 2009 fiscal year, an overall annual supplementary contribution of €1.4 million (representing approximately 0.1% of the Group's 2009 underlying net income);
- for the 2010 fiscal year, an overall annual supplementary contribution of €1.4 million (approximately 0.07% of the Group's 2010 underlying net income);
- for the 2011 fiscal year, an overall annual supplementary contribution of €0.9 million (approximately 0.05% of the Group's 2011 underlying net income).

At its February 18, 2013 meeting, Danone's Board of Directors decided not to grant an annual supplementary contribution for the 2012 fiscal year.

The fund does not have any employees and the management of the fund's activities (administrative, accounting, financing and legal services) is ensured by dedicated employees of Danone in accordance with the terms of a services agreement between Danone and the fund. Until 2011, Danone provided these services free of charge in the context of the overall annual contribution (which was paid partly in cash and partly through the bearing of salaries and travel expenses of employees of the Group allocated to the fund). In 2012, the amount of salaries and travel expenses of employees of the Group allocated to the fund was recharged to the Group, for the portion exceeding the overall annual contribution decided by Danone's Board of Directors, which represents a total invoiced amount of €0.7 million. In 2013, Danone will recharge to the fund the entire amount of salaries and travel expenses of employees of the Group allocated to the activities of the fund. Those costs are recharged based on duly justified piece of evidence provided by the Group to the Fund.

Projects supported by Danone Ecosystem Fund

Since its creation, the fund's board of directors had approved 46 projects including ten new projects in 2012. These projects are selected in accordance with the fund Governance Charter and after a review on the basis of the following five criteria:

- economic viability of activity being funded;
- creation of social value;
- possibility of developing or replicating the initiative;
- innovative character; and
- differentiation opportunities.

The projects are initiated by Group subsidiaries around the world, both in developed and emerging market countries. Of the 43 active projects as of December 31, 2012, 12 projects were located in Western Europe, 10 in America, 7 in Central and Eastern Europe, 10 in Asia and 4 in Africa and the Middle East.

The fund supports initiatives that fall into five main thematic categories:

- supplies: supporting milk and fruits productions on territories where Danone operates, by developing particularly small producers (reinforcement or acquisition of new competencies, technical solutions, access to the credit, etc.) (19 active projects, or 4 more than in 2011, which represent €16 million committed by the fund as of December 31, 2012);
- micro-distribution: provide job insertion for people who are struggling in the job market by creating new distribution channels for mass market consumer products, and/or local products with high nutritional value (7 active projects as in 2011, and €5 million committed by the fund as of December 31, 2012);
- recycling: collecting PET and helping to organize the work of associations providing support to communities of distressed individuals (*chiffonniers*) and by improving their quality of life and that of their family (4 active projects as in 2011 and €4 million committed by the fund as of December 31, 2012);
- services to individuals: in connection with nutrition, develop the professional skills of participants in the personal services sector (8 active projects, or 4 more than in 2011, and €4 million committed by the fund as of December 31, 2012);
- local development: contribute to social development at the local and regional levels where the Group's plants are located through local economic initiatives (5 active projects, or 1 more than in 2011, and €5 million committed by the fund as of December 31, 2012).

Projects are being implemented through non-profit organizations selected by the fund (e.g. associations, international organizations, etc.). They are subject to contracts entered into the fund and the selected partner, which define detailed rules for their implementation (description, timetable, payment schedule, partner's responsibility, performance indicators of the project, project governance, etc.).

The fund's board of directors ended two projects in 2011 and one in 2012, each time for different reasons (lack of viability, partner's decision to not implement the project or inconclusive feasibility study). There are therefore, as of December 31, 2012, 43 active projects.

At this date, the total amount committed by the fund (*i.e.* amounts paid by the fund to the partner organizations as well as amounts the fund has committed to pay under the terms of agreements entered into with the partners) was €34 million for all of the projects.

Livelihoods

Creation of Livelihoods fund

Livelihoods fund is an investment fund dedicated to ecosystem and carbon assets restoration and created on Danone's initiative. It is a Luxembourg mutual fund (*Société d'Investissement à Capital Variable – specialized investment fund*) founded on December 15, 2011.

Livelihoods fund seeks to invest in three types of projects that fulfill both environmental and social criteria in Africa, Asia and Latin America: (i) the restoration and preservation of natural ecosystems, (ii) agroforestry and soils restoration through sustainable agricultural practices and (iii) rural energy access to limit deforestation. Livelihoods fund also seeks to have a significant impact on local communities (food security, development of new revenues, etc.) and on the environment.

The initial term of the fund is 24 years, the life span of a project being around 20 years.

The creation of Livelihoods fund is part of the Group's goal of reducing its carbon and environmental footprint through the development of offset actions that enable carbon credits to be earned through projects with a high environmental and social impact.

Group's and co-investors' investments in Livelihoods fund

As the fund's sponsor, Danone brought together an initial investor group comprising the Crédit Agricole (Crédit Agricole CIB and Delfinances), CDC Climat and Schneider Electric Industries groups. In 2012, other groups have joined Livelihoods fund: la Poste, Hermès International and Voyageurs du Monde.

By inviting co-investors to participate in the fund which results in an increase in amounts invested in the fund, Danone is able to limit the project-related risks through diversification over a greater number of projects, achieve economies of scale, and benefit from complementary expertise and know-how.

As of December 31, 2012, the investors have pledged to invest a total of €26.35 million, of which €10.4 million have already been disbursed. On these amounts, the Group has committed to pay €10 million, of which €4.4 million have been disbursed as of December 31, 2012.

The carbon credits generated by the projects developed by Livelihoods fund will be certified in accordance with best practices and allocated to investors *pro rata* to their investment. Investors will be able to use these credits to offset their carbon emissions or sell the credits on the market.

Livelihoods fund's investments

As of December 31, 2012, Livelihoods fund manages six projects. The first five were initiated by Danone until December 2011, and have been transferred to the fund when created. An additional project was launched by the fund during 2012: Hifadhi project.

The projects are as follow:

- Océanium: mangrove plantations in Senegal (7,700 hectares);
- Nature Environment & Wildlife Society: mangrove plantations in India (6,000 hectares);
- Yagusa Aceh: mangrove plantations in Indonesia (5,000 hectares);
- Naandi Foundation: agroforestry in India (6,000 hectares);
- Novacel: agroforestry in Democratic Republic of the Congo (2,400 hectares); and
- Hifadhi: project of small rural energy and communal reforestation in Kenya.

Subsequent events

Presentation by Danone of the organizational part of its plan for savings and adaptation in Europe

Danone announced on December 13, 2012, the preparation of a cost reduction and adaptation plan to win back its competitive edge in order to address a lasting downturn in the economy and the consumer trends in Europe (see section 3.1 *Business highlights in 2012*). On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe (see section 3.5 *Outlook for 2013*).

Share capital and share ownership

8

8.1 Share capital

Share capital as of February 28, 2013

As of February 28, 2013, the Company's share capital amounted to €158,590,500, fully paid in, and divided into 634,362,000 shares of the same class with a nominal value of €0.25 per share. Each share gives a right to ownership of a proportion of the Company's assets, profits and liquidation surplus, based on the percentage of share capital that it represents.

Changes in share capital in the last five fiscal years

The Company's share capital changed in the last five fiscal years as follows:

					As of December 31
	2008	**2009**	**2010**	**2011**	**2012**
Capital					
Share capital *(in €)*	128,450,536	161,747,713	161,980,460	160,561,643	160,790,500
Number of issued shares	513,802,144	646,990,850	647,921,840	642,246,573	643,162,000

The changes in the Company's share capital in the last five fiscal years are the result of the transactions described hereafter:

Effective date of the transaction	**Shares created/ (cancelled) by the transaction** *(number of shares)*	**Transaction type**	**Nominal amount of the transaction** *(in €)*	**Amount of capital after the transaction** *(in €)*	**Shares making up the share capital after the transaction** *(number of shares)*
May 5, 2008	950,684	Capital increase reserved for employee members of a company savings plan	237,671.00	128,450,536	513,802,144
April 23, 2009	(1,844,442)	Capital decrease by cancellation of shares	(461,111.50)	127,989,426	511,957,702
May 7, 2009	580,040	Capital increase reserved for employee members of a company savings plan	145,010.00	128,134,436	512,537,742
May 25, 2009	11,216,756	Capital increase for the payment of the dividend in shares	2,804,189.00	130,938,625	523,754,498
June 25, 2009	123,236,352	Capital increase	30,809,088.00	161,747,713	646,990,850
May 6, 2010	930,990	Capital increase reserved for employee members of a company savings plan	232,747.50	161,980,460	647,921,840
May 5, 2011	939,160	Capital increase reserved for for employee members of a company savings plan	234,790.00	162,215,250	648,861,000
December 13, 2011	(6,614,427)	Capital decrease by cancellation of shares	(1,653,606.75)	160,561,643	642,246,573
May 11, 2012	915,427	Capital increase reserved for employee members of a company savings plan	228,856.75	160,790,500	643,162,000
February 18, 2013	8,800,000	Capital decrease by cancellation of shares	(2,200,000.00)	158,590,500	634,362,000

Shares not representing share capital

The Company has not issued shares not representing share capital.

8.2 Treasury shares and DANONE call options held by the Company and its subsidiaries

Authorization granted to the Company to repurchase its own shares

The Board of Directors may purchase the Company's shares, subject to limits and conditions set forth by law, and in particular subject to authorization by the Shareholders' Meeting.

The Shareholders' Meeting of April 26, 2012 therefore authorized the Board of Directors, for an 18-month period, to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company at a maximum purchase price of €65 per share. This authorization cancelled and replaced the authorization previously granted by the Shareholders' Meeting of April 28, 2011.

In addition, the Board of Directors will submit to the Shareholders' Meeting to be held on April 25, 2013, a new authorization valid for 18 months, which will supersede the authorization granted by the Shareholders' Meeting of April 26, 2012, to repurchase an amount of the Company's shares representing a maximum of 10% of the share capital of the Company (*i.e.*, for indicative purposes only, 63,436,200 shares as of February 28, 2013, representing a maximum potential purchase amount of €4,123,353,000) at a maximum purchase price of €65 per share.

Subject to approval of the authorization by the Shareholders' Meeting of April 25, 2013, the purchase of the Company's shares may be executed for the purposes of:

- the allocation of shares following the exercise of stock-options by employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of acquisitions;
- the cancellation of shares within the maximum legal limit;
- supporting the market for the shares pursuant to a liquidity contract concluded with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority (*Autorité des marchés financiers)*.

Share repurchases may, within the limits permitted by the regulations in force, be carried out, in whole or in part, as the case may be, by acquisition, sale, exchange or transfer, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF), through a systematic internalizer or over-the-counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed through this means). These means include the use of any financial contract or forward financial instrument (including in particular any future or any option), except the sale of put options, in the conditions set out in the applicable regulations.

These transactions may be carried out during an 18-month period beginning April 25, 2013, with the exception of periods during which a public tender offer for the Company's securities has been made, within the limits indicated in the applicable regulations.

Authorization to cancel shares and to reduce the share capital following the purchase by the Company of its own shares

The Shareholders' Meeting of April 28, 2011 granted an authorization to the Board of Directors for 24 months to cancel shares acquired in the context of a share repurchase program subject to a limit of 10% of the existing share capital as of the day of the Meeting.

This authorization was not used during 2012.

Pertaining to this authorization, on February 18, 2013, the Board of Directors decide to cancel 8.8 million shares, representing around 1.4% of the share capital, and which were previously earmarked for cancellation.

The Board of Directors will submit to the Shareholders' Meeting to be held on April 25, 2013, a new authorization valid for 24 months, which will supersede with effect from its adoption the authorization granted by the Shareholders' Meeting of April 28, 2011, to reduce the share capital by cancelling, on one or more occasions, within the limit of 10% of the share capital on the date of the Meeting (per 24-month periods), all or some of the shares that the Company holds or could acquire under the terms of share repurchase authorizations granted by the Shareholders' Meeting (see section above).

DANONE call options held by the Company

Purchase of DANONE call options by the Company

On October 25, 2011, within its share buyback program, the Company acquired DANONE call options to hedge part of the stock-options granted to certain of its employees and executive directors and officers and still in force, as a substitute for their existing hedge by treasury shares held.

Prior to this date, in order to satisfy its legal obligations, Danone held treasury shares specifically allocated to hedge these stock-option plans. These treasury shares were earmarked for gradual release into circulation on the market as and when beneficiaries exercised stock-options until the expiry of the plans still in force, *i.e.* until October 2017. In order to limit the dilutive effect of the exercise of these options, in 2011 Danone decided to hedge part of these stock-options by the acquisition of DANONE call options, as a substitute for the treasury shares held.

A total of 6.6 million DANONE call options representing around 1.02% of the share capital were thus acquired from a financial institution. The Company's intention is to exercise these call options at any time until the expiry of the stock-option plans in force, in order to comply with its commitments to deliver shares to stock-option holders.

The 6.6 million treasury shares held until then to hedge the stock-options concerned were reallocated with a view to their cancellation and were subsequently cancelled on December 13, 2011.

DANONE call options held by the Company as of December 31, 2012

(number of options)	As of December 31, 2011	Movements during the period			As of December 31, 2012
		Purchases	Matured options	Options exercised	
DANONE call options	6,051,385	-	-	1,762,751	4,288,634

As of December 31, 2012, the Company held DANONE call options representing 0.7% of the Company's share capital.

Open positions in equity derivatives on the Company's shares as of December 31, 2012

Open positions in equity derivatives on the Company's shares as of December 31, 2012 were as follows:

	Open long positions		Open short positions	
	Call options purchased	Forward purchases	Call options sold	Forward sales
Number of shares	4,288,634	0	0	0
Weighted maximum average maturity	June 18, 2015	N/A	N/A	N/A
Weighted average exercise price *(in €)*	38.79	N/A	N/A	N/A

These open positions on DANONE call options held by the Company as of December 31, 2012 are detailed as follows:

Board of Directors' meeting authorizing the hedged stock-option plans [(a)]	04/22/05	08/05/05	10/18/05	04/27/06	10/21/08	04/23/09	10/20/09
DANONE call options hedging stock-option plans	975,465	900	10,791	1,323,900	20,089	1,941,995	15,494
Expiry date of DANONE call options hedging stock-option plans	04/22/13	07/20/13	10/18/13	04/26/14	10/20/16	04/22/17	10/19/17
Exercise price of DANONE call options hedging stock-option plans *(in € per share)*	35.43	38.95	42.53	46.92	43.71	34.85	40.90

(a) Stock-option plans granted to certain employees and executive directors and officers are detailed in sections 6.10 *Compensation and benefits paid to executives* and 7.3 *Other information related to the Group social, societal and environmental responsibility.*

As previously described, these DANONE call options are held for the purpose of hedging a part of the stock-option plans.

Transactions on Company shares in 2012 and situation as of December 31, 2012

During the fiscal year 2012, the Group carried out the following transactions in DANONE shares:

- the repurchase of 14,198,005 shares for the purpose of acquisitions for an amount of €701 million (including 6,110,039 shares in order to offset the dilutive effect resulting from the contribution of the same number of shares – described hereafter) carried out by investment services providers acting independently within the framework of the Company's share buyback program;
- the delivery of a total of 6,110,039 DANONE treasury shares as remuneration for part of the acquisition of the shares of Danone Spain from that subsidiary's minority shareholders (see Notes 21 and 26 of the Notes to the consolidated financial statements); and
- the repurchase of 138,103 shares through the exercise of DANONE call options, subscribed for the purpose of hedging expired stock-options granted to employees and executive directors and officers.

The changes in treasury shares in terms of transactions and use during 2012 and detailed depending on the Company's purposes were as follows:

(number of shares)	As of December 31, 2011	Movements during the period				As of December 31, 2012
		Purchases [a] [b]	Other transactions	Reallocations [a]	Exercise of stock-options [a]	
Acquisitions	28,709,125	14,198,005	(6,110,039)	(5,293,672)	-	31,503,419
Hedging of stock-options and Group performance shares	7,116,335	138,103	-	493,672	(300)	7,747,810
Cancellations	-	-	-	4,800,000		4,800,000
Treasury shares	**35,825,460**	**14,336,108**	**(6,110,039)**	**-**	**(300)**	**44,051,229**
Shares held by Danone Spain	5,780,005	-	-	-	-	5,780,005
Total shares held by the Group	**41,605,465**	**14,336,108**	**(6,110,039)**	**-**	**(300)**	**49,831,234**

(a) Purchases and allocations made as part of authorizations given by the Shareholders' Meeting.
(b) Purchases allocated to hedge stock-options were made by exercising DANONE call options.

The average price of DANONE shares repurchased during 2012 was €48.97 per share for shares repurchased by independent investment services providers and €31.79 per share (exercise price of options, excluding premium paid) for shares repurchased through the exercise of DANONE call options. Transaction expenses during this period totaled €1.4 million.

As of December 31, 2012, the Company held 44,051,229 treasury shares, which represented 6.8% of its share capital (and a nominal value of €11,012,807) and had a gross purchase value of €2,007 million.

Use of the share repurchase authorizations granted by the Shareholders' Meeting and in force as of December 31, 2012

Date of Shareholders' Meeting having authorized the repurchase program	Purpose of repurchase	Shares repurchased *(number of shares)*	Total value of shares repurchased *(in €)*
April 28, 2011	Acquisitions	2,999,770	149,999,914
April 28, 2011	Hedging of stock-options and Group performance shares	563,042	18,200,844
April 26, 2012	Acquisitions	14,198,005	695,222,870
April 26, 2012	Hedging of stock-options and Group performance shares	296,584	11,555,741

Company shares held by the Company and its subsidiaries as of February 28, 2013

Company shares held by the Company and its subsidiaries as of February 28, 2013 are presented broken down by Company's purposes as follows:

(number of shares)	As of February 28, 2013
Acquisitions	26,554,153
Hedging of stock-options and Group performance shares	7,747,810
Cancellation	250,000
Shares held by the Company	**34,551,963**
Shares held by Danone Spain	**5,780,005**
Total shares held by the Group	**40,331,968**

Based on the closing price of the Company's share on February 28, 2013 (*i.e.* €53.19 per share), the market value of the Company's shares held as of that date by the Group (excluding shares earmarked for cancellation) amounted to €2,132 million. A 10% rise or fall in the Company's share price would result in a €213 million increase or decrease, respectively, in the market value of the Company's shares held by the Group.

As of February 28, 2013, the Company held 3,883,477 DANONE call options, relating to the same number of shares, representing around 0.61% of its share capital (see section above). Taking into account these shares, as of February 28, 2013, the Group held, directly or through these call options, a total of 44,215,445 shares, *i.e.* around 6.97% of its share capital.

8.3 Authorization to issue securities that give access to the share capital

Existing authorizations to issue ordinary shares and securities giving access to the Company's share capital as of December 31, 2012

The Shareholders' Meeting regularly grants to the Board of Directors authorizations to increase the share capital of the Company through the issuance of ordinary shares or securities giving access to the Company's share capital.

Main maximum issue amounts

The main maximum amounts applicable to issuance authorizations granted by the Shareholders' Meeting to the Board of Directors and still valid as of December 31, 2012 are as follows:

Non-dilutive issues

The maximum nominal amount for the issuance of ordinary shares and securities giving access to the share capital, with preferential subscription rights, is €56.5 million (following the renewal of the authorization by the Shareholders' Meeting of April 28, 2011) representing a maximum of 226 million new shares to be issued (or around 35.1% of the total share capital as of December 31, 2012).

Dilutive issues

The maximum nominal amount for the issuance of ordinary shares and securities giving access to the share capital, without preferential subscription rights (but with the obligation for the Board of Directors to grant a priority right to the shareholders of the Company) is €37.8 million, representing a maximum of 151.2 million new shares to be issued (or around 23.5% of the total share capital as of December 31, 2012), it being noted the Board of Directors undertook not to use the authorizations relating to dilutive issuances, on an individual or combined basis, that would result in exceeding a maximum amount of 15% of the share capital.

A summary of the financial authorizations valid as of December 31, 2012 is provided hereafter.

Shares subject to performance conditions plans

Allocations in 2012

The Shareholders' Meeting of April 26, 2012, in its thirteenth resolution, authorized the Board of Directors to grant, on one or more occasions, shares subject to performance conditions (Group performance shares – GPS), being either existing shares or shares to be issued by the Company. The number of existing or new shares allocated may not exceed 0.4% of the Company's share capital (as of the close of such Meeting), *i.e.* 2,568,986 shares.

During 2012, based on this authorization, the Board of Directors decided to grant a total of 784,312 Group performance shares (*i.e.* 780,912 GPS at its July 26, 2012 meeting and 3,400 GPS at its October 23, 2012 meeting), representing around 0.12% of the share capital.

As of December 31, 2012, for all ongoing plans, there are 1,991,001 GPS granted but not yet transferred to their beneficiaries, which represent around 0.31% of the share capital.

The various ongoing GPS plans as of December 31, 2012, the performance conditions applicable to these GPS, the review of the achievement of these performance conditions by the Board of Directors as well as the movements of the 2012 fiscal year are described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

Stock purchase or subscription option plans

Stop of stock-options grants since the Shareholders' Meeting of April 22, 2010

Pursuant to a decision of the Shareholders' Meeting of April 22, 2010, the Group no longer grants stock purchase options (stock-options) and/or stock subscription options. Indeed, it was decided that the authorization to grant shares subject to performance conditions cancelled, for the portion not yet used by such date, the authorization granted by the Shareholders' Meeting of April 23, 2009, to allocate stock purchase options (stock-options) and/or stock subscription options.

Outstanding stock-option plans as of December 31, 2012

As of December 31, 2012, 9,866,231 of these stock-options could still be exercised by their beneficiaries.

The outstanding stock-option plans, their main terms as well as the movements of the 2012 fiscal year are described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.

Summary of financial authorizations valid as of December 31, 2012

The existing authorizations for the issuance of ordinary shares and securities giving access to the share capital, with or without preferential subscription rights, approved by the Shareholders' Meetings of April 28, 2011 and April 26, 2012 are summarized in the following table:

Authorization type	Authorization date	Expiry date	Authorized maximum amounts: Ordinary shares *(nominal amount of issue)*	Securities giving access to the capital	Used in 2011 *(nominal amount)*	Used in 2012 *(nominal amount)*	Balance available at December 31, 2012 *(nominal amount)*
Non-dilutive issues (with shareholders' preferential subscription rights)	April 28, 2011 (26 months)	June 28, 2013	€56.5 million [a] (approximately 35.1% [b] of the capital)	Joint maximum amount of €2 billion	-	-	€56.5 million
Dilutive issues (with cancellation of shareholders' preferential subscription rights, but with the obligation to grant priority rights)	April 28, 2011 (26 months)	June 28, 2013	€37.8 million [a] [c] (approximately 23.5% [b] of the capital), forming part of the maximum amount of €56.5 million of non-dilutive issues above		-	-	€37.8 million
Dilutive issue (public exchange offer initiated by the Company)	April 28, 2011 (26 months)	June 28, 2013	€24 million [c] (approximately 14.9% [b] of the capital), forming part of the joint maximum amount of €37.8 million for the dilutive issues above		-	-	€24 million
Dilutive issue (contributions in kind to the Company)	April 28, 2011 (26 months)	June 28, 2013	10% of the capital [c] forming part of the joint maximum amount of €37.8 million for the dilutive issues above	-	-	-	10% of the capital
Capital increase by incorporation of reserves, earnings or premium	April 28, 2011 (26 months)	June 28, 2013	€41.6 million (approximately 25.9% [b] of the capital)	-	-	-	€41.6 million
Authorization in favor of Group employees and/or officers: Capital increase reserved for members of a company savings plan and/or reserved transfers of securities	April 28, 2011 (26 months)	June 28, 2013	€3.7 million (or approximately 2.3% [b] of the capital), forming part of the maximum amount of €37.8 million of dilutive issues above	-	€234,790 [d]	€228,856.75	€3.5 million [e]
Authorization in favor of Group employees and/or officers: Grant of Group performance shares	April 28, 2012 (26 months)	June 26, 2014 [f]	0.4% of the share capital as of closure of the Shareholders' Meeting [f]	-	-	784,312 shares granted [g] (approximately 0.12% [h] of the capital)	Around 0.28% [h] of the capital

(a) For issues resulting from cash subscriptions, the Board of Directors may increase the number of securities to be issued within the limit of 15% of the initial issues and at the same price. This option available to the Board shall not have the effect of increasing the respective maximum amounts set out in the two authorizations.
(b) This percentage is calculated for indicative purposes only on the basis of the share capital as of December 31, 2012.
(c) The Board of Directors has undertaken that no use shall be made in respect of these dilutive issuance authorizations, on an individual or combined basis, that would result in exceeding a maximum amount of 15% of the share capital.
(d) The capital increase reserved for Group employees decided by the Board of Directors on February 14, 2011 and implemented in May 2011 used the authorization approved by the Shareholders' Meeting held on April 23, 2009 (and not the authorization approved by the Shareholders' Meeting held on April 28, 2011).
(e) The nominal amount of the new capital increase reserved for the Group's employees, decided by the Board of Directors of February 18, 2013 and to be completed in May 2013, will be deducted from this amount.
(f) This financial authorization will expire at the Shareholders' Meeting of April 25, 2013, subject to the approval by the Shareholders' Meeting of the 19th resolution (see sections 9.2 *Draft resolutions presented at the Shareholders' Meeting* and 9.3 *Comments on the resolutions submitted to the Shareholders' Meeting*.
(g) See section 7.3 *Other information related to the Group social, societal and environmental responsibility* with respect to the review of the achievement of the performance conditions related to these grants.
(h) This percentage is calculated on the basis of the share capital noted on closure of the Shareholders' Meeting held on April 22, 2012.

Financial authorizations subject to approval by the Shareholders' Meeting

The Shareholders' Meeting of April 25, 2013 is called to renew the authorizations to issue ordinary shares and securities giving access to the share capital, with or without preferential subscription rights, under the following terms and conditions:

			Authorized maximum amounts	
	Authorization date	**Expiry date**	**Ordinary shares** *(nominal value of issue)*	**Securities giving access to the capital**
Non-dilutive issues (with shareholders' preferential subscription rights)	April 25, 2013 (26 months)	June 25, 2015	€55.3 million (approximately 34.9%[a] of the capital)	Joint maximum amount of €2 billion
Dilutive issues (with cancellation of shareholders' preferential subscription rights, but with the obligation to grant priority rights)	April 25, 2013 (26 months)	June 25, 2015	€23.6 million[b] (approximately 14.9%[a] of the capital), forming part of the maximum amount of €55.3 million of non-dilutive issues above	
Dilutive issue (public exchange offer initiated by the Company)	April 25, 2013 (26 months)	June 25, 2015	€15.7 million (approximately 9.9%[a] of the capital), forming part of the joint maximum amount of €23.6 million for the dilutive issues above	
Dilutive issue (contributions in kind to the Company)	April 25, 2013 (26 months)	June 25, 2015	10% of the capital forming part of the joint maximum amount of €23.6 million for the dilutive issues above	-
Capital increase by incorporation of reserves, earnings or premiums	April 25, 2013 (26 months)	June 25, 2015	€40.7 million (approximately 25.7%[a] of the capital)	-
Capital increase reserved for members of a company savings plan and/or reserved transfers of securities	April 25, 2013 (26 months)	June 25, 2015	€3.1 million (or approximately 2%[a] of the capital), forming part of the maximum amount of €23.6 million of dilutive issues above	-
Grant of shares subject to performance conditions	April 25, 2013	December 31, 2013	0.2% of the share capital as of closure of the Shareholders' Meeting, forming part of the joint maximum amount of €23.6 million for the dilutive issues above	-

(a) This percentage is calculated for indicative purposes only on the basis of the share capital as of February 28, 2013.
(b) For dilutive issues resulting from cash subscriptions, the Board of Directors may increase the number of securities to be issued within the limit of 15% of the initial issues and at the same price. This option available to the Board shall not have the effect of increasing the maximum amount set out in this authorization.

These draft resolutions are presented in sections 9.2 *Draft resolutions presented at the Shareholders' Meeting* and 9.3 *Comments on the resolutions submitted to the Shareholders' Meeting.*

Changes in share capital and in the rights associated with the shares

Any changes in the share capital or the rights attached to the securities comprising the share capital are subject to applicable legal provisions, as the by-laws do not contain any specific provisions related thereto.

8.4 Financial instruments not representing capital

At the Combined Shareholders' Meeting of April 23, 2009, it was decided to delete Article 27.I.9 of the Company's by-laws (which reserved the authority to decide on or authorize bond issuances to the Shareholders' Meeting), in order to recognize the Board of Directors' authority in principle in this area, pursuant to the first paragraph of Article L. 228-40 of the French commercial code.

Furthermore, in accordance with a substitution agreement entered into on November 16, 2009 by the Company and its subsidiary Danone Finance (that has been since dissolved), the Company was substituted for Danone Finance in its debt securities issued under its EMTN (Euro Medium Term Note) program. Thus the Company is now the sole issuer of the Group's bonds. As of December 31, 2012, the total outstanding principal amount on bonds issued by the Company was €4,563 million (amount as of December 31, 2012 recorded in the consolidated financial statements, see Note 30 of the Notes to the consolidated financial statements).

At its meeting of October 23, 2012, the Board of Directors decided to renew, for a period of one year, the authorization granted to the General Management to issue, in France or abroad (including, in particular, in the United States by means of private placements to institutional investors), ordinary bonds, subordinated debt securities or complex securities (whether fixed-term or perpetual) or any other type of negotiable debt instrument for up to a maximum outstanding principal amount at any time of €7 billion (or the equivalent amount in any other currency or accounting unit).

8.5 Dividends paid by the Company

Dividend pay-out policy

Rules set out by the Company's by-laws

In accordance with law, the following is withheld from earnings (from which, if applicable, past losses have already been deducted): (i) at least 5% for the creation of the legal reserve, a deduction that will cease to be mandatory when the legal reserve has reached one-tenth of the share capital, but that will be reinstituted if, for any reason whatsoever, the legal reserve falls below this amount; and (ii) any sums to be allocated to reserves in accordance with the law. The balance, to which are added retained earnings, represents the distributable earnings.

Under the terms of the by-laws, the amount necessary to constitute a first dividend payment to shareholders is deducted from the distributable earnings: this amount corresponds to interest of 6% per annum on the amount of their shares that has been paid up and not reimbursed, it being specified that if in a given fiscal year earnings are not sufficient to make this payment, the shortfall may be paid by deduction from the earnings of subsequent fiscal years.

Any remaining balance is available for allocation by the annual Shareholders' Meeting, in accordance with a proposal by the Board of Directors, to shares as dividends or, in full or in part, to any reserve accounts or to retained earnings.

The reserves available to the Shareholders' Meeting can be used, if it so decides, to pay a stock dividend. In this case, the decision will expressly indicate those accounts to which the stock dividend will be charged.

Pay-out policy

The dividend pay-out policy, defined by the Board of Directors, is the result of an analysis notably taking into account the history of dividend payments, the financial situation and the profits of the Group, as well as the pay-out practices applicable in the Group's industry.

Dividends paid in respect of the three previous fiscal years

A dividend of €1.45 per share will be proposed at the Shareholders' Meeting of April 25, 2013 in respect of shares for which the dividend entitlement date is January 1, 2012. If this dividend is approved, it will be detached from the share on May 2, 2013 and will be payable as from May 7, 2013.

The following dividends were paid in respect of the three fiscal years prior to the 2012 fiscal year:

Dividend relating to fiscal year [a]	**Dividend per share** *(in € per share)*	**Dividend approved** *(in € millions)*	**Dividend paid** [b] *(in € millions)*
2009	1.20	776	745
2010	1.30	842	790
2011	1.39	893	843

(a) Paid in the following year.
(b) Treasury shares held directly by the Company (*i.e.* approximately 6.8% of the share capital as of December 31, 2012) do not carry the right to receive a dividend. In contrast, the Company's shares held by its subsidiary Danone Spain (*i.e.* approximately 0.9% of the share capital as of December 31, 2012) carry the right to receive a dividend.

In accordance with law, dividends that have not been claimed within a five-year period revert to the French State.

8.6 Voting rights, crossing of thresholds

Voting rights

Double voting rights

The Extraordinary Shareholders' Meeting of October 18, 1935 decided to grant double voting rights, in accordance with law and in relation to the portion of the Company's share capital that they represent, to all fully paid up shares for which evidence is provided that they have been registered in the name of the same shareholder for at least two years, as well as – in the event of a share capital increase through capitalization of reserves, earnings or additional paid-in capital – to registered shares granted free of charge to a shareholder in consideration of existing shares in respect of which he enjoys said rights.

Double voting rights cease in the event of a transfer or conversion into bearer shares, unless otherwise provided for by law. A merger with another company shall not affect double voting rights, which can be exercised within the absorbing company if its by-laws have instituted this procedure.

Limitation on voting rights at Shareholders' Meeting

The Extraordinary Shareholders' Meeting of September 30, 1992 decided that at Shareholders' Meetings no shareholder may cast more than 6% of the total number of voting rights attached to the Company's shares in his or her own right or through proxy (*mandataire*), in respect of single voting rights attached to shares which he or she holds directly and indirectly and of powers which have been granted to him or her. Nevertheless, if, additionally, he or she enjoys double voting rights in a personal capacity and/or in the capacity of agent, the limit set above may be exceeded by taking into account only the extra voting rights resulting therefrom. In such a case, the total voting rights that he or she represents shall not exceed 12% of the total number of voting rights attached to the Company's shares.

The aforementioned limitations shall become null and void if any individual or corporate entity, acting alone or in concert with one or more individuals or corporate entities, were to come into possession of at least two-thirds of the total shares of the Company as a result of a public tender offer for all the Company's shares. The Board of Directors shall formally acknowledge that the limitations have become null and void and shall complete the corresponding modifications to the by-laws. In addition, in accordance with the general regulations of the French Financial Markets Authority, the effects of the limitations provided for in the preceding paragraphs shall be suspended at the first Shareholders' Meeting following the close of the offer if the bidder, acting alone or in concert, were to come into possession of more than two-thirds of the total shares or total voting rights of the company concerned.

In addition, following adoption of the sixteenth resolution by the Shareholders' Meeting of April 22, 2010, the aforementioned limitations shall be suspended for a Shareholders' Meeting if the number of shares present or represented at such meeting reaches or exceeds 75% of the total number of shares carrying voting rights. In such event, the Chairman of the Board of Directors (or any other person who is presiding over the meeting in his absence) shall formally acknowledge the suspension of said limitation when the Shareholders' Meeting is opened.

The Board of Directors has, on several occasions, reviewed this clause limiting voting rights at Shareholders' Meetings and, following discussions with its shareholders, has concluded that this voting rights limitation is in the interest of all the Company's shareholders. Indeed:

- it prevents shareholders from influencing corporate decisions in a manner that would be disproportionate to the actual size of their shareholding, particularly in the event of a low quorum or a simple majority being sufficient for the adoption of a corporate decision (given that the quorum for Shareholders' Meetings is 50%, 25% of the votes could be sufficient to adopt or reject a corporate decision);
- this limitation also prevents shareholders taking control of the Company "by stealth", *i.e.* without being obliged to launch a takeover bid and therefore enables existing shareholders to dispose of their shareholdings in the Company under satisfactory conditions. Therefore, the clause limiting voting rights enables this situation to be avoided by requiring a shareholder wishing to take control of the Company to launch a takeover bid over all the Company's shares. In this regard, this provision provides protection for all the shareholders and guarantees them the best valuation for their shares;
- this clause of the by-laws does not under any circumstances constitute an obstacle to a takeover bid on the Company, since the clause becomes automatically null and void in the event that one or more shareholders acting in concert would come to own more than two-thirds of the Company's share capital or voting rights;
- the validity of clauses limiting voting rights has been recognized by the French commercial code and these limitation clauses are used by several CAC 40 companies.

In 2007, the Shareholders' Meeting rejected a resolution aimed at removing this clause limiting voting rights at Meeting.

In 2010, following discussions with its shareholders, the Board considered it would be appropriate to amend the terms of this voting rights limitation mechanism in order to introduce the automatic suspension of the limitation process for any Shareholders' Meeting at which a sufficiently high quorum is achieved. Indeed, whereas this limitation appears appropriate and justified in the event of a low quorum, it appears superfluous in the event of a high quorum, since such a quorum would ensure all shareholders could express their opinion without the risk of distortion. For this reason, this limitation is suspended, in respect of any Meeting at which the number of shares whose shareholders are present or represented reaches or exceeds 75% of the total number of shares with voting rights.

In this regard, it should be noted that the quorum achieved at the Shareholders' Meetings of the Company has increased gradually and significantly in recent years: from 42% in 2005, to 56% in 2009 and then 61% in 2012. It is expected to continue to increase and, in time, to reach the average of the quorums achieved at shareholders' meetings of CAC 40 companies (66% in 2012). Finally, in the event that a shareholder acquires a significant non-controlling interest in the Company's share capital, the quorum should automatically increase and would facilitate the suspension of the clause, whilst ensuring that said shareholder was not able to influence proceedings at the Shareholders' Meeting in a manner disproportionate to his or her shareholding.

Procedures for exercising voting rights

Any shareholder, regardless the number of shares he/she holds, may attend the Shareholders' Meeting subject to proof of identity and share ownership.

Shareholders may choose between one of the three following options of participation: attend the Meeting in person by requesting an admission card, grant powers (proxy appointment) to the Chairman of the Shareholders' Meeting or to any individual or legal entity of their choice (Article L. 225-106 of the French commercial code) or vote by correspondence.

In accordance with Article R. 225-85 of the French Commercial Code, the right to attend the Shareholders' Meeting requires the registration of the securities in the name of the shareholder or of the authorized intermediary acting on his/her behalf (pursuant to the seventh paragraph of Article L. 228-1 of the French commercial code), on the third day preceding the Meeting, either in the Company's registry of registered shares or in the registry of bearer securities maintained by the authorized intermediary.

In accordance with Article R. 225-85 of the French commercial code, the registration or book entry of securities in the registry of bearer securities maintained by the authorized intermediary shall be established by a certificate of participation issued by the intermediary (as the case may be, by electronic means under the conditions set forth in Article R. 225-61 of the French commercial code), and attached to the correspondence voting form, the proxy voting form or of the request for an admission card completed in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Shareholders may appoint any individual or legal entity of their choice as a proxy holder to be represented at a Shareholders' Meeting. Proxies, as well as any proxy revocations, must be evidenced in writing and notified to the Company or to its authorized representative (BNP Paribas Securities Services). Proxies may be revoked in the same forms as those required for the designation of the proxy holder, including by electronic means if need be. The owners of shares that are properly registered in the name of an intermediary under the conditions provided for in Article L.228-1 of the French commercial code may be represented by a registered intermediary under the conditions provided for in said Article.

The Company's by-laws allow for shareholders to participate in Shareholders' Meetings through electronic means, and a website will be specially configured for the Shareholders' Meeting of April 25, 2013, enabling shareholders to vote online before the Meeting. The electronic signature of the proxy or mail-in voting forms may be carried out using a procedure consistent with the terms defined in Articles R. 225-79 (for proxies) and R. 225-77 (for votes by correspondence) of the French commercial code.

Holders of bearer shares may also use the new online VOTACCESS platform for the Shareholders' Meeting of April 25, 2013 (as it already was the case for the Shareholders' Meeting of April 26, 2012). This platform allows holders of bearer shares to send their voting instructions electronically, request an admission card and appoint or revoke a proxy, before the Shareholders' Meeting is held. Only holders of bearer shares for whom the account-holding institution has adhered to the VOTACCESS system can access this platform.

Finally, the Board of Directors may decide that any vote cast during a Shareholders' Meeting may be expressed by videoconference or by any telecommunication means enabling the shareholder to be identified, in accordance with the terms set forth in the applicable legislation and regulations.

Crossing of thresholds

In addition to the legal obligation to inform the Company and the French Financial Markets Authority in the event of a crossing, in either direction, of any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, one-third, 50%, two-thirds, 90% or 95% of the Company's share capital or voting rights, within four trading days of crossing such shareholding threshold (Article L. 233-7 of the French commercial code), any individual or entity that comes to acquire or ceases to hold in any manner whatsoever, within the meaning of Articles L. 233-7 *et seq.* of the French commercial code, a fraction equivalent to 0.5% of the voting rights or a multiple thereof must, within five trading days of crossing such threshold, notify the Company of the total number of shares or securities giving future access to the capital and the total number of voting rights that said individual or entity holds alone, or indirectly, or in concert, by registered mail with return receipt to the Company's registered office. If the threshold is crossed as a result of a purchase or sale on the market, the period of five trading days begins as from the date of trade and not the date of delivery.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

8.7 Share ownership structure as of December 31, 2012 and significant changes over the last three fiscal years

Share ownership structure as of December 31, 2012

It should be noted that double voting rights are granted to all fully paid-up shares held in registered form in the name of the same shareholder for at least two years (see section 8.6 *Voting rights, crossing of thresholds*).

The following table provides details (on the basis of the declarations of crossing statutory thresholds received by the Company) on the shareholders having declared that they own more than 1.5% of the Company's voting rights as of December 31, 2012:

Shareholder	Number of shares held	% of capital	Number of gross voting rights	% of gross voting rights [b]	Number of net voting rights	% of net voting rights [c]
MFS group [a]	55,558,778	8.6%	42,281,652	6.2%	42,281,652	6.6%
Eurazeo group [a]	16,433,370	2.6%	31,902,983	4.6%	31,902,983	5.0%
Sofina & Henex group	13,584,541	2.1%	24,766,654	3.6%	24,766,654	3.9%
Amundi Asset Management	20,039,020	3.1%	20,039,020	2.9%	20,039,020	3.1%
Norges Bank	15,048,614	2.3%	15,048,614	2.2%	15,048,614	2.4%
Natixis Asset Management	12,811,179	2.0%	12,811,179	1.9%	12,811,179	2.0%
CDC group	9,783,434	1.5%	9,783,434	1.4%	9,783,434	1.5%
"Fonds Danone" company investment fund	8,533,644	1.3%	16,659,917	2.4%	16,659,917	2.6%
The Company	44,051,229	6.8%	44,051,229	6.4%	-	-
Subsidiary Danone Spain	5,780,005	0.9%	5,780,005	0.8%	-	-
Other	441,538,186	68.7%	464,034,142	67.5%	464,442,142	72.8%
Total	**643,162,000**	**100.0%**	**687,158,829**	**100.0%**	**637,735,595**	**100.0%**

(a) See section *Significant changes in Company's share ownership structure over the last three fiscal years* hereafter for details on MFS and Eurazeo groups' positions.
(b) The percentage of gross voting rights is calculated taking into account the shares held by the Company and its subsidiaries, which are stripped of voting rights.
(c) The number of net voting rights (or voting rights "exercisable in a Shareholders' Meeting") is calculated excluding the shares stripped of voting rights.

As of December 31, 2012, the total number of the Company's shares held by the 14 members of the Board of Directors and the 10 members of the Executive Committee (including 3 Directors, *i.e.* a total of 21 persons) was 272,389 shares, representing 0.04% of the Company's share capital.

There is no clause in the Company's by-laws giving preferential rights for the acquisition or sale of Company shares.

Lastly, as of December 31, 2012, existing pledges on Company shares held in registered form on the Company share register (*nominatif pur*) and in registered form on the books of a financial intermediary (*nominatif administré*) accounted for, respectively, 23,218 shares held by 3 shareholders and 99,120 shares held by 13 shareholders.

Significant changes in Company's share ownership structure over the last three fiscal years

The following table shows an analysis of share ownership and voting rights of the Company's principal shareholders over the last three fiscal years:

As of December 31

	2010			2011			2012		
Shareholders	**Number of shares**	**% of total shares**	**% of net voting rights [a]**	**Number of shares**	**% of total shares**	**% of net voting rights [a]**	**Number of shares**	**% of total shares**	**% of net voting rights [a]**
MFS group [b]	18,069,140	2.8%	2.2%	30,231,820	4.7%	3.6%	55,558,778	8.6%	6.6%
Eurazeo group [b]	16,433,370	2.5%	4.9%	16,433,370	2.6%	4.9%	16,433,370	2.6%	5.0%
Sofina & Henex group	13,584,541	2.1%	3.7%	13,584,541	2.1%	4.2%	13,584,541	2.1%	3.9%
Amundi Asset Management	22,423,414	3.5%	3.4%	17,401,507	2.7%	2.7%	20,039,020	3.1%	3.1%
Norges Bank	10,421,223	1.6%	1.6%	16,305,801	2.5%	2.5%	15,048,614	2.3%	2.4%
Natixis Asset Management	15,508,475	2.4%	2.4%	14,181,439	2.2%	2.2%	12,811,179	2.0%	2.0%
CDC group	22,051,312	3.4%	3.4%	11,688,114	1.8%	1.8%	9,783,434	1.5%	1.5%
"Fonds Danone" company investment fund	8,858,900	1.4%	2.5%	8,804,680	1.4%	2.6%	8,533,644	1.3%	2.6%
The Company	31,073,952	4.8%	-	35,825,460	5.6%	-	44,051,229	6.8%	-
Subsidiary Danone Spain	5,780,005	0.9%	-	5,780,005	0.9%	-	5,780,005	0.9%	-
Other	483,717,508	74.7%	76.0%	472,009,836	73.5%	75.5%	441,538,186	68.7%	72.8%
Total	**647,921,840**	**100.0%**	**100.0%**	**642,246,573**	**100.0%**	**100.0%**	**643,162,000**	**100.0%**	**100.0%**

(a) This percentage excludes shares held by the Company and its subsidiaries, which are stripped of voting rights.
(b) See hereafter for details on MFS and Eurazeo groups' positions.

- On May 28, 2009, Eurazeo announced the launch of an issue of five-year bonds convertible into existing DANONE shares, in an initial offering totaling €500 million, an amount increased to €700 million as a result of the full exercise of the over-allotment option.

  This issue was represented by 15,469,614 convertible bonds at a ratio of one DANONE share per bond issued (this parity having been subject to adjustments in the context of the share capital increase with preferential subscription right completed by the Company in 2009). As part of this issue, 16,433,370 DANONE shares were pledged by Eurazeo in favor of bearers of these convertible bonds.

  Eurazeo's entire equity stake in the Company, except for the 16,433,370 shares pledged as described above, was sold in 2009 and 2010. In this context, Eurazeo notified that it had fallen below the 5% legal threshold for voting rights on July 13, 2010, and that it held, at such date, 2.71% of the Company's share capital and 4.78% of its voting rights.

  These bonds convertible into existing DANONE shares mature on June 10, 2014 and the Eurazeo group is likely to transfer its entire shareholding in the Company on that date.

  As of December 31, 2012, the Eurazeo group held 2.6% of the share capital (corresponding to 16,433,370 shares) and 4.6% of the gross voting rights of the Company.

- In addition, the Massachusetts Financial Services group ("MFS") has gradually increased its stake in the Company's share capital, from 2.8% as of December 31, 2010 to 8.6% as of December 31, 2012.

  It is specified that until August 2012, the MFS group declared that it recognized separately the DANONE securities held by the various entities within its group. Prior to that date, two MFS group entities, MFS Investment Management and MFS Institutional Advisors, Inc., had made separate declarations of crossing thresholds to the Company.

  On August 13, 2012, Massachusetts Financial Services Company indicated to the Company that it had, on August 8, 2012, in accordance with the provisions of Article 223-12-II-1 of the general regulations of the French Financial Markets Authority, abandoned its disaggregation policy, which had aimed to recognize separately in two groups of companies the stakes in Danone's share capital owned. This decision has resulted, since August 8, 2012, in the aggregation at Massachusetts Financial Services Company level of all the DANONE shares held by the MFS group.

  This decision also resulted, on August 10, 2012, in a declaration of crossing threshold with the French Financial Markets Authority, the abandon of this disaggregation policy resulting in the crossing by the group MFS of the 5% legal threshold for share capital and voting rights.

  Finally, MFS indicated to the Company that the number of (gross and net) voting rights of the Company they hold is less than the number of shares they own, as certain of their clients retain the voting ability on the shares whose management is assigned to MFS.

To the best of the Company's knowledge, no other significant changes in the shareholding structure have taken place during the past three fiscal years.

Survey of the Company's identifiable shareholders

Under the terms of its by-laws and in accordance with the legislation and regulations, the Company may, at any time, ask the entity responsible for clearing shares (Euroclear France) for the name (or legal name), nationality, and address of the holders of shares or other securities conferring immediate or future voting rights at its Shareholders' Meetings, along with the number of securities held by each of them and, if applicable, any restrictions placed upon such securities. Euroclear France obtains the information requested from account-holding custodians affiliated to it, which are obliged to provide such information.

At the request of the Company, the above information may be limited to those individuals holding a number of securities as determined by the Company.

The Company conducted a survey of identifiable shareholders in December 2012:

	As percentage of share capital
Institutional investors	**80%**
France	20%
United Kingdom	8%
Switzerland	4%
Rest of Europe	13%
North America	27%
Asia Pacific	7%
Rest of the World	1%
Individual shareholders and "Fonds Danone" company investment fund	**12%**
Shares held by the Company and its subsidiaries	**8%**
Total	**100%**

Employees shareholding

As of December 31, 2012, the number of the Company's shares held directly or indirectly by the employees of the Company and of companies related to it, and, in particular, those that are subject to collective management or conditions prohibiting their disposal, either within the framework of a French company savings plan (*Plan d'Épargne Entreprise*) or through a French company investment fund (*Fonds Commun de Placement Entreprise – FCPE*) (the "Fonds Danone" FCPE and the FCPEs of other Group subsidiaries), amounted to 8,691,351 shares, or 1.4% of the Company's share capital.

Only the supervisory board of the "Fonds Danone" FCPE is authorized to vote on behalf of the shares held by the FCPE. As an exception to this principle, employees may be consulted directly by referendum in the event that the supervisory board has a split vote. The supervisory board is composed of (i) four employees members representing the employees shareholders and former employees appointed by the representatives of the various trade unions representing the Company's employees in accordance with the French labor code and of (ii) four members representing the Company appointed by the Group's management.

8.8 Market for the Company's shares

Listing markets and indices

Listing markets

The Company's shares are listed on Euronext Paris (Compartment A – Deferred Settlement Department; ISIN Code: FR 0000120644) and also have a secondary listing on the Swiss Stock Exchange (SWX Suisse Exchange).

Between 1997 and 2007, the Company's shares were also listed on the New York Stock Exchange in the form of American Depositary Shares (ADS). Due to the low trading volume of these ADS on this market, in 2007 the Group decided to delist the shares from that market and to deregister them with the Securities and Exchange Commission, pursuant to the U.S. Securities Exchange Act of 1934.

The Group nevertheless maintains a sponsored Level 1 program of American Depositary Receipts (ADR), which are traded over the counter, through the OTCQX platform under the symbol DANOY (each ADR representing one-fifth of a DANONE share). The OTCQX is an information platform representing over 300 international groups and enabling them to access US investors while guaranteeing price transparency.

Indices

The Company's shares are included in the following indices:

- CAC 40, the principal index published by Euronext Paris;
- Eurostoxx 50, which lists the fifty largest market capitalizations in the euro zone.

The Company is also included in the main indices of social responsibility:

- Dow Jones Sustainability Index, which comprises the best-performing companies selected annually based on strict criteria such as the quality of corporate governance, social responsibility policy, their criteria relating to innovation, and their economic performance;
- Vigeo;
- Carbone Disclosure Leadership Index (see section 7.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*).

Stock price and trading volumes (Euronext Paris)

	Number of shares dealt [(a)]		Amount dealt [(a)]		Stock price [(a)]	
	Total *(in number of shares)*	**Daily average** *(in number of shares)*	**Total** *(in € millions)*	**Monthly average stock price** *(in € per share)*	**High** *(in € per share)*	**Low** *(in € per share)*
2012						
January	41,299,410	1,877,246	1,971	47.736	49.800	45.930
February	33,971,646	1,617,697	1,677	49.458	51.000	47.200
March	37,620,462	1,710,021	1,954	51.985	53.460	50.580
April	47,188,605	2,483,611	2,489	52.544	54.810	49.730
May	56,309,967	2,559,544	2,942	52.382	54.960	50.870
June	58,771,917	2,798,663	2,904	49.831	52.700	46.450
July	46,830,202	2,128,646	2,309	49.584	51.190	46.625
August	35,292,312	1,534,448	1,757	49.814	51.320	48.425
September	39,038,130	1,951,907	1,931	49.449	51.120	47.910
October	46,940,128	2,040,875	2,219	47.297	49.090	45.605
November	40,447,511	1,838,523	1,972	48.720	50.200	47.315
December	28,700,480	1,510,552	1,426	49.677	51.560	48.800
2013						
January	29,079,967	1,321,817	1,468	50.476	52.170	49.210
February	39,937,742	1,996,887	2,057	51.514	54.310	49.285

(a) Source Euronext Paris – Includes over-the-counter transactions.

8.9 Factors that might have an impact in the event of a tender offer

In accordance with Article L. 225-100-3 of the French Commercial Code, the factors that might have an impact in the event of a tender offer are set out hereafter:

(i) Structure of the Company's share capital

A table describing the structure of the Company's share capital is presented in section 8.7 *Share ownership structure as of December 31, 2012 and significant changes over the last three fiscal years*.

(ii) By-law restrictions to the exercise of voting rights

The Company's by-laws provide for a system of limitation of voting rights. This mechanism is described in section 8.6 *Voting rights, crossing of thresholds*. The Shareholders' Meeting of April 22, 2010 has decided to include a mechanism for suspending this limitation if the number of shares present or represented at a Shareholders' Meeting reaches or exceeds 75% of the total number of shares carrying voting rights.

The Company's by-laws provide for a reporting obligation for anyone who would hold or cease to hold a fraction equal to 0.5% of voting rights or a multiple thereof, beginning when one of the thresholds is crossed. This mechanism is described in section 8.6 *Voting rights, crossing of thresholds*.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years beginning on the date on which the shareholder comes into compliance with the notification requirement.

On the date hereof, the Company is not aware of any clause of agreements providing for preferential terms of sale or acquisition concerning at least 0.5% of the capital or voting rights of the Company.

(iii) Direct or indirect holdings in the Company's share capital of which the Company is aware

A detailed analysis of the Company's shareholder structure is presented in section 8.7 *Share ownership structure as of December 31, 2012 and significant changes over the last three fiscal years*.

(iv) Holders of securities providing special control rights over the Company and description of such rights

None.

(v) Control mechanisms provided for any employee shareholding program, when such control rights are not exercised by employees

Only the supervisory board of the "Fonds Danone" company investment fund (which on December 31, 2012 held 1.3% of the share capital and 2.6% of the net voting rights) has the authority to decide how to respond to a possible tender offer. As an exception to this principle, employees may be consulted directly by referendum if the supervisory board were to have a split vote.

(vi) Agreements between shareholders of which the Company is aware and that could impose restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no agreement exists between shareholders that could impose restrictions on the transfer of the Company's shares and the exercise of voting rights.

(vii) Rules applicable to the appointment and replacement of members of the Company's Board of Directors

Under the terms of an agreement concluded between the Company and Yakult Honsha on March 4, 2004, the Company has a best efforts obligation to ensure that the candidate proposed by Yakult Honsha be appointed as a member of the Company's Board of Directors by the Shareholders' Meeting, for such period as several Company representatives sit on the Board of Directors of Yakult Honsha.

(viii) Powers of the Board of Directors in the event of a tender offer

Pursuant to the resolution approved by shareholders at the April 26, 2012 Shareholders' Meeting, the Board of Directors is prohibited from implementing the Company share repurchase program during a tender offer involving the Company's shares.

It will be submitted to the April 25, 2013 Shareholders' Meeting to renew this prohibition.

(ix) Agreements signed by the Company that are amended or terminated in the event of a change of control of the Company

- The Group granted put options to minority shareholders of its subsidiary Danone Spain, relating to their shares in this company. These put options may be exercised at any time and, in particular, during a tender offer. The amount of such options is set out in Notes 20 and 21 to the consolidated financial statements.
- In 2005, the Company and the Arcor group signed an agreement governing relations between the Group and Arcor within the joint venture named Bagley Latino America, a leader in biscuits in Latin America, in which the Company holds a 49% equity interest. In the event of a change of control of the Company, the Arcor group will have the right to have the Company repurchase all of its interest held in Bagley Latino America, for an amount equal to its fair value.
- Under the terms of contracts regarding the use of mineral springs, in particular *Volvic* and *Evian* in France, the Group has very old and privileged relations with local municipalities in which these springs are located. It is difficult for the Company to assess with certainty the impact on these contracts of any change in its control.
- The stock-option plans, as well as Group Performance Units (GPU) and shares subject to performance conditions (GPS) plans, that were put in place by the Company for the benefit of its executive directors and officers (*mandataires sociaux*) and certain employees, include specific provisions in the event of a change of control of the Company resulting from a tender offer on the Company's securities, described in section 7.3 *Other information related to the Group social, societal and environmental responsibility*.
- In July 2011, the Company entered into a syndicated facilities agreement that includes a change of control clause. This syndicated facilities agreement, with a principal amount of €2 billion, had an initial term of five years and was renewed for an additional term of one year, *i.e.* until July 28, 2017, by an amendment entered into on July 12, 2012. This syndicated facility offers creditors an early redemption right in the event of a change of control of the Company, if it is accompanied by a significant downgrade of its rating by the rating agencies (to sub-investment grade).
- The Group's EMTN program, the Company's bond issue in the US in June 2012 and certain bank credit lines also include a similar feature in the event of a change of control of the Company (see Note 30 to the consolidated financial statements).

(x) Agreements providing for indemnities to be paid to employees and executives of the Company in the event that they resign, or their employment is terminated in the absence of a real and serious cause, or if their employment expires due to a tender offer

The indemnities that would be paid to the Company's executive directors and officers (*mandataires sociaux*) in certain circumstances are described in section 6.10 *Compensation and benefits paid to executives*.

8.10 Change in control

To the Company's knowledge, no agreement exists which, if implemented, could, at a future date, lead to a change of control of the Company.

Combined Shareholders' Meeting of April 25, 2013

9

9.1 Shareholders' Meetings

The Board of Directors convenes Shareholders' Meetings in accordance with French law.

Meetings shall be held in the town in which the registered office is located or in any other locality, depending on the decision made in such regard by the person calling the meeting, and at the venue specified in the notice of meeting.

All shareholders may participate to Shareholders' Meetings, regardless of the number of shares held, subject to the loss of rights incurred under any applicable laws or regulations.

When properly convened and constituted, the Shareholders' Meeting represents all the shareholders. Its resolutions are binding on all, even dissenting, incompetent, or absent shareholders.

Any shareholder may be represented by his or her spouse, by another shareholder or by any other individual or legal entity of his or her choice, by virtue of a proxy statement which form is determined by the Board of Directors.

Minors and incompetent persons shall be represented by their legal guardians and trustees, who do not need to be shareholders themselves. A corporate entity shall be legitimately represented by any legal representative so entitled or by an individual specially empowered for said purpose.

Participation in Shareholders' Meetings by any means shall be contingent on the registration or recording of stock ownership, according to the terms and within the time-limits stipulated by the regulations in force.

At the Shareholders' Meeting of April 23, 2009, the Company's by-laws were amended (i) to facilitate the implementation of electronic voting for the vote prior to Shareholders' Meetings and (ii) to allow the Board of Directors to decide that votes during the Shareholders' Meeting may be cast by videoconference or any other means of telecommunication by which shareholders may be identified in accordance with regulatory conditions.

9.2 Draft resolutions presented at the Shareholders' Meeting

Resolutions within the authority of the Ordinary Shareholders' Meeting

First resolution

(Approval of the statutory financial statements for the fiscal year ended December 31, 2012)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors, approves the statutory financial statements of the Company for the fiscal year ended December 31, 2012, which include the balance sheet, the income statement and the notes, as presented, which show earnings amounting to €442,128,977.87, as well as the transactions reflected in the statutory financial statements and summarized in these reports.

Second resolution

(Approval of the consolidated financial statements for the fiscal year ended December 31, 2012)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors, approves the consolidated financial statements of the Company for the fiscal year ended December 31, 2012, which include the balance sheet, the income statement and the notes, as presented, as well as the transactions reflected in the consolidated financial statements and summarized in these reports.

Third resolution

(Allocation of earnings for the fiscal year ended December 31, 2012 and setting of the dividend at €1.45 per share)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the reports of the Board of Directors and of the Statutory auditors:

- acknowledges that the earnings for fiscal year 2012 amount to €442,128,977.87;
- acknowledges that retained earnings amount to €3,652,283,422.77;

totaling earnings available for allocation of profits of €4,094,412,400.64;

- decides to allocate the total earnings as follows:
  - to dividends in the amount of €932,584,900;
  - to retained earnings in the amount of .... €3,161,827,500.64.

The Shareholders' Meeting therefore decides the payment of a dividend of €1.45 per share. The amount distributed among the shareholders will be fully eligible in its entirety for the 40% allowance provided for in Article 158-3.2° of the French Tax Code.

The dividend to be distributed will be detached from the share on May 2, 2013 and will be payable as from May 7, 2013.

In accordance with the provisions of Article L. 225-210 of the French commercial code, the Shareholders' Meeting decides that the amount of the dividend corresponding to the shares held by the Company on the payment date will be allocated to the "Retained Earnings" account.

As a reminder, the dividends distributed for the three previous fiscal years were as follows:

Fiscal year	Number of shares	Dividend distributed per share [(a)]
2009	646,990,850	1.20
2010	647,921,840	1.30
2011	642,246,573	1.39

(a) Distribution eligible in its entirety for the 40% allowance.

Fourth resolution

(Renewal of the tenure of Mr. Franck RIBOUD as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the tenure of Mr. Franck RIBOUD as a Director for the period of three years, as set in the by-laws.

Mr. Franck RIBOUD's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2015.

Fifth resolution

(Renewal of the tenure of Mr. Emmanuel FABER as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the tenure of Mr. Emmanuel FABER as a Director for the period of three years, as set in the by-laws.

Mr. Emmanuel FABER's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2015.

Sixth resolution

(Approval of the agreements referred to in Articles L. 225-38 et seq. *of the French commercial code)*

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors concerning the agreements and undertakings referred to in Article L. 225-38 *et seq.* of the French commercial code, approves the new agreements authorized by the Board of Directors during the fiscal year ended on December 31, 2012 mentioned in this report except those subject of the 7th, 8th and 9th resolutions.

Seventh resolution

(Approval of the agreements referred to in Articles L. 225-38 et seq. of the French commercial code, entered into by the Company with J.P. Morgan's group)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors concerning the agreements and undertakings referred to in Article L. 225-38 *et seq.* of the French commercial code, approves the new agreements authorized by the Board of Directors during the fiscal year ended on December 31, 2012 and entered into with J.P. Morgan's group mentioned in this report.

Eighth resolution

(Approval of the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Franck RIBOUD)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors concerning the agreements and undertakings referred to in Article L.225-38 and L. 225-42-1 of the French commercial code, approves the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code made in favor of Mr. Franck RIBOUD mentioned in this report.

Ninth resolution

(Approval of the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Emmanuel FABER)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors concerning the agreements and undertakings referred to in Article L.225-38 and L. 225-42-1 of the French commercial code, approves the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code made in favor of Mr. Emmanuel FABER mentioned in this report.

Tenth resolution

(Fixing of the amount of the Directors' attendance fees)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, sets, as from the 2013 fiscal year, at €800,000 the maximum annual amount to be paid to the Board of Directors in attendance fees and thus until the Shareholders' Meeting decides otherwise.

Eleventh resolution

(Authorization granted to the Board of Directors to purchase, retain or transfer the Company's shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report and the description of the program established in accordance with Articles 241-1 *et seq.* of the General Regulations of the French Financial Markets Authority:

1. Authorizes the Board of Directors to purchase, retain or transfer the Company's shares, on one or more occasions, within the context of a share repurchase program, pursuant to the provisions of Articles L.225-209 *et seq.* of the French commercial code and European Regulation 2273/2003 of December 22, 2003 implementing European Directive 2003/6/EC of January 28, 2003.

   The Company may repurchase its own shares for the purpose of:

   - the allocation of shares with respect to the exercise of stock purchase options by employees and/or executive directors and officers (*mandataires sociaux*) of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
   - the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
   - the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or savings plans;
   - the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
   - the later delivery of shares as payment or for exchange in the context of acquisitions;
   - the cancellation of shares within the maximum legal limit;
   - supporting the market for the shares pursuant to a liquidity contract concluded with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

Within the limits permitted by the regulations in force, the shares may be acquired, sold, exchanged or transferred, in whole or in part, as the case may be, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF) or *via* a systematic internalizer or over-the-counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed through this means). These means include the use of any financial contract or instrument (including in particular any future or any option), except the sale of put options, in the conditions set out by applicable regulations.

2. Decides that these transactions may be completed at any time, except during the period of a public tender offer for the Company's securities and within the limits allowed by applicable regulations.
3. Decides that the maximum purchase price may not be greater than €65 per share (excluding acquisition costs).

   In the event of a capital increase by incorporation of premium, reserves or earnings and free allocation of shares or through a stock split or a reverse stock split or any other transaction relating to the share capital, the price indicated above will be adjusted by a coefficient equal to the ratio between the number of shares comprising the share capital before the transaction and the number of shares comprising the share capital after the transaction.
4. Acknowledges that the maximum number of shares that may be purchased under this authorization may not, at any time, exceed 10% of the total number of shares comprising the share capital (*i.e.*, on an indicative basis, 63,436,200 shares as of February 28, 2013, without taking into account the shares already held by the Company, representing a maximum theoretical purchase amount of €4,123,353,000), it being specified that this limit applies to an amount of the Company's capital that will be, if necessary, adjusted to take into account the transactions affecting the share capital following this Meeting. The acquisitions made by the Company may not, under any circumstances, result in the Company holding more than 10% of its share capital, either directly or indirectly through subsidiaries.

   Furthermore, the number of shares acquired by the Company to be retained and later delivered for payment or exchange in the context of an acquisition may not exceed 5% of its share capital.
5. Delegates full powers to the Board of Directors to implement this authorization, with the right to sub-delegate, to:
   - place all orders on any market or carry out any transaction over-the-counter;
   - conclude any agreements, for purposes of, among other things, the maintenance of the share purchase and sale registries;
   - allocate or re-allocate the shares acquired to the various objectives under the applicable legal and regulatory conditions;
   - prepare all documents, file all declarations, issue all statements and carry out all formalities with the French Financial Markets Authority or any other authority regarding the transactions carried out pursuant to this resolution;
   - define the terms and conditions under which, where applicable, the rights of holders of securities giving access to the Company's share capital will be preserved in accordance with the regulatory provisions; and
   - carry out all other formalities and, generally, take any necessary measures.

The Board of Directors shall inform the Shareholders' Meeting of the transactions carried out pursuant to this resolution.

This authorization is granted for an 18-month period as from the date of this Meeting and supersedes with effect from this day the authorization granted by the Shareholders' Meeting of April 26, 2012 in its 12th resolution.

Resolutions within the authority of the Extraordinary Shareholders' Meeting

Twelfth resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, with preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors and acknowledged that the share capital is fully paid up, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 228-91 and L. 228-92 of the French commercial code, delegates to the Board of Directors the authority to decide to issue, on one or more occasions, in the proportions and periods that it deems appropriate, in France and abroad, either in euros or any foreign currency, and with preferential subscription right of the shareholders, (i) ordinary shares of the Company and (ii) securities giving access by any means, immediately and/or in the future, to the Company's share capital, with said shares granting the same rights as the old shares subject to their dividend entitlement date.

The Shareholders' Meeting decides that any issuance of preferred shares and securities giving a right to preferred shares is expressly excluded.

The Board of Directors may, within legal limits, delegate to the Chief Executive Officer, or with his approval, to one or more Deputy General Managers, the power to decide to carry out or to postpone the share capital increase. The securities giving access to the Company's share capital thereby issued may consist of debt securities or be combined with the issuance of such securities or allow their issuance as intermediate securities. They may take on the form of subordinated or unsubordinated securities, with or without a fixed term, and issued in either euros or a foreign currency.

a) The maximum nominal amount of the increase in the Company's share capital resulting from all issuances carried out either immediately and/or in the future pursuant to this delegation is fixed at an amount of €55.3 million, it being specified that the nominal amount of ordinary shares issued under the 13th, 14th, 15th, 16th 18th and 19th resolutions of this Meeting will be applied to this maximum amount.

It is noted that the limit indicated in paragraph (a) above is determined without taking into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to protect the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory requirements and contractual provisions. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

b) All issuances of debt securities giving access to the Company's share capital carried out pursuant to this delegation shall not exceed a maximum principal amount of €2 billion (or the corresponding value of this amount for an issuance in a foreign currency or monetary unit determined by reference to several currencies); this limit is a common limit applicable to all of the issuances of debt securities giving access to the Company's share capital, which may be carried out pursuant to the delegations granted in the 13th, 14th and 15th resolutions submitted to this Meeting.

In calculating the limit set forth in paragraph (b) above, the corresponding value in euros of the principal amount of debt securities giving access to the Company's share capital issued in foreign currencies shall be determined on the date of the issuance.

Shareholders may exercise, in accordance with the provisions provided for by law, their preferential subscription right by irrevocable entitlement (*à titre irréductible*). The Board of Directors may furthermore grant to shareholders a preferential subscription right subject to *pro rata* reduction (*à titre réductible*), in proportion to their subscription rights and, in any case, limited to the number of securities requested.

According to Article L. 225-134 of the French commercial code, if the amount of subscriptions exercised by irrevocable entitlement (*à titre irréductible*) and, if applicable, subject to pro rata reduction (*à titre réductible*), does not attain the amount of an entire issuance of ordinary shares or of securities giving access to the Company's share capital, the Board of Directors may use, at its option and in the order it finds most appropriate, one or more of the following options:

- limit the issuance to the amount of subscriptions received, provided this amounts to at least three quarters of the approved issuance;
- allocate at its discretion all or part of the unsubscribed securities; and
- offer to the public, on the French or international market, all or part of the unsubscribed securities.

The Shareholders' Meeting acknowledges that this delegation entails *ipso jure* the waiver by the shareholders of their preferential subscription right to the Company's ordinary shares to which the securities that would be issued on the basis of this delegation would give right, for the benefit of the holders of securities giving access to the Company's share capital and issued pursuant to this delegation.

The Board of Directors will have the necessary powers to implement this resolution, determine the conditions of the issuance, and in particular, the form and characteristics of the securities to be created, to acknowledge the resulting increases in share capital, and to proceed with, as necessary, any adjustments to take into account the impact of the transaction on the Company's share capital and determine the terms and conditions according to which the preservation of the rights of the holders of securities giving access to the Company's share capital shall be ensured, in accordance with applicable legal, regulatory and contractual provisions, amend the by-laws of the Company accordingly, charge the fees and expenses to the issue premium and take generally all necessary measures.

In the event of an issuance of debt securities, the Board of Directors will have all powers to decide whether or not they are subordinated, to set their interest rate, duration, the fixed or variable redemption price with or without a premium, the terms and conditions for their redemption in accordance with market conditions, the conditions according to which these securities shall give access to the Company's share capital and their other terms and conditions.

The Shareholders' Meeting decides that, in the case of an issuance of warrants for ordinary shares of the Company (*bons de souscription d'actions*), included in the maximum limit mentioned in paragraph (a) above, the issuance may take place either by cash subscription according to the conditions provided for hereafter, or by a free allocation of these warrants to the holders of existing shares.

The Board of Directors will set the issuance price of the ordinary shares or securities giving access to the Company's share capital. The sum received immediately by the Company, increased, if applicable, by the sum that may be received at a later date by the Company, shall be at least equal to the nominal value for each ordinary share issued as of the issue date of said securities.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 28, 2011 in its 14th resolution.

Thirteenth resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, without preferential subscription right of the shareholders, but with the obligation to grant a priority period)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors and acknowledged that the share capital is fully paid up, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-135, L. 225-136, L. 228-91 and L. 228-92 of the French commercial code, delegates to the Board of Directors the authority to decide to issue, on one or more occasions, in the proportions and periods that it deems appropriate, in France and abroad, either in euros or any foreign currency, through a public offering, (i) ordinary shares of the Company and (ii) securities giving access by any means, immediately and/or in the future, to the Company's share capital.

The Shareholders' Meeting decides to waive the preferential subscription right of the shareholders to these ordinary shares and securities giving access to the Company's share capital to be issued with the understanding that the Board of Directors will be required to grant shareholders a right of priority to the totality of the issuance, for a minimum period of five trading days and under the conditions it will set in accordance with the applicable legal and regulatory provisions. This subscription priority will not give rise to the creation of negotiable rights but may be exercised, by irrevocable entitlement (*à titre irréductible*) or subject to *pro rata* reduction (*à titre réductible*), if the Board of Directors decides that it is appropriate.

The securities giving access to the Company's share capital so issued may consist of debt securities or be combined with the issuance of such securities or allow their issuance as intermediate securities. They may take on the form of subordinated or unsubordinated securities, with or without a fixed term, and issued in either euros or a foreign currency.

The Board of Directors may, within legal limits, delegate to the Chief Executive Officer, or with his approval, to one or more Deputy General Managers, the authority delegated to it pursuant to this resolution.

a) The maximum nominal amount of the increase in the Company's share capital resulting from all issuances carried out either immediately and/or in the future pursuant to this delegation is fixed at €23.6 million, which is a common limit applicable to the capital increases made pursuant to the delegations granted in the 14th, 15th, 16th, 18th and 19th resolutions submitted to this Meeting. The capital increases carried out pursuant to this delegation shall be deducted from the global maximum amount mentioned in paragraph (a) of the 12th resolution of this Meeting.

It is noted that the limit indicated in paragraph (a) above is determined without taking into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to preserve the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory requirements and contractual provisions. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

b) All issuances of debt securities giving access to the Company's share capital carried out pursuant to this delegation shall not exceed a maximum principal amount of €2 billion (or the corresponding value of this amount for an issuance in a foreign currency or monetary unit determined by a reference of several currencies); this limit is a common limit applicable to all issuances of debt securities giving access to the Company's share capital, which may be carried out pursuant to the delegations granted in the 12th, 14th and 15th resolutions submitted to this Meeting.

In calculating the limit set forth in paragraph (b) above, the corresponding value in euros of the principal amount of the debt securities giving access to the Company's share capital issued in foreign currencies shall be determined on the date of the issuance.

The Shareholders' Meeting acknowledges that this delegation entails, *ipso jure*, the waiver by the shareholders of their preferential subscription right to the Company's ordinary shares to which the securities that would be issued on the basis of this delegation would give right, for the benefit of the holders of securities giving access to the Company's share capital, and issued pursuant to this delegation.

The Board of Directors will have the necessary powers to implement this resolution, determine the conditions of issuances, and in particular, the form and characteristics of the securities to be created, acknowledge the resulting increases in share capital, amend the by-laws of the Company accordingly, charge the fees and expenses to the issue premium and take generally all necessary measures. It is specified that:

- the issuance price of the ordinary shares shall be at least equal to the minimum value provided for by the legal and regulatory provisions applicable when this delegation is implemented, after adjustment of this amount, if necessary, to take into account the difference in the dividend entitlement date of the shares. On the date of this Meeting, the minimum price corresponds to the weighted average price of the last three trading sessions on Euronext preceding the fixing of the subscription price and possibly subject to a maximum of 5% discount;
- the issuance price of the securities giving access to the Company's share capital shall be such that the sum received immediately by the Company increased, if applicable, by the sum that may be received at a later date by the Company for each ordinary share issued as a result of the issuance of securities, shall be at least equal to the amount set forth in the preceding paragraph after adjustment, if necessary, of this amount to take into account the difference in the dividend entitlement date of the shares.

In the event of an issuance of debt securities, the Board of Directors will have all powers to decide whether or not they are subordinated, to set their interest rate, duration, the fixed or variable redemption price with or without a premium, the terms and conditions for their redemption in accordance with market conditions, the conditions according to which these securities shall give access to the Company's share capital and their other terms and conditions.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 28, 2011 in its 15th resolution.

Fourteenth resolution

(Delegation of authority to the Board of Directors to increase the number of securities to be issued in the event of a capital increase without preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Article L. 225-135-1 of the French commercial code, delegates to the Board of Directors its authority to increase the number of securities to be issued, for any issuance approved pursuant to the 13th resolution above, in accordance with the conditions of the abovementioned Article L. 225-135-1, up to a maximum of 15% of the initial issue and at the same price as the price of the initial issue.

The Shareholders' Meeting decides that the amount of the capital increases that may be carried out pursuant to this delegation will be applied to the capital increase limit stipulated in the 13th resolution of this Meeting.

The Board of Directors may delegate, in accordance with legal provisions, the power granted to it pursuant to this resolution to the Chief Executive Officer or, with his approval, to one or more Deputy General Managers.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 28, 2011 in its 16th resolution.

Fifteenth resolution

(Delegation of authority to the Board of Directors to issue ordinary shares and securities giving access to the Company's share capital, without preferential subscription right of the shareholders, in the event of a public exchange offer initiated by the Company)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L. 225-129 to L. 225-129-6, L. 225-148, L. 228-91 and L. 228-92 of the French commercial code, delegates to the Board of Directors the authority to decide to issue ordinary shares of the Company or securities giving access, by any means, immediately and/or in the future, to existing ordinary shares or shares to be issued by the Company, in consideration for securities tendered in a public exchange offer initiated by the Company in France or abroad, according to local regulations, for another company's securities which are listed on one of the regulated markets provided in the above-mentioned Article L. 225-148, and decides, to the extent necessary, to waive the shareholders' preferential subscription right to the ordinary shares and securities to be issued for the benefit of the holders of these securities.

The Board of Directors may, within legal limits, delegate to the Chief Executive Officer, or with his approval, to one or more Deputy General Managers, the authority to carry out or to postpone the share capital increase.

The Shareholders' Meeting acknowledges that this delegation entails, *ipso jure*, the waiver by the shareholders of their preferential subscription rights to the Company's ordinary shares to which the securities that will be issued pursuant to this delegation may give right, for the benefit of the holders of securities giving access to the Company's share capital issued pursuant to this delegation.

a) The maximum nominal amount of the increase in the Company's share capital resulting from all issuances carried out either immediately and/or in the future pursuant to this delegation is fixed at an amount of €15.7 million, it being specified that the issuances that may be carried out as a result of this delegation shall be deducted from the limits provided for in paragraphs (a) of the 12th and 13th resolutions submitted to this Meeting.

b) All issuances of debt securities giving access to the Company's share capital carried out pursuant to this delegation shall not exceed a maximum principal amount of €2 billion (or the corresponding value of this amount for an issuance in a foreign currency or monetary unit determined by reference to several currencies); this limit is a common limit applicable to all issuances of debt securities giving access to the Company's share capital, which may be carried out pursuant to the delegations granted in the 12th, 13th and 14th resolutions submitted to this Meeting.

In calculating the limit set forth in paragraph (b) above, the corresponding value in euros of the principal amount of the debt securities giving access to the Company's share capital issued in foreign currencies shall be determined on the date of the issuance.

The Shareholders' Meeting grants to the Board of Directors all necessary powers to carry out the issuances of ordinary shares and/or securities in consideration for the tendered shares pursuant to the abovementioned public exchange offers, in particular for:

- in the case of an issuance of securities as consideration for securities in an exchange offer (*offre publique d'échange* (OPE)), determine the list of securities to be exchanged, determine the conditions of the issuance, the exchange parity as well as, if applicable, the amount of cash to be paid and determine the terms of the issuance in the context of an exchange offer, or an alternative tender or exchange offer, either a single tender or exchange offer for securities in exchange for shares and cash, or a principal public tender offer or exchange offer, together with a subsidiary exchange offer or tender offer, or an exchange offer carried out in France or abroad according to local regulations (for example, in connection with a reverse merger in the United States) relating to securities meeting the conditions provided for in Article L. 225-148 of the French commercial code, or any other form of public offer in accordance with the laws and regulations applicable to the such public offer;
- determine the dates, conditions of issuance, notably the price and dividend entitlement date of new ordinary shares or, if need be, of securities giving access to the Company's capital;
- record as liabilities in the balance sheet in an "additional paid-in capital" account, to which all shareholders have rights, the difference between the issue price of new ordinary shares and their nominal value;
- charge, if the need arises, all expenses and amounts incurred in connection with such transaction to the "additional paid-in capital" account; and
- acknowledge the completion of the capital increases carried out pursuant to this delegation, amend the by-laws of the Company accordingly, carry out all necessary formalities and request all authorizations for the completion of these contributions, and to take generally all necessary measures.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 28, 2011 in its 17th resolution.

Sixteenth resolution

(Delegation of powers to the Board of Directors to issue ordinary shares, without preferential subscription right of the shareholders, in consideration for contributions in kind granted to the Company and comprised of equity securities or securities giving access to share capital)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L. 225-147 of the French commercial code, delegates to the Board of Directors the powers necessary to decide, within the limit of 10% of the Company's share capital, upon the report of the contribution auditor (s) mentioned in the first and second paragraphs of the above-mentioned Article L. 225-147, to issue ordinary shares of the Company, in consideration for the contributions-in-kind granted to the Company and comprised of equity securities or securities giving access to share capital, when the provisions of Article L. 225-148 of the French commercial code are not applicable, and decides, to the extent necessary, to waive, for the benefit of the holders of these securities, which are the object of these contributions-in-kind, the shareholders' preferential subscription right to the ordinary shares to be issued.

In addition to the legal limit of 10% of the Company's share capital provided in Article L. 225-147 of the French commercial code, the issuances carried out pursuant to this delegation shall be deducted from the limits provided for in paragraphs (a) of the 12th and 13th resolutions submitted for approval to this Meeting.

The Board of Directors will have full powers, with the ability to sub-delegate in accordance with legal provisions, to implement this resolution, in particular:

- to examine the report of the contribution auditor (s) mentioned in the first and second paragraphs of the above-mentioned Article L. 225 147 on his or their assessment of the contributions and the granting of certain advantages and their values;
- to acknowledge the completion of the capital increases carried out pursuant to this delegation, amend the by-laws of the Company accordingly, carry out all necessary formalities and request all authorizations for the completion of these contributions, and to take generally all necessary measures.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 28, 2011 in its 18th resolution.

Seventeenth resolution

(Delegation of authority to the Board of Directors to increase the Company's share capital through incorporation of reserves, profits, premiums or any other amounts that may be capitalized)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, and acting in accordance with Articles L. 225-129 to L. 225-129-6 and L. 225-130 of the French commercial code, delegates to the Board of Directors the authority to decide to increase the share capital, on one or more occasions, at the times and under the conditions that it deems appropriate, through the incorporation of reserves, profits, premiums or any other amounts that may be capitalized, followed by the issuance and the free allocation of shares or the increase of the nominal value of the existing ordinary shares, or any combination of these two methods.

The Board of Directors may delegate, within legal limits, the authority granted to it pursuant to this resolution to the Chief Executive Officer or, with his approval, to one or more Deputy General Managers, to decide to issue shares and to allocate shares free of charge, as well as to postpone such decision.

The Shareholders' Meeting decides that rights corresponding to fractional shares may neither be negotiable nor transferable and that the corresponding shares will be sold. The amounts obtained from the sale shall be distributed to the holders of the rights within the applicable legal time period.

The maximum nominal amount of the share capital increase that may be achieved, immediately or in the future, pursuant to this resolution is fixed at €40.7 million. This limit is set (i) without taking into account the nominal value of the Company's ordinary shares to be issued, if applicable, pursuant to the adjustments carried out in order to protect the interests of holders of rights attached to the securities that shall be issued on the basis of this delegation, in accordance with legal and regulatory requirements as well as applicable contractual provisions and (ii) independently from the limits on the share capital increases resulting from the issuances of the ordinary shares or securities giving access to the Company's share capital as authorized in the 12th, 13th, 14th, 15th, 16th, 18th, and 19th resolutions submitted to this Meeting.

The Shareholders' Meeting grants full powers to the Board of Directors to implement this resolution, particularly in order to:

- determine the terms and conditions of the authorized transactions and in particular decide on the amount and the nature of the reserves and premiums to incorporate into the share capital, determining the number of new shares to issue or the amount to which the nominal value of the existing shares comprising the share capital will be increased, decide on the dividend entitlement date (even retroactive) of the new shares or the date on which the increase in their nominal value will take effect;

- take all necessary measures to protect the rights of the holders of securities giving access to the Company's share capital on the day of the capital increase;
- acknowledge the capital increase resulting from the issuance of shares, amend the by-laws of the Company accordingly and carry out all necessary publicity formalities;
- and generally take all measures and complete all formalities required to ensure the proper completion of each capital increase.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 28, 2011 in its 19th resolution.

Eighteenth resolution

(Delegation of authority to the Board of Directors to increase the share capital in favor of employees who are members of a company savings plan and/or to carry out reserved sales of securities, without preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L. 225-129-2, L. 225-129-6 and L. 225-138-1 of the French commercial code and Articles L. 3332-1 *et seq.* of the French Labor Code, delegates to the Board of Directors the authority to decide to increase the Company's share capital, on one or more occasions, at the times and under the conditions that it deems appropriate, through the issuance of ordinary shares or securities giving access to ordinary shares reserved for the members subscribing to a company savings plan of the Company or of companies, French or foreign, related to the Company according to Articles L. 225-180 of the French commercial code and L. 3344-1 of the French Labor Code.

The maximum nominal amount of the increase of the Company's share capital that may be completed pursuant to this resolution may not exceed €3.1 million, it being specified that the issues carried out pursuant to this delegation shall be deducted from the limits provided for in paragraphs (a) of the 12th and 13th resolutions submitted to this Meeting.

It is noted that the above limit is determined without taking into account the nominal value of the ordinary shares of the Company to be issued, if applicable, pursuant to the adjustments made in order to preserve the interests of the holders of rights attached to securities giving access to the Company's share capital, in accordance with applicable legal and regulatory requirements and contractual provisions. To this end, the Shareholders' Meeting authorizes the Board of Directors, when necessary, to increase the share capital proportionately.

The Shareholders' Meeting decides to waive in favor of the beneficiaries, as defined above, the shareholders' preferential subscription right to the ordinary shares or securities giving access to ordinary shares to be issued according to this resolution and to waive any right to the shares or other securities allocated free of charge on the basis of this delegation.

The Shareholders' Meeting decides to set the discount offered under the company savings plan at 20% of the average of the Company's opening share prices listed on Euronext during the 20 trading sessions preceding the date of the decision setting the opening date for subscription. When this delegation will be implemented, the Board of Directors may decrease the amount of the discount on a case-by-case basis only for reasons of legal, tax or social constraints that may be applicable outside of France, in any of the countries in which the Danone group's entities employing the employees participating in the share capital increases are located. The Board of Directors may also decide, pursuant to the provisions of Article L. 3332-21 of the French Labor Code, to substitute the discount with a grant of free shares for subscribers of new shares.

The Shareholders' Meeting decides that the Board of Directors may also grant to the aforementioned beneficiaries free shares or other securities giving access to the Company's share capital to be issued or already issued, by way of company contribution (*abondement*), within the limits set forth by Article L. 3332-21 of the French Labor Code.

The Shareholders' Meeting grants the Board of Directors full powers to implement this resolution, particularly in order to:

- set the subscription price, the amount, the dividend entitlement date of the shares (even retroactively) and the terms of each issuance of shares or securities giving access to ordinary shares;
- determine if the subscriptions may be made directly by the beneficiaries or through a collective investment undertaking, and in particular through an employee savings plan (an "FCPE");
- set the opening and closing dates of the subscriptions, and more generally decide on all other conditions of each issuance;
- at its sole discretion and if it deems it appropriate, charge the expenses of capital increases to the amount of the premiums associated to these increases, and deduct from this amount the sums needed to bring the legal reserve to one-tenth of the new capital after each share capital increase;
- acknowledge one or more share capital increases through the issuance of ordinary shares up to the amount of ordinary shares that shall be subscribed, enter into all agreements, take all measures necessary to carry out such increases, complete the subsequent formalities, in particular those related to the listing of the securities created, amend the by-laws of the Company accordingly, and generally take all necessary measures.

The Board of Directors may delegate, in accordance with legal provisions, the authority granted to it pursuant to this resolution to the Chief Executive Officer or, with his approval, to one or more Deputy General Managers.

Pursuant to applicable legal provisions, the transactions carried out pursuant to this resolution may also take the form of the selling of shares to members of a company savings plan.

This delegation is granted for a 26-month period as from the date of this Meeting and supersedes with effect from this day the delegation granted by the Shareholders' Meeting of April 28, 2011 in its 20th resolution.

Nineteenth resolution

(Authorization granted to the Board of Directors to allocate existing or newly issued shares of the Company, without preferential subscription right of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, in accordance with Articles L.225-197-1 *et seq.* of the French commercial code:

1. Authorizes the Board of Directors to freely allocate, on one or more occasions, shares of the Company, existing or to be issued, to members of personnel or to certain categories thereof that it shall select among eligible employees, directors and officers of the

Company and of affiliates of the Company within the meaning of Article L.225-197-2 of the French commercial code. If the shares allocated are to be issued, this authorization will result, after the expiration of the vesting period(s), in a capital increase through the incorporation of reserves, earnings or additional paid-in capital in favor of the beneficiaries of said shares.

2. Decides that the Board of Directors will proceed with the allocations and will determine the identity of the beneficiaries of said allocations.
3. Decides that the allocation of shares in accordance with this authorization may not represent a number of existing or new shares exceeding 0.2% of the Company's share capital at the close of this Meeting; this percentage shall be calculated without taking into account the adjustments that may be made in accordance with any applicable legal and regulatory requirements or any contractual provisions providing for other adjustments, to protect the rights of the holders of securities or other rights giving access to the share capital. It is noted that the nominal amount of the existing or new shares allocated pursuant to this authorization shall be deducted from the limits provided for in paragraphs (a) of the 12th and 13th resolutions submitted to this Meeting.
4. Decides that the existing or new shares allocated pursuant to this authorization may be allocated, in accordance with legal requirements, to the Chief Executive Officer and the Deputy General Managers of the Company, to the extent the said shares are all subject to performance conditions and provided that the total thereof does not represent more than 0.05% of the Company's share capital at the close of this Meeting (subject to any adjustment mentioned in the preceding paragraph).
5. Decides that the allocation of shares to their beneficiaries will become final after a vesting period, the duration of which will be set by the Board of Directors and shall not be less than three years. The beneficiaries must hold the said shares for a duration set by the Board of Directors and the retention period may not be less than two years after the final allocation of such shares. However, if the vesting period for all or a part of one or more allocations is a minimum of four years, the shareholders' meeting authorizes the Board of Directors not to impose any retention period for the shares in question. It is reminded that the Board of Directors may provide for vesting periods and retention periods longer than the aforementioned minimum durations.
6. Expressly subjects the final allocation of all existing or new shares under this resolution to the achievement of one or more performance conditions that the Board of Directors shall determine.
7. Decides, moreover, that, in the event that the invalidity of the beneficiary corresponds to a classification in the second or third of the categories provided in Article L.341-4 of the French Social Security Code, the shares will be definitively allocated to the beneficiary before the end of the remaining vesting period. The said shares will be freely transferable from delivery.
8. Acknowledges that this authorization entails *ipso jure* the waiver by the shareholders of their preferential subscription right to the shares that would be issued as a result of this resolution, for the benefit of the beneficiaries.
9. Decides that this resolution supersedes with effect from this day the authorization granted by the Shareholders' Meeting of April 26, 2012 in its 13th resolution.
10. Grants full powers to the Board of Directors, with the ability to sub-delegate in accordance with legal and regulatory provisions, to implement this resolution, within the conditions set forth above and within the limits authorized by applicable laws and regulations, and in particular to determine, if applicable, the terms and conditions of the issuances that will be completed as a result of this authorization, as well as the dividend entitlement dates of the new shares, acknowledge the share capital increases, amend the by-laws of the Company accordingly, and more generally complete all formalities useful for the issuance, listing and financial servicing of securities issued as a result of this resolution and take all useful and necessary steps in accordance with applicable laws and regulations.

This authorization is granted until December 31, 2013.

Each year, the Board of Directors will inform the Ordinary Shareholders' Meeting, in accordance with legal and regulatory requirements, and in particular Article L. 225-197-4 of the French commercial code, of the transactions completed pursuant to this resolution.

Twentieth resolution

(Authorization granted to the Board of Directors to reduce the share capital by canceling shares)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report and the special report of the Statutory auditors, and acting in accordance with Articles L. 225-209 *et seq.* of the French commercial code:

1. Authorizes the Board of Directors to reduce the Company's share capital by cancelling, on one or more occasions, within the limit of 10% of the Company's share capital on the date of this Meeting and by 24-month periods, all or part of the Company's shares that the Company holds or may acquire within the framework of share repurchase programs authorized by the Shareholders' Meeting;
2. Decides that the excess of the repurchase price of the shares over their par value shall be charged to the "Additional paid-in capital" account or to any other available reserve account, including the legal reserve, within the limit of 10% of the reduction of share capital completed; and
3. Delegates full powers to the Board of Directors, with the ability to sub-delegate in accordance with legal provisions, to carry out, on its sole decision, the cancellation of shares thus acquired, to proceed with the resulting reduction of share capital, and the aforementioned deduction, as well as to amend Article 6 of the by-laws of the Company accordingly.

This authorization is granted for a 24-month period as from the date of this Meeting and supersedes with effect from this day the authorization granted by the Shareholders' Meeting of April 28, 2011 in its 21st resolution.

Twenty-first resolution

(Amendment of Article 5 of the Company's by-laws in order to extend the term of the Company)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report, decides to amend, with effect from this day, Article 5 of the by-laws as follows:

Previous wording	New wording
Article 5 – Term	**Article 5 – Term**
The company shall reach its term on 13 December 2040, unless dissolved prior thereto or extended to a date thereafter.	**The company shall reach its term on April 25, 2112**, unless dissolved prior thereto or extended to a date thereafter.

Twenty-second resolution

(Amendment of Article 22.II of the Company's by-laws regarding the representation of the shareholders)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report decides to amend, with effect from this day, Article 22.II of the by-laws as follows:

Previous wording	New wording
Article 22 – Composition of meetings	**Article 22 – Composition of meetings**
II – Any shareholder may be represented by his spouse or by another shareholder by virtue of a power of attorney, whose form shall be determined by the Board of Directors. A shareholder not having his domicile on the French territory, within the meaning of Article 102 of the Civil Code, can be represented in General Meetings by an intermediary registered under the terms stipulated by the legal and regulatory provisions in force. This shareholder is then considered to be present at this Meeting for computing the quorum and majority. Minors and the incapable shall be represented by their legal guardians and trustees without the need for the latter to be shareholders in person. A corporate body shall be legitimately represented by any duly entitled legally recognized representative or by a person specially empowered for the said purpose.	II – **Any shareholder may be represented in accordance with the conditions provided for by the legal and regulatory provisions in force.**

Twenty-third resolution

(Amendment of Article 24.I of the Company's by-laws regarding the calling of shareholders' meetings)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for extraordinary shareholders' meetings, having reviewed the Board of Directors' report decides to amend, with effect from this day, Article 24.I of the by-laws as follows:

Previous wording	New wording
Article 24.I – Notice of meeting – Venue	**Article 24.I – Notice of meeting – Venue**
I – Except as provided by law, the General Meeting shall be called by the Board of Directors. Without prejudice to any publication in the Bulletin des Annonces Légales Obligatoires (Official Gazette) that is required by the legislation in force, the calling of the meeting is carried out by means of a notice of meetings published in a newspaper empowered to publish legal notices and serving the *département* in which the registered office is situated at least fifteen days prior thereto in the case of the first notice of meeting and **at least six days prior thereto in the case of subsequent notices**. Furthermore, shareholders who, at the date of the said notice, have held registered shares for at least one month shall be summoned to any meeting by non-registered letter.	I – **The General Meeting shall be convened in accordance with the conditions provided for by the legal and regulatory provisions in force.**

Twenty-fourth resolution

(Powers to effect formalities)

The Shareholders' Meeting gives full powers to any bearer of an original, a copy or an excerpt of these minutes to make all legal and administrative formalities and carry out all filings and any publicity required by laws and regulations.

9.3 Comments on the resolutions submitted to the Shareholders' Meeting

Approval of the statutory and consolidated financial statements for fiscal year 2012 (1st and 2nd resolutions)

We request that you approve the statutory and consolidated financial statements for the fiscal year ended December 31, 2012.

In accordance with Article 223 *quater* of the French Tax Code, it is stipulated that the total amount of expenses and charges referred to in paragraph 4 of Article 39 of the French Tax Code totaled €445,995 during the year under review, and that the tax borne as a result of these expenses and charges totaled €161,005.

Allocation of earnings (3rd resolution)

You are asked to:

- acknowledge that earnings for the fiscal year 2012 amount to €442,128,977.87;
- acknowledge that retained earnings amount to €3,652,283,422.77;

totaling earnings available for allocation of profits of €4,094,412,400.64;

- decide to allocate the total available for allocation as follows:
  - to dividends in the amount of €932,584,900;
  - to retained earnings in the amount of .... €3,161,827,500.64.

The amount of €932,584,900 distributed among shareholders will be fully eligible for the 40% allowance provided for in Article 158-3.2 of the French Tax Code and enables the payout of a dividend of €1.45 per share.

The dividend to be paid will be detached from the share on May 2, 2013 and will be payable as from May 7, 2013.

In accordance with the provisions of Article L. 225-210 of the French commercial code, the dividend on treasury shares on the payment date will be allocated to retained earnings.

Dividends paid in respect of the last three fiscal years

Year	Number of shares	Dividend paid out [a]
2009	646,990,850	1.20
2010	647,921,840	1.30
2011	642,246,573	1.39

(a) Distribution fully eligible for the 40% allowance.

Renewal of the tenure of Directors (4th and 5th resolutions)

We request that you renew the tenures as Directors of Mr. Franck RIBOUD and Mr. Emmanuel FABER for the period of three years as set in the by-laws. Their terms of office will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the fiscal year 2015.

Renewal of the tenure as Director of Mr. Franck RIBOUD (4th resolution)

We request that you renew the tenure as Director of Mr. Franck RIBOUD.

In this respect, the Board draws to shareholders' attention to the following matters:

1. **Non-separation of the offices of Chairman of the Board of Directors and of Chief Executive Officer**

   The Board of Directors notes that, in 2002 and 2010, it decided not to separate the offices of Chairman of the Board of Directors and Chief Executive Officer in order to maintain cohesiveness between the powers of the Board of Directors and those of General Management, thereby avoiding diluting the powers and responsibility of the Company's Chairman.

   The Board of Directors, following the recommendation of the Nomination and Compensation Committee on this matter, carried out an in-depth review of the current non-separation of the offices of Chairman of the Board of Directors and Chief Executive Officer. It came to the conclusion that this combination of the two offices should be maintained.

   In effect, the Board considered that combination of the two offices enables the General Management bodies to operate in a straightforward, quick and flexible manner. In addition, combinating these offices does not result in an excessive centralization of powers (because General Management includes two Deputy General Managers) and most significant transactions within the remit of the Chief Executive Officer require the prior approval of the Board of Directors (to be noted that 57% of whose members are Independent Directors). Finally, in the context of the combination of the offices of Chairman and Chief Executive Officer, the Board decided to make mandatory the appointment of a Lead Independent Director (described in point 2 hereafter). It considered that the appointment of a Lead Independent Director will provide additional assurance as to the balance of powers and good governance.

2. **Creation of the position of Lead Independent Director if the offices of Chairman of the Board of Directors and Chief Executive Officer are combined**

   Discussions with the Company's shareholders have enabled the Board of Directors to recognize that certain shareholders perceive in the non-separation of the offices of Chairman of the Board of Directors and Chief Executive Officer risks with respect to governance.

   As noted above, the Board has decided to maintain the current form of governance applicable to Group General Management, *i.e.* the non-separation of the offices of Chairman of the Board of Directors and Chief Executive Officer. However, it appeared opportune to the

Board to make mandatory the appointment of a Lead Independent Director when the two offices are combined in order to provide additional assurance as to the correct functioning of the Board and the balance of powers within General Management and the Board.

2.1 Presentation

The Lead Independent Director will be appointed by the Board of Directors from amongst the Independent Directors, based on a proposal from the Nomination and Compensation Committee. He will hold this position throughout his/her entire term as Director and will have specific powers set in the Board's Rules of Procedure.

Each time the Lead Independent Director's term of office comes to an end, following discussions with the shareholders, a review will be carried out of the operation of said role and the powers of its holder so that, if necessary, they can be adapted.

A list of the Lead Independent Director's powers has been drawn up based on an in-depth review of the market's practices and criteria concerning Lead Independent Directors. This list ensures that the Lead Independent Director has actual and effective powers that are consistent with the Board's culture and operating practices.

2.2 Role and duties of the Lead Independent Director

The Lead Independent Director's primary function is to ensure the smooth operation of the Board of Directors and its Committees. In that context, he/she is in charge of the following maters:

Board of Directors assessment

The Lead Independent Director participates in the Board of Directors assessment process.

Management of conflicts of interest

The Lead Independent Director prevents conflicts of interest from occurring, notably by taking preventive measures to raise awareness.

He/she brings any conflicts of interest involving executive directors and officers and other Board members that he/she has identified to the attention of the Board of Directors.

Any Director having a conflict of interest, even potential, notifies the Lead Independent Director.

Compliance with the Rules of Procedure

The Lead Independent Director ensures that the Rules of Procedure of the Board of Directors are complied with.

He/she may be consulted by the Directors in the same capacity as the Chairman and Chief Executive Officer with respect to market ethics, in particular as regards transactions on Company securities, or the type of information they may disclose.

Relations with Shareholders

The Lead Independent Director assists the Chairman and Chief Executive Officer, upon his/her request, to answer questions from shareholders, and makes himself/herself available to meet with them and receive comments and suggestions from them, at the request of and with the approval of the Chairman and Chief Executive Officer.

Activity report

The Lead Independent Director reports on the execution of his/her duties once a year to the Board of Directors.

During the Shareholders' Meetings, he/she may be requested by the Chairman and Chief Executive Officer to report on his/her actions.

2.3 Prerogatives of the Lead Independent Director

As part of his/her duties, the Lead Independent Director exercises the following prerogatives:

Convening of the Board of Directors/Agenda/Informing Directors

The Lead Independent Director may request the Chairman and Chief Executive Officer to convene the Board of Directors for a given agenda.

He/she may propose to the Chairman and Chief Executive Officer additional agenda items.

He/she ensures that the Directors are capable of performing their duties under the best possible conditions, and notably that they are properly informed prior to the Board of Directors meetings.

Independent Directors

Directors certified as independent by the Board of Directors may hold a meeting at the initiative of the Lead Independent Director.

The Lead Independent Director ensures the link between independent Directors and the Chairman and Chief Executive Officer, the other Board members and the General Management.

Board of Directors Committees

The Lead Independent Director may be appointed by the Board of Directors to serve as Chairman or member of one or more Board of Directors Committees. Even if not appointed, the Lead Independent Director may attend the meetings and has access to the work of the other Committees. In particular, the Lead Independent Director is involved in the work of the Nomination and Compensation Committee concerning the annual performance assessment and recommendations regarding the compensation of executive directors and officers.

Meetings with managers

The Company keeps the Lead Independent Director regularly informed of its activities, including through the organization of regular meetings with operational or functional managers, on his/her request.

Means

The Lead Independent Director has access to all documents and information that he/she deems necessary to fulfill his/her duties.

2.4 Appointment of Mr. Jean LAURENT as Lead Independent Director

Upon proposal of the Nomination and Compensation Committee (Mr. Jean LAURENT did not take part in any discussions or votes on decisions), Mr. Jean LAURENT was appointed as Lead Independent Director by the Board of Directors of February 18, 2013.

Independence

The Board of Directors considered that Mr. Jean LAURENT met all the requirements for independence necessary to serve as Lead Independent Director. Mr. Jean LAURENT was qualified by the Board as independent in strict compliance with the AFEP-MEDEF Code independence criteria.

In response to the question of a shareholders' representative as regards to his independence because of his position at Eurazeo, it should be noted that Mr. Jean LAURENT is Vice-Chairman of the Supervisory Board and consequently not executive director and officer of Eurazeo. This group holds, as of December 31, 2012, 2.6% of the Company's share capital and 4.6% of gross voting rights (due to the double voting rights mechanism). In addition, the whole stake held by Eurazeo is pledged in favor of holders of bonds exchangeable for DANONE shares issued by Eurazeo in 2009. These bonds expire on June 10, 2014 and Eurazeo may thus dispose of its entire stake in the Company at this date. Consequently, the Board confirmed that Mr. Jean LAURENT satisfied to all independence criteria set by the AFEP-MEDEF Code and that his personal situation did not create any conflict of interest.

Experience and knowledge of the Group

The Board of Directors also took into account the extensive business experience of Mr. Jean LAURENT as the former Chief Executive Officer of a major banking group as well as his thorough knowledge of the Board and the Group, which he has served as Director (since 2005), Chairman of the Social Responsibility Committee (since 2007) and Chairman of the Nomination and Compensation Committee (since 2009).

Attendance rate

Mr. Jean LAURENT's average attendance rate at Board meetings was 96% the past three years.

Situation with regard to the aggregation of office rules

The Board noted that as of December 13, 2012, Mr. Jean LAURENT held three other positions in listed companies (two positions are currently held within the group Foncière des Régions) and thus reduced the number of listed positions since December 31, 2011 (date on which he held 4 other positions in listed companies).

3. Mr. Franck RIBOUD's situation with regard to the aggregation of offices rules

At its February 18, 2013 meeting, the Board of Directors, pursuant to the recommendation of the Nomination and Compensation Committee, examined Mr. Franck RIBOUD's situation with regard to the legislation and the recommendations of the AFEP-MEDEF Code concerning the aggregation of offices. The Board concluded that the rules had been complied with in full.

Indeed, Mr. Franck RIBOUD currently holds only one office as Director within another listed company (Renault). The Board also noted that Mr. Franck RIBOUD had, since December 31, 2011, significantly reduced the number of non-executive offices he holds within other companies: during the fiscal year 2012, he resigned as a Director of Accor, a listed company, and Lacoste.

A list of all Mr. Franck RIBOUD's remaining positions and responsibilities as of December 31, 2012 and of those held during the last five years is included in section 11.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

4. Concurrent holding of employment contract and position as executive director and officer of Mr. Franck RIBOUD

The Board noted that Mr. Franck RIBOUD, who joined the Group as an employee in 1981, had his employment contract suspended when he was appointed as an executive director and officer of the Company and that, in 2010, when his term of office as Chairman and Chief Executive Officer was renewed, the Board considered it appropriate for his employment contract to remain in force although it would continue to be suspended.

On the recommendation of the Nomination and Compensation Committee, the Board decided that this approach remains appropriate and should be maintained given Mr. Franck RIBOUD's age, personal circumstances and length of service as an employee within the Group.

Indeed, the Board considers that the provisions of the AFEP-MEDEF Code on the termination of the employment contract of the Chairman and Chief Executive Officer are not appropriate for managers with at least ten years' service within the Group. These provisions would, in fact, be contrary to internal promotion and the principle of sustainable management that the Company aims to promote and the termination of the employment contract could dissuade internal candidates from accepting positions as executive directors and officers.

In addition, the Board noted that the French Financial Markets Authority (*Autorité des marchés financiers* or AMF) considers that it is in compliance with the AFEP-MEDEF Code for an employment contract to remain in force in view of an executive's (i) length of service as an employee within the company and (ii) his personal situation.

5. Mr. Franck RIBOUD's attendance rate

Following discussions with the shareholders, the Board has decided to present the individual average attendance rate, over the term of his or her maturing term of office, for each Director the renewal of whose term of office is proposed to the Shareholders' Meeting.

It is therefore specified that Mr. Franck RIBOUD's attendance rate at Board meetings was 100% for each of the past three years (his term of office as a Director).

6. Obligation to hold shares acquired through the exercise of stock options and the allocation of shares subject to performance conditions

In 2007, the Board of Directors introduced the obligation for executive directors and officers as well as for all other members of the Executive Committee to hold shares acquired through the exercise of stock options and the allocation of shares subject to performance conditions in an amount corresponding to 35% of the net capital gain on acquisition.

The Board of Directors supplemented this requirement in 2012 by setting an overall holding target of DANONE shares totaling four years of fixed compensation for each executive director and officer (and two years of fixed compensation for each of the other Executive Committee members). This holding obligation will thus be deemed as fulfilled when the thresholds set out above are reached.

In accordance with the recommendation of the AFEP-MEDEF Code, the holding obligation was reexamined by the Board of Directors in the context of the renewal of Mr. Franck RIBOUD's term of office. On this occasion, the Board of Directors' meeting on February 18, 2013, in accordance with the recommendation of the Nomination and Compensation Committee, decided that this holding obligation was sufficiently stringent.

The AFEP-MEDEF Code recommends that performance shares granted to executive directors and officers should be conditional on the additional purchase, on the market, of a defined number of shares when the performance shares granted become available, on the terms and conditions set by the Board of Directors. The Board, as recommended by the Nomination and Compensation Committee, considered that, given the high level of the holding obligation of shares derived from the exercise of stock options and the allocation of shares subject to performance conditions (set out above), this mechanism had an effect equivalent to that of the recommendation of the AFEP-MEDEF Code and facilitated the achievement of the objective targeted by this recommendation. Consequently, the Board decided that it was not appropriate to supplement this mechanism with a share purchase obligation at the end of the holding period applicable to the shares allocated.

Renewal of the tenure of as Director of Mr. Emmanuel FABER (5th resolution)

We request that you renew the tenure as Director of Mr. Emmanuel FABER.

1. Mr. Emmanuel FABER's situation with regard to the aggregation of offices rules

On February 18, 2013 the Board of Directors, pursuant to the recommendation of the Nomination and Compensation Committee, examined Mr. Emmanuel FABER's situation with regard to the legislation and the recommendations of the AFEP-MEDEF Code concerning the aggregation of offices. The Board came to the conclusion that, in this instance, the rules had been complied with in full.

Indeed, Mr. Emmanuel FABER currently holds only one term of office as a Director of another listed company (Legris Industries).

A list of all Mr. Emmanuel FABER's positions and responsibilities as of December 31, 2012 and of those held during the last five years is included in section 11.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. **Mr. Emmanuel FABER's attendance rate**

   Mr. Emmanuel FABER's attendance rate at Board meetings was 100% for each of the past three years (his term of office as a Director).

3. **Obligation to hold shares acquired through the exercise of stock options and the allocation of shares subject to performance conditions**

   It is noted that Mr. Emmanuel FABER is subject to the same obligation to hold shares as Mr. Franck RIBOUD and that the Board considered that the holding obligation was sufficiently stringent.

Composition of the Board of Directors

The Board noted that, since the date of the most recent renewal of the terms of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER:

- the Board's rate of independence (as defined in accordance with all criteria set by the AFEP-MEDEF Code) increased from 43% to 57%;
- the Board's rate of female participation increased from 7% to 21%;
- the average age of Directors fell from 60.6 years to 56.3 years;
- length of service (the average duration of Directors' tenure in office) fell from 11.6 years to 6.5 years; and
- the international composition of the Board remained stable at 28%.

The Board noted that it has been for several years and remains committed towards the shareholders to continue to improve its corporate governance by bringing before the Shareholders' Meeting proposals on ensuring the Board's independence, increasing the number of women directors, and increasing the expertise and diversity of its composition.

Approval of the agreements and commitments referred to in the special report of the Statutory auditors (6th to 9th resolutions)

We are asking you to approve the regulated agreements referred to in Articles L. 228-38 *et seq.* of the French commercial code, which were authorized by the Board of Directors during the 2012 fiscal year and early in the 2013 fiscal year.

In an effort to promote transparency (even though it is not required under applicable regulations) and to allow shareholders to express separate opinions on the various types of regulated agreements, the Board of Directors decided, as was the case last year, to submit a specific resolution for a vote by the shareholders on the agreements entered into by the Company with the J.P. Morgan's group (*7th resolution*).

In addition, in accordance with the law, the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code relating to each of Mr. Franck RIBOUD and Mr. Emmanuel FABER are the subject of separate resolutions.

Therefore, four resolutions are submitted to the shareholders in respect of the regulated agreements:

- a general resolution on the regulated agreements (except those covered by the following resolutions) (*6th resolution*);
- a separate, specific resolution on the agreements entered into by the Company with the J.P. Morgan's group (*7th resolution*);
- a specific resolution on the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Franck RIBOUD (*8th resolution*); and
- a specific resolution on the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Emmanuel FABER (*9th resolution*).

As a preliminary matter, it should be noted that by law only new agreements are subject to a vote of the Shareholders' Meeting. However, for the information of shareholders, the special report of the Statutory auditors describes existing agreements that remained in effect during the fiscal year ended December 31, 2012. The Board intends to continue providing a high level of information to shareholders concerning the execution of regulated agreements authorized in preceding fiscal years and which may continue in future years.

Resolution approving the agreements referred to in Articles L. 225-38 *et seq.* of the French commercial code (6th resolution)

You are first asked to approve the new agreements authorized by the Board of Directors during the fiscal year ended December 31, 2012 and described in the special report of the Statutory auditors on regulated agreements and undertakings (included in section 5.4 *Related party transactions*).

With the exception of the agreements entered into with the J.P. Morgan's group and the agreements and undertakings relating to Mr. Franck RIBOUD and Mr. Emmanuel FABER, which are covered by separate, individual resolutions, two regulated agreements were entered into by the Company in 2012 and have therefore been submitted to the shareholders for approval.

These two agreements involve guarantees in respect of undertakings given by the Company's subsidiaries to financial institutions in connection with financial transactions carried out on behalf of the Group's companies.

1. **Danone Finance International's guarantee**

   The first agreement concerns Danone Finance International, a subsidiary of the Company which in particular manages the centralization of the Group's cash.

   Danone Finance International is party to the syndicated facilities agreement entered into by the Company on July 28, 2011 with various financial institutions for a total of €2 billion. In connection with this agreement, the Company is a joint and several guarantor of its subsidiary Danone Finance International (and of all other direct or indirect subsidiaries that might directly accede as additional borrowers to the syndicated facilities agreement) with respect to all of their commitments in principal, interest, accessory payments and generally with respect to all payments due in their capacity as additional borrowers, up to a maximum principal amount of €2 billion.

   At its meeting on June 18, 2012, the Board of Directors authorized an amendment to this guarantee in connection with the extension of the syndicated facilities agreement for a further year, with the addition of a utilization fee of the facilities under certain circumstances and an additional margin for drawdowns in US dollars. The syndicated facilities agreement entered into on July 12, 2012 was extended by means of an amendment (said amendment is, moreover, subject to shareholder approval due to the inclusion of the J.P. Morgan's group as one of the lending banks – see comments on the 7th resolution hereafter).

The increase in the scope of the guarantee resulting from the signing of the amendment to the syndicated facilities agreement is thus subject to the shareholders' approval. This amendment enables the Group to benefit from credit lines totaling €2 billion until July 2017.

If the guarantee is implemented, Danone Finance International will pay the Company, as consideration for the guarantee, an annual fee calculated on the basis of the average amount borrowed during the corresponding calendar year.

Since Danone Finance International did not draw down any amount on this syndicated facilities agreement in 2012, this guarantee was not implemented during the year.

2. **Guarantee in respect of transactions carried out by Danone Corporate Finance Services**

The second agreement concerns Danone Corporate Finance Services, a subsidiary of the Company which carries out financial risks management operations (relating mainly to interest rate and exchange rate risks) on behalf of Group's companies. Danone Corporate Finance Services thus carries out, on the Group's behalf, transactions in financial instruments of various types, including interest rate swaps and options, currency swaps, forward purchases and sales of currencies and currency options.

At its meeting of April 26, 2012, the Company's Board of Directors authorized the Company to grant a guarantee or a security for the various financial risk management transactions to be carried out by its subsidiary Danone Corporate Finance Services, up to an overall ceiling of €750 million per year (compared with the previous authorized ceiling of €500 million).

The ceiling previously authorized for this type of financial transaction had remained unchanged since January 2001 and it therefore seemed necessary to increase it, given the Group's expansion and the financial transactions it will be required to carry out.

In this context, on December 3, 2012, the Company undertook, on Danone Corporate Finance Services' first request, to guarantee the commitments given by the latter to financial institutions in connection with its financial risk management operations (concerning mainly exchange rate and interest rate risks) carried out on behalf of Group's companies, up to an overall maximum of €750 million.

If the guarantee is implemented, Danone Corporate Finance Services will pay the Company, as consideration for the guarantee, an annual fee calculated on the basis of the average amount guaranteed under said guarantee during the corresponding calendar year.

This guarantee was not implemented in 2012.

At its February 18, 2013 meeting, the Company's Board of Directors renewed its authorization, retaining the same terms and amount.

3. **Benefit for the Company and shareholders of entering into these agreements**

These two agreements were entered into with the Group's subsidiaries specializing in finance, which carry out transactions that are essential to the operations of the Group's entities (in particular cash centralization and exchange rate risk management).

The Board of Directors stresses that these two subsidiaries need the Company guarantee to properly carry out their activities on behalf of the Group to ensure that:

- the financial institutions (lending banks or counterparties of transactions in financial instruments) continue to deal with said subsidiaries (as they would with the Company), such that at no time are the Group's financing and financial risk management transactions interrupted; and
- these subsidiaries are able to obtain the best possible financial terms (they are granted advantageous terms as they benefit from the Company's credit quality).

These two agreements are therefore in the strict interest of the Company and its shareholders.

We therefore request that you approve these two agreements entered into by the Company with its subsidiaries, which were authorized by the Company's Board of Directors during the year ended December 31, 2012.

Separate resolution on the agreements entered into with the J.P. Morgan's group (7th resolution)

As part of its activities, the Group works with various leading financial institutions, including the J.P. Morgan's group.

In 2012, the Board of Directors therefore authorized the conclusion of the following two agreements with various banking institutions, including the J.P. Morgan's group: (i) a purchase agreement in connection with a bond issue in the United States, and (ii) an amendment to the syndicated facilities agreement entered into in 2011.

These two agreements constitute regulated agreements (subject to the provisions of Articles L. 225-38 *et seq.* of the French commercial code) given the presence of Mrs. Isabelle SEILLIER, senior executive of the group J.P. Morgan Chase, on the Board of Directors.

Mrs. Isabelle SEILLIER has been a Director of the Company since the April 28, 2011 Shareholders' Meeting. As a result of her functions at J.P. Morgan Chase's group, she was designated a non-independent Director by the Board of Directors, acting on the recommendation of the Nomination and Compensation Committee.

The Board of Directors notes in this regard that several measures have been taken to ensure that any potential conflict of interest linked to Mrs. Isabelle SEILLIER's responsibilities is properly controlled by the Group, namely:

- systematic abstention of Mrs. Isabelle SEILLIER during deliberations involving, directly or indirectly, the J.P. Morgan's group (as stipulated by law);
- express reference in the Report of the Board of Directors to the Shareholders' Meeting of her designation as a non-independent Director and of the existence of potential conflicts of interest involving her;
- full transparency on compensation terms for the J.P. Morgan's group by the Danone group as part of agreements subject to shareholder approval; and
- a systematic resolution concerning all new regulated agreements entered into with the J.P. Morgan's group, which will be automatically put to a separate shareholder vote during the subsequent Shareholders' Meeting.

It should be noted that the Board of Directors had, at the Shareholders' Meeting of April 26, 2012, submitted to shareholders for approval an advisory agreement entered into by the Company with J.P. Morgan in connection with an acquisition project, even though said acquisition project was still pending and not disclosed as of the date of the 2011 registration document. It is stipulated that since the acquisition project was not implemented, said advisory agreement was terminated. In accordance with the details included in the Board of Directors' report to the Shareholders' Meeting of April 26, 2012, this project did not therefore give rise to the payment of the J.P. Morgan fee provided for under the terms of the agreement, which provided for payment only in the event of completion of the transaction.

1. **Purchase agreement entered into on May 29, 2012 in connection with a bond issue in the United States**

   At its April 20, 2012 meeting, the Board of Directors unanimously authorized the Company to enter into a purchase agreement with J.P. Morgan Securities LLC in connection with a bond issue on the US market. Mrs. Isabelle SEILLIER abstained from voting.

   Therefore, on May 29, 2012, the Company entered into a purchase agreement with the banks responsible for placing the bonds (which included J.P. Morgan Securities LLC) under the terms of which said banks underwrote the Company's entire bond issue, which they then placed with investors wishing to participate in the issue.

   This bond issue was launched on May 29, 2012 and settlement/delivery took place on June 6, 2012. The bonds, which have a 10-year term and carry a 3% coupon, represent a principal amount of USD 850 million. The issue was carried out by means of a private placement with institutional investors.

   The fee paid to each bank responsible for placing the bonds (including J.P. Morgan Securities LLC) was strictly proportional to the underwriting commitment of the bank concerned.

   The fee paid to J.P. Morgan Securities LLC under the terms of the agreement totaled USD 1.53 million.

2. **July 12, 2012 amendment to syndicated facilities agreement**

   At its meeting on July 27, 2011, the Board of Directors had unanimously authorized the Company to enter into a syndicated facilities agreement with J.P. Morgan Europe Limited and J.P. Morgan Limited (hereinafter "J.P. Morgan"), Mrs. Isabelle SEILLIER abstaining from voting.

   On July 28, 2011, the Company therefore signed a syndicated facilities agreement with J.P. Morgan and 11 other French and international banks. This agreement provides for the establishment of a €2 billion (multi-currency) revolving credit line, combined with a €300 million "swingline" facility, up to a maximum overall principal amount of €2 billion. The agreement's initial term was five years (with the possibility of renewal up to two additional years subject to the banks' approval).

   The shareholders approved the signing of this agreement at the Shareholders' Meeting of April 26, 2012.

   At its meeting on June 18, 2012, the Board of Directors unanimously authorized the Company to enter into with J.P. Morgan an amendment to the syndicated facilities agreement to provide for (i) the extension of the syndicated facilities agreement for a further year (*i.e.* until July 28, 2017) and (ii) as consideration, the addition, for all participating banks and in proportion to their commitments, of a utilization fee of the facilities under certain circumstances and an additional margin for drawdowns in US dollars. Mrs. Isabelle SEILLIER abstained from voting.

   Therefore, on July 12, 2012, the Company, together with J.P. Morgan and the other banks parties to the syndicated facilities agreement, amended the syndicated facilities agreement accordingly. This amendment took effect on July 28, 2012 (the syndicated facilities agreement's anniversary date).

   This amendment will enable the Group to benefit from credit lines totaling €2 billion until July 2017.

   J.P. Morgan's commitment as a lender under the syndicated facilities agreement represents €210 million, or 10.5% of the total, *i.e.* the same percentage as the other banks having the first rank in the syndicated facilities agreement. Fees and interest owed by the Company to J.P. Morgan are determined on a strict pro-rated basis relative to its commitments under the syndicated facilities agreement and are therefore equivalent to fees and interest due to the other banks having a first rank in the facilities agreement.

   No amount was drawn under this syndicated facilities agreement in 2012.

   In 2012, the Company paid J.P. Morgan total fees of €299,717 related to this syndicated credit (non-utilization fees).

   As indicated in the Board of Directors' report to the Shareholders' Meeting of April 26, 2012, the shareholders will be informed each year, by means of the Statutory auditors' special report, of the amount actually paid to J.P. Morgan in respect of this agreement during the preceding fiscal year.

3. **Benefit for the Company and its shareholders of these agreements entered into with J.P. Morgan**

   The Board of Directors believes that the decision to retain J.P. Morgan for these two transactions is justified on objective grounds and is therefore in the strict interest of the Company and its shareholders.

   In particular, the Board of Directors emphasizes that:

   - it is essential that the Group be able to rely on first-tier international banks, especially in a period of financial crisis;
   - the J.P. Morgan's group is a major international bank, whose expertise in strategic transactions is recognized in France and abroad (particularly in the United States);
   - this bank has worked in the past with the Group on similar strategic transactions and therefore has a very good understanding of the Group and its activities, as well as excellent knowledge of the various players in the worldwide food and beverage industry, which further adds to the relevance of its advice;
   - the terms of J.P. Morgan's involvement (and in particular its compensation) are based on customary market practices, as evidenced by the presence, for each of the two respective agreements, of other banks receiving similar terms as those accorded to J.P. Morgan.

   In that regard, we request that you approve the two above-mentioned agreements entered into by the Company with the J.P. Morgan's group, which were authorized by the Board of Directors during the fiscal year ended December 31, 2012.

Approval of the regulated agreements and undertakings regarding Mr. Franck RIBOUD and Mr. Emmanuel FABER (8th and 9th resolutions)

Pursuant to the law, the Company's shareholders are required, in connection with the renewal of the tenures as Directors of Mr. Franck RIBOUD and Mr. Emmanuel FABER, to vote on the renewal of their rights to the indemnity due in certain instances of the termination of the term of office.

As recommended by the Nomination and Compensation Committee, the Board of Directors has decided to renew the rights to the indemnity due in certain instances of the termination of the term of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER.

These rights to indemnity would be renewed on the same basis as that set by the Board of Directors at its meeting on February 10, 2010 and approved by the Shareholders' Meeting of April 22, 2010, subject to certain amendments made in order to ensure strict compliance with the provisions of the AFEP-MEDEF Code or to make the conditions of payment more restrictive. In particular:

- payment of the indemnity would be limited strictly to the only circumstances provided for by the AFEP-MEDEF Code, *i.e.* "the departure is imposed on such executive director and officer and linked to a change in control or strategy"; and

- in accordance with the AFEP-MEDEF Code, payment of the indemnity would not be permitted in circumstances in which the executive director and officer concerned is able to benefit "in the near future" from pension rights.

In addition to bringing these arrangements into compliance with the governance rules, the following two changes would be implemented:

- the reference panel of major benchmark international groups in the food and beverage sector used as a basis for definition of the performance conditions (see point 15. of section 5.4 *Related party transactions*) would be amended to take into account the spin-off of one of the panel members, Kraft Foods Inc., so as to guarantee the coherence and continuity of the composition of the members of the reference panel. The two entities that resulted from this spin-off, *i.e.* Kraft Food Group Inc. and Mondelēz International Inc., would therefore be included in this panel in place of Kraft Foods Inc.; and
- to make the achievement of the performance conditions even more challenging, no compensation would in future be paid if the Group's performance used to determine payment was below the panel's median performance.

Details are provided of these agreements and undertakings in the Statutory auditors' special report (see section 5.4 *Related party transactions*).

Fixing of the amount of Directors' attendance fees (10th resolution)

We propose to increase the maximum amount of attendance fees that may be paid to all Directors (with the exception of executive directors and officers) from €600,000 to €800,000 per fiscal year. As a reminder, this overall annual amount of €600,000 was set by your Shareholders' Meeting in 2009 and has not been increased since then.

This increase in the overall amount of attendance fees would make it possible to supports the costs relating to the nomination of a Lead Independent Director by the Board of Directors' meeting of February 18, 2013. The particular situation of Directors residing abroad would also be taken into account through the allocation of an additional amount when they travel to assist to Board of Directors' meetings.

The increase in the amount of attendance fees to allocate to the Lead Independent Director and Directors residing abroad is therefore consistent with the Board's policy of promoting new membership and is in line with the objectives of membership independence, diversity and internationalization.

The Board also examined the current average annual amount of attendance fees in other CAC 40 companies, both in terms of the annual amount authorized by the Shareholders' Meeting and the amount effectively paid to Directors (in fiscal year 2011). The Board noted that the average global annual amount authorized by the shareholders' meetings of CAC 40 companies was approximately €875,000 in 2011.

In consideration of the global economic environment and the Group actuality, the Board of Directors considered it preferable not to amend the other rules for allocating attendance fees in fiscal year 2013, and more particularly not to increase attendance fees for Directors (with the exception of the two changes described above concerning the Lead Independent Director and those Directors residing abroad).

Subject to the adoption of this resolution, in 2013 the allocation formula would therefore still include a fixed portion that remains unchanged as well as a variable portion based on flat fees per meeting, which also remains unchanged.

Accordingly, the allocation of the overall amount of attendance fees between Directors would be made as follows:

(i) **Fixed portion**

- Director: fixed amount of €10,000 per year (amount unchanged); and
- Lead Independent Director: fixed amount of €50,000 per year.

(ii) **Variable portion**

Board of Directors' meetings

- €2,000 per meeting (amount unchanged); and
- for travel by Directors residing outside of France:
  - a new additional amount of €1,000 per trip to a meeting of the Board of Directors for Directors residing elsewhere in Europe;
  - a new additional amount of €2,000 per trip to a meeting of the Board of Directors for Directors residing outside Europe.

The above-mentioned rules also apply to meetings of Independent Directors convened at the initiative of the Lead Independent Director (see above comments on the 4th resolution).

Meetings of Board Committees

- Members: €4,000 per meeting (amount unchanged), and
- Chairman: €8,000 per meeting (amount unchanged).

Moreover, for the additional amounts linked to travel to the Board's Committees meetings, the same rules apply as those specified for Directors.

The Board notes that in accordance with the Board's Rules of Procedure, the three Directors who are also executive directors and officers of the Company do not receive attendance fees.

The rules governing the allocation of attendance fees as well as the respective attendance fee amounts due for the 2012 and 2011 fiscal years are presented in section 6.10 *Compensation and benefits paid to executives*.

Finally, the Board undertakes that as part of this resolution:

- any increase in the amounts to be paid to Directors that could be, if appropriate, decided subsequently, would only apply to the variable portion in order to promote attendance at Board meetings in accordance with the AFEP-MEDEF Code; and
- any change in the allocation rules presented above shall be disclosed in the Registration Document.

Acquisition by the Company of its own shares (11th resolution)

The 11th resolution renews the authorization granted to the Board to repurchase or transfer Company shares.

Description of the authorization

We are therefore asking you to authorize your Board to purchase, retain or transfer the Company's shares, within the context of a share repurchase program, pursuant to the provisions of Articles L. 225-209 *et seq.* of the French commercial code and European Regulation 2273/2003 of December 22, 2003 implementing European Directive 2003/6/EC of January 28, 2003.

The repurchase by the Company of its own shares may be implemented for the purpose of:

- the allocation of shares following the exercise of stock purchase options by employees and/or executive directors and officers (*mandataires sociaux*) of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of performance shares to employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding or savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of acquisitions;
- the cancellation of shares within the maximum legal limit; or
- supporting the market for the shares pursuant to a liquidity contract concluded with an investment service provider in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

These transactions may not be carried out during periods of public tender offers on the Company's securities.

Depending on the case, the shares may be acquired, sold, exchanged or transferred, in whole or in part, as the case may be, by any means on any stock markets or over the counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be implemented through these means). These means include the use of any financial contract or forward financial instruments (including in particular any option and any future), except the sale of put options, in accordance with applicable regulations.

The maximum number of shares that may be purchased would represent 10% of the share capital, or 63,436,200 shares as of February 28, 2013, at a maximum purchase price of €65 (net of acquisition costs), resulting in a maximum theoretical total purchase amount of €4,123,353,000. The latter figure is for information purposes only, as it does not include shares already held by the Company.

This authorization would be given for a period of 18 months as of the Meeting.

Justification for the authorization request

It is important for the Company and its shareholders that your Board continues to have the necessary powers to carry out transactions involving the Company's shares.

These transactions enable the Board to make payments in Company shares in the context of acquisitions and to offer shares to the Group's employees, executive directors and officers, notably as part of allocations of shares subject to performance conditions.

In 2012, therefore, the share repurchase program implemented resulted in the acquisition of 16.0 million shares, the granting of 1.6 million shares to Group's executive directors and officers and to employees and the transfer of 6.1 million shares as part of acquisition transactions (for more information on these transactions, see section 8.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries*).

In accordance with the regulations of the French Financial Markets Authority, share repurchase transactions are disclosed in detail each week on the Company's website.

Financial authorizations (12th to 19th resolutions)

Proposed financial authorizations [(a)] – 26 months [(b)]

Common maximum amount applicable to all dilutive and non-dilutive issues: 34.9% of the share capital	Maximum amount applicable to non-dilutive issues: 34.9% of the share capital	Capital increase with preferential subscription right of the shareholders *(12th resolution)*	
	Maximum amount applicable to dilutive share issues: 14.9% of the share capital	Capital increase without preferential subscription right but with a priority period for shareholders *(13th resolution)*	14.9%
		Overallotment (as a% of initial issuance) [(c)] *(14th resolution)*	15%
		Public exchange offer initiated by the Company *(15th resolution)*	9.9%
		Contributions in-kind *(16th resolution)*	10%
		Capital increase reserved for employees *(18th resolution)*	2%
		Allocation of shares subject to performance conditions (Group performance shares) *(19th resolution)*	0.2%
Incorporation of reserves, profits, premiums or other amounts *(17th resolution)*			25.7%

(a) The percentages shown in the above table are indicative rounded amounts, as the maximum amounts applicable to the authorizations are set in nominal amounts and not as percentages of share capital (the nominal amounts of such ceilings are described hereafter for each resolution).
(b) Except for the authorization to allocate shares subject to performance conditions (*19th resolution*), which would expire on December 31, 2013.
(c) The 15% ceiling would be calculated relative to the amount of each issuance made in application of the resolution to increase the capital without preferential subscription right but with a priority period (*13th resolution*).

We recommend that you renew the financial authorizations approved by the Shareholders' Meetings of April 28, 2011 and April 26, 2012, whose use is presented in section 8.3 *Authorization to issue securities that give access to the share capital*, under the terms and conditions presented hereafter.

The proposed authorizations would give the Board authority in terms of financial management by allowing it to increase the share capital using various means and to serve different purposes.

Each of the authorizations is in response to a specific objective. Like all leading multinational groups, the Company needs to have the flexibility to respond quickly to changing market conditions. The Company must, in particular, be in a position to finance itself under the best possible conditions.

Any use of these authorizations will take into consideration the impact on existing shareholders. Moreover, such use will be subject to an offering memorandum (note d'information) approved by the French Financial Markets Authority on the reasons and conditions of the transaction in all cases required by applicable regulations.

We would like to point out that the approval of certain resolutions (the *13th, 14th, 15th, 16th, 18th and 19th resolutions*) is designed to enable capital increases while waiving the preferential subscription right of shareholders.

In order to respect shareholders' interests to the greatest extent possible, this waiver of preferential subscription right is accompanied, in the context of the general authorization (*13th resolution*), by an obligation for the Board to grant a priority period to shareholders.

Moreover, the maximum amounts applicable to all of these financial authorizations resulting in the waiver of preferential subscription right were set in accordance with strict conditions that comply with financial market best practices and recommendations by shareholders. Specifically:

- the maximum amount applicable to the resolution for a capital increase in the event of a public exchange offer initiated by the Company (*15th resolution*) was lowered from 14.9% to 9.9% of the share capital;
- the maximum amount applicable to the resolution for a capital increase reserved for employees who are members of a company savings plan (*18th resolution*) was lowered from 2.30% to 2% of the share capital; and
- the maximum amount applicable to the resolution allowing the allocation of shares subject to performance conditions (*19th resolution*) was lowered from 0.4% to 0.2% of the share capital as part of the shift to an annual vote on this authorization (compared with a vote every two years under the previous resolution).

In addition, the financial authorizations subject to your vote were also restricted in several regards. Thus:

- the resolution for a capital increase without preferential subscription right but with an obligation to grant a priority period (*13th resolution*) now includes a priority right whose minimum period was increased from three trading days (legal minimum) to five trading days;
- the application scope of the overallotment option (*14th resolution*) was limited to share capital increases without preferential subscription right, whereas the previous authorization also included capital increases with preferential subscription right; and
- the resolution allowing the allocation of shares subject to performance conditions (*19th resolution*) was amended by the Board to submit all shares to performance conditions, whereas previously shares allocated to beneficiaries who were neither executive directors and officers nor members of the Executive Committee could, in an amount up to one-third of the total, be exempt from performance conditions.

The Board will also continue to use these authorizations strictly as required to meet the Group's strategic needs. It should be noted that with the exception of the authorization for capital increases reserved for employees (in the amount of approximately 0.14% of the share capital) and the authorization relating to the allocation of shares subject to performance conditions (approximately 0.12% of the share capital), the authorizations to be renewed were not used.

As a result, the Board recommends that you renew the following financial authorizations, approved at the Shareholders' Meetings of April 28, 2011 and April 26, 2012, namely:

- 12th resolution: issuance of shares or securities, **with preferential subscription right**;
- 13th resolution: issuance of shares or securities, **without preferential subscription right but with the obligation to grant a priority period**;
- 14th resolution: increase in the number of securities to be issued in the event of a share or securities issue without preferential subscription right (**overallotment option**);
- 15th resolution: issuance of shares or securities in the event of **a public exchange offer initiated by the Company**;
- 16th resolution: issuance of shares or securities for the purpose in **consideration for contributions in-kind**;
- 17th resolution: share capital increase through the incorporation of **reserves, profits, premiums or other amounts**;
- 18th resolution: share capital increase reserved for **employees who are members of a company savings plan**; and
- 19th resolution: **allocation of shares subject to performance conditions**.

Following this overview of the resolutions, the conditions and objectives specific to each financial authorization subject to your vote are described hereafter.

Capital increase with preferential subscription right (12th resolution)

Description of the authorization

We request that you renew the delegation of authority to your Board of Directors, for a 26-month period, to decide to issue, with preferential subscription right, ordinary shares of the Company or securities giving access, immediately and/or in the future, to the Company's share capital.

In comparison with the preceding authorization which had been granted by the Shareholders' Meeting in 2011 and that is soon to expire, the maximum amounts of this new authorization would be as follows:

(i) for the ordinary shares to be issued by the Company:

- a nominal amount of €55,3 million representing, on an indicative basis, approximately 34.9% of the share capital as of February 28, 2013, similar to the amount authorized by the Shareholders' Meeting of April 28, 2011;
- as in the case of the previous authorization, the nominal amount of ordinary shares issued under the 13th resolution (dilutive issuance without preferential subscription right, but with the obligation to grant a priority period), 14th resolution (authorization to increase the number of securities to be issued), 15th resolution (issuance of shares or securities in the event of a public exchange offer), 16th resolution (issuance of shares or securities as consideration for contributions in-kind), 18th resolution (capital increases reserved for employees) and 19th resolution (allocation of shares subject to performance conditions) would be applied to this maximum amount; and

(ii) for debt securities giving access to the Company's share capital: a principal amount of €2 billion, unchanged from the amount authorized by the Shareholders' Meeting of April 28, 2011 (maximum amount unchanged and common with the 13th, 14th and 15th resolutions).

No amount of the above-mentioned authorization approved by your 2011 Shareholders' Meeting was used.

This new authorization would supersede with effect from its adoption the 14th resolution approved by the Shareholders' Meeting of April 28, 2011.

Justification of the authorization request

The renewal of this general authorization is designed to enable the Company to finance itself at all times through the issuance of shares or securities giving access to the share capital by calling on the Company's shareholders. They will be given, under the conditions allowed for by law and in proportion to their ownership interest in the Company's share capital, a preferential right to subscribe new shares or securities. This detachable and tradable right will make it possible, if the holder does not wish to subscribe to the capital increase, to financially offset the dilution resulting from the non-subscription to the capital increase.

Capital increase without preferential subscription right but with the obligation to grant a priority period (13th resolution)

Description of the authorization

We request that you renew the authorization granted to the Board of Directors, for a 26-month period, in order to issue ordinary shares of the Company or securities giving access, immediately and/or in the future, to the Company's share capital, without preferential subscription right, and by public offering, both in France and abroad. When using this authorization, a priority right to the totality of the issuance must be granted to existing shareholders. For the purpose of renewing this authorization and following discussions with its shareholders, the Company decided to increase this minimum priority period from three to five trading days.

In comparison with the preceding authorization which had been granted by the Shareholders' Meeting in 2011 and that is soon to expire, the maximum amounts of this new authorization would be renewed as follows:

(i) for the ordinary shares to be issued by the Company:

- a nominal amount of €23,6 million representing, on an indicative basis, approximately 14.9% of the share capital as of February 28, 2013;
- this maximum amount would apply to all dilutive issuances: capital increases made pursuant to the 14th resolution (authorization to increase the number of securities to be issued), 15th resolution (issuance of shares or securities in the event of a public exchange offer), 16th resolution (issuance of shares or securities in consideration for contributions in-kind), 18th resolution (capital increases reserved for employees) and 19th resolution (allocation of shares subject to performance conditions);
- as in the previous authorization, this common limit would apply to the global maximum amount of 34.9% of the capital set forth in the 12th resolution (non-dilutive issuances with preferential subscription right); and

(ii) for debt securities giving access to the Company's share capital: a principal amount of €2 billion, unchanged from the amount authorized by the Shareholders' Meeting of April 28, 2011 (maximum amount unchanged and common with the 12th, 14th and 15th resolutions).

Pursuant to the applicable legal and regulatory provisions, the issuance price of the ordinary shares and securities giving access to the Company's share capital shall be at least equal to the weighted average price of the Company share during the last three trading sessions preceding the fixing of the issuance price, possibly subject to a maximum 5% discount.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2011.

This new authorization would supersede with effect from its adoption the authorization granted by the Shareholders' Meeting of April 28, 2011 in its 15th resolution.

Justification of the authorization request

The renewal of this general authorization is designed to enable the Company to access financing at all times through the issuance of shares or securities giving access to the share capital by calling on investors who are not yet shareholders of the Company. The implementation of this authorization could therefore enable quick access to sources of financing that may be needed by the Company.

As consideration for the waiver of preferential subscription right, the Board would be required to grant shareholders a priority right for a period of at least five trading days, in accordance with financial market best practices and the recommendations of shareholders. This minimum priority period of five trading days is indeed greater than the three trading day minimum provided for in article R. 225-131 of the French commercial code and used in connection with the authorization approved by the Shareholders' Meeting of April 28, 2011. The shareholders can therefore subscribe the capital increase with priority over third parties and proportionally to their ownership interest in the share capital (it being noted that this priority right does not give rise to the creation of tradable rights).

Authorization to increase the number of securities to be issued in the event of a capital increase without preferential subscription right of the shareholders (14th resolution)

Description of the authorization

We request that you renew, for a 26-month period, the authorization granted to the Board of Directors to increase the number of securities to be issued, for each of the issuances decided in application of the preceding 13th resolution (dilutive issuances without preferential subscription right of the shareholders, but with the obligation to grant a priority period), in accordance with the conditions set in Article L. 225-135-1 of the French commercial code, and within a limit of 15% of the initial issuance and at the same price as the price of the initial issue (overallotment option). Please note that this authorization would not result in an increase of the limit of 14.9% provided for in this resolution.

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2011.

This new authorization would supersede with effect from its adoption the 16th resolution approved by the Shareholders' Meeting of April 28, 2011.

Justification of the authorization request

Given in particular the volatility of current market conditions, the Board believes it is necessary to renew this authorization, which enables the implementation of a customary mechanism that complies with financial market practices.

Moreover, relative to the previous authorization granted by the Shareholders' Meeting in 2011 and that will soon expire, the application scope of this new authorization would be limited to issuances of shares or securities without preferential subscription right but with the obligation to grant a priority period (13th resolution). This limitation also conforms to financial market best practices.

Capital increase, without preferential subscription right of the shareholders, in the event of a public exchange offer initiated by the Company (15th resolution)

Description of the authorization

We request that you renew the delegation of authority to your Board of Directors, for a 26-month period, in order to issue ordinary shares or securities giving access to the Company's share capital, in the event of a public exchange offer initiated by the Company for another company's securities which are listed on a regulated market.

The issuance of ordinary shares or corresponding securities would be carried out without preferential subscription right of the shareholders.

In comparison with the preceding authorization which had been granted by the Shareholders' Meeting in 2011 and that is soon to expire, the maximum amounts of this new authorization would be as follows:

(i) for the ordinary shares to be issued by the Company:

- a nominal amount of €15,7 million representing, on an indicative basis, approximately 9.9% of the share capital as of February 28, 2013, reduced relative to the threshold of approximately 14.8% authorized by the Shareholders' Meeting of April 28, 2011;
- as with the previous authorization, issuances made pursuant to this authorization would apply to the maximum amounts of 34.9% of the share capital set forth in the 12th resolution (non-dilutive issuances with preferential subscription right) and of 14.9% of the share capital set forth in the 13th resolution (dilutive issuances without preferential subscription right but with the obligation to grant a priority period); and

(ii) for debt securities giving access to the share capital: a principal amount of €2 billion, identical to the amount authorized by the Shareholders' Meeting of April 28, 2011 (maximum amount unchanged and common to the 12th, 13th and 14th resolutions).

Your Board of Directors would be responsible for determining, for each offering, the nature and characteristics of the securities to be issued, the amount of the capital increase depending on the result of the offering and on the number of securities of the target company presented for exchange, taking into consideration the fixed rates of exchange and the shares or securities issued giving access to the share capital.

No amount was used pursuant to the preceding authorization approved by your Shareholders' Meeting in 2011.

This new authorization would supersede with effect from its adoption the 17th resolution approved by the Shareholders' Meeting of April 28, 2011.

Justification of the authorization request

Renewing this authorization was considered necessary by your Board to allow your Company to maintain its capacity to acquire medium-sized stakes in companies listed on a regulated market and to finance these acquisitions, in whole or in part, using shares instead of debt. The Board would therefore be able to respond quickly to market opportunities and have the ability to issue shares or securities for the purpose of compensating shareholders of the target company accepting the offer.

The renewal of this financial authorization also appeared necessary in order to preserve the Company's competitiveness relative to some of its competitors, which have similar financial authorizations.

In order to take the recommendations of its shareholders into account, the Board decided to significantly reduce the maximum amount applicable to this resolution, from 14.8% to 9.9% of the share capital.

Capital increase, without preferential subscription right of the shareholders, in consideration for contributions in-kind granted to the Company (16th resolution)

Authorization description

We request that you renew, for a 26-month period, the authorization granted to the Board of Directors to decide to issue ordinary shares or securities giving access to the Company's share capital, within the limit of 10% of the Company's capital, in consideration for contributions in-kind granted to the Company and comprised of equity securities or securities giving access to share capital.

The issuance of ordinary shares or securities giving access to the Company's share capital would be carried out without the preferential subscription right of shareholders.

This authorization, as was the case for the previous one, would comply with the legal limit of 10% of the share capital. In addition, issuances carried out by virtue of this authorization would be applicable to the limits of 34.9% of the share capital set forth in the 12th resolution (non-dilutive issuances with preferential subscription right) and of 14.9% of the share capital set forth in the 13th resolution (dilutive issuances without preferential subscription right but with the obligation to grant a priority period).

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2011.

This new authorization would supersede with effect from its adoption the authorization granted by the Shareholders' Meeting of April 28, 2011 in its 18th resolution.

Justification for the authorization request

The renewal of this authorization appeared necessary to your Board to allow your Company to maintain its capacity to acquire stakes in unlisted medium-sized companies and to finance these acquisitions entirely or partially using shares instead of debt. The Board could therefore decide to increase the share capital in consideration for the contribution of shares or securities to the Company.

The renewal of this financial authorization is also necessary to preserve the Company's competitiveness relative to some of its competitors, which have similar financial authorizations.

Capital increase through incorporation of reserves, profits, premiums or any other amounts (17th resolution)

Description of the authorization

We request that you delegate, for a 26-month period, to the Board of Directors the authority to decide to increase the share capital, on one or more occasions, at the times and under the conditions that it shall determine, through the incorporation of reserves, profits, premiums or any other amounts that may be capitalized, followed by the issuance and the free allocation of shares and/or the increase of the nominal value of the existing ordinary shares.

Compared with the previous authorization granted by the Shareholders' Meeting in 2011 that is soon to expire, the maximum nominal amount of ordinary share issuances under this authorization would be as follows:

- an amount set at €40,7 million representing, on an indicative basis, approximately 25,7% of the share capital as of February 28, 2013, similar to the threshold authorized by the Shareholders' Meeting of April 28, 2011; and
- as was the case with the previous authorization, this maximum amount would be independent of the limits set by the preceding 12th resolution (non-dilutive issuances with preferential subscription right), 13th resolution (dilutive issuances without preferential subscription right but with the obligation to grant a priority period), 14th resolution (authorization to increase the number of securities to be issued), 15th resolution (issuance of shares or securities in the event of a public exchange offer), 16th resolution (issuance of shares or securities in consideration for contributions in-kind), 18th resolution (capital increases reserved for employees) and 19th resolution (allocation of shares subject to performance conditions).

No amount was used pursuant to the preceding authorization granted by your Shareholders' Meeting in 2011.

This new authorization would supersede with effect from its adoption the authorization granted by the Shareholders' Meeting of April 28, 2011 in its 19th resolution.

Justification of the authorization request

The renewal of this authorization is intended to enable a capital increase by the Company through a simple transfer of reserves, profits, premiums or other amounts whose capitalization would be permitted to the "Share capital" account. These transactions do not alter the value of the Company or have an impact on shareholder rights and in particular can be used to bring the nominal value of the shares more in line with their market value.

Capital increase reserved for employees who are members of a company savings plan, without preferential subscription right of the shareholders (18th resolution)

Description of the authorization

We request that you renew the authorization granted to the Board of Directors, for a 26-month period, to decide to increase the Company's share capital through the issuance of ordinary shares or securities giving access to ordinary shares of your Company and reserved for the members of a company savings plan of the Company or of French or foreign companies related to the Company according to articles L. 225-180 of the French commercial code and L. 3344-1 of the French Labor Code.

Compared with the previous authorization granted by the Shareholders' Meeting in 2011 and that is soon to expire, the maximum nominal amount of ordinary share issuances under this authorization shall be determined as follows:

- an amount set at €3,1 million representing, on an indicative basis, approximately 2% of the share capital as of February 28, 2013, which is lower than the 2.3% threshold authorized by the Shareholders' Meeting of April 28, 2011; and
- as was the case with the previous authorization, issuances carried out under this authorization would apply to the limits of 34.9% of the share capital set forth in the 12th resolution (non-dilutive issuances with preferential subscription right) and of 14.9% of the share capital set forth in the 13th resolution (dilutive issuances without preferential subscription right but with the obligation to grant a priority period).

The issuance of ordinary shares would be carried out without preferential subscription right for shareholders.

The discount offered within the framework of the company savings plan or employee shareholding operations would be set at 20%, which is the maximum discount allowed under French regulations. This discount would be calculated based on the average opening price of DANONE shares listed on Euronext Paris during the 20 trading sessions preceding the date of the decision setting the opening date for subscription. It should be noted that for the implementation of this authorization, the Board of Directors may only reduce the amount of the discount on a case-by-case basis for reasons of legal, tax or social constraints that may apply outside of France in any countries where Group's entities are located and where the employees are participating in the share capital increases. In accordance with Article L. 3332-21 of the French Labor Code, the Board of Directors may also decide to grant free shares to subscribers of new shares instead of a discount or by way of company contribution (*abondement*) under the company savings plan.

Pursuant to applicable legal provisions, the transactions contemplated under this resolution may also take the form of the selling of shares to members of a company savings plan.

Under the previous authorization approved by your Shareholders' Meeting in 2011, a capital increase in the nominal amount of €228,856.75 was carried out in 2012 through a decision of the Board of Directors on February 14, 2012 (representing approximately 6.2% of the total authorized amount), leaving an available balance of €3,471,143.25 as of December 31, 2012, against which will be set the amount of a new share capital increase reserved for employees participating in a company savings plan, that was decided by the Board of Directors of February 18, 2013 and should be completed in May 2013.

This new authorization would supersede with effect from its adoption the 20th resolution approved by the Shareholders' Meeting of April 28, 2011.

Justification of the authorization request

As of December 31, 2012, employees held approximately 1.3% of the Company's share capital through the "Fonds Danone" employee savings fund (FCPE), representing shares subscribed as part of the annual capital increases reserved for employees.

The Group would like to continue to enable employees to participate in its development. The employee shareholder transactions covered by this resolution are designed to strengthen their motivation and commitment and to enhance their sense of belonging to the Group. Approving this resolution would thereby enable your Board of Directors to continue to implement this policy of associating employees in the Group's development.

Allocation of shares subject to performance (Group performance shares) without preferential subscription right of the shareholders (19th resolution)

Context of the authorization request

We request that you renew the authorization granted to the Board of Directors to allocate shares subject to performance conditions.

Acting on the recommendation of the Nomination and Compensation Committee, the Board of Directors proposes to shareholders a new resolution that would replace the resolution currently in effect and approved by the Shareholders' Meeting of April 26, 2012, which is set to expire on June 26, 2014 and would authorize the Board to continue to grant shares subject to performance conditions in 2013.

The Board proposes a new resolution to shareholders for the reasons described hereafter.

(i) The replacement of free cash-flow by trading operating margin as a performance condition

Given the changing economic environment, the slowdown in growth and the decline in margins in Europe, which prompted the announcement of a plan to generate savings and adapt organization at the Group in Europe, the Board of Directors prefers not to wait until 2014 to strengthen the condition related to sales growth and, at the same time, to make the trading operating margin one of its two performance conditions for vesting a portion of the allocated shares. The trading operating margin would therefore replace the free cash-flow condition, which had previously been one of the two performance conditions for allocated shares.

It should be noted that in November 2009 the Group had set performance conditions based on free cash-flow, with a medium-term objective of €2 billion by 2012. These objectives had been set in the context of a financial crisis, which highlighted the essential role played by cash-flow in the wake of the global liquidity crisis. A performance condition linked to free cash-flow was included with the first allocation plan of shares subject to performance conditions in July 2010.

After 2012 and the achievement of the fixed objective (€2 billion in free cash-flow in 2012), and in an economic environment marked in particular by the persistent deterioration of the economy and of the consumption trends in Europe, the Board of Directors believes it is necessary to strengthen the condition linked to sales growth and that the trading operating margin should immediately become a top priority for the Group, it being specified that this also constitutes an important expectation of investors.

For that reason, the Board recommends making the trading operating margin one of the two performance conditions for allocated shares, to ensure that the interests of managers and employees benefiting from shares subject to performance conditions are in line with Group shareholders' interests.

(ii) The authorization to allocate shares subject to performance conditions is proposed for one year

In the current environment marked by significant volatility, the Board of Directors believes that it is necessary to put the resolution on the allocation of shares subject to performance conditions to a vote of the Shareholders' Meeting annually (instead of every two years) in 2013 and 2014.

The resolution submitted for your vote would therefore expire on December 31, 2013 and would authorize share allocations only in 2013. A new resolution relative to the allocation of shares subject to performance conditions would be proposed to the Shareholders' Meeting to be held in 2014, once again for a period of less than one year.

A vote would thus enable shareholders, in 2013 and 2014, to ensure that based on a strict and precise definition of performance conditions, the expected level of objectives would continue to be sufficiently ambitious and motivating.

The Board specifies that it does not intend to make annual changes to the nature of performance conditions for vesting allocated shares. On the contrary, some degree of consistency in performance conditions is an essential factor for long-term value creation. In that regard, the Board of Directors considers recommending to shareholders at the Shareholders' Meeting to be held in 2014 performance conditions that would continue to include growth in the Group's sales and trading operating margin.

The Board notes that in the past the Group has set demanding objectives. For example, in 2012 the Group's free cash-flow represented €2.1 billion compared to an objective of €2 billion, which demonstrates that the objective set in 2009 was ambitious.

(iii) Demanding performance conditions that are better adapted to the current environment

The performance conditions for shares allocated under this new resolution would consist of two complementary criteria, representative of the Group's performances and adapted to the specificity of its activity:

- the first criterion (a relative performance criterion) would be based on the Group's sales growth over three years (2013 -2015) compared to that of a panel of benchmark multinational companies in the food sector; and
- the second criterion (an internal performance criterion, aligned with the Group's market guidance) would be based on achieving, over two years (2013 and 2014), the Group's trading operating margin objectives disclosed to the market.

The allocated shares would be subject for two-thirds to the sales growth criterion and for one-third to the trading operating margin criterion.

As explained hereafter, these two objectives apply the "no pay below median" principle as regards the sales objective and the "no pay below market guidance" principle as regards the trading operating margin objective.

The Board also emphasizes that these two objectives are complementary in nature and reflect key indicators followed by investors and analysts to measure companies' performance in the food and beverage sector. In particular, the heavier weighting of the sales growth criterion reflects its importance in the valuation of companies in the sector.

(iv) An appropriate reference period for the performance conditions

In contrast to the condition linked to sales growth, which covers a three-year period, the performance condition linked to the margin only covers a two-year period.

This two-year period represents a balance between, on the one hand, the wish of certain investors to have a sufficiently lengthy reference period to motivate the Group's executives and employees to achieve long-term performance objectives and, on the other hand, to define company-specific performance conditions that provide an incentive while remaining appropriate to the situation of the Group and its business sector. In the current environment and given the specificities of the food and beverage sector, it is extremely difficult to forecast margins over a longer time frame, given the volatility of this indicator.

The performance condition linked to the margin is even more demanding in that it will only be achieved if, on a cumulative basis for each of the two reference years (2013 and 2014) the like-for-like trading operating margin objectives set for the market are achieved. Thus if the trading operating margin objective is achieved for only one of the two years, no shares subject to the margin performance criterion will be allocated.

Lastly, the portion of shares allocated subject to this margin criterion is set at one-third, compared with two-thirds for the sales growth criterion. Two-thirds of the allocated shares would thus be subject to a performance criterion covering three years.

(v) Performance conditions now applying to 100% of allocated shares

Consistent with best market practices and the recommendations of shareholders, the Board of Directors wanted to make 100% of the allocated shares subject to performance conditions under this resolution.

The Board notes that under the previous authorization, one-third of the shares allocated to beneficiaries who were neither executive directors and officers nor Executive Committee members were not subject to performance conditions.

This decision represents a major change for the 1,500 managers of the Group receiving shares subject to performance conditions and is consistent with the Group's effort to have the entire staff involved in contributing to its performance.

(vi) An adjustment to the panel

Lastly, the benchmark panel of multinational groups in the food sector that serves as the basis for the Group's performance condition linked to sales growth was adjusted in order to take into account the spin-off of Kraft Foods Inc.: the company was replaced in the panel by the two companies created through this spin-off, namely Kraft Foods Group Inc. and Mondelēz International Inc.

Description of the authorization

1. Nature of the authorization

We request that you authorize the Board of Directors, until December 31, 2013, to allocate, free of charge and subject to performance conditions, existing or new shares in favor of employees or certain categories of employees that it will determine from among the eligible employees, executive directors and officers of the Company or related companies pursuant to Article L. 225-197-2 of the French commercial code. It should be noted that for the 2011 and 2012 fiscal years, approximately 1,500 people received such share allocations.

2. Maximum amount of the authorization

These allocations may not involve a number of existing or new shares exceeding 0.2% of the Company's share capital, as determined at the close of the Shareholders' Meeting, which corresponds to half of the maximum amount currently authorized (which authorization is valid for a 26-month period and allows for allocations over two years, *i.e.* 2012 and 2013).

The nominal amount of the existing or new shares allocated would apply to the limits of 34.9% of the share capital set forth in the 12th resolution (non-dilutive issuances with preferential subscription right) and of 14.9% of the share capital set forth in the 13th resolution (dilutive issuances without preferential subscription right but with the obligation to grant a priority period)

This number of shares does not reflect potential adjustments that may be made in accordance with applicable legal and regulatory requirements and, where applicable, to contractual provisions calling for other adjustments in order to maintain the rights of holders of securities or other rights giving access to the share capital. Thus to the extent that share allocation plans include adjustment clauses to the number of shares granted in the event of transactions involving the share capital during the vesting period, the application of these adjustment clauses could result in the final number of allocated shares exceeding 0.2% of the share capital.

3. Sub-ceiling for allocations to executive directors and officers

Shares allocated in accordance with this authorization may, subject to performance conditions, be for the benefit of the Chief Executive Officer and Deputy General Managers of the Company, but only in an amount of up to 0.05% of the Company's share capital determined at the close of this Shareholders' Meeting (subject to the same potential adjustments mentioned in point 2 above). This limit corresponds to half the currently authorized maximum amount, which is valid for a 26-month period.

In 2012, a total of 137,000 shares subject to performance conditions were allocated to the Chief Executive Officer and the two Deputy General Managers, corresponding to around 0.02% of the Company's share capital and around 17.5% of all shares subject to performance conditions allocated in the Group in 2012. There are no plans to increase the percentage of the share capital allocated in the form of shares subject to performance conditions to the Chief Executive Officer and the two Deputy General Managers in 2013.

4. Vesting period

4.1 The allocation of shares to their beneficiaries will become definitive at the conclusion of a vesting period, whose duration shall be set by the Board of Directors, provided that this duration is not less than three years. In addition, the beneficiaries must hold these shares for a period set by the Board of Directors, provided that this holding period is no less than two years from the time of the definitive allocation of the shares.

4.2 In the event that a vesting period for part or all of one or more allocations is at least four years, however, the Board of Directors may choose not to impose a holding period for the shares concerned.

5. Conditionality of the definitive allocation of shares

The definitive allocation of shares either in existence or to be issued will necessarily be subject to (i) the achievement of performance conditions to be determined by the Board of Directors in accordance with the terms described below (the "Performance Conditions") and (ii) a condition of continued employment with the Group (see point 5.2 hereafter).

5.1 Performance Conditions

The Performance Conditions applied by your Board will be as follows:

(i) These conditions consist of two complementary criteria, indicative of the Group's performance and adapted to the specific nature of its business, namely:

(a) Comparison of the arithmetic average net sales growth (the "CA") of the Group with that of a reference panel, on a like-for-like basis, for a period of three years, *i.e.* the years 2013, 2014 and 2015:

- if the Group's CA exceeds or is equal to the Median CA of the Panel, the definitive allocation shall be 100%;
- if the Group's CA is less than the Median CA of the Panel, the definitive allocation will be 0%, in accordance with the "no pay below median" principle;

Where:

- the Group's CA refers to the arithmetic average internal ("organic") net sales growth (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates) for the years 2013, 2014 and 2015;
- the CA of each Panel member refers to the arithmetic average internal ("organic") net sales growth recorded by the said member of the Panel (on a consolidated basis and on a like-for-like basis, *i.e.* excluding changes in consolidation scope and exchange rates) for the years 2013, 2014 and 2015;
- the Panel CAs refers to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;
- the Panel refers to eight benchmark multinational groups in the food sector, specifically: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc., Mondelēz International Inc., General Mills Inc. and Kellogg Company;
- restatements (mainly adjustments of scope and/or foreign exchange effects) will be made only to the extent strictly necessary in order to ensure the consistency of the calculation method for the CAs of all Panel members and the CA of the Group over the entire period under review;
- in the event that the audited accounting or financial results of one of the Panel members are not published or are published late, the Board of Directors may, exceptionally, exclude this member of the Panel through a duly justified decision taken at a later date that is mentioned in the Report of the Board of Directors to the Shareholders' Meeting;
- in the event that the audited accounting or financial results of two or more members of the Panel are not published or published late, the Board of Directors will make a decision duly justified at a later date and described in the Report of the Board of Directors to the Shareholders' Meeting, on the basis of the most recent audited financial statements published by the members of the Panel and by Danone over the three latest completed fiscal years for which financial statements were published for all members of the Panel and for Danone;
- the Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group;
- the Board of Directors must state whether this first performance condition was attained, on the basis of a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) Achievement of trading operating margin objectives set by the Board of Directors and disclosed to the market (the "Margin Objective") for a period of two years, *i.e.* the years 2013 and 2014:.

- if the Margin Objective is achieved in each of the two years 2013 and 2014, the definitive allocation will be 100%;
- if the Margin Objective is not achieved in either of the two years 2013 and 2014 or if it is achieved in only one of these years, the definitive allocation will be 0%;

It being noted that:

- for the year 2013, the Margin Objective is a trading operating margin down by a maximum of 50 basis points on a like-for-like basis relative to the trading operating margin for fiscal year 2012;
- for the year 2014, the Margin Objective will be the higher of (i) a positive evolution (*i.e.* an increase in basis points) of the trading operating margin on a like-for-like basis relative to the trading operating margin for fiscal year 2013 and (ii) any trading operating margin for fiscal year 2014 that may be subsequently set by the Board of Directors and disclosed to the market;
- moreover, and in accordance with the "no pay below market guidance" principle, in the event that the Board of Directors should decide to revise its trading operating margin objective upward for 2013 and/or 2014, the Margin Objective would be automatically adjusted upward for the corresponding year on the basis of the trading operating margin objective as amended (to avoid any confusion, it should be noted that in the event that the trading operating margin objective disclosed to the market is revised downward, the amount of the Margin Objective will not be adjusted and will therefore be calculated on the basis of the initial operating margin objective disclosed to the market for the corresponding year);
- the "trading operating margin" is defined as the trading operating income over net sales ratio;
- "trading operating income" is defined as the Group operating income excluding other operating income and expense. Other operating income and expense is defined under Recommendation 2009-R.03 of the French CNC, and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges

on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major litigation. Since application of IFRS 3 (Revised), they have also included acquisition fees related to business combinations;

- "net sales" corresponds to the Group's consolidated net sales, as defined in IFRS;
- the change (increase or decrease) on a "like-for-like basis" in the trading operating margin essentially exclude the impact of: (i) changes in exchange rates, with both previous year and current year indicators calculated using the same exchange rates (the exchange rate used is a projected annual rate determined by the Group for the current year), and (ii) changes in consolidation scope, with indicators related to considered fiscal year calculated on the basis of previous-year scope.;
- the Board of Directors will need to state whether this second performance condition has been achieved through a duly informed decision made at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, upon the recommendation of the Nomination and Compensation Committee.

(ii) For all beneficiaries, provided that the condition of continued employment with the Group is met (see point 5.2 hereafter), two-thirds of the shares will be definitively allocated subject to the achievement of the performance condition related to sales growth, and the remaining third will be allocated subject to the achievement of the performance condition related to the trading operating margin.

5.2 Condition of continued employment with the Group

The beneficiary of a share allocation who leaves the Group before the end of the vesting period may not retain his or her shares except in the cases of legally mandated early departure (including death and disability) or exceptions determined by the Board of Directors.

6. Impact in terms of dilution/ownership of the Company's share capital

If this resolution is approved, it would supersede, with effect from its adoption, for the unused portion as of the date of the Shareholders' Meeting, the authorization granted by the April 26, 2012 Shareholders' Meeting in its 13th resolution to the Board of Directors to proceed with the allocation of shares subject to performance conditions. This earlier authorization was used by the Board of Directors in 2012, is scheduled to expire on June 26, 2014 and would authorize the Board of Directors to proceed with the allocation of shares subject to performance conditions in 2013 if it is not replaced by this new authorization.

The Board also notes that the Group's policy concerning authorizations to grant stock-options and shares subject to performance conditions has always had a limited impact in terms of the dilution/ownership of share capital.

Thus:

- the outstanding number of stock-options not yet exercised as of December 31, 2012 totaled 9,866,231 options or 1.5% of the share capital;
- the outstanding number of shares subject to performance conditions granted but not yet definitively vested as of December 31, 2012 totaled 1,991,001 or 0.3% of the share capital;
- the number of shares that may be issued through allocations of shares subject to performance conditions under this resolution may not exceed 0.2% of the share capital,

which represents a total of around 2% of the share capital.

Finally, the Board notes that in the absence of any outstanding authorization as a result of the termination of the Group's stock-option program, the Company has not granted any options to purchase and/or subscribe shares since October 2009.

Each year, the Shareholders' Meeting will be informed by the Board of Directors as to the number of share allocations subject to performance conditions that have been made.

Authorization granted to the Board of Directors to reduce the share capital by canceling shares (20th resolution)

We request that you renew the authorization granted to the Board of Directors in 2011 to cancel shares acquired by the Company pursuant to article L. 225-209 of the French commercial code, since this authorization is due to expire.

Description of the authorization

We request that you renew the authorization granted to your Board of Directors, for a 24-month period, to reduce the share capital by cancelling, on one or more occasions, within the limit of 10% of the share capital per 24-month periods, part or all of the Company's shares that the Company holds or may acquire within the framework of share repurchase programs authorized by the Shareholders' Meeting.

The difference between the accounting amount of the cancelled shares and their nominal value will be allocated to "Additional paid-in capital" or any other available reserve account, including the legal reserve within the limit of 10% of the share capital reduction achieved.

This new authorization would supersede with effect from its adoption the 21st resolution approved by the Shareholders' Meeting of April 28, 2011.

Justification of the authorization request

Under the previous authorization granted by your Shareholders' Meeting in 2011, the Company cancelled a total of 15,414,427 shares (or approximately 2.4% of the share capital).

The share cancellations authorized under this resolution would be complementary to the implementation of the share repurchase program for which authorization is requested in the 11th resolution submitted to the Shareholders' Meeting.

Amendments to the Company's by-laws (21st, 22nd and 23rd resolutions)

Extension of the term of the Company (21st resolution)

Under the terms of the 21st resolution, we request that you amend Article 5 (*Term*) of the Company's by-laws.

Currently, the by-laws provide that the Company's term expires in 27 years, on December 13, 2040, unless the Company is dissolved in advance or its term is extended.

However, it already appears necessary to extend this term. Indeed, such an amendment would be necessary if the Company wished to enter into contracts or carry out transactions over a very long duration, such as bond issues with a maturity of 30 years or more.

We therefore recommend that you extend by 99 years the Company's term, *i.e.* until April 25, 2112.

Measures to bring the by-laws into compliance with the regulation regarding shareholder representation and the calling of the Shareholders' Meeting (22nd and 23rd resolutions)

The two other resolutions submitted for shareholder approval have been made necessary by regulatory changes. They consist of a simple measure to bring the by-laws into compliance with the following new mandatory regulations

1. **Measure to ensure compliance with Order No. 2010-1511 of December 9, 2010**

   Under the terms of the 22nd resolution, we request that you amend Article 22.II of the by-laws relative to shareholder representation in order to allow shareholders to be represented at Shareholders' Meetings in accordance with the conditions set out in the applicable laws and regulations.

   The current version of the Company's by-laws stipulates that shareholders may only be represented by their spouse or another shareholder, with special rules (provided for in the applicable regulations) for shareholders not having their domicile on French territory, shareholders who are minors or legally incapable and shareholders that are corporate bodies.

   With the entry into force of Order No. 2010-1511 of December 9, 2010, however, shareholders may also decide to be represented by any other individual or legal entity of their choice.

2. **Measure to ensure compliance with Decree No. 2010-684 of June 23, 2010**

   Under the terms of the 23rd resolution, we request that you amend Article 24.I of the by-laws relative to the calling of the Shareholders' Meeting in order to ensure that the Shareholders' Meeting is convened in accordance with the terms of the applicable laws and regulations.

   The current version of the Company's by-laws stipulates that the Shareholders' Meeting should be convened with at least 15 days advance notice for the first meeting notification and with at least six days advance notice for the second meeting notification. However, the advance notice deadline for the second meeting notification was extended from six to ten days with the entry into force of Decree No. 2010-684 of June 23, 2010.

For each of these two articles, the new proposed draft brings the Company's by-laws into compliance with the applicable regulations.

9.4 Special reports of the Statutory auditors presented at the Shareholders' Meeting

Combined Shareholders' Meeting of April 25, 2013 (12th, 13th, 14th, 15th and 16th resolutions)

Statutory auditors' special report on the issue of shares and marketable securities with or without cancellation of preferential subscription rights

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

To the Shareholders,

In our capacity as Statutory auditors of your Company and in execution of our assignment pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French commercial code (*Code de commerce*), we hereby present our report on the proposed authorizations to the Board of Directors for various issues of shares and marketable securities, upon which you are called to vote.

Your Board of Directors requests, on the basis of its report:

- that it be delegated the authority, for a 26-month period, to decide on the following transactions and set the final terms and conditions of these issues, and also proposes, if applicable, to cancel your preferential subscription rights:
  - issuance of ordinary shares and marketable securities giving access to the Company's share capital and/or giving the right to the allocation of debt securities, it being specified that said marketable securities may consist of debt securities or be combined with the issue of such securities or allow their issue as intermediate securities, with maintenance of preferential subscription rights (12th resolution);
  - issuance of ordinary shares and marketable securities giving access to the Company's share capital, and/or giving the right to the allocation of debt securities through a public offering, it being specified that said marketable securities may consist of debt securities or be combined with the issuance of such securities or allow their issuance as intermediate securities, with cancellation of preferential subscription rights but with the obligation to grant a priority period (13th resolution);
  - issuance of ordinary shares and marketable securities giving access to ordinary shares, with cancellation of preferential subscription rights, in the event of a public exchange offer initiated by your Company (15th resolution),
- that it be delegated the authority, for a 26-month period, to determine the terms and conditions of an issue of ordinary shares giving access to ordinary shares, with cancellation of preferential subscription rights, in consideration for the contributions in kind granted to the Company and comprised of equity securities or marketable securities giving access to the share capital (16th resolution), within the limit of 10% of the share capital.

The maximum nominal amount of capital increases that can be implemented immediately or at a later date may not exceed:

- €55.3 million pursuant to the 12th resolution, it being specified that the nominal amount of ordinary shares that would be issued under the 13th, 14th, 15th, 16th, 18th and 19th resolutions of this Meeting shall comply with this maximum amount,
- €23.6 million pursuant to the 13th resolution, it being specified that this limit is shared with the 14th, 15th, 16th, 18th and 19th resolutions and that the capital increases carried out pursuant to this resolution shall comply with the limit set by the 12th resolution,
- €15.7 million pursuant to the 15th resolution, it being specified that the issues carried out pursuant to this resolution shall comply with the limits set by the 12th and 13th resolutions.

The total nominal amount of debt securities that may be issued shall not exceed €2 billion for the 12th, 13th, 14th and 15th resolutions.

The number of securities to be issued pursuant to the delegation of authority specified in the 13th resolution may be increased in accordance with the provisions of Article L. 225-135-1 of the French commercial code (*Code de commerce*), within the limit of 15% of the initial issue and at the same price as that used for the initial issue, if you adopt the 14th resolution.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French commercial code. Our role is to report on the fairness of the financial information taken from the financial statements on the proposed cancellation of preferential subscription rights and on certain other information relating to the transactions provided in the report.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaires aux comptes*) for this type of assignment. These procedures consist in verifying the information provided in the Board of Directors' report in respect of these transactions and the terms and conditions governing the determination of the issue price of securities to be issued.

Subject to a subsequent review of the terms and conditions for the issues that may be made, we have no observations to make on the terms and conditions governing the determination of the issue price of equity securities to be issued and that are provided in the Board of Directors' report pursuant to the 13th resolution.

Moreover, since this report did not specify the terms and conditions governing the determination of the issue price of equity securities to be issued pursuant to the 12th, 15th and 16th resolutions, we cannot express our opinion regarding the factors used to determine the issue price.

As the final terms and conditions under which the issues will be carried out have not yet been set, we do not express an opinion on them nor, consequently, on the proposed cancellation of preferential subscription rights which the Board of Directors has proposed in the 13th resolution.

In accordance with Article R. 225-116 of the French commercial code, we will issue an additional report, if applicable, when your Board of Directors uses these delegations in respect of issues of marketable securities giving access to the share capital and/or giving the right to the allocation of debt securities and in the case of issues with cancellation of preferential subscription rights.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

Combined Shareholders' Meeting of April 25, 2013 (18th resolution)

Statutory auditors' report on the issuance of shares or marketable securities with cancellation of preferential subscription rights reserved for members of a company savings plan (*plan d'épargne d'entreprise*)

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

To the Shareholders,

In our capacity as Statutory auditors of your Company and in execution of our assignment pursuant to Articles L. 228-92 and L. 225-135 *et seq.* of the French commercial code (*Code de commerce*), we hereby report to you on the proposal to authorize the Board of Directors to carry out one or more capital increases through the issuance of ordinary shares or marketable securities giving access to ordinary shares, with cancellation of preferential subscription rights, reserved for members of a company savings plan of the Company or of related French or foreign companies as defined by Article L. 225-180 of the French commercial code, a transaction submitted to you for approval. The maximum nominal amount of the capital increase that may be achieved by all share issues carried out pursuant to this resolution is set at €3.1 million, it being specified that the issues carried out must comply with the limits provided for in paragraphs (a) of the 12th and 13th resolutions.

This transaction is submitted for your approval in accordance with Articles L. 225-129-6 of the French commercial code and L. 3332-18 *et seq.* of the French Labor Code (*Code du travail*).

Your Board of Directors requests, on the basis of its report, that you authorize it, for a 26-month period, to increase the Company's share capital on one or more occasions, and proposes that you waive your preferential subscription rights to the marketable securities to be issued. In that case, the Board shall determine the final terms and conditions of this transaction.

It is the responsibility of the Board of Directors to prepare a report in accordance with Articles R. 225-113 *et seq.* of the French commercial code. Our role is to report on the fairness of the financial information taken from the financial statements, on the proposed cancellation of preferential subscription rights and on certain other information relating to the issue provided in the report.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaries aux comptes*) for this type of assignment. These procedures consist in verifying the information provided in the Board of Directors' report in respect of this transaction and the terms and conditions governing the determination of the issue price of securities to be issued.

Subject to a subsequent review of the terms and conditions of the issues that may be made, we have no observations to make on the terms and conditions governing the determination of the issue price of equity securities to be issued and that are provided in the Board of Directors' report.

As the final terms and conditions under which the issues will be carried out have not yet been set, we do not express an opinion on them nor, consequently, on the proposed cancellation of preferential subscription rights.

In accordance with Article R. 225-116 of the French commercial code, we will issue an additional report, as necessary, when your Board of Directors exercises this delegation.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit
Etienne BORIS Philippe VOGT

Ernst & Young et Autres
Jeanne BOILLET Gilles COHEN

Combined Shareholders' Meeting of April 25, 2013 (19th resolution)

Statutory auditors' report on the authorization to allocate free shares existing or to be issued

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

To the shareholders,

In our capacity as Statutory auditors of your Company, and in execution of our assignment pursuant to Article L. 225-197-1 of the French commercial code (*Code de commerce*), we hereby present our report on the proposed authorization to allocate shares existing or to be issued, free of charge to employees or certain categories thereof and to eligible executive directors and officers (*mandataires sociaux*) of your Company or related companies as defined by Articles L. 225-197-2 of the French commercial code. You are being asked to vote on this proposed authorization.

Your Board of Directors proposes, based upon its report, that you authorize it to allocate shares existing or to be issued, free of charge, until December 31, 2013.

It is the responsibility of the Board of Directors to prepare a report on this transaction, which it hopes to carry out. Our duty is to provide you with our observations, if any, on the information thus provided to you on the proposed transaction.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaires aux comptes*) for this type of assignment. These procedures consist in verifying that the methods proposed and disclosed in the Board of Directors' report comply with the statutory requirements.

We have no observations to make regarding the information provided in the Board of Directors' report on the proposed authorization to allocate shares free of charge.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit
Etienne BORIS Philippe VOGT

Ernst & Young et Autres
Jeanne BOILLET Gilles COHEN

9

Combined Shareholders' Meeting of April 25, 2013 (20th resolution)

Statutory auditors' report on the capital reduction

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

To the Shareholders,

In our capacity as Statutory auditors of your Company and in execution of our assignment pursuant to Article L. 225-209 of the French commercial code (*Code de commerce*) in the event of a capital reduction by the cancellation of purchased shares, we hereby report on our assessment of the justifications, terms and conditions for, the proposed reduction in share capital.

Your Board of Directors requests that you authorize it, for a 24-month period starting from the date of this Shareholders' Meeting, all powers to cancel, up to 10% of its share capital per 24-month period, the shares purchased in accordance with an authorization by your Company to purchase its own shares in accordance with the provisions of the aforementioned article.

We have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaries aux comptes*) for this type of assignment. These procedures consist in assessing whether the justifications, terms and conditions for the proposed capital reduction, which is not of a nature to jeopardize the equal treatment of shareholders, are legitimate.

We have no observations to make on the justifications, terms and conditions of the proposed capital reduction.

Neuilly-sur-Seine and Paris La Défense, March 7, 2013

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

Information on the Registration Document

10

10.1 Incorporation by reference

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

- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2010 on pages 53 to 119 of the Registration Document that was filed with the AMF on March 25, 2011 under filing number D. 11-0182;
- the Company financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2010 on pages 121 to 138 of the Registration Document that was filed with the AMF on March 25, 2011;
- the key financial information, the Group operating and financial review, and all of the non-financial information pertaining to the fiscal year ended December 31, 2010 on pages 4, 29 to 47 of the Registration Document that was filed with the AMF on March 25, 2011;
- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2011 on pages 63 to 135 of the Registration Document that was filed with the AMF on March 21, 2012 under filing number D. 12-0181;
- the Company financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2011 on pages 137 to 154 of the Registration Document that was filed with the AMF on March 21, 2012;
- the key financial information, the Group operating and financial review, and all of the non-financial information pertaining to the fiscal year ended December 31, 2011 on pages 4, 37 to 59 of the Registration Document that was filed with the AMF on March 21, 2012.

10.2 Persons responsible for the Registration Document

Person responsible for the Registration Document

Franck RIBOUD
Chairman and Chief Executive Officer
Danone

Statement by the person responsible for the Registration Document

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

Paris, on March 18, 2013

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

We certify that, to our knowledge, the financial statements in this document have been prepared in accordance with applicable accounting standards and provide a faithful representation of the assets, the financial situation, and the results of the Company and of all companies within its scope of consolidation, and that the management report referred to in the cross-reference table in section 10.3 presents a faithful representation of the business trends, results, and financial position of the Company and of all companies within its scope of consolidation, as well as a description of the principal risks and uncertainties that they face.

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

The consolidated financial statements for the fiscal year ended December 31, 2011, incorporated by reference in this Registration Document, have been the subject of a report from the Statutory auditors, which contains an observation, set forth in section 4.2 (pages 134-135) of the 2011 Registration Document filed with the AMF on March 21, 2012, under number D. 12-0181.

The consolidated financial statements for the fiscal year ended December 31, 2010, incorporated by reference in this Registration Document, have been the subject of a report from the Statutory auditors, which contains an observation, set forth in section 4.2 (pages 118-119) of the 2010 Registration Document filed with the AMF on March 25, 2011, under number D. 11-0182."

The Chairman and Chief Executive Officer,

Franck RIBOUD

10.3 Cross-reference tables

Cross-reference table to the Annual Financial Report

In order to facilitate the reading of this Registration Document, the cross-reference table hereafter enables to identify the main information required in accordance with Article L. 451-1-2 of the French Monetary and Financial Code and Article 222-3 of the General Regulations of the AMF.

Annual Financial Report		Sections of the Registration Document
1.	**COMPANY FINANCIAL STATEMENTS**	**5**
2.	**CONSOLIDATED FINANCIAL STATEMENTS**	**4**
3.	**MANAGEMENT REPORT (WITHIN THE MEANING OF THE FRENCH MONETARY AND FINANCIAL CODE)**	
3.1	INFORMATION REQUIRED BY ARTICLES L. 225-100 AND L. 225-100-2 OF THE FRENCH COMMERCIAL CODE	
	Analysis of the business trends	2.5, 3.1 to 3.5
	Analysis of the results	2.2, 3.2
	Analysis of the financial position	3.3, 3.4
	Major risk factors and uncertainties	2.7
	Table of the capital increases delegations	8.3
3.2	INFORMATION REQUIRED BY ARTICLE L. 225-100-3 OF THE FRENCH COMMERCIAL CODE	
	Elements that might have an impact in the event of a tender offer	8.9
3.3	INFORMATION REQUIRED BY ARTICLE L. 225-211 OF THE FRENCH COMMERCIAL CODE	
	Share buyback programs of the Company	3.3, 8.2
4.	**STATEMENTS OF THE PERSONS RESPONSIBLE FOR THE ANNUAL FINANCIAL REPORT**	**10.2**
5.	**STATUTORY AUDITORS' REPORT ON THE COMPANY'S FINANCIAL STATEMENTS AND THE CONSOLIDATED FINANCIAL STATEMENTS**	**4.2, 5.3**
6.	**INFORMATION ON THE FEES OF THE STATUTORY AUDITORS**	**4.3**
7.	**REPORT OF THE CHAIRMAN OF THE BOARD OF DIRECTORS ON THE CORPORATE GOVERNANCE, THE INTERNAL CONTROL AND RISK MANAGEMENT PROCEDURES (ARTICLE L. 225-37 OF THE FRENCH COMMERCIAL CODE)**	**6.1 to 6.11**
8.	**STATUTORY AUDITORS' REPORT ON THE REPORT OF THE CHAIRMAN ON THE INTERNAL CONTROL AND RISK MANAGEMENT**	**6.11**

Cross-reference table to the provisions of Annex 1 of the 809/2004 Regulation of the European Commission

This cross-reference table identifies the main information required by Annex 1 of the 809/2004 Regulation of the European Commission dated April 29, 2004. This table refers to the pages of this Registration Document on which the information related to each item is indicated.

Document of registration relating to shares		Sections of the Registration Document
1.	**PERSONS RESPONSIBLE**	
1.1	Identity	10.2
1.2	Statement	10.2
2.	**STATUTORY AUDITORS**	
2.1	Identity	1.2
2.2	Potential change	1.2
3.	**SELECTED FINANCIAL INFORMATION**	
3.1	Historical financial information	1.1
3.2	Financial information for interim periods	N/A
4.	**RISK FACTORS**	**2.7**
5.	**INFORMATION ABOUT THE ISSUER**	
5.1	History and development of the Company	2.1
5.2	Investments	3.1, 3.3
6.	**BUSINESS OVERVIEW**	
6.1	Principal activities	2.2, 2.3
6.2	Principal markets	2.2, 2.3
6.3	Exceptional events	N/A
6.4	Dependence of the issuer	N/A
6.5	Competitive position of the issuer	2.2, 2.5
7.	**ORGANIZATIONAL STRUCTURE**	
7.1	Brief description of the Group	2.6, 4.1
7.2	List of the significant subsidiaries	2.6, 4.1
8.	**PROPERTY, PLANTS AND EQUIPMENT**	
8.1	Material tangible fixed assets	2.5, 4.1
8.2	Environmental issues	2.5, 7.2
9.	**OPERATING AND FINANCIAL REVIEW**	
9.1	Financial position	3.1 to 3.4, 4.1
9.2	Operating results	2.2, 2.5, 3.2, 4.1
10.	**CAPITAL RESOURCES**	
10.1	Issuer's capital resources	3.4, 4.1, 8.1
10.2	Cash-flows	3.3, 4.1
10.3	Information on the borrowing requirements and funding structure of the issuer	3.4, 4.1
10.4	Restrictions on the use of capital resources	3.4, 4.1
10.5	Anticipated sources of funds	3.4, 4.1
11.	**RESEARCH AND DEVELOPMENT, PATENTS AND LICENCES**	**2.5, 3.1**
12.	**TREND INFORMATION**	
12.1	Most significant recent trends since the end of the last fiscal year	3.5
12.2	Events that are reasonably likely to have a material effect on the issuer's prospects	3.5
13.	**PROFIT FORECASTS OR ESTIMATES**	**3.5**
14.	**ADMINISTRATIVE AND SENIOR MANAGEMENT**	
14.1	Information on the members	6.1 to 6.6, 11.2
14.2	Conflicts of interests	6.1

Document of registration relating to shares		Sections of the Registration Document
15.	**REMUNERATION AND BENEFITS**	
15.1	Remuneration and benefits in kind	6.10, 7.3
15.2	Provisions for retirement obligations	6.10, 7.3
16.	**FUNCTIONING OF THE BOARD AND MANAGEMENT**	
16.1	Expiration date of the terms of office	6.1 to 6.6, 11.2
16.2	Services agreements relating to the members of the Board and of the management	6.9
16.3	Information about the Audit Committee, the Nomination and Compensation Committee and the Social Responsibility Committee	6.2 to 6.4
16.4	Corporate governance	6.7
17.	**EMPLOYEES**	
17.1	Number of employees	7.2
17.2	Shareholdings and stock-options	6.10, 7.3
17.3	Arrangements involving the employees in the capital of the issuer	7.3
18.	**MAJOR SHAREHOLDERS**	
18.1	Shareholding of the issuer	8.7
18.2	Voting rights	8.6
18.3	Control of the issuer	8.7
18.4	Change of control	8.10
19.	**RELATED PARTY TRANSACTIONS**	**3.1**
20.	**FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES**	
20.1	Historical Financial Information	5.1, 5.2, 10.1
20.2	Pro forma financial information	N/A
20.3	Financial statements	4.1, 5.1, 5.2, 10.1
20.4	Auditing of historical annual financial information	4.2, 5.3, 10.1
20.5	Date of latest financial information	December 31, 2012
20.6	Interim and other financial information	N/A
20.7	Dividend policy	8.5
20.8	Legal and arbitration proceedings	3.1
20.9	Significant change in the issuer's financial or commercial position	3.5
21.	**ADDITIONAL INFORMATION**	
21.1	Share Capital	8.1
21.2	Incorporation documents and by-laws	1.2, 6.1, 8.5, 8.6, 9.1, 11.1
22.	**MATERIAL CONTRACTS**	**3.1**
23.	**THIRD PARTY INFORMATION AND STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST**	
23.1	Identity	5.5
23.2	Statement	5.5
24.	**DOCUMENTS AVAILABLE TO THE PUBLIC**	**11.1**
25.	**INFORMATION ON HOLDINGS**	**2.6, 4.1, 8.2**

Cross-reference table with the Management Report, parent company Danone

This Registration Document includes all the items of the Management Report as required pursuant to Article L. 225-100 and subsequent, L. 232-1, II and R. 225-102 and subsequent of the French commercial code.

Management Report	Sections of the Registration Document
Financial position and activity of the Company during the fiscal year	5.2
Information on trends and outlook	3.5
Material events occurred since the end of the fiscal year	3.5
Research and Development activities	3.1
Activities of the Company's subsidiaries	2.2, 3.1 to 3.4
Acquisition of significant equity interests or control in companies headquartered in France	N/A
Amount of dividends distributed during the last three fiscal years	8.5
Changes to the presentation of the Company's financial statements	4.1
Injunctions or financial penalties for antitrust practices	N/A
Information relating to suppliers and clients' terms of payment	5.2
Directorship and offices held by each corporate officers	11.2
Indication on the use of financial instruments by the Company	5.2
Analysis of the business performance, results and financial position of the Company during the fiscal year	5.2
Description of the major risk factors and uncertainties	2.7
Company's exposure to price, credit, liquidity and cash-flows risks	5.2
Information relating to the breakdown of the share capital	8.7
Shares held by the subsidiaries of the Company	8.2
Employee shareholding on the last day of the fiscal year	8.7
Summary statement of the transactions relating to shares carried out by executives	6.10
Table and report on the share capital increase delegations	8.3
Compensation and benefits of any kind paid to each corporate officer	6.10
Table of the Company's financial results over the last five years	5.2
Information required by Article L. 225-211 of the French commercial code in case of transactions carried out by the Company on its own shares	8.2
Information required by Article L. 225-100-3 of the French commercial code that may have an impact regarding a tender offer	8.9
Information required by Article L. 225-102-1 of the French commercial code relating to social and environmental consequences of the Company's business and to its societal commitments	7.2

10

Cross-reference table with the Management Report, Danone group

This Registration Document includes all the items of the Management Report as required pursuant to Articles L. 233-26 and L. 225-100-2 of the French commercial code.

Management Report	**Sections of the Registration Document**
Financial position and activity of the Group during the fiscal year	2.2, 2.5, 3.1 to 3.4
Information on trends and outlook	3.5
Material events occurred since the end of the fiscal year	3.5
Research and Development activities	2.5, 3.1
Indication on the use of financial instruments by the Group	2.7, 3.2, 4.1
Analysis of the business performance, results and financial position of the Group during the fiscal year	2.2, 2.5, 3.1 to 3.4
Description of the major risk factors and uncertainties	2.7, 3.5

Appendix

11

11.1 Documents available to the public

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

The table below lists all of the regulated information published between January 1, 2012 and February 28, 2013:

Subject	Date	Place of consultation
Voting Rights Declaration (January 2012)	02/07/2012	www.danone.com, AMF, OTC
2011 Full-Year Results	02/15/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (February 2012)	03/08/2012	www.danone.com, AMF, OTC
Danone publishes its Registration Document 2011	03/21/2012	www.danone.com, AMF, OTC
Combined General Meeting of April 26, 2012	04/04/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (March 2012)	04/11/2011	www.danone.com, AMF, OTC
2012 First-Quarter Sales	04/17/2012	www.danone.com, AMF, OTC
2012 Annual General Meeting of Danone	04/26/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (April 2012)	05/10/2012	www.danone.com, AMF, OTC
Danone successfully places an inaugural bond issue in US dollars	05/30/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (May 2012)	06/07/2012	www.danone.com, AMF, OTC
Danone decides to adjust operating margin target and reiterates sales growth and free cash-flow targets for 2012	06/19/2012	www.danone.com, AMF, OTC
Danone becomes majority shareholder of Centrale Laitière in Morocco	06/27/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (June 2012)	07/06/2012	www.danone.com, AMF, OTC
2012 First-Half Results	07/27/2012	www.danone.com, AMF, OTC
Notification of availability of Danone's interim financial report	07/27/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (July 2012)	08/06/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (August 2012)	09/10/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (September 2012)	10/08/2012	www.danone.com, AMF, OTC
Sales in the third quarter and the first nine months of 2012	10/17/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (October 2012)	11/09/2012	www.danone.com, AMF, OTC
Danone launches successful €750 million bond issue	11/20/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (November 2012)	12/10/2012	www.danone.com, AMF, OTC
Danone prepares a plan to generate savings and regain its competitive edge in Europe	12/13/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (December 2012)	01/14/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (January 2013)	02/11/2013	www.danone.com, AMF, OTC
2012 Full-Year Results	02/19/2013	www.danone.com, AMF, OTC
Danone presents the organizational part of its plan for savings and adaptation in Europe	02/19/2013	www.danone.com, AMF, OTC
Danone finalizes increase in its interest in Centrale Laitière (Morocco) to 67.0%	02/22/2013	www.danone.com, AMF, OTC
Danone launches a successful €750 million bond issue	02/27/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (February 2013)	03/08/2013	www.danone.com, AMF, OTC

11.2 Positions and responsibilities of the Directors and nominees to the Board of Directors (Article R. 225-83 of the French commercial code)

Information relating to the Directors and the nominees to the Board of Directors

Renewal of terms of office

Franck RIBOUD
Emmanuel FABER

Current Directors

Bruno BONNELL
Richard GOBLET D'ALVIELLA
Jacques-Antoine GRANJON
Bernard HOURS
Yoshihiro KAWABATA
Jean LAURENT
Benoît POTIER
Isabelle SEILLIER
Mouna SEPEHRI
Jean-Michel SEVERINO
Virginia A. STALLINGS
Jacques VINCENT

Renewal of terms of office

Franck RIBOUD

Born on November 7, 1955 – Age: 57
Business address: 17, boulevard Haussmann – 75009 Paris – France
Number of DANONE shares held as of December 31, 2012: 183,134
Non-Independent Director
French nationality
Principal responsibility: Chairman and Chief Executive Officer of Danone
Seniority in Danone Group: October 1981 (31 years)

Personal background – experience and expertise

Franck RIBOUD is a graduate of the Ecole Polytechnique Fédérale de Lausanne.

He joined the Group in 1981, where he held successive positions through 1989 in management control, sales and marketing. After serving as Head of Sales at Heudebert, in September 1989 he was appointed to head up the department responsible for the integration and development of new companies in the Biscuits branch. He then participated in the largest acquisition made by a French company in the United States, namely that of Nabisco's European activities by BSN. In July 1990, he was appointed General Manager of Société des Eaux Minérales d'Evian. In 1992, Franck RIBOUD became Head of the Group Development Department.

The Group then launched its international diversification marked by increased development in Asia and Latin America and through the creation of an Export Department. In 1994, BSN changed its name to Danone in order to become a global brand.

Since May 2, 1996, he has been Chairman and Chief Executive Officer of Danone.

Since 2008, he has been the Chairman of the Board of Directors of the danone.communities mutual fund (SICAV), a financing entity aimed at promoting the development of profitable companies whose primary goal is to maximize socially responsible objectives as opposed to profit.

Since 2009, he has served as the Chairman of the Steering Committee of *Fonds Danone pour l'Écosystème*, and in December 2011 he was named member of the Steering Committee of the Livelihoods Fund.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Chairman and Chief Executive Officer (term of office from May 2, 1996) Director (term of office from September 30, 1992 to the close of the Shareholders' Meeting to approve the 2015 financial statements) [(b)] Chairman of the Executive Committee (since July 4, 1997)	DANONE SA [(a)]	France
Chairman of the Board of Directors	danone.communities (SICAV) [(e)]	France
Director	BAGLEY LATINOAMERICA SA [(c)] DANONE (Spain) SA [(d)] RENAULT SA [(a)] RENAULT SAS ROLEX SA ROLEX HOLDING SA	Spain Spain France France Switzerland Switzerland

Position	Associations/Foundations/Other	Country
Chairman of the Steering Committee	FONDS DANONE POUR L'ECOSYSTEME (endowment fund) [(e)]	France
Member of the Steering Committee	LIVELIHOODS FUND (SICAV) [(e)]	Luxembourg
Director	ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES INTERNATIONAL ADVISORY BOARD HEC BUSINESS SCHOOL	France France
Member of the Supervisory Board	FONDATION ELA (European Leukodystrophy Association)	France
Member of the Board	FONDATION EPFL PLUS (Federal Institute of Technology, Lausanne)	Switzerland

(a) Listed company.
(b) Subject to the renewal of his term by the April 25, 2013 Shareholders' Meeting.
(c) Company consolidated as associate by Danone.
(d) Company fully consolidated by Danone.
(e) Duties cover socially-responsible projects developed at the Group's initiative.

Positions and responsibilities held during the past five years

Position	Company	Country
Director	LACOSTE SA [(b)]	France
	OMNIUM NORD AFRICAIN (ONA) [(a)]	Morocco
	WADIA BSN INDIA LIMITED	India
Director and Member of the Compensation Committee	ACCOR SA [(a)] [(c)]	France
Chairman and Member of the Compensation Committee	RENAULT SA [(a)]	France

Position	Associations/Foundations/Other	Country
Director	FONDATION GAIN (GLOBAL ALLIANCE FOR IMPROVED NUTRITION)	Switzerland

(a) Listed company.
(b) Franck RIBOUD resigned from the Board of Directors of Lacoste effective December 21, 2012.
(c) Franck RIBOUD resigned from the Board of Directors of Accor effective December 31, 2012.

Emmanuel FABER

Born on January 22, 1964 – Age: 49
Business address: 17, boulevard Haussmann – 75009 Paris – France
Number of DANONE shares held as of December 31, 2012: 4,940
Non-Independent Director
French nationality
Principal responsibility: Vice-Chairman of the Board of Directors and Deputy General Manager of Danone
Seniority in Danone Group: October 1997 (15 years)

Personal background – experience and expertise

After graduating from HEC, Emmanuel FABER began his career as a consultant at Bain & Company and later Baring Brothers.

In 1993, he joined Legris Industries as Chief Administrative and Financial Officer before being named Chief Executive Officer in 1996.

He joined Danone in 1997 as Head of Finance, Strategies and Information Systems. He became a member of the Executive Committee in 2000.

In 2005, while Danone was strengthening its management structure in the Asia-Pacific region, Emmanuel FABER was named Vice-President for the Asia-Pacific region in charge of the Group's operational activities.

Since January 1, 2008, he has been a Deputy General Manager of Danone, responsible for major corporate functions (Finance, Human Resources, etc.). He was appointed Vice-Chairman of the Board of Directors on April 28, 2011.

Since 2008, he has served as a Director of the danone.communities mutual fund (SICAV). Since 2009, he has been a member of the Steering Committee of the *Fonds Danone pour l'Écosystème*. And since December 2011, he has been a member of the Steering Committee of the Livelihoods Fund.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Deputy General Manager (since January 1, 2008) Vice-Chairman of the Board of Directors (since April 28, 2011) Director (term of office from April 25, 2002 to the close of the Shareholders' Meeting to approve the 2015 financial statements) (b) Member of the Board of Directors' Social Responsibility Committee (since February 14, 2007) Member of the Executive Committee (since January 1, 2000)	DANONE SA (a)	France
Director	GRAMEEN DANONE FOODS LIMITED (c) (d) danone.communities (SICAV) (d)	Bangladesh France
Director and Vice-Chairman	NAANDI COMMUNITY WATER SERVICES PRIVATE LTD (d)	India
Member of the Supervisory Board	LEGRIS INDUSTRIES SA (a)	France

Position	Associations/Foundations/Other	Country
Member of the Steering Committee	FONDS DANONE POUR L'ECOSYSTEME (Endowment fund) (d) LIVELIHOODS FUND (SICAV) (d)	France Luxembourg

(a) Listed company.
(b) Subject to the renewal of his term by the April 25, 2013 Shareholders' Meeting.
(c) Company consolidated as associate by Danone.
(d) Duties cover socially-responsible projects developed at the Group's initiative.

Positions and responsibilities held during the past five years

Position	Company	Country
Managing Director – Director	DANONE ASIA PTE LTD	Singapore
	JINJA INVESTMENTS PTE LTD	Singapore
Chairman of the Board Vice Chairman and Director	SOCIÉTÉS EN PARTENARIAT WAHAHA/DANONE	China
Director Member of the Audit Committee	RYANAIR HOLDINGS PLC [a]	Ireland
Director	ABI HOLDINGS LTD (ABIH)	United Kingdom
	ASSOCIATED BISCUITS LTD (ABIL)	United Kingdom
	FESTINE PTE LTD	Singapore
	MYEN PTE LTD	Singapore
	NOVALC PTE LTD	Singapore
	RYANAIR LIMITED	Ireland
	WADIA BSN INDIA LIMITED	India
	YAKULT DANONE INDIA PVT LTD	India
	YAKULT HONSHA CO., LTD [a]	Japan
Member of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION B.V.	Netherlands
President of the Board of Commissioners	P.T. TIRTA INVESTAMA	Indonesia

(a) Listed company.

Current Directors

Bruno BONNELL

Born on October 6, 1958 – Age: 54
Business address: 1, rue du Docteur Fleury-Papillon – 69100 Villeurbanne – France
Number of DANONE shares held as of December 31, 2012: 4,000
Independent Director
French nationality
Principal responsibility: Chairman of Awabot

Personal background – experience and expertise

Bruno BONNELL was born in Algiers, Algeria in 1958. He received a degree in chemical engineering at CPE Lyon (École Supérieure de Chimie Physique Électronique de Lyon) and another in applied economics from the University of Paris-Dauphine (class of 1982).

He began his career at Thomson SDRM as a business engineer responsible for launching and marketing the company's first computer, the T07.

In June 1983, Bruno BONNELL founded Infogrames, which in 2000 merged with Atari (listed on the NYSE Euronext). In 1995, he co-founded Infonie, the first Internet service provider in France.

He left Infogrames in April 2007 and headed Robopolis, a company specialized in service robotics. Robopolis develops and distributes robots aimed at the household, educational and healthcare markets. In 2010, the company began to diversify internationally in seven European countries.

In 2010, he founded AWABOT, a company specialized in services on robotic platform.

Bruno BONNELL has written two books on new technologies: "*Pratique de l'Ordinateur Familial*" (1983); and "*Viva La Robolution*" (2010).

He is a member of the Management Board of Pathé SAS and of the Board of Directors of April SA.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from February 18, 2002 to the close of the Shareholders' Meeting to approve the 2013 financial statements) Member of the Board of Directors' Social Responsibility Committee (since February 14, 2007)	DANONE SA [(a)]	France
Chairman	AWABOT SAS I-VOLUTION SAS SOROBOT SAS	France France France
Director	APRIL SA ROBOPOLIS SAS	France France
Member of the Management Board	PATHÉ SAS	France

Position	Associations/Foundations/Other	Country
Chairman of the Board of Directors	EMLYON BUSINESS SCHOOL	France
Chairman	SYROBO – French Federation of service robotics	France

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	ROBOPOLIS SAS	France
Member of the Supervisory Board	ANF IMMOBILIER SA [(a)] EURAZEO SA [(a)] ZSLIDE SA	France France France

(a) Listed company.

Richard GOBLET D'ALVIELLA

Born on July 6, 1948 – Age: 64
Business address: Rue de l'Industrie 31 – 1040 Brussels – Belgium
Number of DANONE shares held as of December 31, 2012: 4,394
Independent Director
Belgian nationality
Principal responsibility: Executive Chairman of Sofina SA

Personal background – experience and expertise

Richard GOBLET D'ALVIELLA received a commercial engineering degree from the Free University of Brussels and an MBA from Harvard Business School. For 15 years, Richard GOBLET D'ALVIELLA was an investment banker specializing in international finance in London and New York.

He was a Managing Director of Paine Webber group before joining Sofina, where he has been Deputy Director since 1989 and Executive Chairman since 2011.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 11, 2003 to the close of the Shareholders' Meeting to approve the 2014 financial statements) Member of the Board of Directors' Audit Committee (since April 11, 2003)	DANONE SA [(a)(b)]	France
Executive Chairman	SOFINA SA [(a)(b)]	Belgium
Managing Director	UNION FINANCIÈRE BOEL SA [(b)]	Belgium
Director – Member of the Audit Committee	CALEDONIA INVESTMENTS [(a)(b)]	United Kingdom
Director	HENEX SA [(a)(b)] SOCIÉTÉ DE PARTICIPATIONS INDUSTRIELLES SA [(b)] GL EVENTS SA [(a)(b)]	Belgium Belgium France
Member of the Supervisory Board Member of the Audit Committee Member of the Compensation Committee	EURAZEO SA [(a)(b)]	France

(a) Listed company.
(b) Companies for which Richard GOBLET D'ALVIELLA is on the board and in which Sofina (where he is Executive Chairman – but no longer Managing Director) owns an equity interest (GL Events, Danone, Eurazeo and Caledonia Investments) or that are shareholders of Sofina (Henex SA, Union Financière Boël SA and Société de Participations Industrielles SA).

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	SIDRO SA	Belgium
Vice Chairman of the Board of Directors and Managing Director	SOFINA SA [(a)]	Belgium
Director	FINASUCRE SA SUEZ-TRACTEBEL	Belgium Belgium
Director and Member of the Audit Committee	SUEZ SA [(a)]	France
Director – Member of the Compensation Committee	DELHAIZE GROUP [(a)]	Belgium
Non-voting advisor ("*censeur*")	GDF SUEZ [(a)]	France

(a) Listed company.

Jacques-Antoine GRANJON

Born on August 9, 1962 – Age: 50
Business address: 249, avenue du Président Wilson – 93210 La Plaine-Saint-Denis – France
Number of DANONE shares held as of December 31, 2012: 4,000
Independent Director
French nationality
Principal responsibility: Chairman and Chief Executive Officer of vente-privee.com

Personal background – experience and expertise

Jacques-Antoine GRANJON is a graduate of the European Business School in Paris.

After completing his studies, his entrepreneurial spirit led him and a friend to found Cofotex SA, which specialized in close-outs wholesale.

In 1996, Jacques-Antoine GRANJON purchased the former printing plants of the "Le Monde" newspaper, which were being sold as part of an urban renewal program for La Plaine-Saint-Denis (93), and there he established the headquarters of Oredis Group. Jacques-Antoine GRANJON came up with a totally innovative concept: a web platform dedicated to private sales of brand name products at deeply discounted prices.

In January 2001, Jacques-Antoine GRANJON and his partners launched vente-privee.com in France. He thus took his experience in drawing down inventories of close-outs from leading fashion and home furnishing brands to the Internet by emphasizing a dual approach: event-based and exclusive, while always emphasizing customer satisfaction. vente-privee.com has been built in the image of its founder: a good corporate citizen promoting responsible growth, training and employability and a social conscience.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 26, 2012 to the close of the Shareholders' Meeting to approve the 2014 financial statements)	DANONE SA [a]	France
Chairman and Chief Executive Officer	VENTE-PRIVEE.COM [b]	France
	PIN-UP SA [b]	France
Chairman	OREFI SAS [b]	France
	OREFO SAS [b]	France
	ORIMM SAS [b]	France
	VENTE-PRIVEE USA BRANDS, INC. [b]	United States
Chairman of the Board of Directors	PALAIS DE TOKYO SAS	France
Manager	VENTE-PRIVEE.COM DEUTSCHLAND GMBH [b]	Germany
	VENTE-PRIVEE.COM LIMITED [b]	United Kingdom
	VENTA PRIVADA IBERICA [b]	Spain
	VENDITA PRIVATA ITALIA SRL [b]	Italy
	ORIMM BIENS SARL [b]	France
	SCI 247 [b]	France
	SCI 249 [b]	France
	BM WILSON SCI [b]	France
	FRUITIER WILSON SCI [b]	France
	LANDY WILSON SCI [b]	France
	LYON 3 SCI [b]	France
	MM WILSON SCI [b]	France
	PRESSENSE WILSON SCI [b]	France
	BRETONS WILSON SCI [b]	France
	L'ÉGLISE WILSON SARL [b]	France
Co-Manager	VENTE-PRIVEE.COM IP SARL [b]	Luxembourg
Director	VENTE-PRIVEE.COM HOLDING SA [b]	Luxembourg
	VENTE-PRIVEE USA, LLC [b]	United States
	LOOKLET [b]	Sweden

Position	Associations/Foundations/Other	Country
Chairman	FONDATION ORORE	France

(a) Listed company.
(b) Company belonging to the OREFI group (vente-privée group).

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	ROSEBUZZ SAS	France

Bernard HOURS

Born on May 5, 1956 – Age: 56
Business address: 17, boulevard Haussmann – 75009 Paris – France
Number of DANONE shares held as of December 31, 2012: 6,435
Non-Independent Director
French nationality
Principal responsibility: Vice-Chairman of the Board of Directors and Deputy General Manager of Danone
Seniority in Danone Group: March 1985 (27 years)

Personal background – experience and expertise

A graduate of HEC, Bernard HOURS began his career at Unilever as a product manager. He joined Danone in 1985 as Evian's Head of Marketing in France. He later became *Kronenbourg's* Head of Marketing and in 1990 Head of Marketing for Danone France.

In 1994, he was named Chairman of Danone Hungary, and then Chairman of Danone Germany in 1996. He then returned to France as the Chairman of LU France in 1998.

In November 2001, he was named Vice-President of the Fresh Dairy Products Division and joined the Group's Executive Committee.

In 2002, he was named Chairman of the Global Fresh Dairy Products Division, then Head of the Group's Research and Development division.

Since January 1, 2008, he has been a Deputy General Manager of Danone, responsible for the Group's four operating Divisions: Fresh Dairy Products, Waters, Baby Nutrition and Medical Nutrition. He was appointed Vice-Chairman of the Board of Directors on April 28, 2011.

Since 2009, he has been a member of the Steering Committee of the *Fonds Danone pour l'Écosystème*, and since 2011, he has served as a Director of the danone.communities mutual fund (SICAV).

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Deputy General Manager (since January 1, 2008) Vice Chairman of the Board of Directors (since April 28, 2011) Director (term of office from April 22, 2005 to the close of the Shareholders' Meeting to approve the 2013 financial statements) Member of the Executive Committee (since November 1, 2001)	DANONE SA [a]	France
Director	DANONE INDUSTRIA [b] ESSILOR OF AMERICA, INC. FLAM SA OJSC UNIMILK COMPANY [b] danone.communities (SICAV) [c]	Russia United States France Russia France
Director Member of the Corporate Officer and Compensation Committee	ESSILOR INTERNATIONAL SA [a]	France
Permanent representative of Danone on the Board of Directors and on the Executive Board	DANONE (Spain) SA [b]	Spain

Position	Associations/Foundations/Other	Country
Director	FONDATION D'ENTREPRISE DANONE [c]	France
Member of the Steering Committee	FONDS DANONE POUR L'ECOSYSTEME (endowment fund) [c]	France

(a) Listed company.
(b) Company fully consolidated by Danone.
(c) Duties cover socially-responsible projects developed at the Group's initiative.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION B.V.	Netherlands
	DANONE BABY AND MEDICAL NUTRITION NEDERLAND B.V.	Netherlands
	DANONE GMBH	Germany
	DANONE HOLDING AG	Germany
Director	COLOMBUS CAFÉ	France
	GRUPO LANDON	Spain
	STONYFIELD FARM, INC.	United States
	THE DANNON COMPANY	United States
Member of the Supervisory Board	CEPRODI SA	France

Yoshihiro KAWABATA

Born on January 5, 1949 – Age: 64
Business address: 1-19, Higashi-Shinbashi, 1-Chome, Minato-Ku, Tokyo, 105-8660 Japan
Number of DANONE shares held as of December 31, 2012: 4,000
Non-Independent Director
Japanese nationality
Principal responsibility: Director and Deputy President, Divisional General Manager of Administrative Division and International Business Division of Yakult Honsha

Personal background – experience and expertise

Yoshihiro KAWABATA is a graduate of the University of Meiji in Tokyo, Japan.

He joined Yakult Honsha in 1971 and worked in the delivery business (Yakult Ladies) within the sales division. He was appointed Director of Yakult Philippines, Inc. in 1981 and made a significant contribution to that company's expansion. In 1987, he returned to Japan and worked for the delivery business of the Kyushu branch (southern Japan). In 1990, he was named Director of Yakult Indonesia and helped to found the company.

In 1992, Yoshihiro KAWABATA was named Manager of the International Department of Yakult Honsha and helped with the expansion of Yakult's activities in Australia. In 2003, he was appointed Director of Yakult Honsha and was responsible for the International Affairs Department and the Liaison Office between Yakult Honsha and Danone.

In 2009, he was appointed Senior Managing Director of Yakult Honsha as the Head of the International Affairs Department.

Since June 2011, he has been Executive Vice President and Head of the International Business Division. He is also the Yakult representative at the liaison office between Yakult and Danone and is responsible for this cooperation.

In June 2012, he was appointed Director and Deputy President, in addition to being Head of Administrative Division and Head of the International Business Division of Yakult Honsha.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 22, 2010 to the close of the Shareholders' Meeting to approve the 2013 financial statements) Member of the Board of Directors' Nomination and Compensation Committee (since April 28, 2011)	DANONE SA [a]	France
Director and Deputy President	YAKULT HONSHA CO., LTD [a] [b]	Japan
Chairman	YAKULT (SINGAPORE) PTE. LTD YAKULT (MALAYSIA) SDN. BHD. YAKULT S.A. DE C.V. CORPORACION VERMEX, S.A. DE C.V.	Singapore Malaysia Mexico Mexico
Representative Chairman	YAKULT EUROPE B.V. YAKULT UK LTD SHANGHAI YAKULT CO., LTD YAKULT (CHINA) CORPORATION GUANGZHOU YAKULT CO., LTD TIANJIN YAKULT CO., LTD YAKULT USA, INC. YAKULT DEUTSCHLAND GMBH YAKULT OESTERREICH GMBH	Netherlands United Kingdom China China China China United States Germany Austria
Vice-Chairman	KOREA YAKULT CO., LTD	Korea
Permanent representative	HONG KONG YAKULT CO., LTD	China

Position	Company	Country
Director	YAKULT PHILIPPINES, INC.	Philippines
	YAKULT NEDERLAND B.V.	Netherlands
	YAKULT ESPANA S.A.	Spain
	YAKULT CO., LTD	Taiwan
	SHANGHAI YAKULT MARKETING CO., LTD	China
	YAKULT (THAILAND) CO., LTD	Thailand
	YAKULT AUSTRALIA PTY. LTD	Australia
	YAKULT DANONE INDIA PVT. LTD [b]	India
	YAKULT VIETNAM CO., LD [b]	Vietnam
	DISTRIBUIDORA YAKULT GUADALAJARA S.A. DE C.V.	Mexico
	YAKULT BELGIUM S.A./N.V.	Belgium
	YAKULT ITALIA SRL	Italy
Chairman of the Audit Committee	P.T. YAKULT INDONESIA PERSADA	Indonesia

(a) Listed company.
(b) Company consolidated as associate by Danone.

Positions and responsibilities held during the past five years

Position	Company	Country
Vice Chairman	SHANGHAI YAKULT CO., LTD	China
	YAKULT (CHINA) CORPORATION	China
Senior Managing Director	YAKULT HONSHA, LTD [a]	Japan
Managing Director	YAKULT HONSHA CO., LTD [a]	Japan
Director	HONG KONG YAKULT CO., LTD	China
	TIANJIN YAKULT CO., LTD	China
	KOREA YAKULT CO., LTD	Korea
	YAKULT (SINGAPORE) PTE. LTD	Singapore
	YAKULT (MALAYSIA) SDN. BHD.	Malaysia
	YAKULT EUROPE B.V.	Netherlands
	YAKULT S.A. DE C.V.	Mexico
	CORPORACION VERMEX, S.A. DE C.V.	Mexico
Permanent Representative	YAKULT UK LTD	United Kingdom
Auditor	P.T. YAKULT INDONESIA PERSADA	Indonesia

(a) Listed company.

Jean LAURENT

Born on July 31, 1944 – Age: 68
Business address: 30, avenue Kléber – 75208 Paris Cedex 16 – France
Number of DANONE shares held as of December 31, 2012: 5,000
Independent Director and Lead Independent Director
French nationality
Principal responsibility: Chairman of the Board of Directors of Foncière des Régions

Personal background – experience and expertise

Jean LAURENT is a graduate of the École Nationale Supérieure de l'Aéronautique (1967) and has a Master of Sciences degree from Wichita State University.

He spent his entire career at Crédit Agricole group, first with *Crédit Agricole de Toulouse*, and later with *Crédit Agricole du Loiret* and then *Crédit Agricole de l'Ile de France*, where he exercised or supervised various retail banking business activities.

He then joined *Caisse Nationale du Crédit Agricole*, first as Deputy General Manager (1993-1999) and later as Chief Executive Officer (1999-2005). In that capacity, he was responsible for the public offering of *Crédit Agricole S.A.* (2001) and the acquisition and integration of *Crédit Lyonnais* in *Crédit Agricole group*.

A company Director, he is also Chairman of the Board of Directors of *Foncière des Régions*.

In accordance with the recommendation of the Nomination and Compensation Committee, the Board of Directors of Danone has appointed Mr. Jean LAURENT as Lead Independent Director as of February 18, 2013.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from February 10, 2005 to the close of the Shareholders' Meeting to approve the 2014 financial statements) Chairman and member of the Board of Directors' Nomination and Compensation Committee (since April 28, 2011 and April 22, 2005, respectively) Chairman and member of the Board of Directors' Social Responsibility Committee (since February 14, 2007)	DANONE SA [a]	France
Chairman of the Board of Directors Member of the Audit Committee Member of the Strategy and Investments Committee	FONCIÈRE DES RÉGIONS SA [a]	France
Director Member of the Compensation Committee	BENI STABILI [a] [b]	Italy
Vice-Chairman of the Supervisory Board Chairman of the Audit Committee Member of the Finance Committee	EURAZEO SA [a] [c]	France
Member of the Board of Directors	UNIGRAINS SA	France

Position	Associations/Foundations/Other	Country
Chairman of the Board of Directors	INSTITUT EUROPLACE DE FINANCE (Foundation)	France

(a) Listed company.
(b) Listed company 50.9% controlled by Foncière des Régions SA.
(c) Danone shareholder that owns 2.6% of its share capital and has 4.6% of its gross voting rights and which announced publicly that it may dispose of its Danone shareholdings in 2014.

Positions and responsibilities held during the past five years

Position	Company	Country
Director	CRÉDIT AGRICOLE EGYPT SAE	Egypt
Member of the Supervisory Board Member of the Audit Committee	M6 SA (MÉTROPOLE TÉLÉVISION) [a]	France

Position	Associations/Foundations/Other	Country
Chairman	PÔLE DE COMPÉTITIVITÉ "FINANCE INNOVATION" (Association)	France

(a) Listed company.

Benoît POTIER

Born on September 3, 1957 – Age: 55
Business address: 75, quai d'Orsay – 75007 Paris – France
Number of DANONE shares held as of December 31, 2012: 8,178
Independent Director
French nationality
Principal responsibility: Chairman and Chief Executive Officer of L'Air Liquide SA

Personal background – experience and expertise

A graduate of the École Centrale de Paris, Benoît POTIER joined the Air Liquide group in 1981 as a Research and Development engineer. He then held positions as Project Manager in the Engineering and Construction Department and Head of Energy Development within the Large Industry segment. In 1993 he was named Head of Strategy-Organization and in 1994 he was appointed Head of Chemicals, Steel, Refining and Energy Markets. He became Deputy General Manager in 1995, and added to the aforementioned responsibilities that of Head of Construction Engineering and Large Industry for Europe.

Benoît POTIER was appointed Chief Executive Officer in 1997, a Director of Air Liquide in 2000 and Chairman of the Management Board in November 2001. In 2006, he was named Chairman and Chief Executive Officer of L'Air Liquide SA.

In 2004, Air Liquide acquired the assets of Messer Griesheim in Germany, the United Kingdom and the United States.

In 2007, the group expanded its technology portfolio by acquiring the Lurgi engineering company and in 2008 launched the Alma company project aimed at accelerating its growth. The group is continuing to diversify internationally, notably through its growing presence in developing economies: Asia, Russia, Central and Eastern Europe, the Middle East and Latin America.

In 2008, Benoît POTIER initiated the creation of Fondation Air Liquide and has served as its Chairman since inception. Fondation Air Liquide supports research projects in the environmental and healthcare fields and contributes to local development by encouraging micro-initiatives in those areas of the world where the group is present.

Benoît POTIER is also a member of the Michelin Supervisory Board. Since October 2010, he has also been the Vice-Chairman of the European Roundtable of Industrialists (ERT).

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 11, 2003 to the close of the Shareholders' Meeting to approve the 2014 financial statements) Member of the Board of Directors' Nomination and Compensation Committee (since April 26, 2012)	DANONE SA [(a)]	France
Chairman and Chief Executive Officer	L'AIR LIQUIDE SA [(a)] AIR LIQUIDE INTERNATIONAL	France France
Chairman, President & Chief Executive Officer	AIR LIQUIDE INTERNATIONAL CORPORATION (ALIC)	United States
Member of the Supervisory Board Member of the Audit Committee	MICHELIN [(a)]	France

Position	Associations/Foundations/Other	Country
Vice-Chairman	EUROPEAN ROUNDTABLE OF INDUSTRIALISTS (ERT)	Europe
Chairman	FONDATION D'ENTREPRISE AIR LIQUIDE	France
Director	ASSOCIATION FRANÇAISE DES ENTREPRISES PRIVÉES (AFEP) CERCLE DE L'INDUSTRIE LA FABRIQUE DE L'INDUSTRIE ASSOCIATION NATIONALE DES SOCIÉTÉS PAR ACTIONS (ANSA) ÉCOLE CENTRALE DES ARTS ET MANUFACTURES	France France France France France
Member of Conseil France (French board)	INSEAD	France

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	AMERICAN AIR LIQUIDE Holdings, INC.	United States
Member and Chairman of the Audit Committee	DANONE [(a)]	France

(a) Listed company.

Isabelle SEILLIER

Born on January 4, 1960 – Age: 53
Business address: 25 Bank Street, Canary Wharf – London, E14 5JP – United Kingdom
Number of DANONE shares held as of December 31, 2012: 4,000
Non-independent Director
French nationality
Principal responsibility: Head of Financial Institutions EMEA of J.P. Morgan

Personal background – experience and expertise

Isabelle SEILLIER is a graduate of Sciences-Po Paris (Economics-Finance, 1985) and holds a master's degree in business law.

In 1987, she began her professional career in the options division of Société Générale in Paris, where she headed the Sales Department for options products in Europe until 1993.

Isabelle SEILLIER joined J.P. Morgan in Paris in 1993 as the head of the Sales Department for derivative products in France for industrial companies. In 1997, she became an investment banker at J.P. Morgan & Cie SA as a banking advisor providing coverage for large industrial clients. In March 2005, she was appointed the joint head of investment banking before being named sole head of this activity beginning in June 2006.

She was since 2008 Chairman of J.P. Morgan for France while still remaining in charge of investment banking for France and North Africa. She is now the head of all Investment Banking activities for financial institutions of J.P. Morgan for Europe, Middle-East and Africa (EMEA).

Isabelle SEILLIER is actively involved in philanthropic activities, in particular children's support associations. Under her direction, J.P. Morgan France has developed a philanthropic program by helping these associations.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 28, 2011 to the close of the Shareholders' Meeting to approve the 2013 financial statements)	DANONE SA [(a)]	France
Chairman	J.P. MORGAN CHASE BANK	France
Director	CLUB MÉDITERRANÉE [(a)]	France

Position	Associations/Foundations/Other	Country
Member of the Board of Directors	AFB (Association Française des Banques) EUROPLACE	France France

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
None		

Mouna SEPEHRI

Born April 11, 1963 – Age: 49
Business address: 13-15, quai Le Gallo – 92513 Boulogne-Billancourt – France
Number of DANONE shares held as of December 31, 2012: 4,000
Independent Director
Dual French and Iranian nationality
Principal responsibility: Member of the Executive Committee, Executive Vice-President of Renault

Personal background – experience and expertise

After receiving her law degree and joining the Paris bar, Mouna SEPEHRI began her career in 1990 as a lawyer in Paris and then New York, where she specialized in Mergers & Acquisitions and International Business Law.

She joined Renault in 1996 as the group's Deputy General Counsel. She played an integral part in the group's international growth and participated in the creation of the Renault-Nissan Alliance from the beginning (1999) as a member of the negotiating team.

In 2007, she joined the Office of the CEO and was in charge of the management of the cross functional teams.

In 2009, she was appointed Director of the Renault-Nissan Alliance CEO Office and Secretary of the Alliance Board. In 2010, she also became a member of the steering committee on the Alliance cooperation with Daimler. As a part of that mission, she was responsible for steering the implementation of Alliance synergies, coordinating strategic cooperation and for driving new projects.

On April 11, 2011, she joined the Renault group Executive Committee as Executive Vice President, Office of the CEO. She oversees the following functions: Legal, Public Affairs, Communications, Corporate Social Responsibility, Property and General Services, Prevention and Group Protection, Cross-functional Support and the Operating Costs Effectiveness Program.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 26, 2012 to the close of the Shareholders' Meeting to approve the 2014 financial statements) Member of the Board of Directors' Audit Committee (since April 26, 2012)	DANONE SA (a)	France
Director	NEXANS (a)	France
Member of the Supervisory Board	M6 SA (METROPOLE TELEVISION) (a)	France

Function	Associations/Foundations/Other	Country
Director	FONDATION RENAULT	France

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
None		

Jean-Michel SEVERINO

Born on September 6, 1957 – Age: 55
Business address: 10, rue de Sèze – 75009 Paris – France
Number of DANONE shares held as of December 31, 2012: 4,000
Independent Director
French nationality
Principal responsibility: Head of Investisseur et Partenaire Conseil

Personal background – experience and expertise

Jean-Michel SEVERINO was born on September 6, 1957 in Abidjan, Ivory Coast. He is a graduate of the École Nationale d'Administration, ESCP, IEP Paris and holds a postgraduate degree (DEA) in economics and a "*licence*" degree in law.

After four years working at the French General Inspection of Finance (1984-1988), he was named technical advisor for economic and financial affairs at the French Ministry of Cooperation (1988-1989) and later became the head of that ministry's Department of Economic and Financial Affairs and then its Development Director. In all these positions, he was very active in the conduct of macroeconomic and financial relations, as well as the management of political and humanitarian crises, with sub-Saharan Africa.

In 1996, he was recruited by the World Bank as the Director for Central Europe at a time when this region was marked by the end of the Balkans conflict and reconstruction. He became the World Bank's Vice-President in charge of Far East Asia from 1997 to 2001 and focused on the management of the major macroeconomic and financial crisis that shook these countries.

After a brief stint working once again for the French government as Inspector General of Finance, he was named Chief Executive Officer of the *Agence Française de Développement* (AFD), where from 2001 to 2010 he led the expansion efforts to cover the entire emerging and developing world, notably in the Mediterranean region, Asia and Latin America while still maintaining its strong roots in sub-Saharan Africa. He significantly expanded the bank's development activities and expanded its areas of responsibility to a large number of new countries as well as contemporary global subjects: climate, biodiversity, poverty, growth, etc. He also implemented a fundamental restructuring of the AFD by entering into close partnerships with the local and international industrial and financial private sector.

In 2010, at the end of his third term of office, he returned once again to the French General Inspection of Finance, where he is responsible for the French partnership for water. In May 2011, he left the civil service in order to head up "*Investisseur et Partenaire Conseil*," a fund management company specializing in financing African small and medium-sized businesses.

In addition to his professional duties, he has significant experience in the educational and research areas, notably as an associate professor at CERDI (*Centre d'Études et de Recherches sur le Développement International*). He was elected as a member of the *Académie des Technologies* (2010); he is currently a senior fellow of the *Fondation pour la Recherche sur le Développement International* (FERDI) and of the German Marshall Fund (GMF). He has published numerous articles and books, including, in 2010, "*Idées reçues sur le développement*" and "*Le temps de l'Afrique*," and in 2011 "*Le grand basculement*."

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 28, 2011 to the close of the Shareholders' Meeting to approve the 2013 financial statements) Chairman, member and financial expert of the Board of Directors' Audit Committee (since April 26, 2012) Member of the Board of Directors' Social Responsibility Committee (since April 28, 2011)	DANONE SA [(a)]	France
Director Member of the Governance and Corporate Social Responsibility Committee	FRANCE TELECOM [(a)]	France
Director	I&P AFRIQUE ENTREPRENEURS PHITRUST IMPACT INVESTORS SA	Mauritius France
Manager	INVESTISSEUR ET PARTENAIRE CONSEIL	France

Position	Associations/Foundations/Other	Country
Chairman	INSTITUT D'ÉTUDE DU DÉVÉLOPPEMENT ÉCONOMIQUE ET SOCIAL CONVERGENCES 2015	France France
Director	FONDATION JACQUES CHIRAC FONDATION SANOFI ESPOIR CONSERVATION INTERNATIONAL (FOUNDATION)	France France United States
Member of Task Force	UNITED NATIONS – SUSTAINABLE DEVELOPMENT DIVISION	France
Senior fellow	THE GERMAN MARSHALL FUND OF THE UNITED STATES (FOUNDATION)	United States
Research Director	FONDATION POUR LES ETUDES ET RECHERCHES SUR LE DEVELOPPEMENT INTERNATIONAL	France
Member	SCIENTIFIC STEERING COMMITTEE, FONDATION JEAN-JAURÈS ACADÉMIE DES TECHNOLOGIES (PUBLIC-SECTOR INSTITUTION WITH ADMINISTRATIVE ACTIVITIES)	France France

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Companies	Country
Chairman	SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE	France

Function	Associations/Foundations/Other	Country
Chairman	PARTENARIAT FRANÇAIS POUR L'EAU	France
Chief Executive Officer	AGENCE FRANÇAISE DE DEVELOPPEMENT (PUBLIC-SECTOR INSTITUTION WITH INDUSTRIAL AND COMMERCIAL ACTIVITIES)	France
Vice-President	COMITÉ NATIONAL FRANÇAIS	France
Director	EUROPEAN INVESTMENT BANK INSTITUT DE RECHERCHE POUR LE DÉVELOPPEMENT (FRENCH PUBLIC-SECTOR INSTITUTION WITH SCIENTIFIC AND TECHNOLOGICAL ACTIVITIES) danone.communities CENTRE DE COOPERATION INTERNATIONALE EN RECHERCHE AGRONOMIQUE POUR LE DEVELOPPEMENT (PUBLIC-SECTOR INSTITUTION WITH INDUSTRIAL AND COMMERCIAL ACTIVITIES)	Luxembourg France France France
Member	INDEPENDENT ASSESSMENT COMMITTEE ON SUSTAINABLE DEVELOPMENT, VEOLIA ENVIRONNEMENT	France

Virginia A. STALLINGS

Born: September 18, 1950 – Age: 62
Business address: Children's Hospital of Philadelphia – 3535 Market Street – Rm 1558 – Philadelphia, PA 19104 – United States
Number of DANONE shares held as of 31 December, 2012: 4,000
Independent Director
U.S. nationality
Principal responsibility: Professor of Pediatrics at Children's Hospital of Philadelphia

Personal background – experience and expertise

Virginia Stallings is a Professor of Pediatrics at the University of Pennsylvania Perelman School of Medicine, Director of the Nutrition Center at The Children's Hospital of Philadelphia and holds the Jean A. Cortner Endowed Chair in Gastroenterology and Nutrition. She is a pediatrician and a specialist in nutrition and growth in children with chronic illness. Her research interests are in areas of nutrition-related growth and body composition in healthy children and those with chronic disease including: obesity, sickle cell disease, osteoporosis, cystic fibrosis, cerebral palsy, Crohn disease, HIV and congenital heart disease. She has been extensively involved in pediatric nutrition clinical care and research for more than 25 years.

Dr. Stallings plays a broader role in the community of nutrition scientists and physicians as a past or current member of the Institute of Medicine, the Food and Nutrition Board of the National Academy of Sciences and the council of the American Society for Nutrition. She was the Chair of the 2007 Institute of Medicine committee report, Nutrition Standards for Foods in Schools: Leading the Way Towards Healthier Youth and the 2010 committee report, School Meals: Building Blocks for Healthy Children, that lead to new policy to improve the nutritional quality of school breakfast and lunch for children across the United States. She has received research and teaching awards from the American Society of Nutrition, the American Academy of Pediatrics and Institute of Medicine, National Academies.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from April 26, 2012 to the close of the Shareholders' Meeting to approve the 2014 financial statements)	DANONE SA [(a)]	France

Position	Associations/foundations/other	Country
Professor of Pediatrics	THE CHILDREN'S HOSPITAL OF PHILADELPHIA, DEPARTMENT OF PEDIATRICS, THE UNIVERSITY OF PENNSYLVANIA PERELMAN SCHOOL OF MEDICINE	United States
Director, The Nutrition Center	THE CHILDREN'S HOSPITAL OF PHILADELPHIA	United States
Director, Office of Faculty Development	THE CHILDREN'S HOSPITAL OF PHILADELPHIA RESEARCH INSTITUTE	United States
Member	NATIONAL ACADEMY OF SCIENCES, INSTITUTE OF MEDICINE	United States
Member of International Research Advisory Committee	CHILDREN'S HOSPITAL OF LA PLATA RESEARCH INSTITUTE	Argentina

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Associations/foundations/other	Country
President of the Board of Directors	DANONE INSTITUTE USA [(a)] DANONE INSTITUTE INTERNATIONAL [(a)]	United States France

(a) The mission of these two organizations, which are established as non-profit associations, is to promote research and education in the field of nutrition as well as the importance of nutrition on healf.

Jacques VINCENT

Born on April 9, 1946 – Age: 66
Business address: 28, quai du Louvre – 75001 Paris – France
Number of DANONE shares held as of December 31, 2012: 5,123
Non-Independent Director
French nationality
Principal responsibility: Chairman of Compassion Art

Personal background – experience and expertise

Jacques VINCENT is a graduate of École Centrale de Paris, Faculté de Sciences Économiques of Panthéon-Assas in Paris and Stanford University in the United States.

He joined the Group in 1970 and held positions in Management Control, Sales and Distribution.

He was appointed General Manager of Stenval in 1979 and was later, in succession, General Manager of Danone Italy, Danone Germany, Italaquae, Dannon USA and the Group's Fresh Dairy Products Division.

In 1996, he was named Deputy General Manager of Danone.

In 1998, he was named Vice-Chairman of the Board of Directors of Danone.

In 2007, he became the Chairman's Advisor for Strategy and stepped down from his position as Deputy General Manager in April 2010 in connection with his retirement.

Jacques VINCENT manages the UnMétierVocation foundation and the Art For Smile (an art charity) gallery. He is also a Director of Syngenta, Institut Biophytis, Cereplast and Mediaperformances.

Positions and responsibilities as of December 31, 2012

Position	Company	Country
Director (term of office from March 17, 1997 to the close of the Shareholders' Meeting to approve the 2013 financial statements)	DANONE SA [(a)]	France
Chairman	COMPASSION ART SAS	France
Director	MEDIAPERFORMANCES PUBLIC'AD SA INSTITUT BIOPHYTIS SAS	France France
Director Member of the Audit Committee Member of the Compensation and Governance Committee	CEREPLAST, INC. [(a)]	United States
Director Member of the Compensation Committee	SYNGENTA AG [(a)]	Switzerland

Position	Associations/Foundations/Other	Country
Founding member and manager	Fondation UnMétierVocation	France

(a) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Vice-Chairman of the Board of Directors	DANONE SA [(a)]	France
Chairman	DANONE RESEARCH	France
Chairman of the Board of Directors	COMPAGNIE GERVAIS DANONE	France
Director and Member of the Executive Committee	DANONE (SPAIN) SA	Spain
Director	AVESTHAGEN DASANBE AGUA MINERAL NATURAL SA WEIGHT WATCHERS DANONE CHINA, LTD WIMM BILL DANN FOOD OJSC YAKULT DANONE INDIA PVT LTD YAKULT HONSHA CO., LTD [(a)]	India Spain China Russia India Japan
Member of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION B.V. DANONE BABY AND MEDICAL NUTRITION NEDERLAND B.V.	Netherlands Netherlands

Position	Associations/Foundations/Other	Country
Chairman of the Board of Directors	ECOLE NORMALE SUPERIEURE DE LYON (ENS)	France

(a) Listed company.

11

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