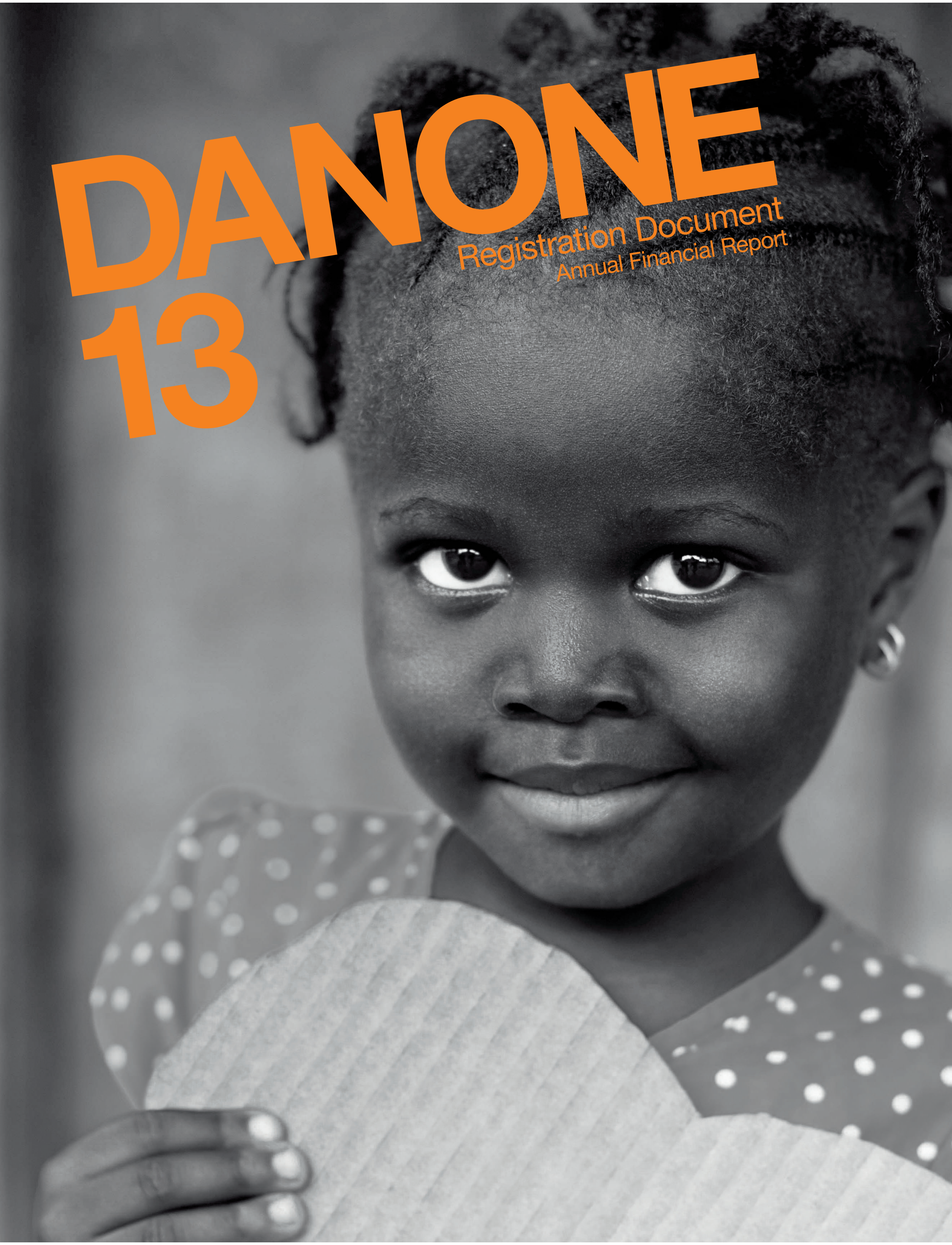
DANONE
13
Registration Document
Annual Financial Report

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LABEL TRANSPARENCE
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BRINGING HEALTH THROUGH FOOD TO AS MANY PEOPLE AS POSSIBLE

2013

REGISTRATION DOCUMENT

Annual Financial Report

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

AUTORITÉ DES MARCHÉS FINANCIERS AMF

The French language version of this Registration Document *(Document de Référence)* was filed with the French financial markets authority (*Autorité des Marchés Financiers*, or AMF) on March 21, 2014, 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.

> DESPITE STRONG HEADWINDS THAT TOOK A TOLL ON OUR BUSINESS, 2013 WAS A YEAR OF SOLID GROWTH AND DECISIVE PROGRESS IN BUILDING DANONE'S FUTURE. ORGANIC GROWTH OF NEARLY 5% HAS BEEN DRIVEN BY THE SUCCESS OF MANY STRATEGIC PROJECTS. WE ALSO ACHIEVED MAJOR PROGRESS ON INITIATIVES THAT WILL MAKE OUR GROUP STRONGER STARTING IN 2014.
>
> WE ARE HOLDING OUR COURSE, FOCUSED ON BUILDING A SOLID GROUP AND RETURNING TO SUSTAINABLE, PROFITABLE GROWTH IN THE COURSE OF 2014.

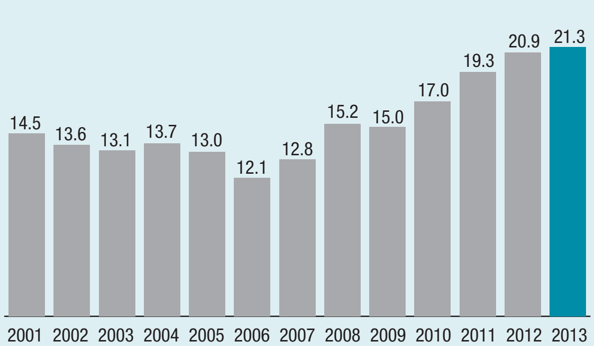
+4.8%
2013 like-for-like sales growth

€21,298 MLN
Sales in 2013

€2,809 MLN
Trading operating income in 2013

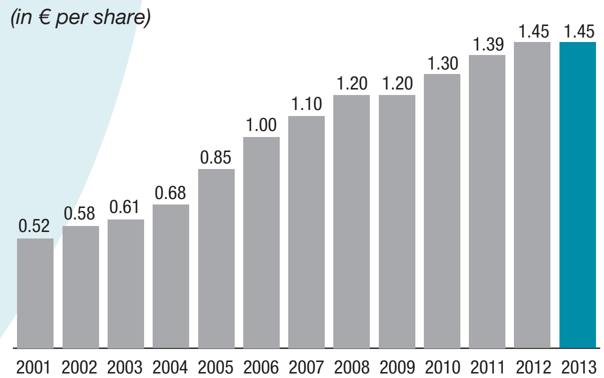
FULL-YEAR GROUP SALES

(in € billions)



DIVIDEND

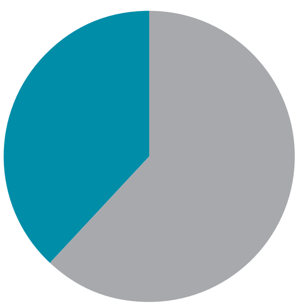
(in € per share)



THE GROUP'S STRATEGY IS CONSISTENT WITH ITS MISSION OF "BRINGING HEALTH THROUGH FOOD TO AS MANY PEOPLE AS POSSIBLE"

GROUP'S SALES BREAKDOWN

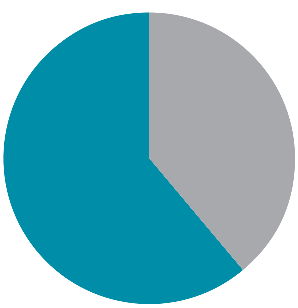
2001



37%

sales realized outside Europe

2013



61%

sales realized outside Europe

- **104,642 employees in 57 countries**
- **Reduction of carbon intensity [(a)] by 37.4% from 2008 to 2013**
- **Ranked n° 1 in the ATNI index (Access To Nutrition Index)**
- **Ranked in leading social responsibility indexes: Dow Jones Sustainability Index, Vigeo, Ethibel Sustainability Index.**

(a) 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).

KEY FINANCIAL FIGURES

	2011	2012	2013
Sales [(a)]	19,318	20,869	21,298
Like-for-like growth [(b)]	*+ 7.8%*	*+ 5.4%*	*+ 4.8%*
Trading operating income [(a) (b)]	2,843	2,958	2,809
Trading operating margin [(b)]	14.72%	14.18%	13.19%
Like-for-like growth [(b)]	*+ 20 bps*	*- 50 bps*	*- 81 bps*
Net income [(a)]	1,855	1,787	1,550
Earnings per share - Group share [(c)]	2.77	2.78	2.42
Underlying fully diluted EPS [(b) (c)]	2.89	3.01	2.78
Free cash-flow excluding exceptional items [(a) (b)]	1,874	2,088	1,549

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

SELECTED FINANCIAL INFORMATION, INFORMATION ABOUT THE ISSUER AND INFORMATION ON THE REGISTRATION DOCUMENT

1

1.1 SELECTED FINANCIAL INFORMATION

The financial information presented in section *Key figures* is extracted from section 3 *Danone's business highlights in 2013 and outlook for 2014* and from the Danone group's consolidated financial statements for 2013 fiscal year prepared in accordance with International Financial Reporting Standards (IFRS).

Consolidated financial statements and Notes to the consolidated financial statements for 2013 fiscal year are presented in section 4.1*Consolidated financial statements and Notes to the consolidated financial statements*.

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 April 25, 2013 extended the term of the Company to April 25, 2112.

Registered office

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

Legal form and applicable law

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

Corporate purpose

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

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

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

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

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

Statutory auditors

Principal Statutory auditors

Ernst & Young et autres

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 ending 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 ending December 31, 2015

Substitute Statutory auditors

Auditex

Tour First, 1, place des Saisons

TSA 14444

92037 Paris-La Défense Cedex

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

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

Yves NICOLAS

63, rue de Villiers

92208 Neuilly-sur-Seine Cedex

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

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

1.3 INFORMATION ABOUT THE REGISTRATION DOCUMENT

References and definitions

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

ALMA	All references herein to the "ALMA" region refer to the Asia/Pacific, Latin America, Middle East and Africa region.
Company	All references herein to the "Company" refer to Danone the issuer.
Consolidated financial statements, Notes to the consolidated financial statements	All references herein to consolidated financial statements and Notes to the consolidated financial statements refer to consolidated financial statements for 2013 fiscal year.
DANONE call options	All references to DANONE call options refer to DANONE share purchase options subscribed by the Company to hedge certain stock-option plans detailed in section 7.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries.*
Division	All references herein to "Division" or "Divisions" refer to Fresh Dairy Products, Waters, Early Life Nutrition and Medical Nutrition Group businesses.
Early Life Nutrition	All references herein to "Early Life Nutrition" and the early life 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.
Emerging countries	All references herein to "emerging countries" refer to countries other than mature countries where the Group is present.
Fresh Dairy Products	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.
GPS (Group performance shares)	All references herein to GPS (Group performance shares) refer to Company shares subject to performance conditions granted to certain employees and executive directors and officers detailed in section 6.3 *Compensation and benefits for executives and governance bodies*.
GPU (Group performance units)	All references to GPU (Group performance units) refer to multiannual variable compensation detailed in section 6.3 *Compensation and benefits for executives and governance bodies.*
Group	All references herein to the "Group" or "Danone" refer to the Company and its consolidated subsidiaries.
Group market shares and positions	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.
Market shares and market positions	Data pertaining to market shares or the Group's market positions are based on the value of sales.
Markets	All references herein to "markets" for products in particular, or to market shares, refer to markets for packaged products and exclude products that may be otherwise marketed or sold.
Mature countries	All references herein to "mature countries" refer to Western Europe (notably France and Southern Europe including Spain, Italy and Portugal), North America, Japan, Australia and New Zealand.
Medical Nutrition	All references herein to "Medical Nutrition" and the medical nutrition business or 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.
North America	All references herein to the "North America" region refer to the United States and Canada.
Put options granted to non-controlling interests	All references herein to "put options granted to non-controlling interests" refer to put options granted by the Group to certain non-controlling shareholders on part or all of their equity investments in certain of its consolidated subsidiaries detailed in section 3.4 *Review of the balance sheet and financial security.*
Registration Document	All references herein to the "Registration Document" refer to the Group Registration Document.
Sales	All references herein to "Sales" refer to the consolidated net sales of the Group.
Stock-options	All references herein to stock-options refer to options to purchase DANONE shares granted to certain employees and executive directors and officers detailed in section 6.3 *Compensation and benefits for executives and governance bodies*.
Value of GPS and stock-options	All references herein to the value of the GPS and stock-options refer to the fair value of those shares and options calculated as of grant date in accordance with IFRS 2.
Waters	All references herein to "Waters" and the waters business or markets refer to bottled water, water sold in large containers (jugs), and water sold in small containers (cups).

Incorporation by reference

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

- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 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;
- the consolidated financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2012 on pages 49 to 107 of the Registration Document that was filed with the AMF on March 19, 2013 under filing number D. 13-0175;
- the Company financial statements and the Statutory auditors' report relative to the fiscal year ended December 31, 2012 on pages 109 to 124 of the Registration Document that was filed with the AMF on March 19, 2013;
- 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, 2012 on pages 4, 29 to 43 of the Registration Document that was filed with the AMF on March 19, 2013.

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 20, 2014

"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 the Appendix of the present Registration Document 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 Chairman and Chief Executive Officer,

Franck RIBOUD

OVERVIEW OF ACTIVITIES, RISK FACTORS

2

2.1 HISTORY

Group's roots: from glass to food

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, BSN began a program of diversification in the food and beverage industry by acquiring successively Brasseries Kronenbourg, Société Européenne de Brasseries and Société Anonyme des Eaux Minérales d'Evian, which were, at the time, major customers of its glass containers activity. These acquisitions made BSN 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.

1973-1990: European expansion

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

1990-1996: global ambitions

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

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

1996-2007: refocus on health food

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

The year 2007 marked the end of a 10-year period during which the Group refocused its operations on the health food sector. Indeed, in 2007 the Group sold nearly all of its Biscuits and Cereal Products business (to the Kraft Foods group). That same year it acquired Numico, which enabled it to add baby food nutrition and medical nutrition activities to its portfolio.

Since 2007: acceleration of international development

Since 2007, the Group has pursued its development strategy built around its four business lines, notably with the acquisition of the Unimilk group's companies in Russia (in 2010) and the Wockhardt group's nutrition activities in India (in 2012). In 2013, Danone's development was focused on Africa, on the one hand with the acquisition of a controlling interest in Centrale Laitière (Fresh Dairy Products) in Morocco and on the other with an equity interest in Fan Milk (Fresh Dairy Products) in West Africa.

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 specialties of fresh dairy products) accounted for 56% of Group sales in 2013;
- the Waters Division (production and distribution of packaged natural, flavored and vitamin-enriched water) represented 18% of Group sales in 2013;
- the Early Life Nutrition Division (production and distribution of specialized food for babies and young children to complement breast-feeding) accounted for 20% of Group sales in 2013;
- 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 2013.

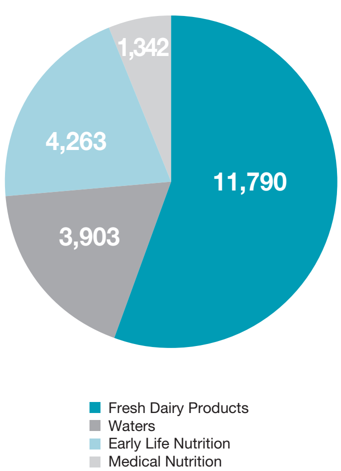
Principal markets

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

- Europe, including Turkey, accounted for nearly 39% of Group sales in 2013, with contributions from all four Divisions. The leading countries in this region include France, Spain and the United Kingdom;
- the North America – CIS zone represented 22% of Group sales in 2013 thanks to the strong performance of the Fresh Dairy Products Division in these markets;
- the ALMA zone – which combines the activities in the Asia/Pacific region, Latin America, Africa and the Middle East – represented 39% of Group sales in 2013:
  - in the Asia/Pacific region, Indonesia and China lead the way thanks to the robust sales in the Waters and Early Life Nutrition Divisions;
  - in Latin America, Mexico, Argentina and Brazil are the main contributors in the Group's four Divisions;
  - in the regions of Africa and the Middle East, Morocco and South Africa are the largest markets, focused mainly on the fresh dairy products. The Early Life Nutrition Division is also growing rapidly in this zone through an export model.

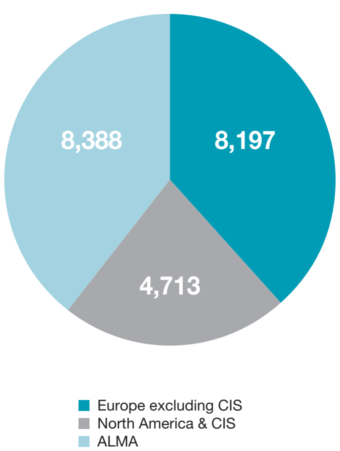
Consolidated sales by Division

(in € millions)



Consolidated sales by geographic region

(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 waters and No. 2 worldwide for early life nutrition.

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

	Year ended December 31
	2013
Russia	11%
France	10%
United States	8%
China	7%
Indonesia	6%
Spain	5%
Mexico	5%
Argentina	5%
United Kingdom	5%
Brazil	4%

In 2013, the Group's top ten customers worldwide (of which five are French) accounted for approximately 21% of its consolidated sales; the top five customers represented approximately 14% of its consolidated sales.

2.3 STRATEGIC GROWTH AREAS

Develop the Group's geographic presence

The development of its activities around the world, in particular emerging markets, constitutes 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 2013, emerging markets accounted for 54% of Group sales.

This strategy is based first on the principal growth markets in which Danone enjoys strong positions: Mexico, Indonesia, China, Russia, the United States and Brazil. In these countries, the Group continues to develop the consumption of its product categories through innovation. In 2013 in Brazil, for example, Danone launched an infant formula adapted to local nutritional needs under the *Milnutri* brand, introduced a line of aquadrinks under the *Bonafont Levissé* brand and launched the greek-style yogurt line *Danio*. The Group is also pursuing a targeted acquisition strategy to strengthen its positions in these countries. Danone, then, acquired in 2013 companies in the United States (i) YoCrunch to accelerate its growth in the yogurt category, and (ii) Happy Family in order to enter the dynamic organic baby food segment.

Danone is also pursuing its expansion in new countries in order to develop new sources of growth. 2013 was marked in particular by Danone's accelerated growth in Africa, with the acquisition of a controlling interest in Centrale Laitière (Fresh Dairy Products) in Morocco and an equity interest in Fan Milk (Fresh Dairy Products) in West Africa.

In these countries, innovation plays a key role in order to adapt the products and distribution to local constraints and patterns of consumption. For example, notably in South Africa, the Group in recent years launched several products with longer shelf lives, such as *Mayo* (90 days) and *Ultra Mel* (7 months).

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

Through Danone's Food Nutrition Health Charter published in 2009 (see sections 5.1 *Danone social, societal and environmental approach* and 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law*), the Group has reaffirmed its mission of "bringing health through food to as many people as possible". With this Charter, Danone confirms its committed choice to providing answers to current food-related public health issues (obesity, diabetes, cardiovascular diseases and nutritional deficiencies).

To successfully complete its mission, Danone has made commitments, which enable the Group to distinguish itself in the global food and beverage industry landscape:

- Danone focuses on product categories recognized for their positive contribution to nutrition and therefore health;
- Danone has a country-based approach that relies on in-depth knowledge of local nutritional environments and dietary practices, thereby ensuring that it offers appropriate products in accordance with local customs and the public health challenges of the country;

- Danone applies all of its know-how in the area of taste preferences to its products, which along with their favorable nutritional quality enables them to be consumed regularly on a daily basis;
- Danone works together with local stakeholders;
- Danone uses its close customer ties to support the initiatives of local health authorities;
- Danone strives to measure the impact of its actions on the diet and health of its consumers.

The Group measures its performance on regards to these nutrition challenges each year throughout internal indicators covering a scope of 46 consolidated subsidiaries of the four Divisions (which in 2012 represented 67% of Group sales), and publishes the results notably on its internet site.

Develop sustainable industrial and agricultural models

The Group's strategy increasingly relies on the upstream segment of its activity (environment management, raw materials, industrial processes and logistics' supply), not only to manage costs but also to turn it into a genuine mechanism for creating value and standing apart from the competition.

The activities' 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 several countries (Egypt, Indonesia, India, Mexico, Turkey, Ukraine, etc.) in order to help members manage their farms, optimize their purchases, improve the herd's feed or get veterinary treatment. This system provides higher revenues to farmers and offers Danone quality and quantity guarantees;
- in the spring water 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.

Finally, in order to reduce the environmental footprint of its activities, the Group is rethinking its product packaging, striving to reduce its weight and excess packaging and also using recycled materials. In that regard, Danone contributes to the development of recycling chains for its packaging in many countries.

All of these initiatives contributed to the implementation of the Group's environmental policy, a long-term economic challenge (see section 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law*).

2.4 DESCRIPTION AND STRATEGY OF THE DIVISIONS

The Group's strategy is implemented in a specific manner for each of its four Divisions.

Fresh Dairy Products

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

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

- strengthening the Division's position in 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 Chile, Indonesia, Egypt and, more broadly, Africa.

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

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

The 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 and adapt its products 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:

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

Waters

The Waters Division comprises the natural waters business along with aquadrinks (flavored and vitamin-enriched waters).

The main international brands include *Evian* and *Volvic* (France, Germany, United Kingdom, Japan), *Bonafont* (Mexico, Brazil), and *Mizone* (China, Indonesia and India, where it is marketed under the *B'lue* brand name). The Division also has very strong local brands in Indonesia (*Aqua*), Spain (*Fontvella* and *Lanjarón)*, Argentina (*Villavicencio* and *Villa del Sur*) and in Poland (*Zywiec Zdroj*).

The Division's strategy is based primarily on the development of bottled water consumption, notably in emerging countries, and in particular through the following actions:

(i) promotion of hydration-related health benefits: Danone is establishing initiatives to promote the benefits of good hydration on health by communicating directly with consumers as well as through cooperation with public health authorities. Notably, the Group runs the "Hydration for Health" scientific platform: for the past five years, 150 scientists and public health authority representatives from around the world have met annually to share and promote the advances in the area of hydration science and its positive effect on health;

(ii) management and environmental protection of high-quality natural water resources: Danone strives to preserve the unique and sustainable nature of its natural waters products by strengthening the protection of its springs. The Group has therefore created associations comprising all of the socio-economic players involved, which favor the development of non-polluting activities around the catchment areas;

(iii) development of an alternative product line with taste qualities that are superior to other products and categories: in the past five years, many of the Group's water brands have been rolled out as so-called aquadrinks, *i.e.* waters flavored with natural fruit extracts or fruit juice. The goal is to attract a new consumer segment to the waters category by offering a light and natural alternative to sodas and other sugary beverages;

(iv) packaging innovation: in order to reduce its environmental footprint, the Division regularly redesigns its packaging in order to reduce the weight of its bottles on the one hand and use new materials – *e.g.* plant-based or recycled materials – to a greater extent on the other.

Early Life Nutrition

The Early Life 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 16% of the activity and are concentrated mainly in European countries such as France, Italy and Poland.

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

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

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

- 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 principal order-givers in the sector;
- associate health and flavor as two indivisible qualities in baby food. The Early Life Nutrition Division is very active in research on taste acquisition in the youngest children and prepares products offering a wide range of flavors, in close collaboration with sensory experts;
- identify local nutritional profiles, notably in the new regions where the Division is growing – Malaysia, Vietnam, Cambodia, Colombia, Chile, Bolivia, Senegal, Kenya, Cameroon – by studying local needs with an eye toward bringing answers to local public health challenges in accordance with the requirements of health authorities and local associations.

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.

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

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 several countries. 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.

2.5 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 such as 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

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 & office delivery or "HOD").

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

Specialized distribution channels of hospitals, clinics and pharmacies

In the 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 include its brand reputation and close ties to consumers. The Group therefore strives to develop a strong and interactive relationship with its consumers in each of its markets by adapting to media trends and consumption methods.

This dialogue takes place at several levels:

- at the level of communication, through traditional media (TV, press, billboard), and increasingly online through online advertisement campaigns, interactive sites and e-commerce;
- 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, consumers are informed mainly by healthcare professionals (general practitioners and specialists, medical personnel in hospitals and clinics, pharmacists).

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 and Mead Johnson, (iii) more local companies specialized in certain product lines or markets such as Fresenius, Lala, Yakult and Yashili, 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

Presentation of the Group's Research and Development

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

In order to create and improve its products, the Group focuses its Research and Development strategy on four main innovation areas:

- progress: building bridges between science and food to contribute to people's health, from the youngest to the oldest;
- reliability: committing to nutritional quality of the products and managing natural resources sustainably;
- cultures: become thoroughly familiar with local dietary practices, integrate cultural differences and local needs in order to better respond to local health goals and challenges, rooting food styles and leveraging cultural differences to create a unique consumer experience and address local needs;
- well-being: promote its product categories as daily sources of health and well-being 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.

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

Research and Development organization

Through Danone Nutricia Research, the Group's Research and Development function has approximately 1,500 employees, including around 500 in France. The competencies are spread among the following:

- two international research centers:
  - Danone Research Centre Daniel Carasso: based near Paris in Palaiseau, France, focuses on fresh dairy products and waters,
  - Nutricia Research: based in Utrecht, the Netherlands, this center is dedicated to early life nutrition and medical nutrition;
- four specialized centers:
  - Danone Research Packaging in Evian, France,
  - Nutricia Research Singapore, in Singapore,
  - Danone Research Fresh Dairy Technological Expertise, in Madrid, Spain,
  - Dumex Research, in Shanghai, China;
- local teams established 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.

Scientific collaborations

To conduct research, the Group's Research and Development teams regularly work in collaboration with outside institutions such as universities and public research centers. For example:

- the Group benefits from the expertise of external scientific committees on strategic topics such as probiotics or water;
- the Group 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. This Charter formalizes Danone's strategy in the nutrition and health area and is consistent with the main orientations set by health authorities in the various countries;
- as part of its contribution to nutritional research, the Group created the Danone Institutes (non-profit entities) to help further understanding of the links between food, nutrition and health. As of end-2013, 18 of such institutes have been created around the world. Their initiatives cover everything from support for scientific research to information and training for health professionals, as well as educational programs for children and the general public.

Group's Research and Development innovation areas

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

Progress

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

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

- the digestive tract is used for digestion but also acts as a barrier made up of various elements (intestinal flora or microbiota, immune effectors, etc.) which, through their close interaction, play a major role in anti-infective defenses, nutritional and metabolic balance, digestive comfort, etc.;
- prebiotics and probiotics can have a beneficial impact on the composition and activities of this intestinal barrier and thereby generate positive health effects.

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

In order to develop fermented dairy products that have an impact on the human body's balance and homeostasis, Danone, among other approaches, uses its extensive collection of lactic acid bacteria and selects the top-performing ones depending on the desired physiological and clinical effects.

For all the work carried out in these areas, the Research and Development teams use the latest techniques in genomics, cellular and molecular biology, cytometrics 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) and Harvard Medical School (United States). Similarly, the teams also design and set up clinical studies based on international standards and using the latest statistical analysis methods.

Reliability

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

- strive to reach nutritional targets defined by nutrient, product category and consumer group;
- develop products that constitute an alternative, with nutritional and taste qualities exceeding those of other products or categories that might be chosen in a given consumption situation.

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

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

Cultures

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

The consumer and consumer needs must be taken into account upstream from product development, including the identification of research areas. The Research and Development Department seeks to understand the human parameters of food consumption and identify consumer expectations in terms of taste, usage, experience in everyday life and targeted benefits.

As mentioned above, understanding local challenges surrounding nutrition and food as well as major challenges pertaining to public health and involving food are also key to the Group's strategy. This enables Danone to develop products that are relevant and more closely adapted to local market conditions. To that end, Danone has mapped nutrition and public health challenges in more than 50 countries in order to identify food deficiencies and excesses in these countries and thereby adapt its product recipes. This expertise also leads the Group to study dietary practices and trends, and the role of various food groups in the local cultures through a sociological approach.

Well-being

Through its four Divisions, Danone focuses on product categories that revolve primarily around health and well-being: fresh dairy products, as yogurt is an essential component of our daily diet; waters, with innovative solutions for better hydration; baby nutrition, helping mothers provide food to babies and young children; medical nutrition, a public health issue.

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

The Group is also developing new expertise in nutrition economics, ultimately in order to measure the economic impact of diet on the cost of public health policies.

Plants and equipment

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

The Group has production facilities around the world in its principal markets. As of December 31, 2013, the Group had 191 production sites (see section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*).

Fresh Dairy Products

In 2013, the production of the Fresh Dairy Products Division represented 6.5 million tons. The two leading plants of the Division were located in Mexico and Brazil and accounted for approximately 13% of the Division's total production.

Waters

In 2013, the production of the Waters Division represented 23.5 billion liters. The Division's two largest bottled water facilities, located in France, accounted for approximately 19% of the Group's total bottled water production capacity in 2013, 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 2013.

Early Life Nutrition

In 2013, the production of the Early Life Nutrition Division represented 0.7 billion liters. The Group's largest facility in the Early Life Nutrition Division is located in Ireland and accounted for close to 15% of the Division's production in 2013.

Medical Nutrition

In 2013, the production of the Medical Nutrition Division represented 0.2 billion liters. The Group's largest facility in the Medical Nutrition Division is located in the Netherlands and accounted for close to 57% of the Division's production in 2013.

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 making it possible to optimize skills and volume effects. Prices are influenced by supply and demand at the global and regional levels, economic cycles, production capacities and oil prices;
- energy supplies. They account for only a limited portion of the 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 31 of the Notes to the consolidated financial statements). In that context, the Group manages cost inflation of raw materials through the following measures:

- continuous productivity gains: the Group strives in particular to optimize its use of raw materials (reductions in production waste, lighter packaging and more effective use of milk sub-components in the Group's various products) and take advantage of pooled purchasing for its various subsidiaries. In 2013, for example, the Group established centralized purchasing for the Fresh Dairy Products Division other than milk;
- implementation of a purchasing policy ("Market Risk Management") that consists of defining rules for securing the physical supply and price setting with suppliers and/or on financial markets when they exist. The monitoring of exposures and 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 of 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 31 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 2.3 *Strategic growth areas*).

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.

In 2006, Danone redefined the Group'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, employee commitment, consideration for the local and regional areas where the company operates and of their social cohesion;
- challenges linked to products and consumers: taking nutrition and food into account as basic elements in public health policies;
- environmental challenges: address the dilemma facing the 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 several key strategic areas:

- strengthening the Group's ability to provide consumers with appropriate nutrition and health solutions;
- establishing new economic models to provide high-quality nutritional solutions to people with limited purchasing power in a growing number of countries;
- developing an environmental strategy built around four areas: climate, water, packaging and sustainable agriculture;
- organizing the company as a place where all employees can pursue their development.

These strategic areas are the guiding principles for Danone's relationship with stakeholders in the preparation, production and distribution of its products. See also sections 5.1 *Danone social, societal and environmental approach*, 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law* and 5.3 *Funds sponsored by Danone*.

IT systems

The Group has a policy for developing core model IT (Information Technology) systems, which are then deployed 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 74% of consolidated sales in the Fresh Dairy Products and Waters Divisions (excluding Unimilk group's companies) as of December 31, 2013. 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 Early Life Nutrition Divisions (covering currently around 30% of combined sales for these two Divisions as of December 31, 2013).

Research and Development

In this area, the Artemis system (developed by SAP) was developed in order to consolidate all formulations of products and raw materials used. This application makes it possible 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. When the Fresh Dairy Products Division centralized its purchasing, the roll-out of this system continued with a closer integration of the supply cycle.

The Waters Division continued to pursue the Hydre project for systematic quality measurement of hydrological resources that combines an analysis management application along with a GPS (Global Positioning System) application.

Planning

The deployment of the APO sales forecasting and production planning solution (developed by SAP), which is already used by the Fresh Dairy Products Division, continued in the Early Life Nutrition and Medical Nutrition Divisions in 2013. As of December 31, 2013, this system was deployed in 22 subsidiaries and 10 plants in Europe and in the CIS region.

This program has been complemented by a data gathering solution tailored to the smallest commercial entities, thereby making it possible to cover almost all of Europe.

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 supplier performance. This system is designed to structure and reinforce the internal procurement processes and supplier relationships. The solution was upgraded in 2013 to provide better functional coverage.

Most notably, when the Fresh Dairy Products Division centralized its purchasing, it used the SAP system to solidify all of its raw materials and packaging supply processes, including the calculation of raw materials needs. This solution covers all of the projected supply needs for the medium term along with short-term orders for the various production facilities. These needs are then sent to suppliers, either through an internet portal or by electronic data interchange (EDI) using SAP's Crossgate solution, which also makes it possible to receive supplier invoices. All of these integrated and automated processes enable the purchasing function to manage the supplier relationship and supply chain cycle in a centralized, accurate and comprehensive manner. In 2013, the Division began to roll out (in Italy and Poland) the solution at all of its production facilities as well as those of its raw materials and packaging suppliers.

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 makes it possible to measure the carbon footprint of each product. In 2013, this solution was fully integrated into the SAP application while functional upgrades were implemented.

Meanwhile, the Nativ reporting application for collecting environmental indicators has been installed at more than 150 consolidated subsidiaries and is fully operational.

Sales and Marketing

As described in section 2.5 *Other elements related to the Group's activity and organization* related to *Marketing*, the Group's brand image and close customer ties are key success factors in its strategy. To that end, in 2013 the Group continued to develop its systems aimed at consumers by developing and taking advantage of its online and social networking presence, focusing in particular on:

- analyzing consumer needs in the Group's various product categories;
- implementing more integrated consumer needs analytical solutions;
- activating e-commerce and digital content platforms.

The Group has also stepped up its collaboration with its distribution partners, notably in areas such as product availability, promotional campaign performance monitoring and the creation of consumer universes at their points of sale.

Financial risk management

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

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

2.6 SIMPLIFIED ORGANIZATIONAL CHART OF THE GROUP AS OF DECEMBER 31, 2013

Parent company Danone

Danone SA is the parent company of the Danone Group. The company has mainly a role of (i) holding, directly or indirectly, companies of the Group, and (ii) coordinating the Group's main functions and activities, with an average number of employees of 740 in 2013.

Danone consolidated Group

As of December 31, 2013, the Group consisted of 244 fully consolidated companies and 20 companies consolidated as associates.

The Group is organized around its four business Divisions, which main subsidiaries are presented hereafter. It presents for each Division, the 20 largest fully consolidated subsidiaries in terms of net sales (see also Note 36 of the Notes to the consolidated financial statements).

Fresh Dairy Products Division	Waters Division	Early Life Nutrition Division	Medical Nutrition Division
Main subsidiaries:	Main subsidiaries:	Main subsidiaries:	Main subsidiaries:
Danone Southern Africa Pty Ltd (South Africa)	Danone Waters Deutschland GmbH (Germany)	Milupa GmbH (Germany)	Nutricia GmbH (Germany)
Danone Djurdjura (Algeria)	Aguas Danone De Argentina SA (Argentina)	Nutricia-Bago SA [(a)] (Argentina)	Nutricia Australia Pty Ltd (A) (Australia)
Danone GmbH (Germany)	Danone Waters Benelux (Belgium)	Nutricia Australia Pty Ltd [(a)] (Australia)	NV Nutricia Belgie (Belgium)
Danone Argentina SA (Argentina)	Danone Ltda (Brazil)	Support Produtos Nutricionais Ltda [(a)] (Brazil)	Support Produtos Nutricionais Ltda [(a)] (Brazil)
NV Danone SA (Belgium)	Robust Food & Beverage Co Ltd [(a)] (China)	Dumex Baby Food Co Ltd (China)	Nutricia Pharmaceutical (Wuxi) Co Ltd (China)
Danone Ltda (Brazil)	Shenzhen Danone Yili Drinks Co Ltd [(a)] (China)	Nutricia Middle East DMCC (United Arab Emirates)	Nutricia Trading (Shanghai) Co Ltd (China)
Danone Inc (Canada)	Robust Drinking Water Co Ltd [(a)] (China)	Bledina (France)	Nutricia Middle East DMCC (United Arab Emirates)
Danone SA (Spain)	Aguas Font Vella Y Lanjaron SA (Spain)	Danone Baby Nutrition Africa & Overseas (France)	Nutricia SRL (Spain)
The Dannon Company Inc (United States)	Danone Waters Of America Inc (United States)	Danone Nutricia Early Life Nutrition (Hong Kong) Ltd (Hong Kong)	Nutricia North America Inc (United States)
Stonyfield Farm Inc (United States)	Société Anonyme Des Eaux Minérales D'Evian (France)	PT Sarihusada Generasi Mahardhika (Indonesia)	Nutricia Nutrition Clinique SAS (France)
Danone Produits Frais France (France)	Evian Resort [(b)] (France)	PT Nutricia Indonesia Sejahtera (Indonesia)	Nutricia Ireland Ltd [(a)] (Irland)
Danone Spa (Italy)	PT Tirta Investama (Indonesia)	Mellin Spa (Italy)	Nutricia Italia Spa (Italy)
Danone Japan (Japan)	Bonafont SA De CV (Mexico)	Danone Dumex (Malaysia) Sdn Bhd (Malaysia)	Nutricia Norge AS (Norway)
Centrale Laitière (Morocco)	Danone Holding De Mexico [(a)] (Mexico)	Nutricia Ltd (New Zealand)	Nutricia Nederland BV [(a)] (Netherlands)
Danone De Mexico (Mexico)	Zywiec Zdroj SA (Poland)	Nutricia Nederland BV [(a)] (Netherlands)	Sorgente BV (Netherlands)
Danone Sp Zoo (Poland)	Danone Waters (Uk& Ireland) Ltd (United Kingdom)	Nutricia Polska Sp Zoo [(a)] (Poland)	Nutricia Polska Sp Zoo [(a)] (Poland)
Danone Ltd (United Kingdom)	Evian-Volvic Suisse SA (Switzerland)	Nutricia Ltd [(a)] (United Kingdom)	Nutricia Ltd [(a)] (United Kingdom)
OJSC Unimilk Company [(a)] (Russia)	Danone Hayat Içecek Ve Gida AS (Turkey)	OJSC Istra - Nutricia Baby foods (Russia)	Nutricia Advanced LLC (Russia)
Danone Industria Ooo (Russia)	Sirmagrup Içecek AS (Turkey)	Dumex Ltd (Thailand)	Nutricia Nordica AB (Sweden)
Danone (Ukraine)	Compania Salus SA (Uruguay)	Numil Gida Ürünleri AS [(a)] (Turkey)	Numil Gida Ürünleri AS [(a)] (Turkey)

Fresh Dairy Products Division:
(a) For this consolidated company, the activity is spread among several legal entities in its country.

Waters Division:
(a) For this consolidated company, the activity is spread among several legal entities in its country.
(b) Evian Resort operates the Evian casino. In that regard, it is subject to the control of the French Ministry of the Interior and all regulations that apply to gaming activities in casinos.

Early Life Nutrition Division:
(a) This company also has a medical nutrition activity presented in the financial statements of the Medical Nutrition Division.

Medical Nutrition Division:
(a) This company also has a medical nutrition activity presented in the financial statements of the Early Life Nutrition Division.

The list of the Group's principal consolidated companies by country appears in the Appendix of the present Registration Document.

Main commitments and agreements between the Group and minority shareholders of certain of its consolidated subsidiaries

Main commitments and/or agreements between the Group and minority shareholders of certain of its non-wholly owned consolidated subsidiaries consist in put options granted to these shareholders over part or all of their minority stake described in section 3.4 *Balance sheet and financial security review* related to *Liabilities related to put options granted to non-controlling interests.*

In addition, the main consolidated companies and not wholly owned by the Group as of December 31, 2013 are the following:

- Danone-Unimilk group companies, whose minority shareholders have three board members (out of a total of 7 directors);
- Danone Spain, whose minority shareholders have two representatives on the company's board of directors (out of a total of 9 directors);
- Centrale Laitière, which a 26.7% minority stake is subject to a shareholders' agreement. Pursuant to this agreement, non-controlling interests holding such 26.7% stake have three representatives on the company's board of directors (out of a total of 9 directors).

Principal publicly traded equity interests

As of December 31, 2013, the Group holds, directly, equity stakes in the following listed companies:

- Centrale Laitière (Fresh Dairy Products – Morocco) listed on the Casablanca Stock Exchange, which is fully consolidated;
- Yakult Honsha (Fresh Dairy Products – Japan) listed on the Tokyo Stock Exchange, which is accounted for under equity method.

The Group holds also through the joint-venture with COFCO (see Note 3 of the Notes to the consolidated financial statements), interest in the Mengniu group (Fresh Dairy Products – China) listed on the Hong-Kong Stock Exchange.

2.7 RISK FACTORS

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Risk identification and control policy

Danone maintains an active risk identification and 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.

This risk identification and management policy is described in the Chairman's report on internal control and risk management in section 6.4 *Internal control and risk management*. It is designed to provide reasonable assurance – and not an absolute guarantee – that the following main objectives will be achieved:

- reliability of financial information;
- compliance with applicable laws, rules and internal policies;
- effectiveness and efficiency of internal processes, including those related to the protection of net assets.

The principal risk factors to which the Group believes it is exposed as of the publication date of this Registration Document are described hereafter.

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

Operational risks related to the Group's activity

Risks associated with price volatility and raw materials availability

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 (i) raw materials, and (ii) materials needed to package certain Group products, which could have an adverse effect on its results. In particular, a potential increase in the prices of these raw materials (especially milk) and other materials may not be passed on, either in full or in part, in the sales price of the Group's products, notably in countries whose economic environment has deteriorated, which could have a significant adverse effect on the Group's activities and results.

Risk management

In the context of high raw materials price volatility and to limit its impact on the Group's activity and results to the greatest extent possible, the Group manages this cost inflation through actions described in section 2.5 *Other elements related to the Group's activity and organization*.

The Group's principal raw materials risk exposure, in particular milk, is also described in Note 31 of the Notes to the consolidated financial statements.

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. A continuation of the trend to concentrate distribution at the global level along with the emergence of key players at the local level would result in a smaller number of customers for 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 addition, certain subsidiaries of the Early Life Nutrition and Medical Nutrition Divisions also have commercial relations with public and quasi-public organizations, health insurance and supplementary health insurance companies, as well as hospitals, 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

Danone's international development results in a geographical distribution that helps to diversify and limit the concentration of this risk for a given customer. In 2013, the Group's top ten customers (of which five are based in France) accounted for approximately 21% of its consolidated sales (approximately 20% in 2012); the top five customers accounted for approximately 14% of its consolidated sales (14% in 2012).

The Group has also taken measures that help to reduce this risk, in particular action programs with respect to the sales and marketing policies involving large, key accounts (see section 2.5 *Other elements related to the Group's activity and organization*) and Credit Committees or their equivalent established in certain subsidiaries.

In 2013, the Group's exposure to unpaid trade receivables not yet impaired was limited (see Note 18 of the Notes to the consolidated financial statements).

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 competitors, which are described in section 2.5 *Other elements related to the Group's activity and organization* related to *Competition*. This competition could lead the Group to reduce its prices in order to defend its market shares, which could have a significant adverse effect on its results.

Risk management

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

Risks associated with the geopolitical environment

Risk identification

Danone's activities and employees can be subject directly or indirectly to the effects of a period of economic, political or social instability in countries susceptible to experiencing or having recently experienced such a period, particularly in the Maghreb/Mashrek region, Sub-Saharan Africa, the Near and Middle East, Latin America and 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 unstable due to the influence of powerful local interests. Some of these countries maintain foreign exchange controls and/or control the repatriation of profits and invested capital, impose taxes and other payments and impose restrictions, sometimes retroactively, on the activities of multinational groups. In some countries, national and/or local authorities may also have recourse to laws and regulations, or to any other measure having a similar effect, notably to foreign interests, that restrict the ownership rights and/or access to liquidity and assets availability and/or the freedom to exercise its activity and/or equivalent to confiscation, nationalization or expropriation of assets.

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

Risk management

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

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

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

Risk identification

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

In periods of slowing economic growth and/or deficit and public debt reductions that may occur in some countries, the Group may have to contend with the following phenomena:

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

These changes could have a negative impact on the Group's activities.

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

Risk management

Danone's international growth results in a geographical distribution that diversifies and, to a lesser extent, limits the concentration of risk to economic conditions for a given country. The Group also relies on (i) its reporting system to monitor its activity and the potential impact of economic conditions in countries where it is present, and (ii) its organization to take the necessary measures (adaptation of the Group's activity, its organization and, if necessary, restructuring plans). In particular, with respect to the Group's activities in Europe and in light of the significant deterioration in the consumer environment, in 2012 Danone set goals to achieve cost savings and adapt its organizations in order to regain competitiveness (see section hereafter on *Risks associated with restructuring plans*).

Risks associated with 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.).

These decisions may be poorly understood and received by both employees and local constituencies (local elected officials, governmental authorities, etc.) and could affect the Group's relations with its employees, resulting in social 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.

Moreover, the Group cannot guarantee that it will successfully implement these decisions, and specifically it may not achieve all of the cost reductions or expected changes and/or it may complete them later than planned, which could have a negative impact on its activities and results. Such is particularly the case of the cost reduction and adaptation plan for its European entities, which was approved by the Group in 2012 and has been steadily implemented since 2013.

Risk management

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

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

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

Risks associated with the Group's image and 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/or products.

Such events could adversely affect the Group's sales, activities, results, image and growth prospects.

Risk management

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

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

Risks associated with weather conditions and seasonal cycles

Risk identification

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

Weather conditions can also have an impact on the prices and supply of certain raw materials, and as a result on the Group. This risk is described in the section above *Risks associated with price volatility and raw materials availability*.

Risk management

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

Operational risks specific to the Group's activity and organization

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 may move to centralize the purchases of (i) certain goods in particular raw materials (for example the ferments used in the Fresh Dairy Products Division or powdered milk for the Early Life Nutrition Division in some Asian countries), and (ii) certain services (in particular sub-contracted services or information technology services) 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

In order to limit this risk, the Group selects and then monitors and supervises its key suppliers. It also prepares and implements procedures designed to secure its supplies and services as well as business continuity plans designating alternative suppliers.

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 and/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

The Group has developed, within its legal function, an international network of competition law specialists who monitor this risk.

The Group pays also close attention to this matter and seeks to limit the corresponding risk, mainly by communicating and promoting the Business Conduct Principles and Code of Conduct dedicated to the sales functions, and the Group has integrated these rules and best practices into its Danone Way approach in order to ensure that they are communicated and followed. Further information is available in sections 5.1 *Danone social, societal and environmental approach*, 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*, and 6.4 *Internal control and risk management*.

Risks associated with the Group's acquisitions and partnerships

Acquisitions

Risk identification

The Group's strategy consists of holding leading positions in each of the markets in which it operates. Given the context of continued concentration in the food and beverage industry, this strategy involves the pursuit of growth opportunities through joint-ventures or acquisitions, as was the case in 2010 with the Unimilk transaction in Russia and in other countries with YoCream, Wockhardt, Centrale Laitière, etc. If the Group does not successfully integrate the acquired companies, provide the necessary resources and/or achieve all of the expected synergies and cost savings, acquisitions may have a negative impact on its activities and results.

Moreover, during the integration phase, acquisitions may generate risks associated with the entities and practices pre-dating the acquisitions, which, in the case of major acquisitions, could adversely affect the Group's activities, results and reputation.

Risk management

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

In the case of the acquisition of the Unimilk group's companies, which now go by the names of Danone Russia, Danone Ukraine, Danone Belarus and Danone Kazakhstan, they have been integrated into the Group's internal control system.

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.

Risks associated with an unfavorable change in business activity and business activity forecasts and their impact on impairment testing of intangible 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. Specifically, a significant portion of the acquisition price in connection with the Numico acquisition in 2007 (Early Life Nutrition and Medical Nutrition) was allocated to goodwill and acquired brands with an indefinite useful life, and the same was true, albeit to a lesser extent, in connection with the acquisitions of (i) the Unimilk group companies in 2010 (Fresh Dairy Products, mainly Russia and Ukraine), and (ii) Centrale Laitière in 2013 (Fresh Dairy Products – Morocco).

As described in Note 12 of the Notes to the consolidated financial statements, acquired 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 may have occurred.

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

Risk management

The Group draws up assumptions and business activity forecasts. Each year, it prepares a strategic plan and an annual budget for each subsidiary, analyzes them and, when deemed necessary, draws up suitable action plans.

The principal intangible assets and monitoring of their value are described in Note 12 of the Notes to the consolidated financial statements.

Risks associated with the Group's products

Danone's activity exposes the Group to the risk – known or merely perceived, anticipated or 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, brands, sales and profitability.

Contamination risk

Risk identification

The actual or alleged existence of (i) chemical and microbiological contaminants in raw materials and packaging, (ii) cross-contamination with allergens, and (iii) non-compliance with the safety measures of finished products when they leave the factory and throughout the distribution chain could have a significant adverse impact on the Group's reputation, brands and sales.

Clearly, if certain Group products were actually or allegedly contaminated due to the non-detection of contaminants (even in trace amounts), product deterioration during the distribution phase or any other event, the Group's activities, sales, brands, results and reputation could be adversely affected.

These risks of actual or alleged contamination could also occur (i) upstream from the Group's activity (with the suppliers or during the transportation phase by suppliers), and (ii) downstream from its activity (with its customers and distributors or during the transportation phase by its distributors).

Risk management

Danone's priority is to avoid any contamination risk. To that end, the Group applies an uncompromising food quality and security policy, which is implemented through a quality organization at both the central and local levels and makes it possible to achieve the targeted level of food quality and security. The Group has established measures to limit contamination risk, in particular through the implementation of multiple controls of the production lines and throughout the distribution chain as well as regular audits of its plants:

- the risk of contamination is classified into four categories (microbiological, chemical, physical and allergic) and depends on the nature of the products;
- it is controlled at each stage of the production and 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.

Danone has also prepared and implemented a procedure at each subsidiary that organizes (i) measures for halting production and withdrawing or even recalling products in certain cases, together with the relevant institutions, and (ii) systematic, in-depth controls and inquiries to determine whether the Group has liability exposure.

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 that were actually the case, the Group's activities, results and reputation could be adversely affected to an even greater extent 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 and consumers, the medical professionals and governmental organizations are increasingly concerned about the resulting public health consequences. Although the Group has a large portfolio of product lines enabling it to offer a wide variety of products meeting the various needs and changing tastes of consumers, local governments could take actions against the food industry, such as imposing surtaxes or more stringent regulation on the advertising of certain products. Such actions could adversely affect not only the Group's results but also its reputation.

Risk management

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

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

The Group also pays close attention to risks "perceived" by consumers such as obesity. To monitor this risk, 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 clarifications.

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

Risks 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 adversely affected.

Risk management

The Group has developed a broad portfolio of product lines that allows it to offer a wide variety of products to respond to different consumption needs and situations. Also, as described in section 2.5 *Other elements related to the Group's activity and organization* related to *Marketing*, the Group strives to foster ongoing dialogue with its consumers by adapting to new forms of communications and consumer patterns.

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

Risk management

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

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

Risks associated with information systems

Risk identification

The Group is increasingly dependent upon common infrastructures and information technology applications for all its business activities. The main risks are related to the availability of information technology services and the confidentiality and integrity of data. Any failure of these infrastructures, applications or 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 information technology investment while promoting global synergies and reducing risks. The former Numico and Unimilk subsidiaries are gradually benefitting from the implementation of Themis, Danone's integrated information system. Additional information is provided in section 2.5 *Other elements related to the Group's activity and organization*.

Risks of an internal control failure

Risk identification

The risk of an internal control failure is mainly associated with (i) reliability of financial information, (ii) compliance with the applicable laws, regulations and internal policies, and (iii) efficiency and effectiveness of internal processes, including those related to the protection of the 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, which is described in section 6.4 *Internal control and risk management*. Regardless of how adequate it may be, this system can only provide reasonable assurance and not an absolute guarantee with respect to the achievement of the company's objectives, given the limitations inherent in any control process. While 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 6.4 *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 a widely disseminated anti-fraud program that covers all aspects for reducing the risk of fraud or the potential impact of any fraud (awareness, prevention, detection, investigation, penalty, reporting and continuous improvements to the internal control system) (see section 6.4 *Internal control and risk management*) limit the Group's exposure to this risk.

Risks 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 its financial situation and results.

Risk management

See section *Insurance and risk coverage* hereafter.

Legal and regulatory risks

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 also owns 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, graphic design, 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 employees on best practices with a view to limiting this risk, notably as regards the use of information systems and social networks.

Risk 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, notably with respect to corporate governance, tax and customs duties, commercial laws and regulations, 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 penalties 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 litigations.

Moreover, by strengthening its presence in many emerging countries, subsidiaries and the Group's teams are increasingly involved in zones/countries that may be exposed, to varying extents, to issues of fraud, corruption and compliance with relating national and international laws and regulations, which could have a significant impact on the Group's activities, reputation and results.

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. The Group's exposure to actual or potential major litigations and these major litigations, where applicable, are presented in Note 26 of the Notes to the consolidated financial statements.

Risk management

Danone's international development results in a geographical distribution of its activities that helps to diversify and limit the concentration of the risk of more restrictive regulations for a given country.

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

To the best of the Group's knowledge and as of the date of this Registration Document, no governmental, court, arbitration or any other proceeding is currently ongoing relating to regulatory aspects which would be likely to have a material impact on the Group's financial position or profitability (see Note 26 of the Notes to the consolidated financial statements).

Risks associated with changing tax regulations

Risk identification

The Group is subject to corporate income tax as well as various other expenses, taxes and duties related to its activity, the repatriation of dividends, social security contributions, etc.

Any change in tax regulations through increases in existing taxes or the establishment of new taxes involving in particular tax rates, transfer prices, dividends, social security contributions, special tax plans or tax exemption rules could adversely affect the Group's results.

As described in the above section related to *Risks associated with economic conditions in the Group's principal markets*, efforts from some countries to reduce their indebtedness could lead to increases in existing taxes or the creation of new taxes, which could adversely affect the Group's results.

Risk management

Danone's international development results in a geographical distribution of its activities that helps to diversify and limit the concentration of the risk of increased taxes for a given country.

Risks associated with changes in accounting standards

Risk identification

The consolidated financial statements of Danone and its subsidiaries are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. The standards and interpretations applied to prepare these consolidated financial statements are also consistent with IFRS as determined by the International Accounting Standards Board (IASB).

Standards, amendments and interpretations that may be prepared and/or become applicable could have an adverse impact on the Group's consolidated financial statements.

Risk management

See section 4.1 *Consolidated financial statements and Notes to the consolidated financial statements* related to *Changes in accounting principles* and *Current IASB and IFRIC projects*.

Industrial and environmental risks

Industrial risks

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

Risk identification

The Group's geographic expansion sometimes leads it to be present in regions exposed to natural risks, notably seismic. Natural disasters could therefore (i) cause damage to persons, property or the environment, and (ii) directly affect the Group or its consumers or the regions where it is present and potentially have a negative impact on the Group's activities, financial situation and image.

Risk management

For its new site development projects, the Group conducts a risk exposure analysis. Moreover, its plants (buildings and equipment) are designed by taking into account measures recommended by prevention/protection experts and that often go beyond the applicable national safety standards, which helps to limit the exposure of these sites to natural risks.

The Group's insurance policy also helps to reduce the potential financial impact from a natural disaster (see section hereafter).

Other risks

Risk identification

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 persons, property or the environment and possibly have a negative impact on the Group's activities, financial situation and image.

Risk management

In order to reduce, if not eliminate, these risks and their potential impact, the Group has decided to elevate personal safety and industrial plant and environmental protection to core values of its policy. These values are "measured" through various programs with ambitious targets and action plans monitored by Group departments, notably the Divisions' industrial departments.

Risks associated with environmental regulations

Risk identification

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

With respect to water, air and the use of natural resources

The Group's activity is subject to obtaining authorizations to operate and/or appropriate permits:

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

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

With respect to waste and packaging

Danone's activities are subject to special regulations, notably European directives:

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

With respect to greenhouse gas emissions

The Group's activities are subject to the following regulations:

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

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

In the future, if 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.

More generally, the Group cannot guarantee that it will always be in compliance with these multiple regulations, which are complex and constantly changing. Also, 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 has established organizations and implemented procedures and tools, in addition to setting targets for reducing its environmental footprint.

These various initiatives along with the measures taken in 2013 are described in section 5.2 *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, 2013.

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 (i) greenhouse gas emissions, mainly methane emissions by cows producing the milk used by the Group, and (ii) the preservation of water resources), and such preferences are at times supported by NGOs (Non-Governmental Organizations). Distributors also pay increasing attention to communications with consumers (in particular the labeling of the products' carbon footprint). If the Group is unable to anticipate changing consumer preferences, in particular through the implementation of measures to (i) reduce and (ii) disclose environmental impacts, its activities, results and reputation could be negatively affected.

Risk management

The Group undertakes continuous efforts to reinforce its societal and environmental commitment and to improve the management of its business activities throughout the entire product life cycle, notably through its Nature strategy. Danone's Nature strategy, its implementation and achievements in 2013 are described in section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*.

Other environmental risks

Risk identification

Other environmental risks are mainly water pollution (essentially organic and biodegradable pollution), environmental risks related to (i) cooling installations (ammonia and other cooling liquids), (ii) the storage of raw materials or products for the cleaning and disinfection of the Group's plants (acid and alkaline products), especially when these plants are located in residential areas, and (iii) wastewater treatment. In the event that the Group is exposed to potential environmental liability as a result of a significant accident or pollution, its results and reputation could be adversely affected.

Risk management

Danone prepares and implements actions, procedures, tools and policies aimed at (i) preventing and reducing these risks, (ii) measuring and controlling the Group's impact and implementing action plans when necessary, and (iii) preparing and making public the Group's positions, including for example a "Forest impact study" and a "paper/cardboard packaging and deforestation study" to address the risks related to these challenges.

These various initiatives as well as the measures taken in 2013 are described in section 5.2 *Information concerning the Group social, societal and environmental performance in compliance with the Grenelle II law*.

Market risks

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 exposure.

Additional and quantified information, in particular with regard to the Group's residual exposure (after hedging) to these various risks, are provided in Note 31 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 in accordance with 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.

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 Early Life 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 2.2 *Presentation of the Group* related to *Principal markets* 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 carrying amounts 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 31 of the Notes to the consolidated financial statements).

Risk management

Pursuant to its operational currency risk hedging policy, the Group's residual exposure (after hedging) was significantly reduced during the fiscal year (see Note 31 of the Notes to the consolidated financial statements).

Pursuant to its financial currency risk hedging policy, the Group's residual exposure (after hedging) is not material (see Note 31 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.

Financing and liquidity risk

Risk identification

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

The Group may, however, increase its debt to finance acquisitions or occasionally 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 31 of the Notes to the consolidated financial statements).

As part of its debt management strategy, the Group regularly seeks new financing to roll over 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 diverse 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*.

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 equity (see Note 31 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 result through the use of hedging instruments.

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 31 of the Notes to the consolidated financial statements).

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 above section), the Group has a global insurance coverage policy that is based on stringent underwriting assessments and uses insurance products from the world market, depending on availability and local regulations. This risk coverage is therefore consistent for all companies over which 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 the subsidiaries. The guarantee limits are set on the basis of worst case scenarios and on insurance market availability. These programs were renewed on January 1, 2013 for a term of two years; the total cost of these programs was approximately €28 million in 2013.

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 2013.

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 2013.

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 2013 AND OUTLOOK FOR 2014

3

Danone's consolidated financial statements and the Notes to the consolidated financial statements are presented in section 4.1 Consolidated financial statements and Notes to the consolidated financial statements. Risk identification and control policy, as well as the major operational risks relating to the 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, underlying net income and underlying net income per share;*
- *trading operating income;*
- *trading operating margin;*
- *underlying net income;*
- *underlying fully diluted EPS or current net income – Group share, per share after dilution;*
- *free cash-flow;*
- *free cash-flow excluding exceptional items;*
- *net financial debt.*

The Group also uses references that are defined in section 1.3 Information about the Registration Document related to References and definitions.

3.1 BUSINESS HIGHLIGHTS IN 2013

Highlights of 2013

Highlights were detailed in the main press releases issued by the Group during 2013.

- on February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation of its organizations in Europe (see section *Savings and adaptation plan for the Group's organizations in Europe* hereafter);
- on February 22, 2013, Danone announced the finalization of the increase in its interest in Centrale Laitière to 67.0%;
- on February 27, 2013, Danone announced the successful launch of a €750 million 5-year bond issue in euros;
- on April 26, 2013, Danone and Yakult agreed on a new cooperation framework to replace the existing strategic alliance;
- on May 6, 2013, Danone signed a partnership agreement with Sirma and strengthened its position in the water market in Turkey. With this partnership agreement, Danone acquired a 50.1% equity interest in Sirma, one of the leading players in the Turkish water market;
- on May 13, 2013, Danone acquired Happy Family, one of the fastest-growing premium organic baby food companies in the United States. The Group acquired an over 90% equity interest in Happy Family, the fourth largest contender in the US baby food market (excluding milk);
- on May 20, 2013, COFCO, Mengniu and Danone joined forces to accelerate the development of Fresh Dairy Products in China;
- on June 3, 2013, Danone announced the successful launch of a €650 million 6-year bond issue in euros;
- on June 21, 2013, Danone announced the successful launch of a €500 million 10-year bond issue in euros;
- on July 23, 2013, Danone and Starbucks announced strategic agreement to create and develop an exclusive line of *Evolution Fresh, Inspired by Dannon*-branded fresh dairy products;
- on August 9, 2013, Danone announced the acquisition of YoCrunch, a mix-in toppings specialist, to support continued yogurt growth in the United States;
- on August 30, 2013, Danone welcomed the findings of the New Zealand authorities' investigation of Fonterra, which concluded that all ingredients used by Danone are in full compliance with the highest standards of quality. The investigation was carried out following a statement by the New Zealand government and Fonterra on August 2, 2013 warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with *Clostridium botulinum* bacteria (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* hereafter);
- on October 21, 2013, Danone announced the appointment to the Executive Committee, Marc BENOÎT named Executive Vice-President, Human Resources;
- on October 24, 2013, Danone and the Abraaj Group announced a partnership agreement whereby Danone will join Abraaj in the acquisition of Fan Milk International (Fan Milk), a leading dairy products player in West Africa;
- on November 7, 2013, Danone announced the successful launch of a €1 billion 8-year bond issue in euros.

See also section 3.7 *Documents available to the public*.

Other business activities in 2013

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

During the fiscal year 2013, the Group carried out several acquisitions, disposals and purchases of non-controlling interests, from which the most significant are the following:

- acquisition on February 20, 2013 of an additional stake in Centrale Laitière (Fresh Dairy Products – Morocco), thereby increasing the Group's equity interest from 29.2% to 67.0%;
- acquisition on June 13, 2013 of a 50.1% equity interest in Sirma (Waters – Turkey);
- acquisition on June 27, 2013 of a 91.9% equity interest in Happy Family (Early Life Nutrition – United States);
- acquisition on August 9, 2013 of the entire share capital of YoCrunch (Fresh Dairy Products – United States);
- acquisition on November 26, 2013 of a 49% indirect equity interest in Fan Milk International (Fresh Dairy Products - West Africa);
- purchase of non-controlling interests in several of its subsidiaries. The main transaction concerned Danone Spain (Fresh Dairy Products – Spain): an additional 10.0% stake was purchased, increasing the Group's equity interest in the company to 75.6% as of December 31, 2013.

Moreover, on May 20, 2013, Danone announced that the Group had signed agreements with COFCO and Mengniu (Fresh Dairy Products – China: the company is listed in Hong Kong) to join forces to accelerate the development of fresh dairy products in China.

Changes in the scope of consolidation and in the Group's equity interests in its subsidiaries are detailed in Note 3 of the Notes to the consolidated financial statements.

Reduction of carbon footprint

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

Since carbon footprint is a global indicator that reflects a wide range of environmental criteria, Danone has committed to reducing the carbon intensity (grams of CO_2 per kilo of product sold) of its products very significantly over the past several years. As a result of action plans deployed to this end, the Group reduced its carbon intensity by -37.4% (based on constant scope of consolidation, excluding Unimilk, and on emissions under Danone's direct responsibility - packaging, industrial activities, logistics and end of life) from 2008 to 2013.

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

Savings and adaptation plan for the Group's organizations 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. On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe. As expected, this plan is entered in its execution phase in 2013.

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

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

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

These recalls have had a significant impact on the Early Life Nutrition Division's sales in Asia. Action plans were deployed to restore sales in affected markets.

Danone is currently reviewing its recourse and compensation options. Recovery plans to get sales back on track are being deployed in the countries affected and are having some impact, with the pace of recovery varying from market to market.

On January 8, 2014, the Group also announced its decision to terminate its existing supply contract with Fonterra and make any further collaboration contingent on a commitment by its supplier to full transparency and compliance with the cutting-edge food safety procedures applied to all products supplied to Danone. Danone is also initiating proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring all facts to light and to obtain compensation for the harm it has suffered (see section *Legal arbitration proceedings* hereafter).

Social and societal responsibility

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

Research and Development

Fresh Dairy Products

In 2013, the Fresh Dairy Products Division continued its research on the impact of the consumption of yogurt as an essential food category in terms of diet and health. It financed independent studies performed by academic researchers. In France, research based on consumption data compiled in the CCAF 2010 survey (*Comportement et Consommations Alimentaires en France*/Dietary Behavior and Consumption in France), shows that yogurt consumption can be linked to more complete coverage of nutritional needs and improved diet quality. Two studies were also conducted by Tufts University (near Boston in the United States), with the first one showing that yogurt consumption is linked with reduced risk of high blood pressure while the second found that yogurt consumption can help to limit weight gain.

The Fresh Dairy Products Division also collaborated in the MetaHIT and ANR MICRO-obes consortiums. This collaboration led to scientific research on understanding intestinal flora and the impact of diet on the abundance of this flora. The findings were written up in two articles published in Nature magazine in 2013.

Meanwhile, in 2013 the Swiss Federal Office of Public Health (FOPH) authorized the following health claim: "*Activia* contributes to digestive comfort by reducing transit time and bloating".

Lastly, the Division continued to develop innovations with the launch of the new KISS cup in Europe and the continued roll-out of the *Oikos* and *Danio* greek-style yogurts.

Waters

In 2013, the Waters Division continued to focus in Research and Development activities in the aquadrinks product segment and on packaging:

- the Division continued to develop the line of aquadrinks (beverages made from water and fruit juice), with the launch of *Bonafont Levissé* in Brazil and the first formulations of lemonades in Europe. Consistent with its strategy, the Group develops product lines that are adapted to the specific local tastes and traditions of each country where the Waters Division is present;
- in the packaging area, the Group is continuing to develop a 100% plant-based plastic bottle, with various bottle types blow-molded and filled. It is also pursuing the development of innovative packaging formats, notably with the launch of a carafe for aquadrinks in Mexico.

The Group also continued to conduct scientific research on the benefits of hydration, working with scientific partners the European Association for the Study of Obesity (EASO) and the International Society of Nephrology (ISN). These research programs were presented at the 5th annual H4H ("Hydration for Health") symposium.

Lastly, the Group is developing awareness-raising programs on the benefits of hydration, notably for pregnant and nursing mothers (Poland and Indonesia).

Early Life Nutrition

The Early Life Nutrition Division focuses its Research and Development programs on nutritional needs of the first 1,000 days years of life, and in particular:

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

The Division has and develops a network of scientific and medical collaborations led by two senior scientists who respectively hold chairs in Immunology at the University of Utrecht and in Microbiology at the University of Wageningen.

Scientific breakthroughs in 2013 enhanced the Division's Early Life Nutrition program, enabling the development of a line of products adapted to each development phase in the first years of life. As an example for 2013, the Division launched a new concept in Hong Kong "The Nutricia Program", which provides future parents with an educational program, support services and a unique package of innovative tools. This new concept based on Early Life Nutritional Programming, provides guidance to parents for promoting their children's lifelong health.

Medical Nutrition

The Medical Nutrition Division's Research and Development Department is constantly innovating in the pediatric and metabolic areas as well as providing care for the elderly and infirm. In that regard, the Division has established certain priorities, including improving the consumer experience, promoting scientific knowledge and strengthening its network in Asia and America.

In 2013, the Division's Research and Development teams developed or improved 18 products.

Meanwhile, the Division continued its research efforts on the scientific attributes of *Souvenaid*. The Group published the findings of some of its research on the combination of nutrients, Fortasyn Connect, in the Journal of Alzheimer's Disease.

Lastly, the Division established development teams in Brazil and India in order to support the local markets and implement technology transfers to companies recently acquired by the Group in these countries.

Legal arbitration proceedings

Following a statement by the New Zealand government and Fonterra on August 2, 2013 warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with *Clostridium botulinum* bacteria, Danone is currently reviewing its recourse and compensation options (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above).

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 twelve 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, 2013, financial liabilities related to these options totaled €3,244 million and are classified as financial debt. The main commitment involves Danone Spain, for €1,136 million as of December 31, 2013 and Danone-Unimilk entity for €1,079 million (see section 3.4 *Balance sheet and financial security review*).

Related party transactions are described in Note 34 of the Notes to the consolidated financial statements.

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

3.2 CONSOLIDATED NET INCOME REVIEW

	Year ended December 31		
(in € millions except per-share data in €, percentage and bps)	**2012**	**2013**	**Change**
Net sales	20,869	21,298	+ 4.8 % [(a)]
Trading operating income [(c)]	2,958	2,809	- 1.1 % [(a)]
Trading operating margin [(c)]	14.18 %	13.19 %	- 81 bps [(a)]
Underlying net income [(c)]	1,818	1,636	- 4.5 % [(a)]
Underlying fully diluted EPS [(c)]	3.01	2.78	- 2.2 % [(a)]
Free cash-flow excluding exceptional items [(c)]	2,088	1,549	- 25.8 % [(b)]

(a) Like-for-like.
(b) As reported.
(c) See definition section 3.6 *Financial indicators not defined by IFRS*.

Sales

Consolidated net sales

Consolidated sales increased by 2.1% on a reported basis to reach €21,298 million in 2013. On a like-for-like basis, *i.e.* at constant scope and exchange rates, sales rose by +4.8%, including a +2.3% increase in sales volume and a +2.5% increase due to the price/mix effect.

This organic growth recorded by the Group in 2013 reflected the solid trends in all its activities, but also the significant adverse impact of the recall of certain infant formulas in eight Asian markets following a false safety alert set off by the supplier Fonterra during the summer (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above).

The negative impact of fluctuations in foreign exchange rates -5.1% reflects the sharp declines of several emerging country currencies starting from the third quarter, including the Argentine peso, Indonesian rupiah and Brazilian real. The impact of changes in consolidation scope +2.5% consisted mainly of the full consolidation of Centrale Laitière (Morocco) starting from March 2013.

Sales by Division

The table below presents 2012 and 2013 sales by Division.

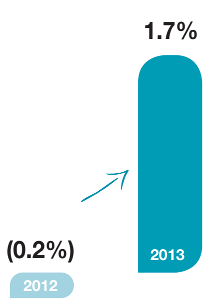
(in € millions except percentage)	2012	2013	Like-for-like change (Year ended December 31)	Volume growth like-for-like (Year ended December 31)
Net sales by Division				
Fresh Dairy Products	11,675	11,790	+ 3.2 %	+ 1.7 %
Waters	3,649	3,903	+ 11.2 %	+ 6.8 %
Early Life Nutrition	4,257	4,263	+ 3.6 %	- 0.7 %
Medical Nutrition	1,288	1,342	+ 5.8 %	+ 5.5 %
Total	**20,869**	**21,298**	**+ 4.8 %**	**+ 2.3 %**

Fresh Dairy Products

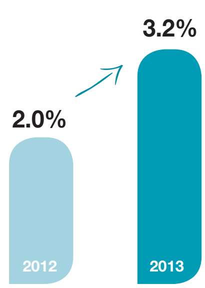
Sales

The Fresh Dairy Products Division recorded sales of €11,790 million in 2013, a +3.2% increase on a like-for-like basis. This performance was balanced over the course of the year and reflected a +1.7% increase in sales volume along with a positive +1.5% price/mix effect.

Like-for-like volume growth



Like-for-like net sales growth



Main markets

The CIS & North America zone recorded an excellent performance in 2013, with double-digit growth in the second, third and fourth quarters. In North America, the Division consolidated its leadership position in the category, benefiting from the success of its *Oikos* product line; this product line in fact enabled the Group to achieve more than 30% share of the greek-style yogurt market segment, which is currently the most dynamic segment. Meanwhile, the CIS markets recorded robust sales of the Group's flagship *Prostokvashino* brand, whose growth exceeded 20% for the full year. In these markets, the Division successfully implemented staggered and competitive price increases in order to keep pace with surging milk price inflation while maintaining a favorable sales volume trend for its key products.

Latin America and Africa again recorded dynamic sales growth in 2013, with double-digit gains on the full year.

In Europe, sales continued to decline in 2013, as they remained adversely affected by the less favorable consumer environment that was observed in 2012. This decline nevertheless slowed in the second half, in particular with a clear trend reversal in Southern Europe, led by Spain and Portugal.

Brands and new products

The Greek-style yogurt segment has remained one of the Division's main growth drivers, especially in North America with the *Light&Fit* and *Oikos* brands, as well as in the United Kingdom and Brazil with the first replications of this product line under the *Danio* brand. *Prostokvashino*, the Group's flagship brand in the CIS markets, maintained its sales momentum with more than 20% growth. The brands dedicated to children and pre-adolescents also continued to post strong gains in 2013, notably in the CIS markets with the *Tёma* and *Smeshariki* brands. In Spain, the revamped *Danonino* and *Actimel* product lines for children – notably the launch of new bottles – were a success, and this success is now beginning to be replicated in other countries.

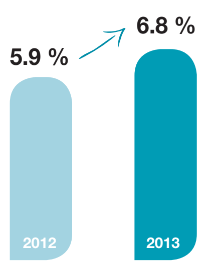
The Group is the fresh dairy products market leader in all of the 38 principal countries where it is present, with a 26% market share in 2013 (source: Nielsen).

Waters

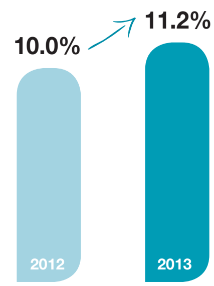
Sales

In 2013, the Waters Division recorded an excellent performance, as sales rose by +11.2% on a like-for-like basis to reach €3,903 million. This growth reflected a +6.8% increase in sales volume and a +4.4% increase in value. The increase in value was mainly due to the Division's improved product mix, with strong growth in the aquadrinks segment.

Like-for-like volume growth



Like-for-like net sales growth



Main markets and new products

Emerging countries continued to drive the Division's growth, with double-digit gains throughout the year, notably in the Asian markets where the roll-out of the *Mizone* aquadrinks brand continues. Sales in Europe remained stable throughout the year.

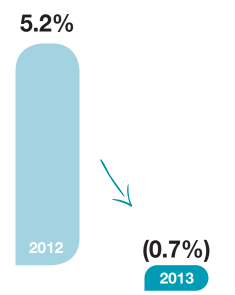
Early Life Nutrition

Sales

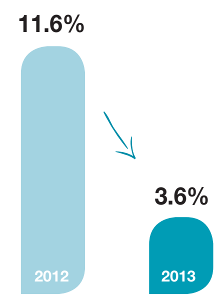
The Division recorded sales of €4,263 million in 2013, up +3.6% on a like-for-like basis. This growth reflected a -0.7% decline in sales volume offset by a +4.3% increase in value.

After a very strong performance in the first half of 2013, the Division's growth was significantly affected in August by a product quality false safety alert raised by its supplier Fonterra, which led to the recall of certain infant formulas in eight Asian markets (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above). The Group estimates that this event resulted in lost sales of around €370 million in the second half of the year.

Like-for-like volume growth



Like-for-like net sales growth



Main markets

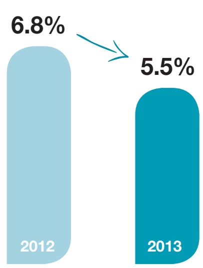
Europe performed very well, benefiting from the interest shown by emerging market consumers for Western brands in the infant formula segment. Asia, on the other hand, was adversely affected by the false safety alert set off by Fonterra (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above) and recorded a drop in full-year sales. Latin America, Africa and the Middle East, which are still minor markets for the Division, maintained their forward momentum with double-digit gains.

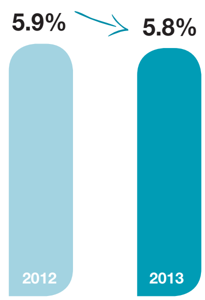
The platform of the Blue House brand continued to post above-average growth, benefiting in particular from the re-launch of certain infant formulas based on the improved *Pronutra+* recipe.

Medical Nutrition

Sales

The Division generated sales of €1,342 million in 2013, up +5.8% on a like-for-like basis and reflecting +5.5% sales volume growth and +0.3% value growth.





Main markets

China, the United Kingdom, Turkey and the United States were the main contributors to this Division's growth, which was largely generated by the *Nutrison* enteral nutrition product line and by the *Neocate* and *Nutrini* pediatric nutrition brands, whose performances exceeded the Division average.

Sales by geographic area

The tables below present sales by geographic area in 2012 and 2013.

						Year ended December 31
(in € millions except percentage)	**2012**	**2013**	**Like-for-like change**	**Volume growth like-for-like**	**Sales breakdown by geographic area in 2012**	**Sales breakdown by geographic area in 2013**
Net sales by geographic area						
Europe excl. CIS	8,431	8,197	- 2.4%	- 1.6%	41%	39%
CIS & North America [(a)]	4,426	4,713	+ 10.0%	+ 5.3%	21%	22%
ALMA [(b)]	8,012	8,388	+ 10.0%	+ 3.6%	38%	39%
Total	**20,869**	**21,298**	**+ 4.8%**	**+ 2.3%**	**100%**	**100%**

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

Europe

The Europe region recorded sales of €8,197 million in 2013, a -2.4% decline on a like-for-like basis. This decline was mainly due to the fresh dairy products activities, whose market conditions remained challenging following the deterioration observed in 2012. The three other Divisions, meanwhile, recorded stable or rising sales in the region in 2013.

CIS & North America

The CIS & North America zone recorded outstanding results in 2013, with double-digit growth in the second, third and fourth quarters. In North America, the Division consolidated its leadership in the fresh dairy products category, taking advantage of the success of its *Oikos* product line. The CIS markets were led by the robust sales of their flagship brand *Prostokvashino*, whose growth exceeded 20% over the full year.

ALMA

The ALMA zone recorded sales of €8,388 million in 2013, up +10.0% on a like-for-like basis in 2013. The main growth drivers included the Waters Division, especially through its excellent performances in China and Indonesia, along with the Fresh Dairy Product Division, which maintained its double-digit growth trend in Latin America and Africa. Growth in this zone was nevertheless affected by the false safety alert set off by Fonterra on certain infant formula products in Asia (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above), which led to lost sales estimated at €370 million in the second half of the year.

Sales overview per quarter

	First quarter		Second quarter		Third quarter		Fourth quarter		Total	
(in € millions)	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
By Division										
Fresh Dairy Products	2,960	2,952	2,946	3,071	2,910	2,913	2,859	2,854	11,675	11,790
Waters	841	887	1,014	1,104	962	1,089	832	823	3,649	3,903
Early Life Nutrition	1,014	1,177	1,076	1,206	1,062	924	1,105	956	4,257	4,263
Medical Nutrition	302	322	323	339	323	333	340	348	1,288	1,342
By geographic area										
Europe excl. CIS	2,116	2,005	2,233	2,155	2,089	2,068	1,992	1,969	8,431	8,197
CIS & North America [(a)]	1,084	1,163	1,118	1,197	1,116	1,183	1,109	1,170	4,426	4,713
ALMA [(b)]	1,917	2,170	2,008	2,368	2,052	2,008	2,035	1,842	8,012	8,388
Total	**5,117**	**5,338**	**5,359**	**5,720**	**5,257**	**5,259**	**5,136**	**4,981**	**20,869**	**21,298**

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

	First quarter 2013		Second quarter 2013		Third quarter 2013		Fourth quarter 2013		Total 2013	
	Reported change	**Like-for-like change**	**Reported change**	**Like-for-like change**	**Reported change**	**Like-for-like change**	**Reported change**	**Like-for-like change**	**Reported change**	**Like-for-like change**
By Division										
Fresh Dairy Products	- 0.3%	+ 0.7%	+ 4.2%	+ 2.6%	+ 0.1%	+ 4.6%	- 0.2%	+ 4.9%	+ 1.0%	+ 3.2%
Waters	+ 5.5%	+ 8.6%	+ 8.9%	+ 10.5%	+ 13.2%	+ 16.9%	- 1.0%	+ 8.1%	+ 7.0%	+ 11.2%
Early Life Nutrition	+ 16.1%	+ 17.1%	+ 12.1%	+ 13.5%	- 13.0%	- 8.6%	- 13.4%	- 6.9%	+ 0.2%	+ 3.6%
Medical Nutrition	+ 6.4%	+ 6.3%	+ 5.1%	+ 4.7%	+ 3.3%	+ 5.8%	+ 2.3%	+ 6.4%	+ 4.2%	+ 5.8%
By geographic area										
Europe excl. CIS	- 5.3%	- 5.1%	- 3.5%	- 3.0%	- 1.0%	- 0.9%	- 1.2%	- 0.4%	- 2.8%	- 2.4%
CIS & North America [(a)]	+ 7.4%	+ 8.5%	+ 7.1%	+ 10.2%	+ 6.0%	+ 11.1%	+ 5.4%	+ 10.2%	+ 6.5%	+ 10.0%
ALMA [(b)]	+ 13.2%	+ 16.6%	+ 17.9%	+ 15.3%	- 2.1%	+ 6.0%	- 9.5%	+ 2.2%	+ 4.7%	+ 10.0%
Total	**+ 4.3%**	**+ 5.6%**	**+ 6.7%**	**+ 6.5%**	**0.0%**	**+ 4.2%**	**- 3.0%**	**+ 2.9%**	**+ 2.1%**	**+ 4.8%**

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

Trading operating income and trading operating margin

Consolidated trading operating income and trading operating margin

Trading operating income totaled €2,809 million in 2013, compared with €2,958 million in 2012.

In 2013, Danone's trading operating margin fell by -81 bps on a like-for-like basis to 13.19%. As was the case in 2012 and in line with expectations, the sales decline in Europe continued to weigh heavily on the Group's profitability.

Cost of goods sold totaled €10,977 million in 2013 (€10,409 million in 2012), or 51.5% of consolidated sales (49.9% in 2012). The year was marked by rising prices for milk and milk ingredients that far exceeded the initial assumptions. This excess inflation was offset by robust sales growth trends, selective and competitive price increases (notably in the emerging markets) and, lastly, strengthened cost optimization efforts. The initiatives to optimize raw materials, manufacturing and logistics costs also enabled continued high productivity.

Selling expense was €5,425 million in 2013 (€5,474 million in 2012), or 25.5% of consolidated sales (26.2% in 2012).

The Group continued to invest in its growth drivers, with comparable expenditures (on a like-for-like basis) relative to 2012 for all sales and marketing as well as research and development costs.

Research and Development costs totaled €275 million in 2013 (€257 million in 2012), or 1.3% of consolidated sales (see section 3.1 *Business highlights in 2013*).

General and administrative expense was €1,707 million in 2013 (€1,746 million in 2012), or 8.0% of consolidated sales (8.4% in 2012).

The implementation of the cost savings plan in Europe (see section 3.1 *Business highlights in 2013* related to *Savings and adaptation plan for the Group's organizations in Europe*) has been in progress since 2013.

In 2013, the net Other operating expense of €(681) million consisted mainly of expenses including, (i) €(280) million related to the plan for savings and adaptation of the Group's organizations in Europe, (ii) €(201) million relating to the false safety alert issued by Fonterra in respect of some ingredients supplied to the Group in Asia (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above), (iii) €(62) million relating to the impairment of brands with indefinite useful life, (iv) €(36) million of costs relating to acquisitions resulting in control being obtained carried out in 2013, (v) €(34) million corresponding to Unimilk integration expenses (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition, and (vi) €(21) million paid as a result of the investigation by the Chinese national development and reform commission.

Trading operating income and trading operating margin by Division

The table below presents the 2012 and 2013 trading operating income and trading operating margin for each Division.

					Year ended December 31
	Trading operating income		**Trading operating margin**		**Like-for-like change**
(in € millions except percentage and bps)	**2012**	**2013**	**2012**	**2013**	
Fresh Dairy Products	1,414	1,219	12.11%	10.35%	- 160 bps
Waters	483	509	13.23%	13.04%	+ 10 bps
Early Life Nutrition	830	837	19.51%	19.62%	+ 21 bps
Medical Nutrition	231	244	17.95%	18.16%	- 4 bps
Total	**2,958**	**2,809**	**14.18%**	**13.19%**	**- 81 bps**

The Fresh Dairy Products Division's trading operating margin was 10.35% in 2013, down -160 bps on a like-for-like basis. The continued sales decline in Europe combined with strong milk price inflation weighed heavily on the Division's profitability.

The Waters Division's trading operating margin was 13.04% in 2013, up +10 bps on a like-for-like basis. This margin benefited in particular from the Division's sales volume growth and the favorable product mix effect related to the strong growth in the aquadrinks segment.

The Early Life Nutrition Division's trading operating margin stood at 19.62% in 2013, a +21 bps increase relative to the previous year. This increase partially reflects the profitable growth of the European activities, driven by strong sales volume growth of the international infant formula brands, along with higher sales prices in certain markets. These favorable factors made it possible to offset rising milk prices and the decline in the trading operating margin due to the Fonterra false safety alert (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above).

The Medical Nutrition Division's trading operating margin was 18.16% in 2013, down slightly on a like-for-like basis relative to 2012. Margin gains in Europe made it possible to offset declining margins in certain emerging countries.

Trading operating income and trading operating margin by geographic area

The table below presents the 2012 and 2013 trading operating income and trading operating margin for each geographic area.

					Year ended December 31
	Trading operating income		**Trading operating margin**		**Like-for-like change**
(in € millions except percentage and bps)	**2012**	**2013**	**2012**	**2013**	
Europe excl. CIS	1,320	1,182	15.66%	14.42%	- 121 bps
CIS & North America [(a)]	452	450	10.21%	9.56%	- 24 bps
ALMA [(b)]	1,186	1,177	14.81%	14.03%	- 58 bps
Total	**2,958**	**2,809**	**14.18%**	**13.19%**	**- 81 bps**

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

The trading operating margin for the Europe region, excluding the CIS countries, was 14.42% in 2013, a -121 bps decrease on a like-for-like basis. The continued decline in Fresh Dairy Products Division sales in the region weighed heavily on profitability as did higher milk prices, notably in the second half.

The trading operating margin for the CIS & North America zone was 9.56% in 2013, down -24 bps on a like-for-like basis relative to the previous year. As was the case in Europe, strong milk price inflation weighed on the profitability of the zone, especially in the CIS countries.

The trading operating margin for the ALMA zone stood at 14.03% in 2013, down -58 bps on a like-for-like basis. This zone's margin was affected in particular by the lost trading operating margin in connection with the Fonterra false safety alert (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above).

Net financial income (expense)

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

The net financial income (expense) for 2012 and 2013 breaks down as follows:

		Year ended December 31
(in € millions)	**2012**	**2013**
Interest income on cash, cash equivalents and short term investments	75	76
Interest expense on financial debt	(245)	(269)
Cost of net financial debt	**(170)**	**(193)**
Other financial income	5	52
Other financial expense	(137)	(122)
Other financial income or expense	**(132)**	**(70)**
Net financial income (expense)	**(302)**	**(263)**

Cost of net financial debt

Cost of net financial debt increased due to higher net financial debt than in 2012. This increase was attributable mainly to the various acquisitions made by the Group since July 1, 2012 and, more particularly, to the acquisition of the non-controlling interests of Danone Spain and the increase in the Group's stake in Centrale Laitière, as well as buybacks by the Group of 16.4 million treasury shares since that date.

In 2013, the net amount of interest paid was €193 million (€170 million in 2012). In addition, the net amount of accrued interest totaled €43 million in the year ended December 31, 2013 (€15 million in the year ended December 31, 2012).

Other financial income

In 2013, Other financial income increased by €47 million compared with 2012, due mainly to the impact of the disposal by Danone of its equity interest in SNI (Fresh Dairy Products – Morocco), resulting in a €52 million capital gain.

Other financial expense

In 2013 as in 2012, 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 commitments net of the expected return on plan assets of retirement commitments and other long-term benefits.

Tax rate

The underlying tax rate was 30.0% for 2013 (27.6% in 2012). 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 30.0%, a steep 2 points higher than in 2012, due to a general rise in tax pressure and, particularly in France, to the ceiling on deductible financial interest and tax on dividends.

Moreover, when including the non-current items, the Group's effective tax rate was 32.4% in 2013 (29.1% in 2012) and the differential with the legal tax rate in France in 2013 and 2012 is provided in Note 25 of the Notes to the consolidated financial statements.

Underlying net income and underlying fully diluted earnings per share

The net income amounted to €1,550 million in 2013 (€1,787 million in 2012). The net income – Group share amounted to €1,422 million in 2013 (€1,672 million in 2012).

Result of affiliated companies

The sharp change in net income of affiliated companies reflects a €226 million (recorded as non-current) revaluation of Danone's historical 29.2% interest in Central Laitière, recorded in compliance with IFRS standards as part of the Group's takeover of that company. Excluding non-current items, the net income of affiliated companies came to €50 million in 2013.

Underlying net income

Underlying net income stood at €1,636 million in 2013, down -4.5% from 2012 like-for-like and down -10.0% as reported. Underlying fully diluted EPS was €2.78, down -2.2% from 2012 like-for-like and down -7.9% as reported.

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:

Year ended December 31

			2012			**2013**
(in € millions except percentage)	**Underlying**	**Non-current items**	**Total**	**Underlying**	**Non-current items**	**Total**
Trading operating income	**2,958**		**2,958**	**2,809**		**2,809**
Other operating income (expense)		(211)	(211)		(681)	(681)
Operating income	**2,958**	**(211)**	**2,747**	**2,809**	**(681)**	**2,128**
Cost of net debt	(170)		(170)	(193)		(193)
Other financial income (expense)	(130)	(2)	(132)	(118)	48	(70)
Income before tax	**2,658**	**(213)**	**2,445**	**2,498**	**(633)**	**1,865**
Income tax expense	(735)	23	(712)	(750)	146	(604)
Effective tax rate	27.6%		29.1%	30.0%		32.4%
Net income from fully consolidated companies	**1,923**	**(190)**	**1,733**	**1,748**	**(487)**	**1,261**
Share of profit of associates	59	(5)	54	50	239	289
Net income	**1,982**	**(195)**	**1,787**	**1,798**	**(248)**	**1,550**
• Group share	1,818	(146)	1,672	1,636	(214)	1,422
• Non-controlling interests	164	(49)	115	162	(34)	128

	Year ended December 31			
		2012		2013
(in € per share except number of shares)	Underlying	Total	Underlying	Total
Net Income - Group share	1,818	1,672	1,636	1,422
Number of shares				
• Before dilution	600,477,145	600,477,145	587,411,533	587,411,533
• After dilution	603,105,304	603,105,304	588,469,577	588,469,577
Net Income - Group share, per share				
• Before dilution	3.03	2.78	2.79	2.42
• After dilution	3.01	2.77	2.78	2.42

Dividend

At the Annual General Meeting of Shareholders on Tuesday, April 29, 2014, Danone's Board of Directors will ask shareholders to approve distribution of a €1.45 dividend per share in respect of the 2013 fiscal year, unchanged from 2012.

In view of French tax provisions and in keeping with the current absence of share buybacks, shareholders will be asked to opt for full payment of their dividend in either cash or in DANONE shares. New shares would be issued at a price set at 90% of the average opening DANONE share prices on Euronext over the twenty trading days prior to the General Meeting on April 29, 2014 less the amount of the dividend.

Assuming this proposal is approved, the ex-dividend date will be Wednesday, May 7, 2014. The period during which shareholders may opt to receive dividends in cash or in shares will begin on Wednesday, May 7 and run through Wednesday, May 21. Dividends will be payable in shares or in cash on Tuesday, June 3, 2014.

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 stood at €1,428 million in 2013, including €121 million in outlays linked to the Group's cost-reduction and adaptation plan in Europe (see section 3.1 *Business highlights in 2013* related to *Savings and adaptation plan for the Group's organizations in Europe*).

Free cash-flow excluding exceptional items came to €1,549 million (7.3% of sales), down -25.8% from 2012. This reflects the impact of the Fonterra false safety alert in Asia (see section *Impact of the false safety alert issued by Fonterra with respect to certain ingredients supplied to the Group in Asia* above), which led to an estimated €291 million loss in free cash-flow full year in 2013, as well as unfavorable exchange-rate effects totaling €90 million.

Capital expenditure continued to increase, totaling €1,039 million or 4.9% of sales.

Consolidated statement of cash-flows

Operating cash-flows

Cash-flows from operating activities in 2012 and 2013 are detailed as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Net income	1,787	1,550
Share of profit of associates	(54)	(289)
Dividends received from associates	35	27
Depreciation and amortization	670	710
Other components of net income with no cash impact	113	169
Other components of net income with a cash impact	(26)	(35)
Cash flows provided by operating activities, including changes in net working capital	**2,525**	**2,132**
(Increase) decrease in inventories	(52)	(231)
(Increase) decrease in trade receivables	49	(15)
Increase (decrease) in trade payables	274	392
Change in other receivables and payables	62	78
Change in working capital requirements	333	224
Cash flows provided by (used in) operating activities	**2,858**	**2,356**

Other components of net income with a cash impact correspond mainly to the amount of accrued interest as of December 31 of the previous year and paid out during the current year. The amount of accrued interest as of December 31, 2012 and paid out in 2013 was €(29) million, compared with €(26) million as of December 31, 2011 and paid out in 2012.

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

	Year ended December 31	
(in € millions)	**2012**	**2013**
(Gains) losses on disposal and impairment of property, plant and equipment [(a)]	(98)	(8)
Increase in (reversals of) provisions and deferred taxes	119	54
Expense relating to stock-options and Group performance shares	22	19
Interest expense not yet paid	15	43
Other [(b)]	55	61
Total	**113**	**169**

(a) Concerns intangible assets and property, plant and equipment used for operations.
(b) Of which €62 million of impairment of an indefinite useful life brand as of December 31, 2013.

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, 2013 was negative to €(1,768) million, representing (8.3)% of 2013 consolidated sales (€(1,525) million as of December 31, 2012 and (7.3)% of 2012 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 optimization.

Cash-flows provided by (used in) investing activities

Cash-flows from operating activities in 2012 and 2013 are detailed as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Capital expenditure [(a)]	(976)	(1,039)
Proceeds from disposal of property, plant and equipment [(a)]	193	79
Net cash outflows on purchases of subsidiaries and financial investments	(291)	(1,246)
Net cash inflows on sales of subsidiaries and financial investments [(b)]	4	69
(Increase) decrease in long-term loans and other long-term assets	(1)	(19)
Cash flows provided by (used in) investment activities	**(1,071)**	**(2,156)**

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.
(b) Including net debt as of the disposal date.

Capital expenditures continued to increase in 2013 to reach €1,039 million, or 4.9% of consolidated net sales (4.7% in 2012).

Cash-flows provided by financing activities

Cash-flows from financing activities in 2012 and 2013 are detailed as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Increase in issued capital and additional paid-in capital	35	37
Purchases of treasury shares (net of disposals) and of DANONE call options [(a)]	(701)	(793)
Dividends paid to Danone shareholders	(835)	(848)
Transactions with non-controlling interests	(339)	(213)
Net cash-flows on hedging derivatives [(b)]	(70)	54
Bond issued or raised during the period	1,530	2,900
Bond repaid during the period	(173)	(193)
Increase (decrease) in other current and non-current financial debt	(100)	(111)
Increase (decrease) in short term investments	(831)	(1,176)
Cash flows provided by (used in) financing activities	**(1,484)**	**(343)**

(a) DANONE call options acquired by the Company.
(b) On net debt.

Acquisitions of treasury shares (net of disposals) and DANONE call options

In 2013, the Group carried out the following transactions involving DANONE shares:

- the buyback of 15.1 million DANONE shares to be used for acquisitions, as part of the Company's €809 million share buyback program (including 6.7 million shares to offset the dilution resulting from the use of 6,715,266 shares as payment, as described hereafter) carried out through investment service providers acting independently in connection with the Company's share buyback program;
- the payment of 6,715,266 DANONE treasury shares as consideration for a portion of the acquisition price of Danone Spain shares acquired from that subsidiary's non-controlling shareholders;
- the contribution of 0.3 million and 0.2 million shares, respectively, as part of (i) the exercise of stock-options by their beneficiaries, and (ii) the delivery of Group performance shares granted to certain employees, executive officers and directors;
- the cancellation of 13.1 million DANONE shares totaling €597 million, offsetting the Treasury shares line item and therefore without incident on the amount of consolidated equity.

Transactions with non-controlling interests

Transactions with non-controlling interests in 2012 and 2013 are as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Buyout of non-controlling interests [a]	(137)	(121)
Dividends paid	(202)	(107)
Contribution from non-controlling interests to capital increases	-	15
Total	**(339)**	**(213)**

(a) Consists mainly of the cash payment of the buyouts of non-controlling interests in Danone Spain.

Bonds issued or subscribed during the fiscal year

See section *2013 Bond transactions* hereafter.

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)	**2012**	**2013**
Cash-flow from operating activities	**2,858**	**2,356**
Capital expenditure	(976)	(1,039)
Disposal of tangible assets	193	79
Transaction fees related to business combinations [a]	13	32
Earn-outs related to business combinations [b]	-	-
Free cash-flow	**2,088**	**1,428**
Cash-flows related to plan to generate savings and adapt organization in Europe [c]	-	121
Free cash-flow excluding exceptional elements	**2,088**	**1,549**

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

3.4 BALANCE SHEET AND FINANCIAL SECURITY REVIEW

Simplified consolidated balance sheet

	As of December 31	
(in € millions except percentage)	**2012**	**2013**
Non-current assets	22,614	23,078
Current assets	6,923	7,850
Total assets	**29,537**	**30,928**
Equity - Group share	**12,191**	**10,694**
Non-controlling interests	63	35
Net debt	6,292	7,966
Net financial debt	3,021	4,722
Gearing based on net debt	52%	74%
Gearing based on net financial debt	25%	44%

3

2013 Bond 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 in 2013:

	Year ended December 31, 2013		
	Currency	**Nominal** *(in millions of currency)*	**Maturity**
Euro bond issue under the EMTN program	EUR	750	2018
Euro bond issue under the EMTN program	EUR	650	2019
Euro bond issue under the EMTN program	EUR	500	2023
Euro bond issue under the EMTN program	EUR	1,000	2021

In addition, three private placements under the EMTN program matured in 2013, with a total euro equivalent of €193 million (CZK 814 million and CZK 374 million, JPY 23,900 million).

Net debt and net financial debt

Net debt stood at €7,966 million at December 31, 2013, including €3,244 million in put options granted to minority shareholders. The debt represented by these options remains globally unchanged from December 31, 2012.

Excluding put options for minority shareholders, the Group's net financial debt stood at €4,722 million, up €1,701 million from December 31, 2012. The rise is linked mainly to acquisitions made by Danone in the course of 2013. In addition to the buyout of some minority interests in Danone Spain and its increased stake in Centrale Laitière, the Group took a controlling interest in Sirma (Turkey) and purchased Happy Family (United States) and YoCrunch (United States). It also took a 4.0% interest in China's Mengniu (the Group since then signed an agreement, to subscribe a reserved rights issue by China's leading dairy company Mengniu, raising its interest in this company from 4.0% to 9.9%) and a 49% stake in Fan Milk in West Africa (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)	**2012**	**2013**
Non-current financial debt [(a)]	6,346	7,065
Current financial debt [(a)]	3,176	4,862
Short term investments	(1,748)	(2,862)
Cash and cash equivalents	(1,269)	(969)
Derivatives - assets	(213)	(130)
Net debt	**6,292**	**7,966**
Liabilities related to put options granted to non-controlling interests - Non-current	(1,881)	(477)
Liabilities related to put options granted to non-controlling interests - Current	(1,390)	(2,767)
Financial debt excluded from net financial debt	**(3,271)**	**(3,244)**
Net financial debt	**3,021**	**4,722**

(a) Includes derivatives instruments liabilities.

Shareholder's equity

As of December 31, 2013, consolidated equity totaled €10,729 million (€12,254 million as of December 31, 2012), consolidated equity attributable to owners of the Company totaled €10,694 million (€12,191 million as of December 31, 2012).

Changes in equity attributable to owners of the Company and consolidated equity in 2012 and 2013 are as follows:

	2012		2013	
(in € millions)	**Group share**	**Consolidated**	**Group share**	**Consolidated**
As of January 1	**12,100**	**12,198**	**12,191**	**12,254**
Net income	1,672	1,787	1,422	1,550
Dividend paid for the previous fiscal year	(837)	(835)	(848)	(848)
Cumulative translation adjustments [(a)]	(113)	(101)	(1,417)	(1,464)
Transactions with non-controlling interests [(b)]	(116)	(278)	(350)	(461)
Transactions involving DANONE shares	(429)	(429)	(475)	(475)
Capital increase under the Company Savings Plan for the benefit of employees of French entities	35	35	37	37
Other comprehensive income	(136)	(138)	131	133
Counterpart entry to expense relating to Group performance shares and stock-options	22	22	19	19
Other elements	(7)	(7)	(16)	(16)
As of December 31	**12,191**	**12,254**	**10,694**	**10,729**

(a) In 2013, negative translation differences were due to the decrease in the exchange rate for several currencies against the euro, in particular the Indonesian rupiah, Russian ruble and Turkish lira.
(b) See section hereafter related to *Current and non-current financial liabilities relating to put options granted to non-controlling interests in Danone Spain.*

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

The Group may, however, take on additional debt to finance acquisitions or 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 suitable 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 liabilities (bonds, bank debt, etc.), and (ii) non-interest-bearing liabilities (liabilities on put options granted to non-controlling interests), and from payments on derivative instruments.

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

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

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.

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 all times, 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, 2018. As of December 31, 2013, 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 2014 to 2018 and with a principal amount of €3.4 billion. As of December 31, 2013 (as well as the previous year), the Group had not drawn on these facilities at all.

    Overall, the Group has €5.4 billion in committed credit facilities, which were unused as of December 31, 2013.
- capital markets financing:
  - Euro Medium Term Note (EMTN) financing (a €9 billion program in principal) and a bond issued in the U.S. market in June 2012 for a cumulated amount of €7,018 million as of December 31, 2013; bonds issued by the Company are disclosed on the Group's website,
  - commercial paper (*Billets de Trésorerie*): a €3 billion program, of which €737 million had been used as of December 31, 2013.

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, 2013, 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.

Lastly, the Group had available net cash through its cash and cash equivalents and short-term investments of €3.8 billion as of December 31, 2013, compared with €3.0 billion as of December 31, 2012.

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, and (ii) alternatively, its commercial paper and EMTN programs or its syndicated credit facility to optimize its financing cost while still ensuring its financial security, such that the maturity and currency of its financing raised may vary without changing the net debt level or the Group's financial security.

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, 2013, are presented hereafter with their contractual maturity dates and based on the assumption of non-renewal:

(in € millions)	Carrying amount on consolidated balance sheet as of December 31, 2013	Cash flows 2014	Cash flows 2015	Cash flows 2016	Cash flows 2017	Cash flows 2018 and after
Bonds [a] [b]	7,078	(618)	(603)	(698)	(921)	(4,238)
Commercial Paper [a] [f]	737	(737)	-	-	-	-
Derivatives – liabilities (fair value) [a] [d] [e] [i]	12	(12)	-	-	-	-
Financial debt managed at Corporate level	7,827	(1,367)	(603)	(698)	(921)	(4,238)
Subsidiaries' bank financing and other financing [c]	815	(731)	(24)	(11)	(14)	(35)
Finance lease commitments [c] [d]	41	(9)	(13)	(5)	(3)	(11)
Liabilities related to put options granted to non-controlling interests [g]	3,244	(2,767)	(337)	(14)	-	(126)
Total debt (before flows of financial instruments other than accrued interest)	**11,927**	**(4,874)**	**(977)**	**(728)**	**(938)**	**(4,410)**
Interest on above-mentioned debt [d] [h]		(157)	(131)	(116)	(103)	(324)
Flows on derivatives [d] [e] [h] [j]		-	(5)	65	6	-

(a) Financing managed at the Company level.
(b) Flows determined on the basis of the carrying amount of the bonds as of December 31, 2013 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, 2013.
(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) Cash-flows determined on the basis of the carrying amount of the options as of December 31, 2013 and their contractual exercise date.
(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.
(j) Concerns derivative instruments on net debt, assets and liabilities.

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, 2013, the nominal value of bond financings totaled €7,018 million, and their carrying amount was €7,078 million. The difference of €60 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, 2013 are shown in the table hereafter:

(in € millions)	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	Amount available as of December 31, 2018 and after
Credit facilities [a]	5,361	4,911	3,563	2,768	2,418	218
Other credit facilities [b]	297	-	-	-	-	-

(a) Related to the Group's financial investments and to financing the Group's activities. 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, 2013.
(b) Related to the Group's operational activities. Nominal amount of the portion not drawn as of December 31, 2013.

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. The financial liabilities related to these options as of December 31, 2012 and 2013 are as follows:

	As of December 31			
(in € millions)	**2012**	**2013**	**Start of exercise period**	**Price calculation formula**
Danone Spain	1,695	1,136	At any time [(a)]	Average earnings multiple over several years
Danone CIS	976	1,079	2014	Earnings multiple
Other - non-current portion	515	140	After 2014	
Other - current portion	85	889	2014	
Other [(b)]	600	1,029		
Total	**3,271**	**3,244**		
• **Of which, non-current financial liabilities**	**1,881**	**477**		
• **Of which, current financial liabilities**	**1,390**	**2,767**		

(a) Contractually, these options may be exercised at any time. However, some beneficiaries signed a rider under the terms of which they accepted that the settlement of the amount owed by Danone and the transfer of ownership would be deferred by one year (€337 million as of December 31, 2013).
(b) Several put options with an individual amount less than or equal to 10% of the total amount of put options granted by the Group to some non-controlling interests.

The €(27) million decrease in liabilities related to put options granted to non-controlling interests in 2013 (€(351) million decrease in 2012) breaks down as follows:

(in € millions)	**2012**	**2013**
As of January 1	3,622	3,271
New put options granted to non-controlling interests as part of first-time consolidations [(a)]	-	403
Carrying amount of options exercised	(494)	(509)
Changes in the present value of the option strike price of outstanding options	143	79
As of December 31	**3,271**	**3,244**

(a) Carrying amount as of December 31.

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

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

During the first half of 2013, the Group has repurchased a total of 1,642,618 shares from several Danone Spain minority shareholders (including 1,550,315 shares through the exercise of put options by their beneficiaries, and the remainder through direct purchases of Danone Spain shares from their holders), raising its Danone Spain shareholding from 65.6% to 75.6%. Shares were acquired in exchange for cash payments totaling €108 million and for 6,715,266 DANONE treasury shares (1.0% of Danone SA share capital). An equal number of DANONE shares has been purchased by the Group over the first six months, under its share buyback program to offset dilution resulting from this transaction.

After that share buyback, Danone Spain's shares are held (i) for 75.6 % by the Group, (ii) for 22.1 % by non-controlling interests with put options, (iii) for 1.0 % by non-controlling interests without put options, and (iv) for 1.3 % by Danone Spain.

Minority shareholders, representing around 15% of Danone Spain's share capital, have exercised their put options. The Group contested those exercises and invited the minority shareholders to continue the process of renegotiation of their put options' terms and conditions. During the first six months of 2013, these minority shareholders opted not to continue the discussion process and initiated proceedings against the Group for the purpose of execution of their put options before an arbitral tribunal. As of December 31, 2013, with the arbitration proceedings still pending and in the absence of any new developments, the purchase price requested by the minority shareholders in these procedures is the value of these options as recorded in the financial statements on that date.

Thus, as of December 31, 2013, financial liabilities related to put options granted to non-controlling interests of Danone Spain amount to €1,136 million (€1,695 million as of December 2012).

Based on these events, the share buyback, option exercises and procedures, the Group decided to maintain a portion of the remaining put options (€799 million related to the 15% of capital shares mentioned above) as short-term financial debt in its financial statements as of December 31, 2013. Put options amounting to €337 million continue to be classified as long-term financial debt, as these options are subject to a one-year payment term.

The main impacts on consolidated financial statements related to the options repurchased in 2013 are as follows:

- decrease by €504 million of the liabilities related to put options granted to non-controlling interests;
- favorable impact of €80 million on consolidated equity and the Group net debt, the transaction price paid being lower than the carrying values of these commitments, for purchases by means of put options exercises;
- €108 million cash-flows used in financing activities, corresponding to the portion paid in cash to non-controlling shareholders (to holders of put options and other selling shareholders) and presented in Transactions with non-controlling interests of the Consolidated statement of cash-flows;
- payment of 6.7 million of DANONE shares did not have any impact on the Consolidated statement of cash-flows. Nevertheless, as described above, an equal number of DANONE shares has been purchased by the Group over the first six months of 2013. Those purchases are presented in the item Purchases of treasury shares (net of disposals) and of DANONE call options in the cash-flows used in financing activities of the Consolidated statement of cash-flows.

Off-balance sheet commitments

Commitments given and commitments received

The Group's off-balance sheet commitments given and received arising from its operating, financing, and investing activities are as follows:

Commitments given and received in 2013

		Amount of financial flows for the year				
Commitments given *(in € millions)*	**Total**	**2014**	**2015**	**2016**	**2017**	**2018 and after**
Operating lease commitments [a]	(610)	(164)	(109)	(83)	(66)	(188)
Commitments to purchase goods and services [a]	(2,386)	(1,722)	(377)	(206)	(65)	(16)
Capital expenditure commitments [a]	(200)	(192)	(8)	-	-	-
Guarantees and pledges given	(193)	(146)	(7)	(10)	(3)	(27)
Other	(338)	(189)	(69)	(48)	(19)	(13)
Total	**(3,727)**	**(2,413)**	**(570)**	**(347)**	**(153)**	**(244)**

	Commitments as of December 31 of each year					
Commitments received *(in € millions)*	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Credit facilities [b]	5,361	4,911	3,563	2,768	2,418	218
Other credit facilities [c]	297	-	-	-	-	-
Guarantees and pledges received	64	45	1	-	-	18
Other	48	27	12	5	4	-
Total	**5,770**	**4,983**	**3,575**	**2,773**	**2,422**	**236**

(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, 2013.
(c) Related to the Group's operational activities. Nominal amount of the undrawn portion as of December 31, 2013.

Commitments given and received in 2012

Commitments given *(in € millions)*	Total	2013	2014	2015	2016	2017 and after
		Amount of financial flows for the year				
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 *(in € millions)*	2012	2013	2014	2015	2016	2017
	Commitments as of December 31 of each year					
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 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 2013. 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 2014

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 2013 fiscal year.

Subsequent events

Danone sets terms for continued partnership with Fonterra and initiates legal proceedings

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

Danone is also initiating proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring all facts to light and to obtain compensation for the harm it has suffered.

Implementation of a liquidity contract

As of January 17, 2014 and for a period of one year automatically renewable, DANONE requested, on January 16, 2014, Rothschild & Cie Banque to implement a liquidity contract in accordance with the Charter of ethics established by the AMAFI and approved by the decision of the AMF March 21, 2011.

For the implementation of this contract, 120,000 shares of DANONE have been allocated to the liquidity account.

Danone raises its stake in China's leading dairy company Mengniu

On February 12, 2014, Danone announced an agreement, together with COFCO Dairy Investments, to subscribe a reserved rights issue by China's leading dairy company Mengniu, raising its interest in this company from 4.0% to 9.9% for an investment of €486 million. The transaction makes Danone the second largest shareholder in Mengniu, and follows on from agreements signed on May 20, 2013 with Mengniu and with COFCO, China's largest state-owned food company.

In parallel, COFCO, Danone and Arla – Mengniu's three core shareholders – will combine their stakes (16.3%, 9.9% and 5.3%, respectively) within COFCO Dairy Investments, a jointly-owned company pooling all three shareholders' interests in the governance of Mengniu. The transaction is subject to the approval of Mengniu's shareholders, and is expected to be finalized within the next few months.

Other events

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 19, 2014, the date on which the Board of Directors approved the 2013 consolidated financial statements.

Profit forecasts or estimates

Financial outlook for 2014

The Group assumes that consumer demand will remain similar to 2013, with sluggish trends in Europe, significant carry-over of milk price inflation and persistently high exchange-rate volatility in emerging markets, resulting in higher inflation in those countries.

In response, Danone will continue to deploy action plans already under way in Europe—updating its product portfolio and sharpening its competitive edge—with a view to stabilizing its performances in the region by the end of 2014. The Group will also build on its strong momentum in markets outside Europe to continue growth in emerging countries and North America, and to manage rising inflationary pressures as appropriate. Finally, the Group will focus on rebuilding its baby nutrition positions in Asia, in particular through product launches and brand extensions, favoring solid, lasting growth over speed.

Due to this rebuilding effort and to 2013 bases for comparison, organic growth in sales and operating margin will vary widely from one half to the next in 2014. The Group thus anticipates a return to strong, sustainable, profitable growth beginning in the second half.

Danone has set the following targets for full-year 2014:

- like-for-like sales growth of between +4.5% and +5.5% (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*);
- trading operating margin stable on like-for-like basis within a range of -20 bps and +20 bps (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*), reflecting the flexibility that the Group seeks to manage its operations, in particular for its early life nutrition business in Asia;
- free cash-flow of around €1.5 billion excluding exceptional items (see definition of this indicator in section 3.6 *Financial indicators not defined by IFRS*).

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 will continue throughout the year and will not improve or deteriorate significantly with an increased risk of inflation in emerging countries;
- raw materials price increases will continue, partly linked to an unfavorable basis of comparison of milk price;
- the Group's revenue growth will continue to be primarily driven by development of its product categories, in particular in emerging countries and in North America and by a product mix improving policy;
- the Group will continue to pursue its policy of focusing on sustained productivity and using selective pricing, in 2014, 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 2014, 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, 2013. 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, 2013.

This report is issued solely for the purposes of filing the 2013 Registration Document with the French securities regulator (Autorité des marches 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 20, 2014

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

2014 financial communication calendar

February 20, 2014	2013 Final results
April 15, 2014	2014 1st quarter sales
April 29, 2014	Shareholders Annual Meeting
July 25, 2014	2014 1st half sales and results
October 15, 2014	2014 first nine months sales

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, underlying net income and underlying net income per share;
- trading operating income;
- trading operating margin;
- underlying net income;
- underlying fully diluted EPS or current net income – Group share, per share after dilution;
- 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 published 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 equal to free cash-flow and totaled €2,088 million.

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

Like-for-like changes in net sales, trading operating income, trading operating margin, current net income – Group share (or underlying net income) and current net income – Group share per share (or underlying net income per 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), (ii) changes in consolidation scope, with indicators related to considered fiscal year calculated on the basis of previous-year scope, and (iii) changes in applicable accounting principles.

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 crisis and major litigations. Furthermore, in connection with of IFRS 3 (Revised) relating to business combinations, the Group also classifies in Other operating income and expense (i) acquisition costs related to business combinations, (ii) revaluation profit or loss accounted for following a loss of control, and (iii) changes in earn-outs related to business combinations and subsequent to acquisition date.

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 (or current net income – Group share, per share after dilution) 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, in connection with of IFRS 3 (Revised), relating to business combinations, excluding (i) acquisition costs related to business combinations, and (ii) earn-outs related to business combinations and paid subsequently to acquisition date.

Free cash-flow excluding exceptional items represents free cash-flow before cash-flows related to initiatives 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.

3.7 DOCUMENTS AVAILABLE TO THE PUBLIC

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

The table below lists all of the regulated information published between January 1, 2013 and February 28, 2014:

Subject	Date	Place of consultation
Voting Rights Declaration (January 2013)	02/08/2013	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
Danone publishes its 2012 Registration Document	03/20/2013	www.danone.com, AMF, OTC
Convening to Combined Shareholders' Meeting of April 25th, 2013	04/03/2012	www.danone.com, AMF, OTC
Voting Rights Declaration (March 2013)	04/08/2013	www.danone.com, AMF, OTC
2013 First-Quarter Sales	04/16/2013	www.danone.com, AMF, OTC
2013 Annual General Meeting of Danone	04/25/2013	www.danone.com, AMF, OTC
Danone and Yakult agree on new cooperation framework to replace existing strategic alliance	04/26/2013	www.danone.com, AMF, OTC
Danone signs partnership agreement with Sirma and strengthens its position in the water market in Turkey	05/06/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (April 2013)	05/06/2013	www.danone.com, AMF, OTC
Danone acquires Happy Family, one of the fastest-growing premium organic baby food companies in the US	05/13/2013	www.danone.com, AMF, OTC
COFCO, Mengniu and Danone join forces to accelerate the development of Fresh Dairy Products in China	05/20/2013	www.danone.com, AMF, OTC
Danone launches a successful €650 million bond issue	06/03/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (May 2013)	06/06/2013	www.danone.com, AMF, OTC
Danone launches a successful €500 million bond issue	06/21/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (June 2013)	07/11/2013	www.danone.com, AMF, OTC
Danone and Starbucks announce strategic agreement to create and develop an exclusive Line of *Evolution Fresh, Inspired by Dannon*-branded Fresh Dairy Products	07/23/2013	www.danone.com, AMF, OTC
2013 First-Half Results	07/29/2013	www.danone.com, AMF, OTC
Notification of availability of Danone's 2013 interim financial report	07/29/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (July 2013)	08/06/2013	www.danone.com, AMF, OTC
Danone acquires YoCrunch, a mix-in toppings specialist, to support continued yogurt growth in the USA	08/09/2013	www.danone.com, AMF, OTC
Danone welcomes the findings of the New Zealand authorities' investigation of Fonterra which conclude that all ingredients used by Danone are in full compliance with the highest standards of quality	08/30/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (August 2013)	09/05/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (September 2013)	10/04/2013	www.danone.com, AMF, OTC
Sales in the third quarter and first nine months of 2013	10/16/2013	www.danone.com, AMF, OTC
Appointment to the Executive Committee - Marc BENOÎT named Executive Vice President, Human Resources	10/21/2013	www.danone.com, AMF, OTC
Danone to join the Abraaj Group in the acquisition of Fan Milk International, a leading dairy products player in West Africa	10/24/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (October 2013)	11/06/2013	www.danone.com, AMF, OTC
Danone launches a successful €1 billion bond issue	11/07/2013	www.danone.com, AMF, OTC
Voting Rights Declaration (November 2013)	12/04/2013	www.danone.com, AMF, OTC
Danone sets terms for continued partnership with Fonterra and initiates legal proceedings	01/08/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (December 2013)	01/09/2014	www.danone.com, AMF, OTC
Implementation of a liquidity contract	01/16/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (January 2014)	02/07/2014	www.danone.com, AMF, OTC
Danone raises its stake in China's leading dairy company Mengniu	02/12/2014	www.danone.com, AMF, OTC
2013 Full-Year Results	02/20/2014	www.danone.com, AMF, OTC
Voting Rights Declaration (February 2014)	03/06/2014	www.danone.com, AMF, OTC

FINANCIAL STATEMENTS

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4.1 CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Consolidated financial statements

Consolidated income statement and earnings per share

		Year ended December 31	
(in € millions except earnings per share in euros)	Notes	**2012**	**2013**
Net sales	6	**20,869**	**21,298**
Cost of goods sold		(10,409)	(10,977)
Selling expense		(5,474)	(5,425)
General and administrative expense		(1,746)	(1,707)
Research and Development expense		(257)	(275)
Other income (expense)	7	(25)	(105)
Trading operating income		**2,958**	**2,809**
Other operating income (expense)	8	(211)	(681)
Operating income		**2,747**	**2,128**
Interest income		75	76
Interest expense		(245)	(269)
Cost of net debt	9	(170)	(193)
Other financial income (expense)	9	(132)	(70)
Income before tax		**2,445**	**1,865**
Income tax expense	25	(712)	(604)
Net income from fully consolidated companies		**1,733**	**1,261**
Share of profit of associates	10	54	289
Net income		**1,787**	**1,550**
Non-controlling interests		(115)	(128)
Net income - Group share		**1,672**	**1,422**
Net income - Group share, per share	11	**2.78**	**2.42**
Net income - Group share, per share after dilution	11	**2.77**	**2.42**

Consolidated statement of comprehensive income

		Year ended December 31	
(in € millions)	Notes	**2012**	**2013**
Net income		**1,787**	**1,550**
Translation adjustments, net of tax		(101)	(1,464)
Actuarial gains and losses on retirement commitments	28	(140)	15
Tax effects		43	(4)
Actuarial gains and losses on retirement commitments not recycled to profit or loss, net of tax		(97)	11
Revaluation of hedging derivatives	31	(59)	89
Tax effects		20	(31)
Revaluation of hedging derivatives, net of tax		(39)	58
Revaluation of available-for-sale financial assets	15,16	(2)	119
Amount recycled to profit or loss in the current year	9	-	(52)
Tax effects		-	(3)
Revaluation of available-for-sale financial assets, net of tax		(2)	64
Other comprehensive income		-	-
Tax effects		-	-
Other comprehensive income, net of tax		-	-
Total other comprehensive income [(a)]		**(239)**	**(1,331)**
Total comprehensive income		**1,548**	**219**
Non-controlling interests		(125)	(83)
Net income - Group share		**1,423**	**136**

(a) Including € (1,342) million of impacts recycled to profit and loss as of December 31, 2013 (€ (142) million as of December 31, 2012).

Consolidated balance sheet

		As of December 31	
(in € millions)	Notes	**2012**	**2013**
Assets			
Goodwill		11,361	11,474
Brands		4,543	4,501
Other intangible assets		361	333
Intangible assets	12	16,265	16,308
Property, plant and equipment	13	4,115	4,334
Investments in associates	14	973	1,033
Investments in other non-consolidated companies	15	107	313
Long-term loans and other long-term financial assets	16	247	251
Derivative - assets		213	130
Deferred taxes	25	694	709
Non-current assets		**22,614**	**23,078**
Inventories	17	1,095	1,252
Trade receivables	18	1,902	1,809
Other receivables	19	854	916
Short-term loans		25	23
Short-term investments	20	1,748	2,862
Cash and cash equivalents		1,269	969
Assets held for sale		30	19
Current assets		**6,923**	**7,850**
Total assets		**29,537**	**30,928**

		As of December 31	
(in € millions)	Notes	**2012**	**2013**
Equity and liabilities			
Issued capital		161	158
Additional paid-in capital		3,487	2,930
Retained earnings		10,926	11,153
Cumulative transaction adjustments		(136)	(1,553)
Accumulated other comprehensive income		(254)	(123)
Treasury shares and DANONE call options [a]		(1,993)	(1,871)
Equity attributable to owners of the Company		**12,191**	**10,694**
Non-controlling interests		63	35
Equity	**21**	**12,254**	**10,729**
Financing		4,442	6,576
Derivatives - liabilities		23	12
Liabilities related to put options granted to non-controlling interests		1,881	477
Non-current financial debt	22, 23	6,346	7,065
Provisions for retirements and other long-term benefits	28	608	584
Deferred taxes	25	1,202	1,265
Other provisions and non-current liabilities	26	574	678
Non-current liabilities		**8,730**	**9,592**
Financing		1,777	2,095
Derivatives - liabilities		9	-
Liabilities related to put options granted to non-controlling interests		1,390	2,767
Current financial debt	22	3,176	4,862
Trade payables		2,941	3,248
Other current liabilities	24	2,436	2,497
Liabilities directly associated with assets classified as held for sale		-	-
Current liabilities		**8,553**	**10,607**
Total equity and liabilities		**29,537**	**30,928**

(a) DANONE call options acquired by the Company.

Consolidated statement of cash-flows

		Year ended December 31	
(in € millions)	Notes	**2012**	**2013**
Net income		**1,787**	**1,550**
Share of profit of associates		(54)	(289)
Dividends received from associates		35	27
Depreciation and amortization		670	710
Other components of net income with no cash impact	27	113	169
Other components of net income with a cash impact	27	(26)	(35)
Cash-flows provided by operating activities, including changes in net working capital		**2,525**	**2,132**
(Increase) decrease in inventories		(52)	(231)
(Increase) decrease in trade receivables		49	(15)
Increase (decrease) in trade payables		274	392
Change in other receivables and payables		62	78
Change in working capital requirements		333	224
Cash-flows provided by (used in) operating activities	**27**	**2,858**	**2,356**
Capital expenditure [a]	27	(976)	(1,039)
Proceeds from disposal of property, plant and equipment [a]		193	79
Net cash outflow on purchases of subsidiaries and financial investments	3, 4, 5	(291)	(1,246)
Net cash inflow on sales of subsidiaries and financial investments [b]	3,15	4	69
(Increase) decrease in long-term loans and other long-term assets	16	(1)	(19)
Cash-flows provided by (used in) investment activities		**(1,071)**	**(2,156)**
Increase in issued capital and additional paid-in capital	21	35	37
Purchases of treasury shares (net of disposals) and of DANONE call options [c]	21	(701)	(793)
Dividends paid to Danone shareholders	21	(835)	(848)
Transactions with non-controlling interests	27	(339)	(213)
Net cash-flows on hedging derivatives [d]		(70)	54
Bonds issued or raised during the period	22	1,530	2,900
Bonds repaid during the period	22	(173)	(193)
Increase (decrease) in other current and non-current financial debt	22	(100)	(111)
Increase (decrease) in short term investments	20	(831)	(1,176)
Cash-flows provided by (used in) financing activities		**(1,484)**	**(343)**
Effect of exchange rate changes		(61)	(157)
Increase (decrease) in cash and cash equivalents		**242**	**(300)**
Cash and cash equivalents at beginning of period		**1,027**	**1,269**
Cash and cash equivalents at end of period		**1,269**	**969**
Supplemental disclosures			
Payments during the year of			
• net interest		170	178
• income tax		633	598

(a) This expenditure relates to property, plant and equipment and intangible assets used in operations.
(b) Including net debt as of the disposal date.
(c) DANONE call options acquired by the Company.
(d) 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, 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	21	915,427	915,427		35					35		35
Decrease in issued capital												
Changes in treasury shares DANONE call options [(a)]	21		(8,225,769)						(429)	(429)		(429)
Counterpart entry to expense relating to Group performance shares and stock-options [(b)]	30					22				22		22
Dividends paid to Danone shareholders	21					(837)				(837)	2	(835)
Other transactions with non-controlling interests	21					(116)				(116)	(162)	(278)
Other changes						(7)				(7)		(7)
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 acquired by the Company.
(b) Stock-options and Group performance shares granted to certain employees and executive directors and 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, 2013		**643,162,000**	**593,330,766**	**161**	**3,487**	**10,926**	**(136)**	**(254)**	**(1,993)**	**12,191**	**63**	**12,254**
Total comprehensive income						**1,422**	**(1,417)**	**131**		**136**	**83**	**219**
Increase in issued capital	21	918,000	918,000		37					37		37
Decrease in issued capital		(13,052,000)		(3)	(594)				597	-		-
Changes in treasury shares DANONE call options [(a)]	21		(7,829,180)						(475)	(475)		(475)
Counterpart entry to expense relating to Group performance shares and stock-options [(b)]	30					19				19		19
Dividends paid to Danone shareholders	21					(848)				(848)		(848)
Other transactions with non-controlling interests	21					(350)				(350)	(111)	(461)
Other changes						(16)				(16)		(16)
As of December 31, 2013		**631,028,000**	**586,419,586**	**158**	**2,930**	**11,153**	**(1,553)**	**(123)**	**(1,871)**	**10,694**	**35**	**10,729**

(a) DANONE call options acquired by the Company.
(b) Stock-options and Group performance shares granted to certain employees and executive directors and 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, 2013 were approved by Danone's Board of Directors on February 19, 2014 and will be submitted for approval to the Shareholders' Meeting on April 29, 2014.

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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).

The main accounting principles applied by the Group are described hereafter and cover the following:

- consolidation principles and other general matters;
- consolidated income statement items;
- consolidated balance sheet items – assets;
- consolidated balance sheet items – equity and liabilities;
- other consolidated financial statement items.

Changes in accounting principles

First-time application of new accounting standards

Standards, amendments and interpretations whose application is mandatory as of January 1, 2013

- Amendment to IAS 1 on the presentation of other comprehensive income;
- IAS 19, *Employee benefits*, particularly as regards to defined benefit plans;
- IFRS 13, *Fair value measurement*;
- Amendment to IFRS 7 on disclosures concerning the offsetting of financial assets and financial liabilities.

The standards, amendments and interpretations applied since January 1, 2013 did not have a material impact on the consolidated financial statements for the year ended December 31, 2013.

Moreover, the retrospective application of Revised IAS 19 did not have a material impact on the measurement of commitments as of December 31, 2012 nor on the income statement for the year ended December 31, 2012.

Standards, amendments and interpretations whose application is not mandatory as of January 1, 2013 but which may be adopted early

- IFRS 10, *Consolidated financial statements*;
- IFRS 11, *Joint arrangements*;
- IFRS 12, *Disclosure of interests in other entities*;
- Amendments to IFRS 10, IFRS 12 and IAS 27 on investment entities;
- Revised IAS 27, *Separate financial statements*;
- Revised IAS 28, *Investments in associates*;
- Amendment to IAS 32 on the offsetting of financial assets and financial liabilities;
- Amendment to IAS 36 on the recoverable amount disclosures for non-financial assets.

The Group did not exercise the option to adopt in advance these standards, amendments and interpretations in the consolidated financial statements for the year ended December 31, 2013 and does not expect them 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.

In addition, the IASB has published standards, amendments and interpretations that could be adopted early as of January 1, 2013, but which have not yet been adopted by the European Union:

- IFRS 9, *Financial instruments*;
- IFRIC 21, *Levies*.

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

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.

Consolidation principles and other general information

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-related cost of the shares adjusted by its proportionate share of changes in the entity's net assets since its acquisition.

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 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.

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 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.

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

The Group's financial statements are presented in euros. The balance sheets of companies whose functional currency is not 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.

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 abovementioned 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 economical and financial 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.

Consolidated income statement items

Net sales

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

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

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.

Other operating income (expense)

Other operating income (expense) is defined under Recommendation 2009-R.03 of the French CNC *relative au format des états financiers des entreprises sous référentiel comptable international*, 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 (incurred or estimated) related to major crises and litigations. In addition, under the terms of Revised IFRS 3 and Revised IAS 27, the Group also presents under the heading Other operating income (expense) (i) acquisition fees related to companies over which the Group obtains control, (ii) the revaluation reserves recognized following a loss of control, and (iii) changes in contingent payments (earn-outs) subsequent to control being obtained.

Share of profit of associates

The main components of this item are:

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

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 of Net income – Group share divided by the Diluted number of shares.

The Diluted number of shares corresponds to the Number of shares increased by the net impact, when it is positive, of the following two elements:

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

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

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

Consolidated balance sheet items – assets

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 life

Acquired brands that are distinguishable, having a significant value, are supported by advertising expense, have an indefinite useful life and have been recognized in connection with business combinations since 1989 are recorded under the heading Brands in the consolidated balance sheet. The valuation of these brands is generally determined with the assistance of valuation specialists, taking into account various factors, including brand awareness and their contribution to earnings. These brands, which are legally protected, are not amortized but are tested for impairment annually or more frequently if signs of impairment exist (see hereafter).

Other brands

Other acquired brands that are deemed to have 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 life 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 elements are recognized in the balance sheet under the heading Other intangible assets:

- acquired technologies, which are generally valued with the assistance of specialized consultants and amortized over the average duration of the patents;
- acquired development costs meeting the criteria for the recognition of an intangible asset in accordance with IAS 38, *Intangible assets*, 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 on a straight line basis 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 life

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

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

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

Annual impairment testing of brands with indefinite useful life is based on an individual recoverable amount established using the royalties method, with the exception of certain brands for which the Group has a third-party valuation. In the case of the major brands, the Group re-estimates the royalty rate of the brands concerned in accordance with a method applied each year and based on the brand's parameters including awareness of the brand, its profitability, market shares, etc.

The cash-flows used to determine value in use of the CGUs or groups of CGUs and the recoverable amount of the brands with indefinite useful life 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:

- five years for the Fresh Dairy Products and Waters Divisions;
- eight years for the Early Life Nutrition and Medical Nutrition Divisions, to better reflect the expected development of the Divisions' activity on the estimation of the value in use. The Group uses projections over eight years to better reflect the Division's growth over this period, since the actual growth rate of these CGUs and groups of CGUs exceeds the long-term growth rate that the Group applies to each of these CGUs.

Future cash-flows beyond that period are extrapolated using a long-term growth rate that is specific to each CGU or group of CGUs:

- the operational assumptions used to calculate the terminal value are in line with the last year of projections described above in terms of sales and operating margin rate;
- the long-term growth rate is determined for each CGU or group of CGUs taking into account its average growth rate in recent years and its geographic area (macro-economic fundamentals, demographics, etc.).

Finally, future cash-flows are discounted using the weighted average cost of capital method, according to which the cost of debt and the after-tax cost of equity are weighted based on their respective proportions in the business sector concerned. It is calculated for the Group and increased, for certain CGUs or groups of CGUs, by a premium to take into account the risk factors affecting certain countries.

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 effective cost. They are depreciated on a straight-line basis, based on available statistics for each Group entity, over the shorter of the following lengths of time:

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

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

Investments in associates

As specified in Note 1 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, up to the limit of the share of the equity held by the Group.

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

Investments in other non-consolidated companies

Investments in other non-consolidated companies are measured as available-for-sale investments within the meaning of IAS 39, *Financial instruments: recognition and measurement*. They are recognized at fair value in the consolidated balance sheet, with changes in fair value recognized under consolidated equity in Accumulated other comprehensive income, except for unrealized losses that are considered to be significant or prolonged, which are recognized directly in profit or loss in Other financial income (expense).

Fair value of investments in other non-consolidated companies

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.

Long-term loans and other long-term financial assets

Other long-term financial assets mainly comprise bonds and money-market securities and security deposits required by the tax regulations of certain countries in which the Group operates.

Bonds and money-market securities are qualified 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*.

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.

Trade receivables

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

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.

Cash and cash equivalents

Cash and cash equivalents consist of bank accounts and cash.

Consolidated balance sheet items – equity and liabilities

Treasury shares and DANONE call options

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

DANONE call options are options held by the Company to purchase DANONE shares to hedge certain of its stock-option plans granted to certain employees and executive directors and officers. They 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 effective cost, *i.e.* the premium paid plus transaction expense, and are not subsequently remeasured.

Financing

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

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

When future cash-flows of a debt are hedged by a derivative, the change in the fair value of the 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.

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.

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.

Other consolidated financial statement items

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 to 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.

Retirement commitments 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 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 basic assumptions being set for each country and specific assumptions being set for each subsidiary. The obligation is discounted using a discount rate set for each country based on the duration of the plans (yield based on investment grade corporate bonds).

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

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

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

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

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

Other long-term benefits

Other 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 correspond to the present value of the obligations, as detailed above. They are presented under the heading Provisions for retirements and other long-term benefits.

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

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 & Scholes valuation model, based on assumptions determined by management. The corresponding charge is expensed over the vesting period (*i.e.* 2 to 4 years).

The fair value of Group performance shares is calculated on the basis of assumptions made by management. The corresponding charge is spread over the period during which the rights to shares vest (either 3 or 4 years). To the extent that performance conditions are based on internal performance, charges recognized in respect of shares that lapse due to the failure to achieve said performance conditions are written back in the income statement for the period in which it is probable they will lapse.

Derivatives

Derivatives are recognized in the consolidated balance sheet at their fair value:

- debt derivatives and hedges of net investments in foreign operations are recognized in the financial debt or current and non-current asset lines;
- foreign exchange derivatives related to operations are recognized in the heading Derivatives – assets within Other receivables or in the heading Derivatives – liabilities within Other current liabilities.

When derivatives are designated as fair value hedges, 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.

NOTE 2. HIGHLIGHTS OF THE YEAR

Highlights were detailed in the main press releases issued by the Group during 2013.

- on February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation of its organizations in Europe (see Note 32 of the Notes to the consolidated financial statements);
- on February 22, 2013, Danone announced the finalization of the increase in its interest in Centrale Laitière to 67.0% (see Note 4 of the Notes to the consolidated financial statements);
- on February 27, 2013, Danone announced the successful launch of a €750 million 5-year bond issue in euros;
- on April 26, 2013, Danone and Yakult agreed on a new cooperation framework to replace the existing strategic alliance (see Note 3 of the Notes to the consolidated financial statements);
- on May 6, 2013, Danone signed a partnership agreement with Sirma and strengthened its position in the water market in Turkey. With this partnership agreement, Danone acquired a 50.1% equity interest in Sirma, one of the leading players in the Turkish water market (see Note 3 of the Notes to the consolidated financial statements);
- on May 13, 2013, Danone acquired Happy Family, one of the fastest-growing premium organic baby food companies in the United States. The Group acquired an over 90% equity interest in Happy Family, the fourth largest contender in the U.S. baby food market (excluding milk). See Note 3 of the Notes to the consolidated financial statements;
- on May 20, 2013, COFCO, Mengniu and Danone joined forces to accelerate the development of Fresh Dairy Products in China (see Note 3 of the Notes to the consolidated financial statements);
- on June 3, 2013, Danone announced the successful launch of a €650 million 6-year bond issue in euros;
- on June 21, 2013, Danone announced the successful launch of a €500 million 10-year bond issue in euros;
- on July 23, 2013, Danone and Starbucks announced strategic agreement to create and develop an exclusive line of *Evolution Fresh, Inspired by Dannon*-branded fresh dairy products;
- on August 9, 2013, Danone announced the acquisition of YoCrunch, a mix-in toppings specialist, to support continued yogurt growth in the United States (see Note 3 of the Notes to the consolidated financial statements);
- on August 30, 2013, Danone welcomed the findings of the New Zealand authorities' investigation of Fonterra, which concluded that all ingredients used by Danone are in full compliance with the highest standards of quality. The investigation was carried out following a statement by the New Zealand government and Fonterra on August 2, 2013, warning that batches of ingredients supplied by Fonterra to four Danone plants in Asia-Pacific might be contaminated with *Clostridium botulinum* bacteria (see Note 33 of the Notes to the consolidated financial statements);

- on October 21, 2013, Danone announced the appointment to the Executive Committee, Marc BENOÎT named Executive Vice-President, Human Resources;
- on October 24, 2013, Danone and the Abraaj Group announced a partnership agreement whereby Danone will join Abraaj in the acquisition of Fan Milk International (Fan Milk), a leading dairy products player in West Africa (see Note 3 of the Notes to the consolidated financial statements);
- on November 7, 2013, Danone announced the successful launch of a €1 billion 8-year bond issue in euros.

The full press releases are available on Danone's website: http://finance.danone.com.

NOTE 3. 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, 2013 is provided in Note 36 of the Notes to the consolidated financial statements.

Acquisitions

Acquisitions resulting in control being obtained

In 2013, the main acquisitions carried out by the Group, which resulted in control being obtained, were as follows:

- acquisition on February 20, 2013 of an additional stake in Centrale Laitière (Fresh Dairy Products – Morocco), thereby increasing the Group's equity interest from 29.2% to 67.0% (see Note 4 of the Notes to the consolidated financial statements);
- acquisition on June 13, 2013 of a 50.1% equity interest in Sirma (Waters -Turkey). Sirma is active in the plain and flavored bottled waters market and in HOD (Home & Office Delivery), with sales of around €100 million. *Sirma* is one of the market's fastest-moving brands;
- acquisition on June 27, 2013 of a 91.9% equity interest in Happy Family (Early Life Nutrition – United States). Happy Family is one of the most innovative and dynamic companies in the U.S. baby food sector. Specializing in products made with organic ingredients, its sales total more than $60 million;
- acquisition on August 9, 2013 of the entire share capital of YoCrunch (Fresh Dairy Products – United States), the market leader of the yogurt with crunchy toppings packaged separately, which the company manufactures mainly through licensing agreements with well-known national brands such as *M&Ms* and *Oreo*. This acquisition will enable Danone to (i) advance its ambition to further develop yogurt consumption by notably expanding the various ways in which Americans can enjoy yogurt. It will strengthen its offer in the United States by widening its range of products and (ii) benefit from YoCrunch's unique expertise in toppings' technology. The company generates sales of around $110 million and sustained double-digit growth in recent years.

In 2012, the main acquisitions carried out by the Group that resulted in control being obtained were as follows:

- acquisition on July 26, 2012 of the Wockhardt's nutrition business in order to be present in the Indian baby food 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).

Other acquisitions

In 2013, the main acquisitions carried out by the Group that did not result in control being obtained were as follows:

- acquisition on November 26, 2013 of a 49% indirect equity interest in Fan Milk International (Fresh Dairy Products - West Africa), via a partnership with the Abraaj Group (the Abraaj Group controlling the remaining 51%), under the terms of which Danone will acquire control of the company over the coming years (via put and call options). With sales of around €120 million in 2012, Fan Milk is a leading manufacturer and distributor of frozen dairy products and juices in West Africa. The company currently operates in Ghana, Nigeria, Togo, Burkina Faso, Benin and Ivory Coast. This acquisition represents a major step in Danone's expansion in Africa. Danone already operates in North and South Africa, will now be able to develop the dairy products market in West Africa. Fan Milk is accounted for as an associate under the equity method; the put options granted by Danone and the call options Danone holds under the terms of the agreement are recognized at their fair value in accordance with IAS 39, *Financial instruments: recognition and measurement*;
- purchase of non-controlling interests in several of its subsidiaries. The main transaction concerned Danone Spain (Fresh Dairy Products – Spain): an additional 10.0% stake was purchased, increasing the Group's equity interest in the company to 75.6% as of December 31, 2013 (see Note 23 of the Notes to the consolidated financial statements).

In 2012, the Group purchased non-controlling interests in several of its subsidiaries. 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;
- Danone Canaries (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.

Disposals

Partial disposals resulting in control being lost

In 2013, the Group did not carry out any material partial disposals resulting in control being lost.

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%.

The gain or loss on these disposals was not material.

Other disposals

In 2013, in connection with acquiring control of Centrale Laitière (see Note 4 of the Notes to the consolidated financial statements), the Group sold its entire 2.61% equity interest in SNI.

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

Main other transactions carried out or in progress

On April 26, 2013, Danone and Yakult (Fresh Dairy Products – Japan) agreed on a new cooperation framework to replace the existing strategic alliance signed in 2004, which aimed at strengthening their global leadership in probiotics and accelerating the growth of both companies in the functional food market, the first phase had ended in May 2012. This new framework calls for existing collaborations to be continued and envisages extending them into areas that are more operational in nature. This framework does not modify either Danone's equity interest in Yakult or its influence and does not have any impact on the Group's consolidated financial statements, as the Company will continue to be accounted for as an associate.

On May 20, 2013, Danone announced that the Group had signed agreements with COFCO and Mengniu (Fresh Dairy Products – China: the company is listed in Hong Kong) to join forces to accelerate the development of fresh dairy products in China. Main terms and conditions of these agreements are as follows:

- pursuant to the terms and conditions of the agreement signed with COFCO, Danone will become a strategic shareholder in Mengniu, owning an indirect interest of approximately 4% initially, with an aim to increase the interest in Mengniu based on market conditions in the future, COFCO continuing to be the single largest shareholder in Mengniu;
- a framework agreement was signed with Mengniu to establish a joint-venture for the production and sale of fresh dairy products in China. The joint-venture will combine their respective assets in this category and will generate 2012 pro forma net sales of about €500 million, with an estimated market share of around 21%. Danone will own 20% and Mengniu 80% of the new joint-venture in China;
- these agreements are being implemented gradually in 2013 and 2014;
- as of December 31, 2013, the following stages had been implemented, without as yet giving Danone significant influence over Mengniu as a strategic shareholder as stipulated in the agreements with COFCO:
  - the indirect acquisition of 4% of Mengniu's share capital,
  - the appointment of a Danone director to the company's board of directors.

  As a consequence, as of December 31, 2013, the 4% stake in Mengniu held indirectly by the Group is accounted for as Investments in other non-consolidated companies and qualified as assets available for sale under the meaning of IAS 39 (see Note 15 of the Notes to the consolidated financial statements).

On February 12, 2014, Danone announced an agreement, together with COFCO Dairy Investments, to subscribe a reserved rights issue by China's leading dairy company Mengniu, raising its interest in this company from 4.0% to 9.9% for an investment of €486 million (see Note 37 of the Notes to the consolidated financial statements).

As from July 1, 2013, the Group has no longer exclusive control of Alsafi Danone (Fresh Dairy Products – Saudi Arabia) of which it holds 50.1% of the share capital and which was fully consolidated as of December 31, 2012. The governance contract giving it said exclusive control expired on that date and was not renewed. Consequently, the company has been accounted for as an associate since July 1, 2013. In accordance with Revised IAS 27, the loss of control of the company resulted in the recognition of a revaluation reserve under the heading Other operating income (expense) in the income statement for the fiscal year.

NOTE 4. ACQUISITION RESULTING IN CONTROL BEING OBTAINED OF CENTRALE LAITIÈRE AND ACCOUNTING TREATMENT FOR THE TRANSACTION

Description of the transaction

On June 27, 2012, Danone announced that it was increasing its equity interest in Centrale Laitière from 29.2% to 67.0%. Centrale Laitière is Morocco's leading dairy products company with a market share of nearly 60%. The company generates sales of around €600 million and markets products under the *Danone* brand such as *Yawmy*, *Moufid* and *Activia*.

The acquisition resulting in control being obtained was subject to approval by the relevant Moroccan authorities. It was finalized on February 20, 2013: the Group acquired an additional 37.8% equity interest and obtained control of the company for a €543 million consideration.

Furthermore, (i) the increase in Danone's shareholding to 67.0% led to subsequent additional purchases of the company's shares in the Casablanca stock market, notably through a mandatory takeover bid, and (ii) a 26.7% stake held by non-controlling interests is subject to a shareholders' agreement and put and call options with a fixed exercise price and exercise date in 2014 at subsequent periods. The transaction is not subject to a contingent payment (earn-out). Furthermore, in connection with this transaction, the Group carried out the disposal of its 2.61% equity stake in the company SNI, by exercising its put option.

In total, Danone acquired an additional 39.5% equity interest in Centrale Laitière for a total consideration of €566 million. As of December 31, 2013, the Group holds 68.7% of the shares of the company, non-controlling interests holding 31.3%.

Accounting treatment of the transaction

The Company has been fully consolidated since February 20, 2013, the remaining 31.3% not held by the Group being accounted for as a non-controlling interest, including a 26.7% stake, which is subject to a shareholders' agreement and put and call options. Pursuant to this agreement, non-controlling interests holding the 26.7% stake keep their voting rights and rights to receive dividends related to their stake, as well as two representatives on the company's board of directors.

In accordance with Revised IFRS 3, the acquisition of an additional stake in Centrale Laitière resulting in control being obtained is analyzed as follows:

- the valuation at fair value of the equity interest previously held by the Group, which resulted in a €226 million profit recognized under the Share of profit of associates heading in the consolidated income statement for the 2013 fiscal year (see Note 10 of the Notes to the consolidated financial statements);
- the acquisition resulting in control being obtained, which requires an allocation of the purchase price and the acquired assets and liabilities to be recognized at their fair value. As of December 31, 2013, this business combination was recorded on a definitive basis and resulted in the recognition of goodwill totaling €727 million;
- the net assets acquired as a result of this business combination are analyzed as follows:

	At the acquisition date
(in € millions)	**2013**
Fair value of net assets acquired at 100% [(a)]	211
Net assets attributable to non-controlling interests	(66)
Partial goodwill [(b)]	727
Fair value of the consideration being transferred [(c)]	**872**

(a) The assets acquired mainly comprise three brands with indefinite useful life (€173 million) and other property, plant and equipment and intangible assets (€240 million). The liabilities mainly comprise net debt (€48 million) and other liabilities (€135 million).
(b) Residual goodwill represents mainly the human capital, the advantages associated with the size and industrial structure and the expected synergies in terms of research and development, the pooling of expertise and industrial marketing and access for Danone to a significant distribution network in Morocco.
(c) The fair value, as of the acquisition date, of the consideration transferred comprises (i) the €566 million paid for Danone's additional 39.5% equity interest in the company and (ii) the fair value of the equity interest previously held (€306 million).

- put options are accounted for as Current financial debt for an amount of €336 million as of December 31, 2013 (see Note 22 of the Notes to the consolidated financial statements);
- acquisition-related costs incurred totaled €22 million before taxes over the period and have been recognized in the consolidated income statement under Other operating income (expense).

The disposal by Danone of its 2.61% equity interest in the company SNI, previously accounted for under Other non-consolidated investments in the consolidated financial statements, resulted in a €52 million profit, recognized under the Net financial income (expense) heading in the consolidated income statement for the year ended December 31, 2013 (see Note 9 of the Notes to the consolidated financial statements), fully recycled from equity to profit and loss.

NOTE 5. ACCOUNTING FOR OTHER ACQUISITIONS RESULTING IN CONTROL BEING OBTAINED IN 2012 AND 2013

Other acquisitions carried out in 2013

The business combinations described in Note 3 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.

The acquisitions resulting in control being obtained, other than Centrale Laitière, concerned mainly Sirma (Waters – Turkey), Happy Family (Early Life Nutrition – United States) and YoCrunch (Fresh Dairy Products – United States).

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

The main characteristics of these other acquisitions carried out in 2013 are as follows:

- they were paid for in cash;
- some of them are subject to a contingent payment (earn-out), although the total value of such payments has been estimated at zero as of December 31, 2013;
- some of them involved put options for a total of €67 million as of December 31, 2013;
- the acquisition-related costs incurred during the year totaled €14 million before taxes and have been expensed in the consolidated income statement under Other operating income (expense).

They did not have a material impact on the consolidated income statement for the year ended December 31, 2013.

The following table provides a breakdown of the total net assets acquired during 2013:

	At the acquisition date
(in € millions)	**2013**
Fair value of net assets acquired at 100%	96
Net assets attributable to non-controlling interests [(a)]	(14)
Partial goodwill [(b)] [(c)]	299
Fair value of the consideration being transferred	**381**

(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) Provisional goodwill.
(c) 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.

Finalization of the accounting treatment of the acquisitions carried out in 2012

In 2013, the Group finalized the accounting treatment of the companies acquired in 2012. This did not result in a material adjustment to the allocation of the acquisition price in the consolidated financial statements for 2013 as compared with the consolidated financial statements for 2012.

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

	At the acquisition date
(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, not applicable in 2012.
(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.

NOTE 6. 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 is defined as the trading operating income over net sales ratio;
- Free cash-flow, which represents cash-flows provided or used by operating activities less capital expenditure net of disposals and, in connection with of Revised IFRS 3, excluding (i) acquisition costs related to business combinations, and (ii) cash-flows related to earn-outs related to business combinations and paid subsequently to acquisition date;
- Free cash-flow excluding exceptional items, an indicator published by the Group since the first half of 2013, in connection with its plan to generate savings and adapt its organizations in Europe corresponding to free cash-flow before cash-flows related to initiatives that may be taken by the Group in connection with the plan;
- Net financial debt, which represents the interest-bearing portion of net debt. It corresponds to Current and non-current financial debt, excluding Liabilities related to put options granted to non-controlling interests and net of Short-term investments, Cash and cash equivalents and Derivatives – assets.

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

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, Early Life Nutrition and Medical Nutrition.

Year ended December 31

	Net Sales [a]		Trading operating income		Trading operating margin	
(in € millions except percentage)	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
Fresh Dairy Products	11,675	11,790	1,414	1,219	12.1%	10.3%
Waters	3,649	3,903	483	509	13.2%	13.0%
Early Life Nutrition	4,257	4,263	830	837	19.5%	19.6%
Medical Nutrition	1,288	1,342	231	244	18.0%	18.2%
Group Total	**20,869**	**21,298**	**2,958**	**2,809**	**14.2%**	**13.2%**

(a) Net sales to third parties.

Information by geographic area

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

Year ended December 31

	Net Sales [a]		Trading operating income		Trading operating margin	
(in € millions except percentage)	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
Europe excl. CIS [b]	8,431	8,197	1,320	1,182	15.7%	14.4%
CIS & North America [c]	4,426	4,713	452	450	10.2%	9.6%
ALMA [d]	8,012	8,388	1,186	1,177	14.8%	14.0%
Group total	**20,869**	**21,298**	**2,958**	**2,809**	**14.2%**	**13.2%**

(a) Net sales to third parties.
(b) Including €2,045 million in France in 2013 (€2,077 million in 2012).
(c) North America = United States and Canada.
(d) Asia-Pacific/Latin America/Middle-East/Africa.

In addition, in 2012 and 2013, the ten countries generating the highest net sales were as follows:

	Year ended December 31	
(in percentage)	**2012**	**2013**
Russia	10%	11%
France	10%	10%
United States	8%	8%
China	6%	7%
Indonesia	6%	6%
Spain	6%	5%
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)	**2012**	**2013**
Europe excl. CIS [(a)]	10,374	10,268
CEI & North America [(b)]	3,281	3,341
ALMA [(c)]	6,725	7,033
Group Total	**20,380**	**20,642**

(a) Including €1,783 million in France as of December 31, 2013 (€1,715 million as of December 31, 2012).
(b) North America = United States and Canada.
(c) Asia-Pacific/Latin America/Middle-East/Africa.

NOTE 7. OTHER INCOME (EXPENSE)

Other income (expense) for 2012 and 2013 can be broken down as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Employee profit-sharing	(100)	(96)
Stock-based compensation [(a)]	(22)	(19)
Capital gains on disposal of property, plant and equipment and intangible assets	116	28
Restructuring costs [(b)]	(13)	(19)
Other [(c)]	(6)	1
Total	**(25)**	**(105)**

(a) Charge corresponding to the fair value of these stock-options and Group performance shares in accordance with IFRS 2. See Note 1 of the Notes to the consolidated financial statements related to Stock-options and Group performance shares granted to certain employees and executive directors and officers.
(b) Excluding restructurings implemented in connection with the plan for savings and adaptation of the Group's organizations in Europe (see Note 32 of the Notes to the consolidated financial statements).
(c) Comprises mainly sundry taxes, translation adjustments and several other items.

In 2013, capital gains on disposal of property, plant and equipment and intangible assets resulted mainly from the sale of buildings.

In 2012, capital gains on disposal of property, plant and equipment and intangible assets resulted mainly from the sale of buildings and brands.

NOTE 8. OTHER OPERATING INCOME (EXPENSE)

In 2013, the net Other operating expense of €(681) million consisted mainly of expenses including (i) €(280) million related to the plan for savings and adaptation of the Group's organizations in Europe (see Note 32 of the Notes to the consolidated financial statements), (ii) €(201) million relating to the false safety alert issued by Fonterra in respect of some ingredients supplied to the Group in Asia (see Note 33 of the Notes to the consolidated financial statements), (iii) €(62) million relating to the impairment of brands with indefinite useful life (see Note 12 of the Notes to the consolidated financial statements), (iv) €(36) million of costs relating to acquisitions resulting in control being obtained carried out in 2013 (see Note 4 and Note 5 of the Notes to the consolidated financial statements), (v) €(34) million corresponding to Unimilk integration expenses (Fresh Dairy Products – mainly Russia and Ukraine) in accordance with the budget established at the time of the acquisition, and (vi) €(21) million paid as a result of the investigation by the Chinese national development and reform commission.

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 to 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.

NOTE 9. COST OF NET FINANCIAL DEBT AND OTHER FINANCIAL INCOME AND EXPENSE

Net financial income (expense)

The net financial income (expense) for 2012 and 2013 breaks down as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Interest income on cash, cash equivalents and short term investments	75	76
Interest expense on financial debt	(245)	(269)
Cost of net financial debt	**(170)**	**(193)**
Other financial income	5	52
Other financial expense	(137)	(122)
Other financial income or expense	**(132)**	**(70)**
Net financial income (expense)	**(302)**	**(263)**

Cost of net financial debt

Cost of net financial debt increased due to higher net financial debt than in 2012. This increase was attributable mainly to the various acquisitions made by the Group since July 1, 2012 and, more particularly, to the acquisition of the non-controlling interests of Danone Spain and the increase in the Group's stake in Centrale Laitière, as well as buybacks by the Group of 16.4 million treasury shares since that date.

In 2013, the net amount of interest paid was €193 million (€170 million in 2012). In addition, the net amount of accrued interest totaled €43 million in the year ended December 31, 2013 (€15 million in the year ended December 31, 2012).

Other financial income

In 2013, Other financial income increased by €47 million compared with 2012, due mainly to the impact of the disposal by Danone of its equity interest in SNI (Fresh Dairy Products – Morocco), resulting in a €52 million capital gain (see Note 4 of the Notes to the consolidated financial statements).

Other financial expense

In 2013 as in 2012, 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 commitments net of the expected return on plan assets of retirement commitments and other long-term benefits (see Note 28 of the Notes to the consolidated financial statements).

NOTE 10. SHARE OF PROFIT OF ASSOCIATES

The following table provides a breakdown of the Share of profit of associates for 2012 and 2013:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Share of profits of associates before gains (losses) on disposal and impairment charges	61	52
Impairment charges	-	-
Gains (losses) on disposal and revaluation and other	(7)	237
Total	**54**	**289**

In 2013, Gains (losses) on disposal and revaluation and other corresponded mainly to the €226 million revaluation surplus recognized in connection with the acquisition resulting in control being obtained of Centrale Laitière (Fresh Dairy Products – Morocco), see Note 4 of the Notes to the consolidated financial statements.

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

NOTE 11. EARNINGS PER SHARE

The following table provides a breakdown of basic and diluted Earnings per share – Group share:

	Year ended December 31		
	Net income - Group share *(in € millions)*	**Weighted average number of shares outstanding**	**Earnings per share - Group share** *(in €)*
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**
2013			
Before dilution	**1,422**	**587,411,533**	**2.42**
Stock-based compensation		1,058,044	
After dilution	**1,422**	**588,469,577**	**2.42**

The Group performance shares and stock-options granted to some employees and executive directors and officers are described in Note 30 of the Notes to the consolidated financial statements.

The manner in which they are taken into account in calculating the dilution is described in Note 1 of the Notes to the consolidated financial statements, in the section Earnings per share. The non-dilutive stock-options and Group performance shares as of December 31, 2013 could become dilutive depending, respectively, on changes in the DANONE share price and the achievement of any performance conditions.

NOTE 12. INTANGIBLE ASSETS

As of December 31, 2013, Intangible assets totaled €16,308 million (€16,265 million as of December 31, 2012). The main components are detailed hereafter.

Impairment reviews of intangible assets

As of December 31, 2013, the Group carried out a review of the value of intangible assets with indefinite useful life in accordance with the methodology, valuation model and method for determining assumptions described in Note 1 of the Notes to the consolidated financial statements, in the section Intangible assets.

Details are provided in the following table of the carrying amounts of the intangible assets with indefinite useful life 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 brands with indefinite useful life is material:

As of December 31

	Carrying amount of goodwill and brands with indefinite useful life		Long-term growth rate [h]		Discount rate after tax [h]	
(in € millions)	**2012**	**2013**	**2012**	**2013**	**2012**	**2013**
Fresh Dairy Products						
Centrale Laitière CGU	-	**893**	0.0%	0.0%	0.0%	0.0%
Danone CIS CGU [a]	559	497	3.0%	3.0%	10.8%	10.0%
Southern Europe CGU [b]	376	376	0.0%	0.0%	11.1%	10.2%
Other CGUs [c]	677	668	0 to 3%	0 to 3%	8 to 14%	8 to 14%
Total Fresh Dairy Products	**1,612**	**2,434**				
• Of which, goodwill	1,139	1,798				
• Of which, brands with indefinite useful life [d]	473	636				
Waters						
Danone Eaux France	428	428	1.0%	1.0%	8.2%	8.2%
Other CGUs [e]	332	380	0 to 3%	0 to 3%	8 to 14%	8 to 14%
Total Waters	**760**	**808**				
• Of which, goodwill	585	599				
• Of which, brands with indefinite useful life [d]	175	209				
Early Life Nutrition						
Early Life Nutrition Asia group of CGUs	3,334	2,932	2.5%	2.5%	8.1%	8.1%
Early Life Nutrition Rest of the World group of CGUs	5,725	5,323	2.5%	2.5%	8.3%	8.2%
Other CGUs	-	147				
Total Early Life Nutrition	**9,059**	**8,402**				
• Of which, goodwill	6,283	5,803				
• Of which, brands with indefinite useful life [f]	2,776	2,599				
Medical Nutrition group of CGUs	**4,277**	**4,160**	**2.5%**	**2.5%**	**7.4%**	**7.5%**
• Of which, goodwill	3,354	3,274				
• Of which, brands with indefinite useful life [g]	923	886				
Total	**15,708**	**15,804**				
• Of which, goodwill	11,361	11,474				
• Of which, brands with indefinite useful life	4,347	4,330				

(a) The Danone CIS CGU comprises mainly Russia and Ukraine.
(b) The Southern Europe CGU comprises Spain, Italy, Portugal and the Canary Islands.
(c) More than 20 CGUs, the main ones of which are the United States and Northern Europe CGU in the amounts of €84 million and €178 million respectively as of December 31, 2013.
(d) Concerns several brands, none of which is material on an individual basis.
(e) Comprises mainly the Waters Asia CGU for €119 million as of December 31, 2013.
(f) Concerns several brands, the main ones of which are *Milupa* and *Dumex* (see section hereafter Brands with indefinite useful life).
(g) Concerns several brands, the main one of which is *Nutricia* (see section hereafter Brands with indefinite useful life).
(h) For those CGUs whose recoverable amount is determined on the basis of their value in use except CGUs corresponding to companies acquired in 2013 and whose recoverable amount was estimated on the basis of the transaction value, the Group being assured that nothing was likely to call into question this valuation as of December 31, 2013.

Sensitivity analysis of goodwill of the groups of CGUs in the Early Life Nutrition and Medical Nutrition Divisions

As of December 31, 2013, the recoverable amount exceeded the carrying amount by €0.6 billion in the case of the Medical Nutrition group of CGUs, €1.5 billion in the case of the Early Life Nutrition Rest of the World group of CGUs and €3.3 billion in the case of the Early Life Nutrition Asia group of CGUs.

In addition, 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:

Year ended December 31	Impact on recoverable amount *(in € billions)*		Annual decrease that would make recoverable amount and carrying amount the same *(in percentage)*	
	2012	**2013**	**2012**	**2013**
Net sales - decrease of 50 bps [a]				
Early Life Nutrition Asia group of CGUs [b]	(0.3)	(0.2)	(14%)	(10%)
Early Life Nutrition Rest of the World group of CGUs [c]	(0.3)	(0.3)	(4%)	(3%)
Medical Nutrition group of CGUs [d]	(0.2)	(0.2)	(2%)	(2%)
Trading operating margin - decrease of 100 bps [e]				
Early Life Nutrition Asia group of CGUs [b]	(0.4)	(0.3)	(14%)	(11%)
Early Life Nutrition Rest of the World group of CGUs [c]	(0.4)	(0.4)	(4%)	(3%)
Medical Nutrition group of CGUs [d]	(0.2)	(0.3)	(3%)	(2%)
Long-term growth rate - decrease of 50 bps				
Early Life Nutrition Asia group of CGUs [b]	(0.5)	(0.3)		
Early Life Nutrition Rest of the World group of CGUs [c]	(0.4)	(0.3)		
Medical Nutrition group of CGUs [d]	(0.3)	(0.2)		
Discount rate - increase of 50 bps				
Early Life Nutrition Asia group of CGUs [b]	(0.7)	(0.3)		
Early Life Nutrition Rest of the World group of CGUs [c]	(0.6)	(0.3)		
Medical Nutrition group of CGUs [d]	(0.4)	(0.3)		

(a) Decrease applied, each year, to the assumptions concerning growth of Net sales, including the final year, on the basis of (i) the 2013 projections for the tests performed in 2012, and (ii) the 2014 projections for the tests performed in 2013.
(b) Carrying amount of €2.8 billion as of December 31, 2013.
(c) Carrying amount of €5.3 billion as of December 31, 2013.
(d) Carrying amount of €4.2 billion as of December 31, 2013.
(e) Decrease applied, each year, to the assumptions concerning Trading operating margin, including the final year, on the basis of (i) the 2013 projections for the tests performed in 2012, and (ii) the 2014 projection for the tests performed in 2013.

Goodwill of other CGUs

As of December 31, 2013, the CGUs of the Fresh Dairy Products and Waters Divisions represented in total 21% of the carrying amount of the Group's goodwill and comprised more than 30 CGUs located in diverse geographic regions and in different countries.

As of December 31, 2013, following the impairment review of intangible assets with indefinite useful life of these CGUs, the Group did not recognize any impairment provisions.

As of December 31, 2012, the Group recognized an impairment provision totaling €43 million, allocated between three CGUs in the Fresh Dairy Products and Waters Divisions.

Brands with indefinite useful life

The Group's main brands are *Dumex*, *Nutricia* and *Milupa*. As of December 31, 2013, they represented €2.8 billion, or 66% of the carrying amount of the Group's brands with indefinite useful life and none represented individually more than 35% of the carrying amount of the Group's brands with indefinite useful life. The other brands are spread over all Divisions and located in diverse geographic regions and different countries and none represented individually more than 10% of the carrying amount of the Group's brands with indefinite useful life as of December 31, 2013.

Impairment reviews of the main brands with indefinite useful life

As of December 31, 2013 and December 31, 2012, the Group carried out a review of the value of the *Dumex* (see Note 33 of the Notes to the consolidated financial statements), *Nutricia* and *Milupa* brands in accordance with the methodology and the valuation model described in Note 1 of the Notes to the consolidated financial statements, in section Intangible assets and on the basis of assumptions devised based on those of the groups of CGUs concerned. This review did not result in the recognition of any impairment provisions.

Sensitivity analysis of the main brands with indefinite useful life

An analysis of the sensitivity of the value in use to the key assumptions was carried out on each of these three brands. The key assumptions involved in the valuation model used by the Group are (i) the growth in Net sales, (ii) the royalty rate, (iii) the long-term growth rate used to calculate the terminal value, and (iv) the discount rate. The following changes, deemed reasonably possible, in the key assumptions do not alter the findings of the impairment review, *i.e.* the absence of any impairment provision:

- 100 bps decrease in Net sales (decrease applied, each year, to the assumptions concerning growth in Net sales, including the final year, on the basis of the 2014 projections);
- 50 bps decrease in the royalty rate (decrease applied, each year, to the assumptions concerning royalty rate, including the final year, on the basis of the 2014 projections);
- 50 bps decrease in the long-term growth rate;
- 50 bps increase in the discount rate.

Other brands with indefinite useful lives

As of December 31, 2013, following the impairment review of the other brands with indefinite useful lives, the Group recognized an impairment provision totaling €62 million in respect of a brand in the Early Life Nutrition Division stemming from the use of the strategic plan's new assumptions.

As of December 31, 2012, following the impairment review of the other brands with indefinite useful life, the Group did not recognize any impairment provisions.

Change in the carrying amount of Intangible assets

The composition of Intangible assets and the breakdown of the value between the gross value and amortization as of December 31, 2012 and December 31, 2013 as well as the change in their values between December 31, 2012 and December 31, 2013 are shown in the following table:

(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 [(b)]	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**
Amortization				
As of January 1, 2012	**-**	**(11)**	**(418)**	**(429)**
Charges for the year (net of disposals)	-	(3)	(48)	(51)
Changes in consolidation scope [(b)]	-	-	-	-
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) Comprises the brands with indefinite useful life and the other brands.
(b) See Note 3 and Note 36 of the Notes to the consolidated financial statements.

(in € millions)	**Goodwill**	**Brands** [(a)]	**Other intangible assets**	**Total**
Gross value				
As of January 1, 2013	**11,361**	**4,557**	**827**	**16,745**
Capital expenditure	-	-	47	47
Disposals	-	-	(10)	(10)
Changes in consolidation scope [(b)]	961	273	1	1,235
Translation adjustments	(845)	(255)	(24)	(1,124)
Impairment [(c)]	-	(62)	-	(62)
Other	(3)	4	9	10
As of December 31, 2013	**11,474**	**4,517**	**850**	**16,841**
Amortization				
As of January 1, 2013	**-**	**(14)**	**(466)**	**(480)**
Charges for the year (net of disposals)	-	(3)	(69)	(72)
Changes in consolidation scope [(b)]	-	-	-	-
Translation adjustments	-	1	12	13
Other	-	-	6	6
As of December 31, 2013	**-**	**(16)**	**(517)**	**(533)**
Carrying amount				
As of December 31, 2013	**11,474**	**4,501**	**333**	**16,308**

(a) Comprises the brands with indefinite useful life and the other brands.
(b) See Note 3 and Note 36 of the Notes to the consolidated financial statements.
(c) See section above related to Brands with indefinite useful life.

NOTE 13. 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, 2012 and 2013 as well as the change in their values between December 31, 2012 and December 31, 2013 are shown in the following table:

(in € millions)	Lands	Buildings	Machinery and equipment	Refundable containers	Other	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**
Depreciations							
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) Including property, plant and equipment acquired under finance leases. The gross amount and carrying amount of property, plant and equipment acquired under finance leases totaled €133 million and €62 million respectively as of December 31, 2012.

(in € millions)	Lands	Buildings	Machinery and equipment	Refundable containers	Other	Capital assets in progress	Total
Gross amount							
As of January 1, 2013	**270**	**1,922**	**5,205**	**274**	**708**	**600**	**8,979**
Capital expenditure [a]	14	51	167	51	38	718	1,039
Disposals	(8)	(33)	(125)	(30)	(64)	(7)	(267)
Reclassification of assets held for sale	-	-	-	-	-	-	-
Changes in consolidation scope	22	31	182	-	79	37	351
Translation adjustments	(17)	(107)	(352)	(41)	(45)	(55)	(617)
Other	14	122	425	-	57	(612)	6
As of December 31, 2013	**295**	**1,986**	**5,502**	**254**	**773**	**681**	**9,491**
Depreciations							
As of January 1, 2013	**(38)**	**(896)**	**(3,274)**	**(161)**	**(484)**	**(11)**	**(4,864)**
Charge for the year and impairment	(2)	(110)	(402)	(45)	(72)	-	(631)
Disposals	1	22	100	27	57	-	207
Reclassification of assets held for sale	-	-	-	-	-	-	-
Changes in consolidation scope	-	(10)	(71)	-	(54)	1	(134)
Translation adjustments	-	34	183	25	27	-	269
Other	-	2	(8)	-	(8)	10	(4)
As of December 31, 2013	**(39)**	**(958)**	**(3,472)**	**(154)**	**(534)**	**-**	**(5,157)**
Carrying amount							
As of December 31, 2013	**256**	**1,028**	**2,030**	**100**	**239**	**681**	**4,334**

(a) Including property, plant and equipment acquired under finance leases. The gross amount and carrying amount of property, plant and equipment acquired under finance leases totaled €100 million and €40 million respectively as of December 31, 2013.

NOTE 14. INVESTMENTS IN ASSOCIATES

Carrying amount of Investments in associates

As of December 31, 2013, the carrying amount of investments in associates was €1,033 million (€973 million as of December 31, 2012). Its main component was the Group's 20% equity interest in Yakult (Fresh Dairy Products – Japan).

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, 2012 for 2012 and interim financial statements for the six months ended September 30, 2013 for 2013).

Changes in the value 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, 2012 and 2013 and the changes in said amount during the fiscal years 2012 and 2013:

(in € millions)	Net goodwill	Group's share in net assets and income	Total
As of January 1, 2012	**345**	**685**	**1,030**
Acquisitions during the year and capital increase [(a)]	-	32	32
Disposals and other changes in consolidation scope [(a)]	2	(1)	1
Share of profit of associates	-	61	61
Dividends paid	-	(37)	(37)
Translation adjustments	(31)	(78)	(109)
Other	(5)	-	(5)
As of December 31, 2012	**311**	**662**	**973**
Acquisitions during the year and capital increase [(a)]	159	107	266
Disposals and other changes in consolidation scope [(a)]	(32)	(59)	(91)
Share of profit of associates	-	52	52
Dividends paid	-	(27)	(27)
Translation adjustments	(49)	(91)	(140)
Other	-	-	-
As of December 31, 2013	**389**	**644**	**1,033**

(a) See Note 3 and Note 36 of the Notes to the consolidated financial statements.

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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 2012 and 2013, expressed at 100%, is as follows:

Balance sheet and income statement items

(in € millions)	2012				2013			
Company	**Net sales**	**Net income**	**Shareholders' equity**	**Total**	**Net sales**	**Net income**	**Shareholders' equity**	**Total**
Yakult [(a)] - Interim financial statements for the six months ended September 30	1,575	58	2,560	4,124	1,357	84	2,152	3,639
Yakult [(a)] - Annual financial statements for the year ended March 31	3,006	128	2,302	3,626	2,620	134	2,375	3,625

(a) Published accounts, data in Japanese GAAP.

Market capitalization

	As of December 31	
(in € millions)	2012	2013
Company	**Market capitalization**	**Market capitalization**
Yakult [(a)]	5,845	6,454

(a) Danone held a 20% stake in Yakult as of December 31, 2013.

Impairment reviews for Investments in associates

As indicated in Note 1 of the Notes to the consolidated financial statements, in the section Investments in associates, 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, 2013, the value of investments in associates was estimated at €1,738 million (€1,766 million as of December 31, 2012). In 2013 as in 2012, no impairment provision was recognized.

NOTE 15. INVESTMENTS IN OTHER NON-CONSOLIDATED COMPANIES

Carrying amount of Investments in other non-consolidated companies

The following table presents the carrying amount of Investments in other non-consolidated companies as of December 31, 2012 and 2013:

	Year ended December 31			
	2012		2013	
(in € millions)	% interest	Carrying amount	% interest	Carrying amount
Mengniu [(a)]	-	-	4%	250
SNI [(b)]	2.61%	66	-	-
Other	–	41	–	63
Total		**107**		**313**

(a) Listed company. Equity interest acquired in 2013, see Note 3 and Note 37 of the Notes to the consolidated financial statements.
(b) Equity interest sold in 2013, see Note 4 of the Notes to the consolidated financial statements.

Impairment reviews of Investments in other non-consolidated companies

As indicated in Note 1 of the Notes to the consolidated financial statements, in the section Investments in other non-consolidated companies, Investments in other non-consolidated companies are measured as available-for-sale investments within the meaning of IAS 39, *Financial instruments: recognition and measurement*, *i.e.* at fair value.

As of December 31, 2013, the value of investments in non-consolidated companies totaled €313 million, including €94 million of unrealized capital gains recognized in Accumulated other comprehensive income in consolidated equity (€107 million and €66 million, respectively, as of December 31, 2012).

NOTE 16. LONG-TERM LOANS AND OTHER LONG-TERM FINANCIAL ASSETS

The following table provides a breakdown of Long-term loans and other long-term financial assets as of December 31, 2012 and 2013:

	Year ended December 31	
(in € millions)	2012	2013
Bonds and money-market investments [(a)]	104	122
danone.communities fund	20	20
Other [(b)]	88	84
Other long-term financial assets	212	226
Long-term loans	35	25
Total	**247**	**251**

(a) Bonds and money-market investments held as the counterpart to certain “damage and personal protection” provisions. As detailed in Note 1 of the Notes to the consolidated financial statements, in the section Long-term loans and other long-term financial assets, these investments are classified as available-for-sale financial assets. Their fair value, calculated on the basis of listed prices on active markets, totaled €122 million as of December 31, 2013, including €1 million of unrealized capital gains recognized in Accumulated other comprehensive income within consolidated equity.
(b) Comprises mainly guarantee deposits required by the tax regulations of some countries in which the Group operates.

NOTE 17. INVENTORIES

The carrying amount of Inventories as of December 31, 2012 and 2013 breaks down as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Goods purchased for resale	48	50
Raw materials and supplies	448	560
Semi-finished goods and work in progress	68	106
Finished goods	538	581
Non-refundable containers	60	47
Impairment provisions	(67)	(92)
Net amount	**1,095**	**1,252**

NOTE 18. TRADE RECEIVABLES

Carrying amount of Trade receivables

The carrying amount of Trade receivables as of December 31, 2012 and 2013 breaks down as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Trade account receivables	1,928	1,842
Notes receivable	36	35
Impairment provisions	(62)	(68)
Net amount	**1,902**	**1,809**

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, 2013 totaled €193 million (€139 million as of December 31, 2012).

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 situation, the Group believes that it is neither exposed to significant credit risk, nor dependent on any single customer. In 2013, sales to the Group's largest customer represented approximately 4% of the Group total (4% in 2012).

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, 2013 and December 31, 2012, 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 19. OTHER RECEIVABLES

The carrying amount of Other receivables as of December 31, 2012 and 2013 breaks down as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
State and local authorities	465	450
Social security bodies and non-operating receivables	198	210
Prepaid expense	103	106
Derivatives - assets [(a)]	1	40
Other	87	110
Total	**854**	**916**

(a) 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 20. SHORT-TERM INVESTMENTS

Carrying amount of short-term investments

The carrying amount of Short-term investments as of December 31, 2012 and 2013 is as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Money market funds	1,306	2,306
Bank deposits, negotiable debt instruments and other short-term investments	442	556
Total [(a)]	**1,748**	**2,862**

(a) As specified in Note 1 of the Notes to the consolidated financial statements in the section on Short-term investments, short-term investments are classified as assets held for trading purposes pursuant to IAS 39, *Financial instruments: recognition and measurement*, and are recognized at fair value.

Credit risk

The Group invests primarily in money market funds (French *SICAV monétaires*) or short-term money market funds (French *SICAV monétaires court terme*), which are highly liquid, diversified and not rated. Bank deposits, negotiable debt instruments and other short-term instruments are subscribed from first-tier financial institutions (see Note 31 of the Notes to the consolidated financial statements).

NOTE 21. INFORMATION ON CHANGES IN CONSOLIDATED EQUITY

As of December 31, 2013, consolidated equity totaled €10,729 million (€12,254 million as of December 31, 2012), consolidated equity attributable to owners of the Company totaled €10,694 million (€12,191 million as of December 31, 2012).

Changes in equity attributable to owners of the Company and consolidated equity in 2012 and 2013 are as follows:

		2012		2013
(in € millions)	Group share	Consolidated	Group share	Consolidated
As of January 1	**12,100**	**12,198**	**12,191**	**12,254**
Net income	1,672	1,787	1,422	1,550
Dividend paid for the previous fiscal year	(837)	(835)	(848)	(848)
Cumulative translation adjustments [(a)]	(113)	(101)	(1,417)	(1,464)
Transactions with non-controlling interests [(b)]	(116)	(278)	(350)	(461)
Transactions involving DANONE shares [(c)]	(429)	(429)	(475)	(475)
Capital increase under the Company Savings Plan for the benefit of employees of French entities [(d)]	35	35	37	37
Other comprehensive income [(e)]	(136)	(138)	131	133
Counterpart entry to expense relating to Group performance shares and stock-options [(d)]	22	22	19	19
Other	(7)	(7)	(16)	(16)
As of December 31	**12,191**	**12,254**	**10,694**	**10,729**

(a) In 2013, negative translation differences were due to the decrease in the exchange rate for several currencies against the euro, in particular the Indonesian rupiah, Russian ruble and Turkish lira.
(b) See section hereafter with respect to Transactions with non-controlling interests.
(c) See section hereafter with respect to Changes in the number of outstanding shares.
(d) See Note 30 of the Notes to the consolidated financial statements.
(e) See section hereafter with respect to Other comprehensive income - Group share.

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 separated 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, 2013, tax-free distributable earnings of the parent company Danone amounted to €1,018 million (€906 million as of December 31, 2012).

Dividends paid to Danone shareholders

The dividend for the 2012 fiscal year approved by the Shareholders' Meeting on April 25, 2013 for an amount of €1.45 per ordinary share was paid in cash on May 11, 2013.

Transactions with non-controlling interests

2012 transactions

Changes in consolidated equity related to transactions with non-controlling interests for the 2012 fiscal year are as follows:

			As of December 31
(in € millions)			**2012**
Impacts recognized directly in equity with respect to transactions with non-controlling interests	**Retained earnings - Group share**	**Non-controlling interests**	**Total equity**
Impacts specific to all non-controlling interests			
Dividends paid to non-controlling interests [(a)]	-	(202)	(202)
Changes in scope and changes in equity with no change in the relative ownership interest held by non-controlling interests (net assets attributable to non-controlling interests)	-	-	-
Other impacts specific to non-controlling interests holding put options			
New put options granted to non-controlling interests as a result of first-time consolidations [(b)]	-	-	-
Impact of changes in net assets attributable to non-controlling interests holding put options for the period [(c)] [(d)]	-	37	37
Changes in the present value of the option strike price of outstanding options	*(143)*	-	*(143)*
Changes in the present value of the option strike price of exercised options	*81*	-	*81*
Recognition in the Group share of changes in the value of net assets attributable to non-controlling interests holding put options [(d)]	*(37)*	-	*(37)*
Impact of differences between (i) changes in the value of the options, and (ii) change in the carrying amount of non-controlling interests holding put options	(99)	-	(99)
Impact of changes in the value of put options granted to non-controlling interests	(99)	37	(62)
Other impacts specific to non-controlling interests not holding put options			
Buyouts of non-controlling interests and other	(17)	3	(14)
Total	**(116)**	**(162)**	**(278)**

(a) Holders of equity interests with or without put options.
(b) Estimated impacts based on amounts as of December 31, 2012.
(c) Reclassification to liabilities.
(d) Corresponds to (i) the share of comprehensive income for the year attributable to non-controlling interests holding put options, (ii) net of dividends paid and changes in equity not affecting the relative ownership held by non-controlling interests, during the period.

2013 transactions

Changes in consolidated equity related to transactions with non-controlling interests for the 2013 fiscal year are as follows:

			As of December 31
(in € millions)			**2013**
Impacts recognized directly in equity with respect to transactions with non-controlling interests	**Retained earnings - Group share**	**Non-controlling interests**	**Total equity**
Impacts specific to all non-controlling interests			
Dividends paid to non-controlling interests [a]	-	(107)	(107)
Changes in scope and changes in equity with no change in the relative ownership interest held by non-controlling interests (net assets attributable to non-controlling interests)	-	74	74
Other impacts specific to non-controlling interests holding put options			
New put options granted to non-controlling interests as a result of first-time consolidations [c]	(332)	(71)	(403)
Impact of changes in the value of net assets attributable to non-controlling interests holding put options for the period [b] [c]	-	3	3
Changes in the present value of the option strike price of outstanding options [e]	*(79)*	-	*(79)*
Changes in the present value of the option strike price of exercised options [f]	*80*	-	*80*
Recognition in the Group share of changes in the value of net assets attributable to non-controlling interests holding put options [d]	*(3)*	-	*(3)*
Impact of differences between (i) changes in the value of the options, and (ii) change in the carrying amount of non-controlling interests holding put options	(2)	-	(2)
Impact of changes in the value of put options granted to non-controlling interests	(2)	3	1
Other impacts specific to non-controlling interests not holding put options			
Buyouts of non-controlling interests and other	(16)	(10)	(26)
Total	**(350)**	**(111)**	**(461)**

(a) Holders of equity interests with or without put options.
(b) Estimated impacts based on amounts as of December 31, 2013. See Notes 3, 4, 5 and 22 of the Notes to the consolidated financial statements.
(c) Reclassification to liabilities.
(d) Corresponds to (i) the share of comprehensive income for the year attributable to non-controlling interests holding put options, (ii) net of dividends paid and changes in equity not affecting the relative ownership held by non-controlling interests, during the period.
(e) See Note 22 of the Notes to the consolidated financial statements.
(f) See Note 23 of the Notes to the consolidated financial statements.

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 a gain of €131 million as of December 31, 2013 (compared with a loss of (€136 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 [(a)]	Revaluation of hedging derivatives, net of tax [(b)]	Revaluation of available-for-sale financial assets, net of tax [(b)]	Other comprehensive income, net of tax [(b)]	Accumulated other comprehensive income - Group share
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)**
Gross change during the period	11	89	67	-	167
Change in tax during the period	(2)	(31)	(3)	-	(36)
As of December 31, 2013	**(245)**	**(29)**	**149**	**2**	**(123)**

(a) Items not eligible for recycling to profit and loss.
(b) Items eligible for recycling to profit and loss.

Change in the number of shares in issue

Transactions and changes involving DANONE shares

In 2013, the Group carried out the following transactions involving DANONE shares:

- the buyback of 15.1 million DANONE shares to be used for acquisitions, as part of the Company's €809 million share buyback program (including 6.7 million shares to offset the dilution resulting from the use of 6,715,266 shares as payment, as described hereafter) carried out through investment service providers acting independently in connection with the Company's share buyback program;
- the payment of 6,715,266 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 Note 23 of the Notes to the consolidated financial statements);
- the contribution of 0.3 million and 0.2 million shares, respectively, as part of (i) the exercise of stock-options by their beneficiaries, and (ii) the delivery of Group performance shares granted to certain employees, executive officers and directors;
- the cancellation of 13.1 million DANONE shares totaling €597 million, offsetting the Treasury shares line item and therefore without incident on the amount of consolidated equity.

Changes in treasury shares related to transactions and their use in 2013, presented by type of Company objective, are as follows:

(in number of shares)	As of December 31, 2012	Movements during the period						As of December 31, 2013
		Purchases [a] [b]	Other transactions	Reallocations [a]	Cancellations [a]	Exercise of options [a]	Delivery of Group performance shares	
Acquisitions	31,503,419	15,043,900	(6,715,266)	(8,749,629)	-	35,338	-	31,117,762
Hedging of stock-options and Group performance shares	7,747,810	-	-	497,629	-	(312,421)	(222,371)	7,710,647
Share cancellations	4,800,000	-	-	8,252,000	(13,052,000)	-	-	-
Treasury shares	**44,051,229**	**15,043,900**	**(6,715,266)**	**-**	**(13,052,000)**	**(277,083)**	**(222,371)**	**38,828,409**
Shares held by Danone Spain	5,780,005	-	-	-	-	-	-	5,780,005
Total	**49,831,234**	**15,043,900**	**(6,715,266)**	**-**	**(13,052,000)**	**(277,083)**	**-**	**44,608,414**

(a) Acquisitions and allocations (reallocations and cancellations) made pursuant to authorizations granted by the Shareholders' Meeting.
(b) Purchases allocated to the hedging of stock-options were made by exercising DANONE call options.

Changes in DANONE call options related to transactions in 2013 are as follows:

(in number of options)	As of December 31, 2012	Movements during the period			As of December 31, 2013
		Purchases	Matured options	Options exercised	
DANONE call options	**4,288,634**	**-**	**-**	**(2,267,219)**	**2,021,415**

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NOTE 22. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES AND NET DEBT

The structure of the Group's current and non-current financial liabilities as of December 31, 2012 and 2013, and the changes from December 31, 2012 to December 31, 2013 are as follows:

		Movement during the period							
(in € millions)	**As of December 31, 2012**	**Bond issue or net increase of other items**	**Bond repayment or net decrease of other items**	**Transfer to current portion**	**Translation adjustments**	**New put options**	**Exercise or expiration of put options [e]**	**Other [f]**	**As of December 31, 2013**
Bonds [a] [b]	*267*	*-*	*(193)*	*618*	*(74)*	*-*	*-*	*-*	*618*
Commercial paper [b]	*853*	*-*	*(116)*	*-*	*-*	*-*	*-*	*-*	*737*
Other financing and other debts [a] [c]	*657*	*-*	*(36)*	*61*	*(83)*	*-*	*-*	*141*	*740*
Financing [a]	1,777	-	(345)	679	(157)	-	-	141	2,095
Derivatives - liabilities [a] [b]	9	-	-	-	(9)	-	-	-	-
Financing and derivatives - liabilities [a]	1,786	-	(345)	679	(166)	-	-	141	2,095
Liabilities related to put options granted to non-controlling interests [a]	1,390	-		1,423	-	336	(509)	127	2,767
Current financial liabilities	**3,176**	**-**	**(345)**	**2,102**	**(166)**	**336**	**(509)**	**268**	**4,862**
Bonds [b] [d]	*4,295*	*2,900*	*-*	*(618)*	*(118)*	*-*	*-*	*1*	*6,460*
Other financing and other debts [c] [d]	*147*	*33*	*-*	*(61)*	*(33)*	*-*	*-*	*30*	*116*
Financing [d]	4,442	2,933	-	(679)	(151)	-	-	31	6,576
Derivatives - liabilities [b] [d]	23	-	-	-	(11)	-	-	-	12
Financing and derivatives - liabilities [d]	4,465	2,933	-	(679)	(162)	-	-	31	6,588
Liabilities related to put options granted to non-controlling interests [d]	1,881	-	-	(1,423)	-	67	-	(48)	477
Non-current financial liabilities	**6,346**	**2,933**	**-**	**(2,102)**	**(162)**	**67**	**-**	**(17)**	**7,065**
Financial liabilities	**9,522**	**2,933**	**(345)**	**-**	**(328)**	**403**	**(509)**	**251**	**11,927**

(a) Less than one year portion.
(b) Financing managed at the Company level.
(c) Subsidiaries' bank financing and other financing, liabilities related to finance leases.
(d) More than one year portion.
(e) Corresponds in the amount of €504 million to the carrying amount of Danone Spain options exercised in 2013 (see Note 23 of the Notes to the consolidated financial statements).
(f) Other movements correspond mainly to (i) the revaluation of the liability related to put options granted to non-controlling interests, including currency translation adjustments, and (ii) changes in scope, see Note 3 and Note 36 of the Notes to the consolidated financial statements.

Bonds

2013 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 in 2013:

	Year ended December 31		
	2013		
	Currency	Nominal *(in millions of currency)*	Maturity
Euro bond issue under the EMTN program	EUR	750	2018
Euro bond issue under the EMTN program	EUR	650	2019
Euro bond issue under the EMTN program	EUR	500	2023
Euro bond issue under the EMTN program	EUR	1,000	2021

In addition, three private placements under the EMTN program matured in 2013, with a total euro equivalent of €193 million (CZK 814 million and CZK 374 million, JPY 23,900 million).

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 in 2012:

	Year ended December 31		
	2012		
	Currency	Nominal *(in millions of currency)*	Maturity
Bonds issued in the United States	USD	850	2022
Euro bond issue under the EMTN program	EUR	750	2017
Private placements under the EMTN program	Multiple currencies	95	2017

In addition, two bond issues under the EMTN program matured in 2012, with a total euro equivalent of €173 million (€50 million and CHF 200 million).

Change in net debt

In 2013, the Group's net debt increased by €1,674 million to reach €7,966 million (see Note 27 of the Notes to the consolidated financial statements).

Excluding put options granted to non-controlling interests, the Group's net debt totaled €4,722 million as of December 31, 2013, up €1,701 million from the previous year. This increase was mainly due to the acquisitions carried out by Danone in 2013. They included the purchase of a portion of non-controlling interests in Danone Spain, the increased equity interest acquired in Centrale Laitière, the acquisition of a controlling interest in Sirma in Turkey, the acquisition of Happy Family and YoCrunch in the United States and strategic investments of a 4.0% equity interest in Mengniu in China and a 49% equity interest in Fan Milk in West Africa.

Net debt as of December 31, 2012 and 2013 is as follows:

	As of December 31	
(in € millions)	2012	2013
Non-current financial liabilities	6,346	7,065
Current financial liabilities	3,176	4,862
Short term investments	(1,748)	(2,862)
Cash and cash equivalents	(1,269)	(969)
Derivatives - assets	(213)	(130)
Net debt	**6,292**	**7,966**

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. The financial liabilities related to these options as of December 31, 2012 and 2013 are as follows:

	As of December 31			
(in € millions)	**2012**	**2013**	**Start of exercise period**	**Price calculation formula**
Danone Spain	1,695	1,136	At any time [(a)]	Average earnings multiple over several years
Danone CIS	976	1,079	2014	Earnings multiple
Other - non-current portion	515	140	After 2014	
Other - current portion	85	889	2014	
Other [(b)]	600	1,029		
Total	**3,271**	**3,244**		
• **Of which, non-current financial liabilities**	**1,881**	**477**		
• **Of which, current financial liabilities**	**1,390**	**2,767**		

(a) Contractually, these options may be exercised at any time. However, some beneficiaries signed a rider under the terms of which they accepted that the settlement of the amount owed by Danone and the transfer of ownership would be deferred by one year (€337 million as of December 31, 2013).
(b) Several put options with an individual amount less than or equal to 10% of the total amount of put options granted by the Group to some non-controlling interests.

The €(27) million decrease in liabilities related to put options granted to non-controlling interests in 2013 (€(351) million decrease in 2012) breaks down as follows:

(in € millions)	**2012**	**2013**
As of January 1	3,622	3,271
New put options granted to non-controlling interests as part of first-time consolidations [(a)]	-	403
Carrying amount of options exercised	(494)	(509)
Changes in the present value of the option strike price of outstanding options [(b)]	143	79
As of December 31	**3,271**	**3,244**

(a) Carrying amount as of December 31.
(b) See Note 21 of the Notes to the consolidated financial statements.

Liabilities associated with earn-out payments in connection with acquisitions of controlling interests

As of December 31, 2013, earn-out payments related to acquisitions of controlling interests were valued at zero.

As of December 31, 2012, the Group had not entered into any agreements involving earn-out payments in connection with acquisitions of controlling interests.

NOTE 23. CURRENT AND NON-CURRENT FINANCIAL LIABILITIES RELATING TO PUT OPTIONS GRANTED TO NON-CONTROLLING INTERESTS IN DANONE SPAIN

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

During the first half of 2013, the Group has repurchased a total of 1,642,618 shares from several Danone Spain minority shareholders (including 1,550,315 shares through the exercise of put options by their beneficiaries, and the remainder through direct purchases of Danone Spain shares from their holders), raising its Danone Spain shareholding from 65.6% to 75.6%. Shares were acquired in exchange for cash payments totaling €108 million and for 6,715,266 DANONE treasury shares (1.0% of Danone SA share capital). An equal number of DANONE shares has been purchased by the Group over the first six months, under its share buyback program to offset dilution resulting from this transaction.

After that share buyback, Danone Spain's shares are held (i) for 75.6% by the Group, (ii) for 22.1% by non-controlling interests with put options, (iii) for 1.0% by non-controlling interests without put options, and (iv) for 1.3% by Danone Spain.

Minority shareholders, representing around 15% of Danone Spain's share capital, have exercised their put options. The Group contested those exercises and invited the minority shareholders to continue the process of renegotiation of their put options' terms and conditions. During the first six months of 2013, these minority shareholders opted not to continue the discussion process and initiated proceedings against the Group for the purpose of execution of their put options before an arbitral tribunal. As of December 31, 2013, with the arbitration proceedings still pending and in the absence of any new developments, the purchase price requested by the minority shareholders in these procedures is the value of these options as recorded in the financial statements on that date.

Thus, as of December 31, 2013, financial liabilities related to put options granted to non-controlling interests of Danone Spain amount to €1,136 million (€1,695 million as of December 2012).

Based on these events, the share buyback, option exercises and procedures, the Group decided to maintain a portion of the remaining put options (€799 million related to the 15% of capital shares mentioned above) as short-term financial debt in its financial statements as of December 31, 2013. Put options amounting to €337 million continue to be classified as long-term financial debt, as these options are subject to a one-year payment term.

The main impacts on consolidated financial statements related to the options repurchased in 2013 are as follows:

- decrease by €504 million of the liabilities related to put options granted to non-controlling interests;
- favorable impact of €80 million on consolidated equity and the Group net debt, the transaction price paid being lower than the carrying values of these commitments, for purchases by means of put options exercises (see Note 22 of the Notes to the consolidated financial statements);
- €108 million cash-flows used in financing activities, corresponding to the portion paid in cash to non-controlling shareholders (to holders of put options and other selling shareholders) and presented in Transactions with non-controlling interests of the Consolidated statement of cash-flows;
- payment of 6.7 million of DANONE shares did not have any impact on the Consolidated statement of cash-flows. Nevertheless, as described above, an equal number of DANONE shares has been purchased by the Group over the first six months of 2013. Those purchases are presented in the item Purchases of treasury shares (net of disposals) and of DANONE call options in the Cash-flows used in financing activities of the Consolidated statement of cash-flows.

NOTE 24. OTHER CURRENT LIABILITIES

Other current liabilities as of December 31, 2012 and 2013 are as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Year-end rebates payable to customers	900	903
Personnel costs, including social charges	534	548
Taxes payable	345	279
State and local authorities	184	189
Refundable containers	94	81
Customer deposits	51	87
Derivatives - liabilities [a]	12	27
Prepayments from customers	4	7
Other	312	376
Total	**2,436**	**2,497**

(a) Corresponds to the fair value of foreign exchange hedges.

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 25. INCOME TAX

Income tax

Income before tax and income tax expense

Income before tax and the income tax expense recognized and paid out for the 2012 and 2013 fiscal years are as follows:

	Year ended December 31	
(in € millions except effective tax rate in percentage)	**2012**	**2013**
Income before tax	**2,445**	**1,865**
Current tax (expense) income	(656)	(610)
Deferred tax (expense) income	(56)	6
Current and deferred tax (expense) income	**(712)**	**(604)**
Effective tax rate	29.1%	32.4%
Amount (paid) received during the year	(633)	(598)

In 2013, the effective tax rate was 32.4%, up sharply from 2012 as a result of the overall environment of higher taxes and, particularly in France, limits on the tax deductibility of interest expense coupled with the 3% tax on dividends.

As is the case with the Group's business activity (see breakdown of sales by country in Note 6 of the Notes to the consolidated financial statements), the Group's current and deferred tax expense is also relatively well distributed across several countries, with no single dominant country.

Tax rate and tax systems

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.

With respect to French companies, the statutory tax rate for companies with sales exceeding €250 million was raised to 38% in 2013 following a temporary increase in the surtax on corporate income from 5% to 10.7%. This measure will be applied over two years, in other words through 2014. Nevertheless, the current and deferred tax rates of these companies was maintained at 34.43% since the use of tax loss carryforwards is expected to last beyond this two-year period.

Effective tax rate

In 2013, the Group's effective tax rate was 32.4% (29.1% in 2012). The difference between the effective tax rate and statutory tax rate in France of 34.43% for the 2012 and 2013 fiscal years is as follows:

	Year ended December 31	
(in percentage)	**2012**	**2013**
Statutory tax rate in France	34.4%	34.4%
Differences between French and foreign tax rates [a]	(11.0%)	(11.9%)
Tax on dividends and royalties [b]	2.1%	5.2%
Permanent differences	1.5%	2.7%
Net income and losses carried forward	1.3%	1.5%
Tax adjustments and unallocated taxes [c]	0.9%	1.2%
Impact of capital gains and losses on disposal and assets impairment	0.5%	(0.2%)
Other differences	(0.6%)	(0.5%)
Effective income tax rate	**29.1%**	**32.4%**

(a) Various countries, none of which on their own generate a significant difference with the French tax rate.
(b) Includes the impact of the 3% dividends tax (see section hereafter) as well as the share of fees, expenses and withholding taxes on dividends and royalties.
(c) In 2013, corresponds mainly to tax adjustments, unallocated taxes and net changes in tax provisions, partially offset by changes in rates.

3% dividends tax

In France, the payment of the 3% tax on dividends, created in the second amended budget for 2012, applies as of the date of the Shareholders' Meeting approving the distribution. In 2013, this tax was recognized in full as of the date of the Shareholders' Meeting, with the total amount of €26 million recognized under Income tax.

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 of the Notes to the consolidated financial statements in the section on Deferred taxes. The significant components of deferred tax assets and liabilities are as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Intangible assets and property, plant and equipment	(1,286)	(1,341)
Tax loss carryforwards [a]	434	431
Provisions for pensions and other post-employment employee benefits	157	153
Employee profit-sharing provisions	24	20
Restructuring provisions	6	23
Other	157	158
Net deferred taxes	**(508)**	**(556)**
Deferred tax assets	694	709
Deferred tax liabilities	(1,202)	(1,265)
Net deferred taxes	**(508)**	**(556)**

(a) See section hereafter related to Tax losses carried forward.

The change in net deferred taxes recorded in the consolidated balance sheet is as follows:

(in € millions)	**2012**	**2013**
As of January 1	**(417)**	**(508)**
Changes recognized in Other comprehensive income	(10)	(7)
Changes recognized in profit or loss	(56)	6
Changes in consolidation scope [a]	(16)	(84)
Other	(9)	37
As of December 31	**(508)**	**(556)**

(a) See Note 3 and Note 36 of the Notes to the consolidated financial statements.

Tax losses carryforwards

Capitalized and uncapitalized tax losses as of December 31, 2012 and 2013 are as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Tax losses - recognized portion		
Recognized tax loss carryforwards [(a)] [(b)]	1,315	1,306
Tax savings [(c)]	434	431
Tax losses - unrecognized portion		
Tax loss carryforwards and tax credits not yet used or giving rise to the recognition of deferred tax assets [(a)]	511	560
Potential tax savings	125	139

(a) Basis amount.
(b) In 2012 as in 2013, they mainly come from consolidated tax groups in France and in the United States.
(c) Corresponds to deferred tax assets based on tax losses carried forward.

At each closing, the Group reviews the unused tax losses and the amount of deferred tax assets recognized on the balance sheet.

Also, the Company and its subsidiaries may be subject to tax audits. A provision is recognized in the consolidated financial statements whenever it is probable that a tax reassessment will be made.

NOTE 26. OTHER PROVISIONS AND NON-CURRENT LIABILITIES AND LEGAL AND ARBITRATION PROCEEDINGS

Other provisions and non-current liabilities

Other provisions and non-current liabilities as of December 31 2012, and 2013 as well as the changes from December 31, 2012 to December 31, 2013 are as follows:

		Movements during the period					
(in € millions)	**As of December 31, 2012**	**Increase**	**Decrease (utilized)**	**Decrease (not utilized)**	**Translation adjustments**	**Other**	**As of December 31, 2013**
Restructuring provisions	32	111	(36)	(13)	-	1	95
Other provisions for risks and charges	530	175	(73)	(53)	(22)	10	567
Investment subsidies	12	4	-	-	-	-	16
Total	**574**	**290**	**(109)**	**(66)**	**(22)**	**11**	**678**

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 €81 million as of December 31, 2013 (€74 million as of December 31, 2012).

Changes to Other provisions and non-current liabilities for 2013 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.

As of December 31, 2013, Other provisions for risks and charges consist mainly of provisions for legal, financial and tax risks as well as provisions for multi-year variable compensation granted to some employees, with these provisions established in the context of the Group's normal course of business.

Also as of this date, the Group believes that it is not subject to risks that could, individually, have a material impact on its financial situation or profitability.

Legal and arbitration proceedings

Following the August 2, 2013 warning by the New Zealand government and Fonterra as to the possible botulism contamination of several lots of ingredients supplied by Fonterra to four Danone plants in the Asia/Pacific region, Danone is pursuing indemnification (see Note 33 of the Notes to the consolidated financial statements).

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 27. 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 of the Notes to the consolidated financial statements, the section Translating transactions in currencies other than the euro and converting financial statements of companies whose functional currency is not the euro), and (iii) changes in scope.

Cash-flows provided by (used in) operating activities

This section includes cash-flows related to (i) the Group's plan for savings and adaptation of its organizations in Europe (see Note 32 of the Notes to the consolidated financial statements), (ii) acquisition costs related to business combinations effectively paid out during the fiscal year, and (iii) earn-out related to business combinations and cashed in/out after acquisition date. In 2013, these three items totaled €(121) million, €(32) million and €0, respectively.

Other components of net income with a cash impact

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, 2012 and paid out in 2013 was €(29) million, compared with €(26) million as of December 31, 2011 and paid out in 2012.

Other components of net income with no cash impact

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

	Year ended December 31	
(in € millions)	**2012**	**2013**
(Gains) losses on disposal and impairment of property, plant and equipment [a]	(98)	(8)
Increase in (reversals of) provisions and deferred taxes	119	54
Expense relating to stock-options and Group performance shares [b]	22	19
Interest expense not yet paid	15	43
Other [c]	55	61
Total	**113**	**169**

(a) Concerns intangible assets and property, plant and equipment used for operations.
(b) See Note 30 of the Notes to the consolidated financial statements.
(c) Of which €62 million of impairment of an indefinite useful life brand as of December 31, 2013.

Cash-flows provided by (used in) investing activities

Capital expenditures continued to increase in 2013 to reach €1,039 million, or 4.9% of consolidated net sales (4.7% in 2012).

Cash-flows provided by financing activities

Acquisitions of treasury shares (net of disposals) and DANONE call options

See Note 21 of the Notes to the consolidated financial statements, the section related to Transactions and changes involving DANONE shares.

Transactions with non-controlling interests

Transactions with non-controlling interests in 2012 and 2013 are as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Buyout of non-controlling interests [a]	(137)	(121)
Dividends paid	(202)	(107)
Contribution from non-controlling interests to capital increases	-	15
Total	**(339)**	**(213)**

(a) Consists mainly of the cash payment of the buyouts of non-controlling interests in Danone Spain. See Note 23 of the Notes to the consolidated financial statements.

Bonds issued or subscribed during the fiscal year

See Note 22 of the Notes to the consolidated financial statements.

NOTE 28. 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.

The amount of obligations recognized on the balance sheet under Provisions for retirement obligations and other long-term benefits as of December 31, 2012 and 2013 is as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Defined benefit retirement plans	590	566
Other long-term benefits	18	18
Total	**608**	**584**

Defined benefit retirement plans

The Group's gross obligations related to defined benefit retirement plans identified as of December 31, 2012 and 2013 are as follows:

	As of December 31	
(in percentage)	**2012**	**2013**
Retirement plan for senior managers	33%	35%
Other	15%	15%
France	48%	50%
Germany	16%	16%
United States	6%	6%
United Kingdom	6%	6%
Indonesia	6%	5%
Ireland	5%	5%
Other [(a)]	13%	12%
Total	**100%**	**100%**

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

The Group's principal defined benefit retirement plan obligations involve the Retirement plan for senior managers in France, which was granted to certain senior managers of the Group and closed to any new beneficiaries as of December 31, 2003.

Obligations related to defined benefit plans for which provisions are recognized on the balance sheet

Provisions recognized in the consolidated financial statements as of December 31, 2012 and 2013 are as follows:

	As of December 31					
			2012			**2013**
(in € millions)	**Retirement plan for senior managers**	**Other plans**	**Total**	**Retirement plan for senior managers**	**Other plans**	**Total**
Vested rights with projected salaries	344	683	1,027	350	647	997
Fair value of plan assets	(183)	(253)	(436)	(171)	(260)	(431)
Vested rights net of fair value of plan assets	**161**	**430**	**591**	**179**	**387**	**566**
Impact of ceiling on assets	-	(1)	(1)	-	-	-
Obligations for which provisions have been recognized in the balance sheet	**161**	**429**	**590**	**179**	**387**	**566**

In addition, the total amount of contributions/benefits to be paid out in 2014 in connection with these plans is estimated at €22 million.

Actuarial assumptions

As indicated in Note 1 of the Notes to the consolidated financial statements in the section on Retirement obligations and other long-term benefits, the Group defines the actuarial assumptions by country and/or by subsidiary.

The discount rates used in 2013 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.

Retirement plan for senior managers

The main actuarial assumptions used to assess the Group's principal obligation are presented in the table hereafter:

	Year ended December 31	
	Retirement plan for senior managers	
(in percentage except ages in number of years)	**2012**	**2013**
Discount rate	3.50%	3.50%
Expected return on plan assets	5.02%	3.50%
Salary growth rate	3.00%	3.00%
Retirement age	61-65	61-65

A sensitivity analysis was performed for this plan and on the key assumption of the discount rate. A change in this rate applied to the fiscal year under review for this plan would have the following impact on the Group's gross obligation with respect to the retirement plan for senior managers:

	Year ended December 31	
	Retirement plan for senior managers	
	2012	**2013**
(in € millions)	**Increase (decrease)**	**Increase (decrease)**
Increase of 50 bps	(29)	(29)
Decrease of 50 bps	34	34

Changes in obligations for which provisions are recognized on the balance sheet

Changes in defined benefit plan obligations for which provisions are recognized on the balance sheet are as follows:

(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)
Changes in demographic assumptions	4	-	-	4
Changes in economic assumptions	148	-	-	148
Impact of actual results	3	(15)	-	(12)
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**

(in € millions)	Defined benefit obligation	Fair value of plan assets	Unrecognized past service costs	Net accrued obligation
As of January 1, 2013	**1,027**	**(436)**	**(1)**	**590**
Service cost	30	-	-	30
Interest cost	37	-	-	37
Expected return on plan assets	-	(16)	-	(16)
Other	(6)	2	-	(4)
Expense for the year	61	(14)	-	47
Payments made to retirees	(41)	23	-	(18)
Contributions to plan assets	-	(13)	-	(13)
Changes in demographic assumptions	-	-	-	-
Changes in economic assumptions	(28)	-	-	(28)
Impact of actual results	10	3	-	13
Actuarial gains and losses	(18)	3	-	(15)
Translation adjustments	(23)	6	-	(17)
Other	(9)	-	1	(8)
As of December 31, 2013	**997**	**(431)**	**-**	**566**

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 various asset classes.

Retirement plan for senior managers

Regarding the Group's principal obligation, plan assets are as follows:

	As of December 31	
	Retirement plan for senior managers	
(in € millions except percentage)	**2012**	**2013**
Fair value of plan assets	**(183)**	**(171)**
Main class of plan assets		
Debt securities [(a)] [(b)]	89%	88%
Shares [(b)]	8%	8%
Real estate and other class assets [(b)]	3%	4%

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

Defined contribution plans

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

NOTE 29. PERSONNEL

As of December 31, 2012 and 2013, the number of employees at fully consolidated companies is as follows:

	As of December 31	
	2012	**2013**
Total number of employees	**102,401**	**104,642**
By geographic area		
France	9%	8%
Rest of Europe	32%	30%
China	9%	10%
Rest of Asia-Pacific	17%	17%
North and South America	27%	26%
Africa and Middle East	6%	9%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	45%	45%
Waters	36%	36%
Early Life Nutrition	12%	12%
Medical Nutrition	6%	6%
Corporate functions	1%	1%
Total	**100%**	**100%**

NOTE 30. GROUP PERFORMANCE SHARES AND STOCK-OPTIONS GRANTED TO CERTAIN EMPLOYEES AND EXECUTIVE DIRECTORS AND OFFICERS, COMPANY SAVINGS PLAN

General principles

Group performance shares

Group performance shares (GPS) are shares in the Company that are subject to performance conditions. GPS were created in 2010 by the Shareholders' Meeting of April 22, 2010 (to replace the stock-options program, which was closed as a result). GPS are granted to the Group's executive directors and officers, members of the Executive Committee and senior managers.

Stock-options

Stock-options are options to purchase shares in the Company that were granted to certain Group executives and managers up until the Combined Shareholders' Meeting of April 22, 2010. No stock-options have been granted since then.

Group performance shares and stock-options in effect as of December 31, 2012 and 2013

The balance of Group performance share and stock-options in effect as of December 31, 2012 and 2013 is as follows:

	Year ended December 31	
(in number of shares)	**2012**	**2013**
Group performance shares		
As of January 1	**1,288,010**	**1,991,001**
Shares granted during the year	784,312	821,643
Shares that lapsed or were cancelled during the year	(81,021)	(101,855)
Shares delivered during the year	(300)	(222,371)
As of December 31	**1,991,001**	**2,488,418**
Stock-options		
As of January 1	**11,892,803**	**9,866,231**
Options that lapsed or were cancelled during the year	(395,988)	(151,037)
Options exercised during the year	(1,630,584)	(2,537,594)
As of December 31 [(a)]	**9,866,231**	**7,177,600**

(a) Of which the majority are in the money as of December 31, 2013.

Valuation and recognition of Group performance shares and stock-options

Long-term compensation in the form of Group performance shares and stock-options is valued and recognized in the Group's consolidated financial statements in accordance with IFRS 2, *Share-based payment* (see Note 1 of the Notes to the consolidated financial statements and the section Stock-options and Group performance shares) granted to certain employees and executive directors and officers.

	Year ended December 31	
(in € per share except number of shares)	**2012**	**2013**
Number of shares granted during the year	784,312	821,643
Fair value of Group performance shares granted during the year [(a)]	40.8	51.8
Average DANONE share price during the year	49.9	55.0

(a) Fair value as of the grant date.

Expense related to Group performance shares and stock-options

The expense related to Group performance shares and stock-options in the 2012 and 2013 fiscal years are as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Group performance shares	17	17
Stock-options [(a)]	5	2
Total expense	**22**	**19**

(a) All the stock-options are vested on December 31, 2013.

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 2013, under the terms of the Company Savings Plan, the Group implemented a capital increase involving 918,000 new shares issued at a price of €40.62 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 2013 under the terms of the Company Savings Plan was calculated based on a DANONE share price of €50.78, 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 31. FINANCIAL MARKET RISKS AND DERIVATIVE INSTRUMENTS

In the course of its activity, the Group is exposed to financial risks, notably foreign exchange, as well as financing and liquidity, interest rate, counterparty and securities risks.

The Group's policy consists of (i) minimizing and managing the impact that its exposure to financial market risks could have on its results and, to a lesser extent, on its balance sheet, (ii) monitoring such exposure through centralized management, then (iii) depending on the regulatory and monetary frameworks, executing financial transactions locally or centrally, and finally, (iv) using derivative instruments only for the purpose of economic hedging.

Through its Treasury and Financing Department, which is part of the Group Finance Department, the Group possesses the necessary 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 and financing report is sent to the Group Finance Department, which monitors 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 Commodities risk.

Fair value adjustment related to credit risk for derivative instruments (IFRS 13)

Valuations related to credit risk for derivative instruments are measured on the basis of historical default probabilities generated by a first-tier rating agency, to which a recovery rate is applied. As of December 31, 2013, the impact related to the adjustment recommended by IFRS 13 is immaterial.

Foreign exchange risk

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

- 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 Early Life 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 margins of certain Group subsidiaries are therefore exposed to fluctuations in exchange rates against their functional currency;
- financing activities: pursuant to its risk centralization policy, the Group manages multi-currency financings and liquidities;
- 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 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 euro.

Exposure to foreign exchange risk related to operations

The execution of the hedging policy for foreign exchange risk related to operations consists of providing the necessary hedges to subsidiaries through a centralized management system, or, in the case of subsidiaries where such hedges are legally prohibited, through a monitoring and control process.

The Group uses forward currency contracts and currency options to reduce its exposure.

As of December 31, 2013, the main hedged currencies in terms of value include the British pound, U.S. dollar, Russian ruble, Mexican peso and Brazilian real.

The Group mainly applies cash-flow hedge accounting.

Based on pending transactions as of December 31, 2013, 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 net nominal amount of the derivative instruments on the principal hedged currencies as of December 31, 2012 and 2013 is as follows:

As of December 31

(in € millions)					2012					2013
(Sales)/Purchases of currencies	**GBP**	**USD [c]**	**RUB [c]**	**MXN [c]**	**BRL [c]**	**GBP**	**USD [c]**	**RUB [c]**	**MXN [c]**	**BRL [c]**
Forward contracts, net [a]	(341)	259	(163)	(150)	(81)	(432)	230	(118)	(141)	(118)
Currency options, net [b]	(169)	(76)	-	-	-	(232)	(90)	-	-	-
Total	**(509)**	**183**	**(163)**	**(150)**	**(81)**	**(664)**	**140**	**(118)**	**(141)**	**(118)**

(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 in euro or in other currencies as counterpart.

The fair value of foreign exchange derivative instruments related to operations and the amount recognized directly in equity in respect of these instruments eligible as cash-flow hedges is as follows:

	As of December 31	
(in € millions)	**2012**	**2013**
Fair value	3	24
Of which, amount recognized in equity [(a)]	8	22

(a) Amount recognized in equity in respect of instruments designated as cash-flow hedges.

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			
		2012		**2013**
(in € millions)	**Equity**	**Gain (loss)**	**Equity**	**Gain (loss)**
10% increase in EUR				
GBP	46	(2)	54	(2)
USD [(a) (b)]	9		16	(1)
RUB [(a) (b)]	14	-	11	-
MXN [(a) (b)]	2	-	1	-
BRL [(a) (b)]	2	-	5	-
10% decrease in EUR				
GBP	(42)	(3)	(48)	(4)
USD [(a) (b)]	(5)	(2)	(13)	(2)
RUB [(a) (b)]	(17)	-	(14)	-
MXN [(a) (b)]	(2)	-	(1)	-
BRL [(a) (b)]	(3)	-	(6)	-

(a) In the case of transactions denominated in currencies other than euro, the increase or decrease in the EUR is applied simultaneously to the base currency and the secondary currency.
(b) Transactions denominated in euro or in other currencies as counterpart.

These instruments and the hedged items typically have maturities of less than one year. Consequently the cash-flows related to these instruments will, for the most part, be recognized in the consolidated income statement in 2014.

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					
			2012			2013
(in € millions)	Notional	Fair value	Of which, recognized in equity	Notional	Fair value	Of which, recognized in equity
Fair value hedge	331	146	-	138	61	-
Net investment hedge	768	35	35	277	55	55
Trading [a]	39	-	-	80	4	-
Total	**1,138**	**181**	**35**	**495**	**120**	**55**

(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.

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 reporting date would not have a significant impact on the Group's equity or net income. Changes in the foreign exchange rates of the financial instruments are offset by changes in the foreign exchange rates on loans and borrowings in hedged currencies or on net foreign investments.

Liquidity risk

Liquidity risk exposure

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

The Group may, however, take on additional debt to finance acquisitions or 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 suitable 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 liabilities (bonds, bank debt, etc.), and (ii) non-interest-bearing liabilities (liabilities on put options granted to non-controlling interests), and from payments on derivative instruments (see Note 30 of the Notes to the consolidated financial statements).

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

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

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.

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 all times, 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, 2018. As of December 31, 2013, 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 2014 to 2018 and with a principal amount of €3.4 billion. As of December 31, 2013 (as well as the previous year), the Group had not drawn on these facilities at all.

    Overall, the Group has €5.4 billion in committed credit facilities, which were unused as of December 31, 2013.
- capital markets financing:
  - Euro Medium Term Note (EMTN) financing (a €9 billion program in principal) and a bond issued in the U.S. market in June 2012 for a cumulated amount of €7,018 million as of December 31, 2013; bonds issued by the Company are disclosed on the Group's website,
  - commercial paper (*Billets de Trésorerie*): a €3 billion program, of which €737 million had been used as of December 31, 2013.

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, 2013, 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.

Lastly, the Group had available net cash through its cash and cash equivalents and short-term investments of €3.8 billion as of December 31, 2013, compared with €3.0 billion as of December 31, 2012.

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, and (ii) alternatively, its commercial paper and EMTN programs or its syndicated credit facility to optimize its financing cost while still ensuring its financial security, such that the maturity and currency of its financing raised may vary without changing the net debt level or the Group's financial security.

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, 2013, are presented hereafter with their contractual maturity dates and based on the assumption of non-renewal:

(in € millions)	**Carrying amount on consolidated balance sheet as of December 31, 2013**	**Cash-flows 2014**	**Cash-flows 2015**	**Cash-flows 2016**	**Cash-flows 2017**	**Cash-flows 2018 and after**
Bonds [(a)] [(b)]	7,078	(618)	(603)	(698)	(921)	(4,238)
Commercial Paper [(a)] [(f)]	737	(737)	-	-	-	-
Derivatives – liabilities (fair value) [(a)] [(d)] [(e)] [(i)]	12	(12)	-	-	-	-
Financial debt managed at Corporate level	7,827	(1,367)	(603)	(698)	(921)	(4,238)
Subsidiaries' bank financing and other financing [(c)]	815	(731)	(24)	(11)	(14)	(35)
Finance lease commitments [(c)] [(d)]	41	(9)	(13)	(5)	(3)	(11)
Liabilities related to put options granted to non-controlling interests [(g)]	3,244	(2,767)	(337)	(14)	-	(126)
Total debt (before flows of financial instruments other than accrued interest)	**11,927**	**(4,874)**	**(977)**	**(728)**	**(938)**	**(4,410)**
Interest on above-mentioned debt [(d)] [(h)]		(157)	(131)	(116)	(103)	(324)
Flows on derivatives [(d)] [(e)] [(h)] [(j)]		-	(5)	65	6	-

(a) Financing managed at the Company level.
(b) Flows determined on the basis of the carrying amount of the bonds as of December 31, 2013 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, 2013.
(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) Cash-flows determined on the basis of the carrying amount of the options as of December 31, 2013 and their contractual exercise date (see Note 22 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.
(j) Concerns derivative instruments on net debt, assets and liabilities.

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, 2013, the nominal value of bond financings totaled €7,018 million, and their carrying amount was €7,078 million. The difference of €60 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, 2013 are shown in the table hereafter:

(in € millions)	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	Amount available as of December 31, 2018 and after
Credit facilities [(a)]	5,361	4,911	3,563	2,768	2,418	218
Other credit facilities [(b)]	297	-	-	-	-	-

(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, 2013.
(b) Nominal amount of the portion not drawn as of December 31, 2013.

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 are either eligible to be used as hedges or not pursuant to IAS 39.

	As of December 31			
	2012		2013	
(in € millions)	Fair value	Of which, recognized in equity	Fair value	Of which, recognized in equity
Instruments classified as cash-flow hedge	(2)	(1)	(1)	(1)
Instruments not eligible for hedge accounting	3		2	
Total	**1**	**(1)**	**1**	**(1)**

Sensitivity of net income to changes in the cost of net debt resulting from changes in short-term interest rates

As of December 31, 2013, 84% 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), 148% is hedged against an increase in short-term interest rates. As of December 31, 2013, 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	
	2012	2013
(in € millions)	Gain (loss)	Gain (loss)
Increase of 25 bps	2	6
Decrease of 25 bps	(2)	(6)

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 bps 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 eligible to be used as hedges of future cash-flows;
- impacts recognized in profit or loss relate to the ineffective portion of the instruments eligible to be used as hedges of future cash-flows, as well as to the impact of the change in fair value of the instruments not qualifying as hedges.

A change of 25 bps in interest rates applied to the entire yield curve as of the reporting date and to outstanding transactions as of December 31, 2013 and 2012 would have resulted in an increase (decrease) in equity and net income of the following amounts (at constant foreign exchange rates and volatility):

	Year ended December 31			
	2012		2013	
(in € millions)	**Equity**	**Gain (loss)**	**Equity**	**Gain (loss)**
Increase of 25 bps				
Interest rate options [(a)]	-	-	-	-
Interest rate swaps [(b)], other	2	-	1	-
Sensitivity, net	**2**	**-**	**1**	**-**
Decrease of 25 bps				
Interest rate options [(a)]	-	-	-	-
Interest rate swaps [(b)], other	(2)	-	(1)	-
Sensitivity, net	**(2)**	**-**	**(1)**	**-**

(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.

As part of its business activities, the Group has financial institutions as counterparties, notably to manage its cash as well as foreign exchange and interest rate risks. The failure by one or more of these counterparties to uphold its/their commitments could adversely affect the Group's financial situation.

The Group's overall exposure to counterparty risk has been significantly reduced through the centralization of financial risks and implementation of centralization applications as well as its cash management policy of minimizing and managing surpluses.

The Group's banking policy aims to apply deposit limits per counterparty and emphasize the importance of its credit rating quality by concentrating its transactions among first-tier counterparties that (i) have credit ratings at least in the Single A category for 90% of the deposits as of December 31, 2013; (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	
(in percentage of the total fair value as of December 31) [(a)]	**2012**	**2013**
Counterparty's rating (Standard & Poor's)		
A or higher	100%	76%
BBB+	-	24%
Below BBB+	-	-

(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, 2013 can be broken down by credit rating category as follows:

	As of December 31	
(in percentage of the total fair value as of December 31) [(a)]	**2012**	**2013**
Counterparty's rating (Standard & Poor's)		
A or higher	100%	92%
BBB+	-	8%
Below BBB+	-	-

(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 18 of the Notes to the consolidated financial statements.

Securities risk

Securities risk as of December 31, 2012 and 2013 involves the following items:

	As of December 31	
	2012	**2013**
Risk on Company shares *(in millions of shares)*		
Treasury shares [(a)]	49.8	44.6
DANONE call options [(a)] [(b)]	4.3	2.0
Risk on other investments *(in € millions)*		
Investments in other non-consolidated companies [(c)]	107	313

(a) See Note 21 of the Notes to the consolidated financial statements.
(b) Stock-options DANONE acquired by the Company.
(c) See Note 15 of the Notes to the consolidated financial statements

Commodities risk

The Group's raw materials needs mainly involve:

- materials 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;
- 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 (see section hereafter). In that regard, the Group manages raw materials cost inflation through the following measures, ranked in order of importance:

- continuous improvements to productivity: the Group strives to optimize its use of raw materials (reduced waste, lighter packaging, better use of milk sub-components in its various products), and to take advantage of pooled purchasing for its various subsidiaries. In 2013, for example, the Group established a centralized purchasing unit for the Fresh Dairy Products Division other than milk;
- 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, since no financial markets exist that would make it possible to fully hedge the price volatility of the Group's main raw materials. Forward purchasing agreements are monitored at the Group level for each annual closing. In addition, with respect to the Group's two main raw materials categories (milk and dairy ingredients as well as plastics, including PET), a sensitivity analysis on the impact of their price changes on the Group's annual purchasing costs (applied simultaneously in all countries where the Group has a production activity) is presented in the following section.

Moreover, the Group's strategy increasingly relies on the upstream facets of its activity, notably its supply of raw materials, not just to manage costs but also as a genuine means of value creation and differentiation relative to the competition.

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 2013 and 2012, 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	
	2012	**2013**
(in € millions)	**Gain (loss)**	**Gain (loss)**
Increase of 5%		
Liquid milk, powdered milk and other milk-based ingredients	(157)	(167)
Plastics, including PET	(69)	(78)
Decrease of 5%		
Liquid milk, powdered milk and other milk-based ingredients	157	165
Plastics, including PET	69	78

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, 2013								
Financial assets								
Investments in other non-consolidated companies	-	313	-	-	-	313	313	1-3 (c)
Long-term loans and other long-term financial assets	-	226	25	-	-	251	251	1-3 (d)
Derivatives – assets (a)	130	-	-	-	-	130	130	2
Trade receivables (b)	-	-	1,809	-	-	1,809	1,809	-
Other receivables (b)	40	-	876	-	-	916	916	-
Short-term loans (b)	-	-	23	-	-	23	23	2
Short term investments	2,862	-	-	-	-	2,862	2,862	1-2
Cash and cash equivalents	969	-	-	-	-	969	969	1
Carrying amount of the financial assets by categories	**4,001**	**539**	**2,733**	**-**	**-**	**7,273**	**7,273**	
Financial liabilities								
Financing	-	-	-	198	6,378	6,576	6,788	2
Derivatives – liabilities (a)	-	-	-	12	-	12	12	2
Liabilities related to put options granted to non-controlling interests	-	-	-	3,244	-	3,244	3,244	3
Current financial debt	-	-	-	-	2,095	2,095	2,098	2
Trade payables (b)	-	-	-	-	3,248	3,248	3,248	-
Other current liabilities (b)	-	-	-	27	2,470	2,497	2,497	-
Carrying amount of the financial liabilities by categories				**3,481**	**14,191**	**17,672**	**17,887**	
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	2
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**	

(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 Note 15 of the Notes to the consolidated financial statements.
(d) See Note 16 of the Notes to the consolidated financial statements.

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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 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 eligible to be used as cash-flow hedges has the following impact on the Group's income statement:

	Year ended December 31			
	2012		2013	
(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]	(2)	1	5	-
Cash-flow hedges – effective portion deferred to equity in prior period and recognized in profit or loss during current period [c] [d]	(11)	(8)	74	(2)

(a) Impact 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 32. SAVINGS AND ADAPTATION PLAN FOR THE GROUP'S ORGANIZATIONS 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. On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe.

Costs relating to this plan mainly comprise (i) costs of employee-related measures (measures with respect to internal mobility, redundancy and support for departing employees), (ii) tangible and intangible asset impairment losses and (iii) other reorganization costs (notably compensation for early termination of contracts and consulting fees).

As this plan consists in a strategic restructuring, costs incurred directly in connection to the plan are accounted for as Other operating income or expense. Costs recognized in the consolidated income statement for 2013 fiscal year consist in costs (i) paid (ii) incurred or (iii) provisioned. Provisions are recognized based on the Group's current best estimate of the costs to be incurred in connection with these measures, given elements currently available to the Group

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

Costs and cash-flows related to this plan for the fiscal years 2012 and 2013 are as follows:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Costs		
Employee-related measures	-	185
Impairment of intangible assets and property, plant and equipment	-	30
Other reorganization costs	-	65
Total [(a)]	**-**	**280**
Cash-flows net of taxes [(b)]	**-**	**121**

(a) Of which, €62 million in provisions as of December 31, 2013 (no amount as of December 31, 2012).
(b) Including a tax savings calculated on the basis of the applicable tax rate in the respective countries.

NOTE 33. IMPACT OF THE FALSE SAFETY ALERT ISSUED BY FONTERRA WITH RESPECT TO CERTAIN INGREDIENTS SUPPLIED TO THE GROUP IN ASIA

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

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

These recalls have had a significant impact on the Early Life Nutrition Division's sales in Asia. Action plans were deployed to restore sales in affected markets.

Danone is currently reviewing its recourse and compensation options. Recovery plans to get sales back on track are being deployed in the countries affected and are having some impact, with the pace of recovery varying from market to market.

On January 8, 2014, the Group also announced its decision to terminate its existing supply contract with Fonterra and make any further collaboration contingent on a commitment by its supplier to full transparency and compliance with the cutting-edge food safety procedures applied to all products supplied to Danone. Danone is also initiating proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring all facts to light and to obtain compensation for the harm it has suffered (see Note 37 of the Notes to the consolidated financial statements).

Impact on the consolidated financial statements

Given this a major crisis for Asia, affecting the Group's baby food nutrition activity, the related costs are recognized under Other operating income and expense for a total amount of €201 million and correspond to the following items:

- costs resulting directly from the crisis and its management (notably product recall and destruction procedures, restructuring and re-launch plans implemented in response to the crisis), which totaled €134 million in 2013;
- idle time costs directly related to the crisis (costs of production stoppages in China induced by the crisis), which totaled €67 million in 2013.

In 2013, the costs recognized in connection with the crisis consist mainly of incurred costs.

See also Note 12 of the Notes to the consolidated financial statements, section on the Principal brands with an indefinite useful life, including *Dumex*.

NOTE 34. RELATED PARTY TRANSACTIONS

The main related parties are the associated companies, members of the Executive Committee and 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 shows the amount of receivables and payables with associated companies as of December 31, 2012 and 2013:

	As of December 31	
(in € millions)	**2012**	**2013**
Short-term and long-term loans	-	-
Operating receivables	23	7
Operating payables	-	-

Members of the Executive Committee and of the Board of Directors

The table hereafter presents compensation and benefits granted to Directors and members of the Company's Executive Committee:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Compensation paid		
Compensation paid to executive directors and officers and members to Executive Committee (a)	18.1	17.2
Attendance fees paid to Directors (b)	0.5	0.5
Total	**18.6**	**17.7**
Termination benefits	-	-
Fair value of Group performance shares granted (c)	9.8	8.3

(a) Annual and multi-year fixed and variable compensation (gross amount excluding employer contributions), of which the variable portion totals €11 million in 2013 (€12 million in 2012).
(b) Amount paid to eligible directors under the retirement plan to which they are entitled as a result of their prior service to the Group.
(c) For 2012, the carrying amount represented the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that the performance conditions had been satisfied (see Note 1 of the Notes to the consolidated financial statements related to Stock-options and Group performance shares granted to certain employees and executive officers and directors). For 2013, the reported amount takes into account the failure to satisfy the performance condition pertaining to the margin, resulting in a one-third discount applied to the value of the Group performance shares granted in July 2013.

It should also be noted that certain Directors received an annuity under the Group's supplementary retirement plan, to which they are entitled as a result of their prior service on behalf of the Group. In 2013, the aggregate amount of this benefit totaled €1.5 million (€1.5 million in 2012), paid entirely through the aforementioned supplementary retirement plan.

Also, the portion of the Group's total obligation with respect to defined benefit retirement plans applicable to executive officers and directors and members of the Company's Executive Committee is €67.2 million as of December 31, 2013 (€64.9 million as of December 31, 2012). This amount takes into account new expenses applicable in 2013 (based on the provisions of the 2012 amended budget).

No loan or guarantee was granted or established by the Company or its subsidiaries on behalf of Executive Committee members.

Related party agreements

Mrs. Isabelle SEILLIER, a managing director with J.P. Morgan Chase Group, is a member of Danone's Board of Directors.

On May 24, 2013, with effect as of July 28, 2013, the Company along with J.P. Morgan and several other banking institutions signed a second 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 the one-year extension of the syndicated facilities agreement (*i.e.* until July 28, 2018). 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 2013, the Company paid J.P. Morgan a total of €297,266 in fees related to these credit facilities (non-utilization fees).

On November 13, 2013, as part of a €1 billion bond offering under the EMTN program, the Company along with the banks responsible for placing the bond offering (including J.P. Morgan Securities PLC), entered into a subscription agreement, under whose terms these banks subscribed all of the bonds issued by the Company in order to place them immediately afterward with investors wishing to participate in the offering. In this context, the Company paid J.P. Morgan Securities PLC a commission of €333,333. The commission paid to each bank responsible for placing the bonds (including J.P. Morgan Securities PLC) is strictly proportional to the subscription commitment of the corresponding bank.

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

NOTE 35. OFF-BALANCE SHEET COMMITMENTS

Commitments given and commitments received

The Group's off-balance sheet commitments given and received arising from its operating, financing, and investing activities are as follows:

Commitments given and received in 2013

		Amount of financial flows for the year				
Commitments given *(in € millions)*	**Total**	**2014**	**2015**	**2016**	**2017**	**2018 and after**
Operating lease commitments [a]	(610)	(164)	(109)	(83)	(66)	(188)
Commitments to purchase goods and services [a]	(2,386)	(1,722)	(377)	(206)	(65)	(16)
Capital expenditure commitments [a]	(200)	(192)	(8)	-	-	-
Guarantees and pledges given	(193)	(146)	(7)	(10)	(3)	(27)
Other	(338)	(189)	(69)	(48)	(19)	(13)
Total	**(3,727)**	**(2,413)**	**(570)**	**(347)**	**(153)**	**(244)**

		Commitments as of December 31 of each year				
Commitments received *(in € millions)*	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**
Credit facilities [b]	5,361	4,911	3,563	2,768	2,418	218
Other credit facilities [c]	297	-	-	-	-	-
Guarantees and pledges received	64	45	1	-	-	18
Other	48	27	12	5	4	-
Total	**5,770**	**4,983**	**3,575**	**2,773**	**2,422**	**236**

(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, 2013.
(c) Related to the Group's operational activities. Nominal amount of the undrawn portion as of December 31, 2013.

Commitments given and received in 2012

		Amount of financial flows for the year				
Commitments given *(in € millions)*	**Total**	**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 as of December 31 of each year				
Commitments received *(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 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 2013. 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 36. MAIN GROUP COMPANIES AS OF DECEMBER 31, 2013

As of December 31, 2013, 244 companies were fully consolidated (231 in 2012) and 20 were consolidated as associates (21 in 2012).

The main acquisition and disposal transactions resulting in changes to the scope of consolidation are described in Notes 3 and 4 of the Notes to the consolidated financial statements.

Main fully consolidated companies

Main companies fully consolidated for the first time in 2013

- Centrale Laitière (Fresh Dairy Products – Morocco);
- Happy Family (Early Life Nutrition – United States);
- Sirma (Waters – Turkey);
- YoCrunch (Fresh Dairy Products – United States).

Main companies no longer fully consolidated as of December 31, 2013

- Alsafi Danone (Fresh Dairy Products – Saudi Arabia).

Main holding companies and financial companies

As of December 31, 2013, 56 holding companies and financial companies are fully consolidated. The following holding companies and financial companies are held directly by the parent company:

Main fully consolidated companies	Country	Group's control *(in %)*	Interest *(in %)*
DANONE	France	Parent company	
Holding and Financial Companies			
Danone Finance International	Belgium	100.0	100.0
Compagnie Gervais Danone	France	100.0	100.0
Danone Corporate Finance Services	France	100.0	100.0
Dan Investments	France	100.0	100.0
Danone Baby and Medical Holding	France	100.0	100.0
Holding Internationale De Boissons	France	100.0	100.0
Danone Finance Netherlands B.V.	Netherlands	100.0	100.0
Danone Singapore Holdings PTE Ltd.	Singapore	100.0	100.0
Danone Asia PTE Ltd.	Singapore	100.0	100.0

Fresh Dairy Products Division's main companies

As of December 31, 2013, 76 companies are 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	100.0	100.0
Danone Argentina SA	Argentina	99.8	99.7
NV Danone SA	Belgium	100.0	100.0
Danone Ltda.	Brazil	100.0	100.0
Danone Inc.	Canada	100.0	100.0
Danone Produits Frais France	France	100.0	100.0
Danone GmbH	Germany	100.0	100.0
Danone Spa	Italy	100.0	100.0
Danone Japan	Japan	100.0	100.0
Danone de Mexico	Mexico	100.0	100.0
Centrale Laitière	Morocco	68.7	68.7
Danone Sp. z.o.o.	Poland	100.0	100.0
OJSC Unimilk Company [(a)]	Russia	100.0	50.9
Danone Industria OOO	Russia	100.0	50.9
Danone Southern Africa Pty Ltd.	South Africa	100.0	100.0
Danone SA	Spain	76.9	76.6
Danone	Ukraine	100.0	50.9
Danone Ltd.	United Kingdom	100.0	100.0
The Dannon Company Inc.	United States	100.0	100.0
Stonyfield Farm Inc.	United States	88.6	88.0

(a) For this consolidated company, the activity is spread among several legal entities in its country.

These companies accounted for more than three-fourths of the Fresh Dairy Products Division's sales in 2013.

Waters Division's main companies

As of December 31, 2013, 29 companies are 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 SA	Argentina	100.0	100.0
Danone Waters Benelux	Belgium	100.0	100.0
Danone Ltda.	Brazil	100.0	100.0
Robust Food & Beverage Co. Ltd. [(a)]	China	92.0	92.0
Shenzhen Danone Yili Drinks Co. Ltd. [(a)]	China	100.0	100.0
Robust Drinking Water Co. Ltd. [(a)]	China	92.0	92.0
Société Anonyme des Eaux Minérales d'Evian	France	100.0	100.0
Evian Resort [(b)]	France	100.0	100.0
Danone Waters Deutschland GmbH	Germany	100.0	100.0
PT Tirta Investama	Indonesia	74.0	74.0
Bonafont SA de CV	Mexico	100.0	100.0
Danone Holding de Mexico [(a)]	Mexico	50.0	50.0
Zywiec Zdroj SA	Poland	100.0	100.0
Aguas Font Vella y Lanjaron SA	Spain	94.4	85.7
Évian-Volvic Suisse SA	Switzerland	99.7	100.0
Danone Hayat Içecek Ve Gida AS	Turkey	100.0	100.0
Sirmagrup Içecek AS	Turkey	50.1	50.1
Danone Waters (UK& Ireland) Ltd.	United Kingdom	100.0	100.0
Danone Waters of America Inc.	United States	100.0	100.0
Compania Salus SA	Uruguay	94.1	94.1

(a) For this consolidated company, the activity is spread among several legal entities in its country.
(b) Evian Resort operates the Évian casino. In that regard, it is subject to the control of the French Ministry of the Interior and all regulations that apply to gaming activities in casinos.

These companies accounted for more than three-fourths of the Waters Division's sales in 2013.

Early Life Nutrition Division's main companies

As of December 31, 2013, 55 companies are fully consolidated in the Early Life 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 %)*
Early Life Nutrition			
Nutricia-Bago SA [a]	Argentina	51.0	51.0
Nutricia Australia Pty Ltd. [a]	Australia	100.0	100.0
Support Produtos Nutricionais Ltda. [a]	Brazil	100.0	100.0
Dumex Baby Food Co. Ltd.	China	100.0	100.0
Bledina	France	100.0	100.0
Danone Baby Nutrition Africa & Overseas	France	100.0	100.0
Milupa GmbH	Germany	100.0	100.0
Danone Nutricia Early Life Nutrition (Hong Kong) Ltd.	Hong Kong	100.0	100.0
PT Sarihusada Generasi Mahardhika	Indonesia	100.0	100.0
PT Nutricia Indonesia Sejahtera	Indonesia	100.0	100.0
Mellin Spa	Italy	100.0	100.0
Danone Dumex (Malaysia) Sdn. Bhd.	Malaysia	100.0	100.0
Nutricia Nederland B.V. [a]	Netherlands	100.0	100.0
Nutricia Ltd.	New Zealand	100.0	100.0
Nutricia Polska Sp. z.o.o. [a]	Poland	100.0	50.0
OJSC Istra - Nutricia Babyfoods	Russia	99.7	99.7
Dumex Ltd.	Thailand	98.9	98.9
Numil Gida Ürünleri AS [a]	Turkey	100.0	100.0
Nutricia Middle East Dmcc	United Arab Emirates	100.0	100.0
Nutricia Ltd. [a]	United Kingdom	100.0	100.0

(a) This company also has a medical nutrition activity presented in the financial statements of the Medical Nutrition Division.

These companies accounted for more than three-fourths of the Early Life Nutrition Division's sales in 2013.

Medical Nutrition Division's main companies

As of December 31, 2013, 28 companies are 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	100.0	100.0
Nv Nutricia Belgie	Belgium	100.0	100.0
Support Produtos Nutricionais Ltda. [(a)]	Brazil	100.0	100.0
Nutricia Pharmaceutical (Wuxi) Co. Ltd.	China	100.0	100.0
Nutricia Trading (Shanghai) Co. Ltd.	China	100.0	100.0
Nutricia Nutrition Clinique S.A.S.	France	100.0	100.0
Nutricia GmbH	Germany	100.0	100.0
Nutricia Ireland Ltd. [(a)]	Ireland	100.0	100.0
Nutricia Italia SPA	Italy	100.0	100.0
Nutricia Nederland B.V. [(a)]	Netherlands	100.0	100.0
Sorgente B.V.	Netherlands	100.0	100.0
Nutricia Norge AS	Norway	100.0	100.0
Nutricia Polska Sp. z.o.o. [(a)]	Poland	100.0	50.0
Nutricia Advanced LLC	Russia	99.9	99.9
Nutricia SRL	Spain	100.0	100.0
Nutricia Nordica AB	Sweden	100.0	100.0
Numil Gida Ürünleri AS [(a)]	Turkey	100.0	100.0
Nutricia Middle East Dmcc	United Arab Emirates	100.0	100.0
Nutricia Ltd. [(a)]	United Kingdom	100.0	100.0
Nutricia North America Inc.	United States	100.0	100.0

(a) This company also has an early life nutrition activity presented in the financial statements of the Early Life Nutrition Division.

These companies accounted for more than three-fourths of the Early Life Nutrition Division's sales in 2013.

Main companies accounted for as associates using the equity method

Main companies accounted for as associates for the first time in 2013

- Alsafi Danone (Fresh Dairy Products – Saudi Arabia);
- Fan Milk international (Fresh Dairy Products – West Africa).

Main companies no longer accounted for associates as of December 31, 2013

- Centrale Laitière (Fresh Dairy Products – Morocco).

Main companies accounted for under the equity method

As of December 31, 2013, 20 companies were accounted for under the equity method. The top 10 companies in terms of the Group's share of net assets, and accounting for nearly 98% of the total net assets of companies consolidated as associates using the equity method, are as follows:

Companies accounted for as associates	Country	Group's control *(in %)*	Interest *(in %)*
Fresh Dairy Products			
Danone Murray Goulburn Pty Ltd.	Australia	50.0	50.0
Fan Milk International AS [(a)]	Denmark	49.0	49.0
Strauss Health Ltd.	Israel	20.0	20.0
Alsafi Danone Company Ltd.	Saudi Arabia	50.1	50.1
Danone Pulmuone Company Ltd.	South Korea	50.0	50.0
Société Tunisienne des Industries Alimentaires (STIAL)	Tunisia	50.0	50.0
Waters			
Yakult Danone India PVT Ltd.	India	50.0	50.0
Yakult Honsha Co. Ltd.	Japan	20.0	20.0
Société du Thermalisme Marocain	Morocco	30.0	30.0
Other			
Bagley Latino America SA	Argentina	49.0	49.0

(a) This company comprises several companies operating in West Africa.

NOTE 37. SUBSEQUENT EVENTS

Danone sets terms for continued partnership with Fonterra and initiates legal proceedings

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

Danone is also initiating proceedings in the New Zealand High Court, as well as arbitration proceedings in Singapore to bring all facts to light and to obtain compensation for the harm it has suffered (see Note 33 of the Notes to the consolidated financial statements).

Danone raises its stake in China's leading dairy company Mengniu

On February 12, 2014, Danone announced an agreement, together with COFCO Dairy Investments, to subscribe a reserved rights issue by China's leading dairy company Mengniu, raising its interest in this company from 4.0% to 9.9% for an investment of €486 million. The transaction makes Danone the second largest shareholder in Mengniu, and follows on from agreements signed on May 20, 2013 with Mengniu and with COFCO, China's largest state-owned food company.

In parallel, COFCO, Danone and Arla – Mengniu's three core shareholders – will combine their stakes (16.3%, 9.9% and 5.3%, respectively) within COFCO Dairy Investments, a jointly-owned company pooling all three shareholders' interests in the governance of Mengniu. The transaction is subject to the approval of Mengniu's shareholders, and is expected to be finalized within the next few months (see Note 3 of the Notes to the consolidated financial statements).

Other events

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 19, 2014, the date on which the Board of Directors approved the 2013 consolidated financial statements.

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, 2013, on:

- the audit of the accompanying consolidated financial statements of Danone;
- the justification of our assessments;
- the specific verification required by law.

These consolidated financial statements have been approved by the Board of Directors. Our role is to express an opinion on these consolidated financial statements based on our audit.

I. Opinion on the consolidated financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the consolidated financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the consolidated financial statements give a true and fair view of the assets and liabilities and of the financial position of the Group as at December 31, 2013, 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 presented under the "Other operating income (expense)" heading in the Consolidated income statement the impact of your company's plan for cost savings and adaptation of the Group's entities in Europe as well as that of the false alert issued by Fonterra in respect of certain ingredients supplied to your company, as described in Notes 32 and 33 of the Notes to the consolidated financial statements. Management is of the opinion that these were material items that, due to their exceptional nature, cannot be regarded as inherent to the Group's ordinary activities.

  Our work involved examining the elements making up these amounts and assessing the appropriateness, in the light of Recommendation 2009-R.03 of the French National Accounting Board (*Conseil National de la Comptabilité CNC*), of their presentation in the Consolidated income statement and of the disclosures in Notes 8, 32 and 33 of the Notes to the consolidated financial statements.
- Your company is committed to acquiring the shares held by shareholders of certain consolidated subsidiaries, should the latter wish to exercise their put options. In the absence of any specific provision under IFRS on this subject, we have verified that the accounting treatment applied and described in the section entitled *Put options granted to non-controlling interests* in Note 1 of the Notes to the consolidated financial statements was compliant with the principles of IFRS as adopted by the European Union and currently in effect.

  We also reviewed the methods adopted by your company for the valuation of the debt recognized in connection with these put options based on the information available to date. We have verified that Notes 22 and 23 of the Notes to the consolidated financial statements contain appropriate information on these put options and on the assumptions used by your company.
- Your company performed at the reporting date an impairment test on intangible assets with indefinite useful life, and also assessed whether there was any indication of impairment of other long-term assets, in accordance with the procedures described in the sections entitled *Intangible assets* and *Property, plant and equipment* in Note 1 of the Notes to the consolidated financial statements. We have reviewed the procedures for implementing this impairment test and for identifying indications of impaired value, and verified that Notes 12 and 13 of the Notes to the consolidated financial statements give appropriate information, in particular in relation to sensitivity analysis.

  As indicated in the section entitled *Use of estimates and judgments* in Note 1 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 6, 2014
The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

4.2 FINANCIAL STATEMENTS OF THE PARENT COMPANY DANONE

Financial statements of the parent company Danone

Income statement

		Year ended December 31	
(in € millions)	Notes	**2012**	**2013**
Net sales		478	520
Other income		2	2
Total operating income	**3**	**480**	**522**
Personnel costs	4	(242)	(216)
Other operating expense	5	(381)	(390)
Total operating expense		**(623)**	**(606)**
Net operating expense		**(143)**	**(84)**
Income from equity interests	6	685	964
Interest on loans and receivables and similar income		29	23
Interest on borrowings and similar expense		(225)	(242)
Other financial income (expense)		(48)	1
Net financial income	6	**441**	**746**
Net income before non-recurring items and tax		**298**	**662**
Net non-recurring income (expense)	7	32	8
Income tax	8	112	77
Net income		**442**	**747**

Balance sheet

Assets

		2012			2013
(in € millions)	Notes	Net amount	Gross amount	Depreciation, amortization and provisions	Net amount
Intangible assets		24	67	(46)	21
Tangible assets		5	27	(22)	5
Equity interests		16,976	17,045	(70)	16,975
Other long-term financial assets		2,685	2,422	(1)	2,421
Financial assets	9	19,661	19,467	(71)	19,396
Non-current assets		**19,690**	**19,561**	**(139)**	**19,422**
Short-term loans	10	162	1,125	(1)	1,124
Marketable securities	11	384	356	-	356
Cash and cash equivalents		-	1	-	1
Current assets		**546**	**1,482**	**(1)**	**1,481**
Deferrals and prepaid expense		47	136	-	136
Total assets		**20,283**	**21,179**	**(140)**	**21,039**

As of December 31

Equity and Liabilities

As of December 31

(in € millions)	Notes	2012	2013
Share capital		161	158
Additional paid-in capital		3,283	2,727
Legal reserve		4	4
Other reserves		3,781	3,781
Retained earnings		3,653	3,238
Net income for the year		442	747
Regulated provisions		1	1
Equity	12	**11,325**	**10,656**
Provisions for risks and charges	13	94	83
Bonds	14	4,486	7,106
Other financial debt	14	2,876	2,744
Other liabilities	15	1,458	297
Deferrals and accrued expense		44	153
Total equity and liabilities		**20,283**	**21,039**

Notes to the financial statements of the parent company Danone

The financial statements of the parent company Danone ("the Company") for the year ended December 31, 2013 were approved by Danone's Board of Directors on February 19, 2014 and will be submitted for approval to the Shareholders' Meeting on April 29, 2014. Danone and its consolidated subsidiaries constitute "the Group".

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NOTE 1. ACCOUNTING PRINCIPLES

The Company's financial statements are prepared in accordance with French statutory and regulatory provisions and generally accepted accounting principles.

The main accounting methods used are detailed hereafter.

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 7 years

Financial assets

Financial assets comprise Equity interests and Other long-term financial assets.

Equity interests are shares in companies, the long-term possession of which is deemed to be useful for the Company's activity, notably because it enables the Company to exercise an influence on or control over the issuing company. Investments that do not meet this definition are classified as Other long-term financial assets.

Equity interests are recognized at acquisition cost, including acquisition-related costs, which are amortized over 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.

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 (expense). Gains or losses on the disposals of equity interests are recognized as Non-recurring income (expense).

Other long-term financial assets consist mainly of a portion of the DANONE treasury shares held in connection with the authorizations given by the Shareholders' Meeting (see hereafter) and long-term loans and receivables granted by the Company.

DANONE treasury shares

DANONE shares repurchased by the Company are recognized under the heading:

- Other long-term financial assets, when they are repurchased to be cancelled or in connection with corporate acquisitions;
- Marketable securities, when they are repurchased to hedge stock-option plans granted to certain Group employees and executive directors and officers or Group performance share plans under which shares are allocated to certain Group employees and executive directors and officers subject to performance conditions.

They are recognized at acquisition cost, excluding acquisition-related costs. On disposal, the cost of the DANONE shares sold is calculated by allocation category in accordance with the weighted average cost method, this cost being calculated individually for each plan for the shares held to hedge stock-option plans or Group performance share plans.

DANONE shares recognized as Other long-term financial assets

In the case of DANONE shares recognized as Financial assets that are not to be cancelled, an impairment provision is recognized when their recoverable amount (assessed at the average price for the last month of the fiscal year) falls below their carrying amount.

DANONE shares recognized as Marketable securities

Hedging of stock-option and Group performance share plans that cannot be exercised

In the case of treasury shares allocated to hedge plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will not be met in the case of the Group performance share plans), a provision for impairment is recognized when the market value of the shares (assessed at the average price for the last month of the fiscal year) is less than their carrying amount.

Hedging of stock-option or Group performance share plans that can be exercised

In the case of treasury shares allocated to hedge plans that can be exercised (the market value of DANONE shares exceeds the option exercise price in the case of the stock-option plans or it is probable that the performance conditions will be met in the case of the Group performance share plans), a provision for impairment is not recognized. However, a provision for risks and charges is, where necessary, recognized in respect of these plans and corresponds:

- in the case of stock-option plans, to the difference between the carrying amount of the shares allocated to these plans and the exercise price set under the terms of the plan if lower;
- in the case of Group performance share plans, to the carrying amount of the shares allocated to said plans.

The provision is booked *pro rata* to the rights vesting period. It is recognized in Personnel costs in the income statement.

DANONE call options held by the Company

The DANONE call options (calls) held by the Company are allocated in full to hedge stock-option plans granted to certain employees and executive directors and officers. The premiums paid in respect of these options are recognized in Marketable securities.

Hedging of stock-option plans that cannot be exercised

In the case of call options allocated to plans that cannot be exercised (the market value of DANONE shares is less than the option exercise price set under the terms of the plan), a provision for impairment is recognized when the market value of the call options, determined by banks, is less than their carrying amount.

Hedging of stock-option plans that can be exercised

In the case of call options allocated to plans that can be exercised (the market value of DANONE shares exceeds the option exercise price set under the terms of the plan), a provision for impairment is not recognized. However, a provision for risks and charges is, where necessary, recognized in respect of these plans and corresponds to the difference between the exercise price set under the terms of the stock-option plan and the call premium paid plus the forward DANONE share price.

The provision is booked *pro rata* to the rights vesting period. It is recognized in Personnel costs in the income statement.

Loans and receivables

Loans and receivables are stated at their nominal value. An impairment provision is recognized when the recoverable amount is less than the carrying amount.

Recognition of transactions in foreign currencies

Expense and income in foreign currencies are recorded at their exchange value in euros at the date of the transaction.

Liabilities, receivables and cash denominated in foreign currencies are recorded in the balance sheet at their exchange value in euros at the year-end rate. The differences resulting from translation at this latter rate are recorded in the balance sheet in the line items Deferrals and prepaid expense and Deferrals and accrued expense in the case of liabilities and receivables. A provision for risks is recognized for non-hedged unrealized exchange losses;

Marketable securities

Marketable securities comprise a portion of the treasury shares and DANONE call options held by the Company and other investments made by the Company.

The gross value of Marketable securities corresponds to the acquisition cost excluding acquisition-related costs. When the market value of each category of securities of the same nature is lower than the acquisition cost, a provision for impairment is recognized equal to the difference. For further information about treasury shares and DANONE call options reclassified as Marketable securities, see the above section DANONE shares recognized as Marketable securities.

Bonds

Bonds consist in borrowings raised by Danone, on debt and capital markets, notably under its EMTN (Euro Medium Term Note) program, through public issues and private placements, denominated in euros or foreign currencies. Bonds denominated in foreign currencies may be maintained in those currencies or swapped into euros:

- foreign currency bonds that are not swapped into euros are recognized at their nominal value, translated at the closing exchange rate;
- foreign currency bonds that are swapped into euros are recognized at their nominal value, which continues to be translated at the historical exchange rate.

Derivatives

Danone hedges part of its bonds denominated in foreign currencies by cross-currency swaps. For each bond hedged, Danone applies hedge accounting, which involves recognizing at the historical rate (hedged rate resulting from the implementation of the cross-currency swap) the 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 the Company.

Provisions for risks and charges

Provisions are recognized for identified risks and charges of uncertain timing or amount, when the Company has an obligation to a third party and it is certain or probable that this obligation will result in a net outflow of resources for the Company.

For further information about provisions against stock-option plans and Group performance share plans, see the above section DANONE shares recognized as Marketable securities.

Retirement commitments

Supplementary retirement commitments and gratuity payments borne by the Company are presented within Off-balance sheet commitments (see Note 17 and Note 18 of the Notes to the financial statements of the parent company Danone).

NOTE 2. HIGHLIGHTS OF THE YEAR

Danone 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. On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe (see Note 7 of the Notes to the financial statements to the parent company Danone).

In 2013, the Company also carried out the following main transactions involving DANONE shares (see Note 9 of the Notes to the financial statements of the parent company Danone):

- the buyback of 15.1 million DANONE shares to be used for acquisitions, as part of the Company's share buyback program authorized by the Shareholders' Meeting of April 26, 2012 for €807 million (€809 million including acquisition-related costs of €2 million recognized in Operating expense), including 6.7 million shares to offset the dilution resulting from the use of 6,715,266 shares as payment, as described hereafter. The buyback was carried out through investment service providers acting independently in connection with the Company's share buyback program;
- the payment of 6,715,266 DANONE treasury shares as consideration for a portion of the acquisition price of Danone Spain shares acquired from that subsidiary's non-controlling shareholders;
- the cancellation of 13.1 million shares totaling €596 million (€597 million including acquisition-related costs of €1 million that had been recognized in Operating expense during the year of their purchase).

NOTE 3. OPERATING INCOME

Operating income comprises mainly the billing of direct and indirect subsidiaries for services rendered by the Company to those subsidiaries. It totaled €520 million for the year ended December 31, 2013 (€478 million for the year ended December 31, 2012).

NOTE 4. PERSONNEL COSTS AND COMPENSATION OF THE MEMBERS OF THE MANAGEMENT BODIES AND THE BOARD OF DIRECTORS

Personnel costs

Personnel costs comprise the gross compensation of the Company's employees and officers and the related social charges as well as the charges relating to the stock-option plans, Group performance share plans under which shares are allocated to certain Group employees and executive directors and officers subject to performance conditions.

Personnel costs totaled €216 million in 2013 (€241 million in 2012). Social charges totaled €66 million (€71 million in 2012).

Compensation of the members of the management bodies and the Board of Directors

The following table provides a breakdown of the Company's share of the compensation paid to the members of the Board of Directors and the Executive Committee during the 2012 and 2013 fiscal years:

	Year ended December 31	
(in € millions)	**2012**	**2013**
Compensation paid to executive directors and officers and members of the Executive Committee [(a)]	14	11
Attendance fees paid to non-executive members of the Board of Directors [(b)]	1	1
Total	**14**	**12**

(a) Recognized in Personnel costs.
(b) Recognized in Other operating expense.

See Note 17 of the Notes to the financial statements of the parent company Danone as regards to the Company's other commitments to the management bodies and Board of Directors.

NOTE 5. OTHER OPERATING EXPENSE

Other operating expense comprised mainly fees paid to external service providers and charges for rent and services provided and totaled €390 million in 2013 (€381 million in 2012).

NOTE 6. NET FINANCIAL INCOME (EXPENSE)

Net financial income totaled €746 million in 2013 (€441 million in 2012).

Income from equity interests

Income from equity interests consisted mainly of dividends received from the Company's equity interests. In 2013, these dividends amounted to €964 million (€685 million in 2012). The €279 million increase was due mainly to new dividends and the increase in certain dividends paid by certain subsidiaries in comparison with those paid in 2012.

Interest on loans and receivables and similar income

Interest on loans and receivables and similar income comprised mainly interest received on the loans and receivables granted by the Company to Zywiec Zdroj and Danone Poland and totaled €23 million in 2013 (€29 million in 2012).

Interest on borrowings and similar expense

Interest on borrowings and similar expense comprised mainly interest in respect of the following borrowings:

	As of December 31	
(in € millions)	**2012**	**2013**
Medium-term loan from and current account with Danone Finance International [a]	93	80
Bonds [a] [b]	127	161
Commercial paper [a]	5	1
Total	**225**	**242**

(a) Interest paid and accrued in respect of the fiscal year.
(b) The change during the year was due mainly to the bonds issued in 2013 (see Note 14 of the Notes to the financial statements of the parent company Danone).

Other financial income (expense)

Other financial income (expense) totaled €1 million in 2013.

In 2012, the corresponding figure was a net expense of €48 million, consisting mainly of provisions for equity investments.

NOTE 7. NET NON-RECURRING INCOME (EXPENSE)

In 2013, net non-recurring income of €8 million consisted mainly of a €33 million capital gain on the transfer to a Group company of 6,715,266 DANONE shares and non-recurring costs totaling €23 million related to the implementation of the Group's plan for savings and adaptation of its organizations in Europe (see Note 2 of the Notes to the financial statements of the parent company Danone).

In 2012, net non-recurring income of €32 million consisted mainly of the capital gain in respect of the transfer to a Group company of 6,110,039 DANONE shares.

NOTE 8. INCOME TAX

Tax group

Danone forms a tax group with the French subsidiaries in which it holds, directly or indirectly, a stake of more than 95%.

The following companies were members of the tax group in 2013:

	As of December 31, 2013
Blédina	Holding Internationale de Boissons
Compagnie Gervais Danone	Les 2 Vaches Resto
Danone Corporate Finance Services	Menervag
Danone Produits Frais France	Nutricia Nutrition Clinique S.A.S.
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 [a]	Produits Laitiers Frais Espagne
Danone Research	Société Anonyme des Eaux Minérales D'Evian
Dan Investments	Société des Eaux de Volvic
Ferminvest	Step Saint Just
Heldinvest 8	Stonyfield France

(a) The Company.

The subsidiaries that are members of the tax group recognize and pay their tax to the Company as if they were taxed separately, in compliance with the rules set by the French tax authorities.

The savings (or additional charges) – based on the difference between the sum of tax charges recorded by the different subsidiaries of the tax group and the tax charge resulting from the computation of the consolidated tax results of the tax group – are recognized in the income statement under Income tax. The amount booked in this line for 2013 relates exclusively to this difference.

At the year end, the tax group had made a taxable loss. As of December 31, 2013, tax loss carry-forwards accumulated within the tax group in France amounted to €884 million, compared to €782 million as of December 31, 2012.

Other information

In 2013, Danone paid the 3% tax on dividends, created in the second amended budget for 2012. The tax paid amounted to €26 million.

Moreover, in accordance with the provisions of Article 39.4 of the French tax code (*Code Général des Impôts – CGI*), in 2012 Danone recognized €426,771 in respect of passenger vehicle depreciation and rental under taxable income.

The application of Article 39.5 of the CGI did not result in any amounts recognized under taxable income in 2013.

As of December 31, 2013, items likely to result in a reduction of future tax liabilities consisted mainly of accrued charges. They totaled €149 million and would reduce future tax charges by €57 million.

NOTE 9. FINANCIAL ASSETS

The following table provides a breakdown of the carrying amount of Financial assets as of December 31, 2012 and 2013 and the changes in said carrying amount during the year ended December 31, 2013:

(in € millions)	As of December 31, 2012	Movements during the period			As of December 31, 2013
		Increase	Decrease	Reclassification/ Translation	
Gross amount					
Equity interests	17,046	-	-	(1)	17,045
Long-term loans and receivables	968	-	(66)	(81)	821
Treasury shares [(a)]	1,712	807	(899)	(25)	1,595
Other	5	-	-	1	6
Other long-term financial assets	2,685	807	(965)	(105)	2,422
Total	**19,731**	**807**	**(965)**	**(106)**	**19,467**
Provisions [(b)]	(70)	-	-	(1)	(71)
Total (net)	**19,661**	**807**	**(965)**	**(107)**	**19,396**

(a) Portion of DANONE treasury shares recognized as Financial assets (see Note 1 of the Notes to the financial statements of the parent company Danone).
(b) Consist mainly of provisions for impairment of Equity interests.

Equity interests

Detailed information about Equity interests is provided in Note 21 of the Notes to the financial statements of the parent company Danone related to Securities held in portfolio as of December 31, 2013.

Long-term loans and receivables

The change in Long-term loans and receivables was due to the repayment of euro denominated loans by Danone Poland and Zywiec Zdroj totaling €64 million.

The foreign currency loans outstanding as of December 31, 2013 were translated at the closing rate, which generated translation differences as shown in the following table:

(in € millions except Nominal value in foreign currency, in currency millions) — As of December 31, 2013

Currency	Nominal value in foreign currency	Historical value	Translation difference	Carrying amount
Yen	43,000	381	(84)	297

DANONE treasury shares

The change in treasury shares held by the Company and recognized as Financial assets in respect of 2013 was due to:

- transactions carried out by the Company on treasury shares. The main such transactions were:
  - the buyback of 15.1 million DANONE shares to be used for acquisitions, as part of the Company's share buyback program authorized by the Shareholders' Meeting of April 26, 2012 for €807 million (€809 million including acquisition-related costs of €2 million recognized in Operating expense), including 6.7 million shares to offset the dilution resulting from the use of 6,715,266 shares as payment, as described hereafter. The buyback was carried out through investment service providers acting independently in connection with the Company's share buyback program,
  - the payment of 6,715,266 DANONE treasury shares as consideration for a portion of the acquisition price of Danone Spain shares acquired from that subsidiary's non-controlling shareholders for €302 million,
  - the cancellation of 13.1 million shares totaling €596 million (€597 million including acquisition-related costs of €1 million that had been recognized in Operating expense during the year of their purchase):
    - the cancellation of 8.8 million treasury shares for €398 million, in connection with the February 21, 2013 capital reduction,
    - the cancellation of 4.3 million treasury shares for €198 million, in connection with the July 26, 2013 capital reduction.
- the net reclassifications of 0.5 million DANONE treasury shares from the Treasury shares heading to the Marketable securities heading at a carrying amount of €25 million.

NOTE 10. SHORT-TERM LOANS

As of December 31, 2013, this heading comprised mainly €1,124 million of receivables due to the Company within less than one year (€162 million as of December 31, 2012), including a €905 million current account balance due from Danone Finance International.

NOTE 11. MARKETABLE SECURITIES

The following table provides a breakdown of the carrying amount of Marketable securities as of December 31, 2012 and 2013 and changes in said carrying amount during the year ended December 31, 2013:

		Movements during the period				
(in € millions)	**As of December 31, 2012**	**Increase**	**Decrease (exercised/ delivered)**	**Reallocation**	**Reclassification**	**As of December 31, 2013**
Actions DANONE shares						
DANONE shares hedging stock-option plans [a]	217	-	(12)	-	-	205
DANONE shares hedging Group performance share plans [a]	78	-	(8)	-	25	95
Total	**295**	**-**	**(20)**	**-**	**25**	**300**
DANONE call options	69	-	(33)	-	-	36
danone.communities [b]	20	-	-	-	-	20
Total	**384**	**-**	**(53)**	**-**	**25**	**356**

(a) Portion of DANONE treasury shares recognized as Marketable securities (see Note 1 of the Notes to the financial statements of the parent company Danone).
(b) danone. communities is a mutual fund (French SICAV) aimed at financing certain social projects through an investment that generates a return nearly comparable to the money-market rate.

NOTE 12. EQUITY

The following table provides a breakdown of Equity as of December 31, 2012 and 2013 and changes during the year ended December 31, 2013:

	As of December 31, 2012		Movements during the period				As of December 31, 2013
(in € millions)	**Before allocation**	**After allocation [b]**	**Net income**	**Capital reduction [c]**	**Capital increase [d]**	**Other movements**	**Before allocation**
Issued capital	161	161	-	(3)	-	-	158
In number of shares [a]	*643,162,000*	*643,162,000*		*(13,050,000)*	*918,000*	*(2,000)*	*631,028,000*
Additional paid-in capital	3,283	3,283	-	(593)	37	-	2,727
Legal reserve	16	4	-	-	-	-	4
Other reserves	3,769	3,781	-	-	-	-	3,781
Retained earnings	3,653	3,238	-	-	-	-	3,238
Net income for the year	442	-	747	-	-	-	747
Total	**4,095**	**3,238**	**747**	**-**	**-**	**-**	**3,985**
Regulated provisions	1	1	-	-	-	-	1
Total	**11,325**	**10,468**	**747**	**(596)**	**37**	**-**	**10,656**

(a) Ordinary shares with a par value of €0.25.
(b) Following shareholder approval at the Shareholders' Meeting of April 25, 2013, earnings available for allocation in respect of the year ended December 31, 2012 were allocated in the amount of €857 million to the payment of a dividend and the balance to retained earnings.
(c) Cancellation of DANONE shares, see Note 11 of the Notes to the financial statements of the parent company Danone.
(d) Issue carried out on May 13, 2013 under the terms of the Company Savings Plan (*Plan d'Épargne Entreprise*).

NOTE 13. PROVISIONS FOR RISKS AND CHARGES

The following table provides a breakdown of Provisions for risks and charges and changes in them during the year ended December 31, 2013:

(in € millions)	As of December 31, 2012	Movements during the period: Increase	Decrease	Decrease (not utilized)	As of December 31, 2013
Provisions in respect of stock-option and Group performance share plans [(a)]	92	24	(42)	-	74
Other provisions	2	7	-	-	9
Total	**94**	**31**	**(42)**	**-**	**83**

(a) Provisions in respect of stock-option plans hedged by DANONE call options and Group performance share plans. The provision was established at the time of the first purchases of DANONE call options in 2011, in the amount of €96 million.

NOTE 14. BONDS AND OTHER FINANCIAL DEBT

Bonds

The following table provides a breakdown of the carrying amount of the Bonds as of December 31, 2012 and 2013:

	As of December 31	
(in € millions)	**2012**	**2013**
Nominal value	4,420	7,018
Accrued interests	66	88
Total	**4,486**	**7,106**

Bonds issued by the Company are disclosed on the Group's website.

2013 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 Company carried out the following transactions in 2013:

	Year ended December 31 2013: Currency	Nominal *(in millions of currency)*	Maturity
Euro bond issue under the EMTN program	EUR	750	2018
Euro bond issue under the EMTN program	EUR	650	2019
Euro bond issue under the EMTN program	EUR	500	2023
Euro bond issue under the EMTN program	EUR	1,000	2021

In addition, three private placements under the EMTN program matured in 2013, with a total euro equivalent of €193 million (CZK 814 million and CZK 374 million, JPY 23,900 million).

Bonds: fixed rate/floating rate breakdown

The following table provides details of changes in bonds and a breakdown showing the fixed rate and floating rate portions during 2013:

		Movements during the period				
(in € millions)	As of December 31, 2012	New borrowings	Repayment	Change in accrued interests	Revaluation	As of December 31, 2013
Fixed rate portion						
Bonds	4,089	2,900	-	-	(109)	6,880
Accrued interests	65	-	-	22	-	87
Floating rate portion						
Bonds	331	-	(193)	-	-	138
Accrued interests	1	-	-	-	-	1
Total	**4,486**	**2,900**	**(193)**	**22**	**(109)**	**7,106**

Bonds breakdown by currency

	As of December 31, 2013			
(in € millions except Nominal value in foreign currency in currency millions)	Nominal value in foreign currency	Historical value	Translation difference	Carrying amount
Bonds denominated or swapped into euros				
Euro	6,054	6,054	6,054	6,054
Swiss franc	225	138	138	138
Bonds denominated in other currencies				
Yen	43,000	381	298	298
Dollar	850	685	616	616
Total		**7,258**	**7,106**	**7,106**

The following table provides a breakdown of the portfolio of cross-currency swaps hedging certain foreign currency denominated bonds as of December 31, 2013:

	As of December 31, 2013	
(in € millions except Nominal value in foreign currency in currency millions)	Nominal value in foreign currency	Historical value
Euro - Swiss franc	225	138
Total	**225**	**138**

In addition, as specified in Note 1 of the Notes to the financial statements of the parent company Danone, Danone Corporate Finance Services, a wholly-owned subsidiary, also carries out interest rate hedging transactions in respect of certain bonds issued by the Company.

Other financial debt

Other financial debt: fixed rate/floating rate breakdown

The following table provides a breakdown of Other financial debt showing the fixed rate and floating rate portions as of December 31, 2012 and 2013 and the changes in 2013:

		Movements during the period				
(in € millions)	**As of December 31, 2012**	**New borrowings**	**Repayment**	**Change in accrued interests**	**Revaluation**	**As of December 31, 2013**
Fixed rate portion						
Loan from Danone Finance International [(a)]	2,000	-	-	-	-	2,000
Floating rate portion						
Commercial paper	853	-	(116)	-	-	737
Other	23	-	(16)	-	-	7
Total	**2,876**	**-**	**(132)**	**-**	**-**	**2,744**

(a) Fixed-rate medium-term loan maturing in June 2014.
(b) Movements in commercial paper *(Billets de trésorerie)* are shown as net movements.

Maturity of Bonds and Other financial debt

	As of December 31	
(in € millions)	**2012**	**2013**
Due date < 1 year	1,135	3,450
Due date between 1 and 5 years	4,801	3,613
Due date > 5 years	1,426	2,786
Total	**7,362**	**9,849**

NOTE 15. OTHER LIABILITIES

Composition of Other liabilities

The following table provides a breakdown of Other liabilities as of December 31, 2012 and 2013:

	As of December 31	
(in € millions)	**2012**	**2013**
Amounts owed by the Company to subsidiaries and affiliates [(a)]	1,235	51
Trade payables	74	39
Accrued charges	149	207
Total	**1,458**	**297**

(a) Including a €1,200 million current account balance due to Danone Finance International as of December 31, 2012. As of December 31, 2013, the balance on this current account was an excess cash balance presented under the Short-term loans heading.

The following table provides a breakdown of Accrued charges as of December 31, 2012 and 2013:

	As of December 31	
(in € millions)	**2012**	**2013**
Services provided	56	99
Personnel costs	73	70
Social charges	13	26
Tax liabilities	6	12
Financial liabilities	1	-
Total	**149**	**207**

Maturity of Other liabilities

The majority of Other liabilities have a maturity of less than one year. The maturity dates of Trade payables are shown in the following table:

				As of December 31, 2013
(in € millions)	**Due date < or equal to 30 days**	**Due date between 31 and 60 days**	**Due date > 60 days**	**Total**
Trade payables	29	10	-	39

NOTE 16. NET DEBT

The following table provides a breakdown of the Company's Net debt as of December 31, 2012 and 2013:

	As of December 31	
(in € millions)	**2012**	**2013**
Bonds	4,486	7,106
Other financial debt	2,876	2,744
Amounts owed by the Company to subsidiaries and affiliates [a]	1,235	51
Total Debt	**8,597**	**9,901**
Amounts owed to the Company from subsidiaries and affiliates [b]	-	906
Marketable securities	384	356
Cash	-	1
Total Cash and cash equivalents	**384**	**1,263**
Total Net debt	**8,213**	**8,638**

(a) Portion of the amounts owed by the Company to subsidiaries and affiliates presented under the Other liabilities heading.
(b) Portion of the amounts owed to the Company by subsidiaries and affiliates presented under the Short-term loans and receivables heading.

The €425 million increase in Net debt was due mainly to the share buyback transactions (see Note 2 of the Notes to the financial statements of the parent company Danone), partially offset by cash-flows related to the net income generated during the year.

NOTE 17. POST-EMPLOYMENT BENEFIT COMMITMENTS AND COMMITMENTS TO MANAGEMENT BODIES AND THE BOARD OF DIRECTORS

Post-employment benefit commitments

Gross commitments relating to a defined benefit retirement plan, estimated using the actuarial method, amounted to €404 million as of December 31, 2013 and €207 million after taking into account plan assets (net commitment of €187 million as of December 31, 2012). The €20 million increase is attributable primarily to the decrease in discount rates. More specifically, as regards the retirement plan reserved for Group executives who hold the status of senior manager, the Company's net commitment amounted to €179 million, which corresponds to a gross commitment of €350 million and plan assets totaling €171 million.

These net commitments are presented off-balance sheet (see Note 18 of the Notes to the financial statements of the parent company Danone).

Commitments to management bodies and the Board of Directors

Post-employment benefit commitments

As of December 31, 2013, the total commitment of the Company in respect of retirement benefits for executive directors and officers and Executive Committee members amounted to €67 million.

Indemnification of Executive Committee members

Indemnification payments to members of the Executive Committee in certain cases where they cease to continue their terms of office or exercise their functions were set at twice the annual gross compensation (fixed, variable, and in-kind) they received over the 12 months preceding the date on which they cease to continue their functions, and, in the case of the Company's three executive directors and officers, the Board of Directors decided on February 19, 2014 that the payment of these indemnities would be subject to the achievement of certain performance objectives.

NOTE 18. OFF-BALANCE SHEET COMMITMENTS

Commitments given

The following table provides a breakdown of the main commitments given directly and indirectly by the Company as of December 31, 2012 and 2013:

	As of December 31	
(in € millions)	**2012**	**2013**
Put options held by third-party shareholders over some of the Company's direct and indirect equity interests [(a)]	3,271	3,244
Post-employment benefits [(b)]	187	207
Rents	80	66
Services provided	19	18
Derivatives [(c)]	331	138
Security interests [(d)]	2,000	2,000
Guarantees [(e)]	500	750
Total	**6,388**	**6,423**

(a) Commitments given directly or indirectly by the Company (see details hereafter in the section Put options over the Company's direct and indirect equity interests).
(b) Net commitments in respect of defined benefit retirement plans (see Note 17 of the Notes to the financial statements of the parent company Danone).
(c) Cross-currency swaps to hedge bonds denominated in foreign currencies (see Note 14 of the Notes to the financial statements of the parent company Danone).
(d) The Company acted as joint and several guarantor for Danone Finance International.
(e) The Company may grant a guarantee or a security for the various financial risk management operations to be carried out by its subsidiary Danone Corporate Finance Services.

Put options over the Company's direct and indirect equity interests

The Company or certain of its direct or indirect subsidiaries granted put options to third parties with non-controlling interests in certain consolidated subsidiaries, with these options giving the holders the right to sell part or all of their investment in these subsidiaries. Their exercise price is generally based on the profitability and financial position of the company concerned at the exercise date of the put option.

As of December 31, 2013, the financial commitments given by the Company and all of its consolidated subsidiaries were estimated at €3,244 million, of which €2,767 million may be paid in accordance with contractual terms in the 12 months following the year end.

Commitments received

Commitments received by the Company concern €5.4 billion in available committed credit facilities.

Other commitments

The Company and certain of its subsidiaries are parties to a variety of legal and arbitration proceedings arising in the ordinary course of business. Some of these proceedings involve claims for damages, and liabilities are provided for when a loss is probable and can be reliably estimated.

NOTE 19. PERSONNEL

The following table provides a breakdown of the average number of the Company's employees during 2012 and 2013:

	Year ended December 31			
(in number except percentage)		**2012**		**2013**
Executives and managers	582	78%	583	79%
Supervisors and technicians	119	16%	115	16%
Clerical staff	45	6%	42	5%
Total	**746**	**100%**	**740**	**100%**

NOTE 20. RELATED PARTY TRANSACTIONS

Transactions with related parties

	Year ended December 31	
(in € millions)	**2012**	**2013**
Operating income	438	467
Income from equity interests	685	964
Interest on loans and receivables and similar financial income	29	23
Total income	**1,152**	**1,454**
Operating expense	(52)	(41)
Interest on borrowings and similar financial expense	(93)	(80)
Total expense	**(145)**	**(121)**

Balances with related parties

	As of December 31	
(in € millions)	**2012**	**2013**
Long-term loans and receivables	-	-
Short-term loans and receivables [(a)]	83	1,012
Total assets	**83**	**1,012**
Other financial debt	2,007	2,000
Other liabilities [(b)]	1,240	78
Total equity and liabilities	**3,247**	**2,078**

(a) As of December 31, 2013, the main component was the current account balance due from Danone Finance International.
(b) As of December 31, 2012, the main component was the current account balance due to Danone Finance International.

NOTE 21. SUBSIDIARIES AND AFFILIATES AS OF DECEMBER 31, 2013

(in € millions except percentage)	**Capital** [(a)]	**Other shareholders' equity** [(a) (c)]	**Share capital held by the Company**	**Number of shares**	Carrying amount of shares held by the Company		**Maximum authorized amount of guarantees and endorsements given by the Company**	**Net sales for last fiscal year** [(b)]	**Net income (expense) 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	42	100%	8,875,000	179	179	500	-	53	-
Compagnie Gervais Danone	843	1,738	100%	33,440,074	473	473	-	-	397	468
Danone Baby and Medical Holding	12,369	31	100%	12,369,171,277	12,366	12,366	-	-	72	61
Dan Investments	6	-	100%	300,000	6	6	-	-	-	-
Holding Internationale de Boissons	174	832	100%	86,768,722	966	966	-	-	59	113
Foreign holdings										
Danone Singapore Holdings PTE Ltd.	131	(58)	61%	144,830,596	108	108	-	-	81	48
Danone Asia PTE Ltd.	443	302	72%	701,114,726	441	441	-	-	136	200
Danone Finance Netherlands	8	36	100%	800,000	94	45	-	-	-	-
Affiliates (at least 10% to 50% of the share capital held by the Company)										
NV Danone SA	983	655	23%	21,988	400	378	-	301	66	-
Danone Finance International	965	4,947	33%	4,034,154	2,012	2,013	2,000	-	228	74
Total					**17,045**	**16,975**				

(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 22. SUMMARY OF SHARES HELD IN PORTFOLIO

The following table provides a breakdown of the carrying amount of the shares held by the Company as of December 31, 2012 and 2013:

	As of December 31	
(in € millions)	**2012**	**2013**
Shares of subsidiaries and affiliates [(a)]		
Equity interests (gross)	17,046	17,045
Provisions for impairment of equity interests	(70)	(70)
Total	**16,976**	**16,975**
DANONE treasury shares		
Treasury shares classified as Financial assets [(b)]	1,712	1,595
Treasury shares classified as Marketable securities [(b)]	295	300
Total	**18,983**	**18,870**

(a) See details for the 2013 fiscal year in Note 9 of the Notes to the financial statements of the parent company Danone.
(b) See classification in Note 1 of the Notes to the financial statements of the parent company Danone.

NOTE 23. RESULTS AND OTHER SIGNIFICANT INFORMATION RELATING TO THE LAST FIVE YEARS

	2009	**2010**	**2011**	**2012**	**2013**
Capital at balance sheet date					
Issued capital *(in €)*	161,747,713 [(a)]	161,980,460	160,561,643	160,790,500	157,757,000
Number of shares issued	646,990,850 [(a)]	647,921,840	642,246,573	643,162,000	631,028,000
Net income and dividend payment for the year *(in € millions)*					
Net sales	294	347	417	478	520
Net income before taxes, amortization, depreciation and provisions	472	791	530	395	686
Net income tax [(b)]	113	126	109	112	77
Net income after taxes, amortization, depreciation and provisions	564	910	631	442	762
Dividend paid [(c)]	740	786	837	857	859
Earnings per share *(in € per share)*					
Net income after taxes, but before amortization, depreciation and provisions	0.90	1.42	1.00	0.79	1.19
Net income after taxes, amortization, depreciation and provisions	0.87	1.40	0.98	0.69	1.16
Dividend paid	1.20	1.30	1.39	1.45	1.45
Personnel					
Average number of employees for the year	668	690	725	746	740
Payroll expense *(in € millions)*	121	123	236	170	149
Compensation and benefits paid [(d)] (social security, social benefit schemes, etc.) *(in € millions)*	60	60	66	71	66

(a) Includes the impact of the capital increase of June 25, 2009.
(b) Income (expense).
(c) Amount relating to the 2013 fiscal year estimated as of December 31, 2013 on the basis of the number of treasury shares held by the Company as of that date.
(d) Comprises Personnel costs excluding social charges (see Note 12 of the Notes to the financial statements of the parent company Danone) and the provisions relating to stock-options and Group performance shares (see Note 13 of the Notes to the financial statements of the parent company Danone).

NOTE 24. SUBSEQUENT EVENTS

To the best of the Company's knowledge, no significant events occurred between the end of the reporting period and February 19, 2014, the date on which the Board of Directors approved the financial statements of the parent company Danone for the year ended December 31, 2013.

STATUTORY AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS OF THE PARENT COMPANY DANONE

This is a free translation into English of the Statutory auditors' report on the financial statements issued in French and is provided solely for the convenience of English-speaking users. The Statutory auditors' report includes information specifically required by French law in such reports, whether modified or not. This information presented below is the audit opinion on the financial statements and includes an explanatory paragraph discussing the auditors' assessments of certain significant accounting and auditing matters. These assessments were considered for the purpose of issuing an audit opinion on the financial statements taken as a whole and not to provide separate assurance on individual account balances, transactions or disclosures. This report also includes information relating to the specific verification of information given in the management report and in the documents addressed to the shareholders. This report should be read in conjunction with, and construed in accordance with, French law and professional auditing standards applicable in France.

To the shareholders,

Pursuant to the assignment entrusted to us by your Shareholders' Meeting, we hereby report to you, for the year ended December 31, 2013, on:

- the audit of the accompanying financial statements of Danone;
- the justification of our assessments;
- the specific verifications and information required by law.

These financial statements have been approved by the Board of Directors. Our role is to express an opinion on these financial statements based on our audit.

I. Opinion on the financial statements

We conducted our audit in accordance with professional standards applicable in France; those standards require that we plan and perform the audit to obtain reasonable assurance that the financial statements are free of material misstatement. An audit involves performing procedures, using sampling techniques or other methods of selection, to obtain audit evidence about the amounts and disclosures in the annual financial statements. It also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made, as well as the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

In our opinion, the financial statements give a true and fair view of the assets and liabilities and of the financial position of the Company as of December 31, 2013, 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 €16,975 million. The section entitled *Financial assets* in Note 1 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 1 of the Notes to the financial statements of the parent company Danone, these estimates were prepared in accordance with information and circumstances existing on the date the financial statements were drawn up and such estimates may differ from the actual amounts, particularly at a time of economic and financial volatility.
- As stated in Note 18 of the Notes to the financial statements of the parent company Danone, your company or some of its direct or indirect subsidiaries have undertaken to acquire the shares held by third-party shareholders in certain companies in which your company has a direct or indirect stake should such shareholders wish to exercise their put option. We reviewed the methods used by your company to calculate these financial commitments based on the information currently available. We have assessed the data and assumptions on which these estimates are based and the resulting valuations.

These assessments were made as part of our audit of the parent company financial statements taken as a whole, and therefore contributed to the opinion we formed, which is expressed in the first part of this report.

III. Specific verifications and information

We have also performed, in accordance with professional standards applicable in France, the specific verifications required by French law.

We have no observations to make as to the fair presentation of the information given in the management report of the Board of Directors and in the documents addressed to shareholders with respect to the financial position and the financial statements or its consistency with the parent company financial statements.

Regarding the information provided in accordance with the provisions of Article L. 225-102-1 of the French Commercial Code relating to 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 6, 2014

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 2012 and 2013:

	PricewaterhouseCoopers				Ernst & Young et Autres			
(in € millions except percentage)	**Fees 2012**		**Fees 2013**		**Fees 2012**		**Fees 2013**	
Audit								
Statutory audits, certifications and review of the individual and consolidated financial statements	**4.7**	**66%**	**4.4**	**72%**	**3.7**	**74%**	**4.1**	**66%**
including Danone SA	*0.8*	*11%*	*0.8*	*13%*	*0.7*	*15%*	*0.8*	*13%*
including fully consolidated subsidiaries	*3.9*	*55%*	*3.6*	*59%*	*3.0*	*59%*	*3.3*	*53%*
Other services directly related to the audit	**2.0**	**28%**	**1.3** [a]	**21%**	**1.1**	**22%**	**1.8** [a]	**29%**
including Danone SA	*1.8*	*25%*	*0.7*	*11%*	*0.9*	*18%*	*1.3*	*21%*
including fully consolidated subsidiaries	*0.2*	*3%*	*0.6*	*10%*	*0.2*	*4%*	*0.5*	*8%*
Total Audit	**6.7**	**94%**	**5.7**	**93%**	**4.8**	**96%**	**5.9**	**95%**
Other services provided by the auditors' networks to the fully consolidated subsidiaries								
Legal, tax, social	0.2	3%	0.3 [b]	5%	0.2	4%	0.3 [b]	5%
Other	0.2	3%	0.1 [c]	2%	-	0%	-	0%
Total Other services	**0.4**	**6%**	**0.4**	**7%**	**0.2**	**4%**	**0.3**	**5%**
Total [d]	**7.1**	**100%**	**6.1**	**100%**	**5.0**	**100%**	**6.2**	**100%**

(a) Services provided in 2013 included due diligence directly related to the Statutory auditors' engagements performed during the acquisition of entities or external growth transactions for €1 million (PricewaterhouseCoopers, €1.7 million in 2012) and €0.9 million (Ernst & Young, €0.9 million in 2012) and the technical analysis of tax positions adopted by the Group for €0.4 million (Ernst & Young).

(b) This amount related solely to tax services provided by the networks to some foreign Group subsidiaries. These services related mainly to the issuance of tax certifications as required by local authorities (Turkey - PricewaterhouseCoopers, Mexico - Ernst & Young) as well as the review or technical analysis of tax positions adopted by some foreign subsidiaries.

(c) This amount, for 2013 and 2012, included mainly services of assistance and training on non-financial fields provided by the network to some Group subsidiaries (Russia and Benelux).

(d) Fees invoiced in foreign currencies have been translated into euros on the basis of the 2013 average rates used by Danone.

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

Nil.

SOCIAL, SOCIETAL AND ENVIRONMENTAL RESPONSIBILITY

5

This section 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's social, societal and environmental responsibility: Funds sponsored by Danone.*

More extensive information concerning Danone's strategy and performance with regard to Sustainable Development can be found in 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.

5.1 DANONE SOCIAL, SOCIETAL AND ENVIRONMENTAL APPROACH

General policy

As a direct result of Danone's dual economic and social project, Corporate Social Responsibility (CSR) is deeply anchored in the Group's business activity (see section *2.5 Other elements related to the Group's activity and organization*).

In 2006, Danone redefined the Group'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, employee commitment, consideration for the local and regional areas where the company operates and of their social cohesion;
- challenges linked to products and consumers: taking nutrition and food into account as basic 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 several key strategic areas:

- strengthening the Group's ability to provide consumers with appropriate nutrition and health solutions;
- establishing new economic models to provide high-quality nutritional solutions to people with limited purchasing power in a growing number of countries;
- developing an environmental strategy built around four areas: climate, water, packaging and sustainable agriculture;
- organizing the company as a place where all employees can pursue their development.

These strategic areas are the guiding principles for Danone's relationship with stakeholders and for the design, production and distribution of its product.

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 shareholders and for all stakeholders as well.

To achieve this, Danone has integrated its CSR approach into its primary processes and business activities across the various stages in the value chain, and notably for the following processes:

- production, by incorporating CSR directly into the production process, both upstream, and downstream from the Group's own activity;
- procurement, based on a policy of responsible procurement;
- human resources, by integrating CSR into the various policies;
- marketing, research and development and sales, by developing synergies between CSR and these functions.

Danone has, in particular, created a specific organization and governance, including:

Social Responsibility Committee

Formed from the Board of Directors, it is made up of independent Directors. It notably examines the Group's extra-financial data and ratings, and aims to prevent conflict of interest between Danone's social investments and its other activities (see section 6.1 *Governance bodies* with respect to the *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 (see the section hereafter on the *Food Nutrition Health Charter*).

CSR goals defined at the Group level

These CSR goals are set by General Management at the 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 determined a part of the variable compensation, as described hereafter, see section *Variable compensation system*.

Variable compensation system

Since 2008, the Group has integrated societal performance into its variable compensation system, with the introduction of criteria to evaluate the performance of the Company's 1,500 senior managers and executive managers. This system is based on a three-part approach to performance: (i) one part on economic, (ii) one part on social and environmental, and (iii) one part on individual performance (see section 6.3 *Compensation and benefits for executives and governance bodies*).

Funds sponsored by Danone

These are funds created at Danone's initiative: danone.communities created in 2007, the Danone Ecosystem Fund (*Fonds Danone pour l'Écosystème*) created in 2009 and the Livelihoods fund created in 2011 (see section 5.3 *Funds sponsored by Danone*).

Deployment of the CSR approach in all the Group's subsidiaries through the design and implementation of policies and conventions

The main conventions and policies deployed by Danone are detailed in the section hereafter and described in section 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law*.

Primary programs, policies and actions implemented by Danone with regard to social, societal and environmental responsibility

Danone Way

The Danone Way 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 2013, the subsidiaries covered by the program represented 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. To assess the effective dissemination of these best practices throughout the Group, the Danone Way approach assesses the compliance of the subsidiaries' performance with these best practices. This approach is verified by a third-party, independent organization.

Each year, every subsidiary self-assesses its sustainable development performance based on 16 key sustainability practices, organized into the following five thematic areas:

- human rights (equal opportunity and diversity, workplace safety and health);
- human relations (social 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, at the 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 each level: Division, subsidiary and site.

To ensure that the health and safety culture is disseminated 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 conventions

Danone has signed conventions with the IUF (International Union of Food workers), beginning in 1988. As of December 31, 2013, nine global conventions and one European convention between Danone and the IUF were in effect.

These conventions define rules and best practices, notably with regard to diversity, labor relations, 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 global convention between Danone and the IUF was signed on September 29, 2011 and concerns health, safety, working conditions and stress, following the framework agreement signed in 2010 with trade union organizations in France.

This convention 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 making it possible to ensure 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 conventions 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 that includes: (i) suppliers' signature of the sustainable development principles, (ii) a map of supplier risks drawn up by purchasing managers, (iii) external labor audits 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 is based on a specific tool Sedex (Supplier Ethical Data Exchange), a dedicated online information sharing and pooling platform used by several companies in the food and beverage sector that allows their suppliers to (i) enter the data pertaining to their production sites, sustainable development and societal 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 global policy for managing sustainable development standards with suppliers.

Food Nutrition Health Charter

Danone's Food Nutrition Health Charter describes the concrete action guidelines based on Danone's mission of "bringing health through food to as many people as possible." This charter, implemented in 2005 and updated in 2009, formalizes Danone's five commitments. These commitments address the concerns of authorities on food-related public health issues.

The five commitments include:

- proposing nutritional solutions that are continuously tailored to nutritional needs and recommendations, tastes and incomes;
- developing products with relevant, scientifically proven health benefits;
- informing consumers clearly and advertising responsibly;
- promoting healthy diet and lifestyle;
- address major health-and-nutrition-related societal challenges.

5.2 INFORMATION CONCERNING THE GROUP'S SOCIAL, SOCIETAL AND ENVIRONMENTAL PERFORMANCE IN COMPLIANCE WITH THE GRENELLE II LAW

This section presents information concerning Danone's social, societal and environmental performance in compliance with the provisions of Article 225 of law No. 2010-788 of July 12, 2010 ("Grenelle II") and its implementing decree.

Scopes and definitions related to 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, 2013, the Group workforce of all globally consolidated Danone companies was 104,642 employees (102,401 in 2012). This data covers the Group's Total Workforce Scope, including notably entities issued from the merge of Unimilk group and Danone Russia, as defined in the *Methodology note*.

Breakdown by region and by Division

The table hereafter shows the total number of employees and their breakdown by geographic region and by Division as of December 31, 2012 and 2013, on the Social Indicators Scope (excluding the subsidiaries that did not report social indicators other than the total workforce - see *Methodology note*).

	Year ended December 31	
	2012	**2013**
Total Workforce (a)	**86,555** (b)	**85,853**
By geographic region		
France	10%	10%
Rest of Europe	22%	22%
China	11%	12%
Rest of Asia Pacific	19%	20%
North and South America	32%	32%
Africa and Middle East	6%	4%
Total	**100%**	**100%**
By Division		
Fresh Dairy Products	36%	35%
Waters	42%	43%
Early Life Nutrition	14%	14%
Medical Nutrition	6%	7%
Central functions	2%	1%
Total	**100%**	**100%**

(a) Social Indicators Scope (see *Methodology note*).
(b) Data published in 2012 (other mentioned data is on a like-for-like basis. See *Methodology note).*

Workforce by age and gender

By gender

The table hereafter shows the breakdown of the workforce by gender as of December 31, 2012 and 2013, on a like-for-like basis.

	Year ended December 31					
	Women		**Men**		**Total**	
	2012	**2013**	**2012**	**2013**	**2012**	**2013**
Total Workforce (a)	**23,202**	**25,456**	**62,510**	**60,397**	**85,712**	**85,853**
Percentage of the total (a)	27%	30%	73%	70%	100%	100%

(a) Social Indicators Scope (see *Methodology note*).

By age

As of December 31, 2013, more than 89% of Danone employees (Social Indicators Scope, see *Methodology note*) were underage 50.

	Year ended December 31
Workforce percentage [(a)]	**2013**
< 20 years old	2%
from 20 to 29 years old	24%
from 30 to 39 years old	38%
from 40 to 49 years old	24%
from 50 to 59 years old	11%
> 60 years old	1%
Total	**100%**

(a) Social Indicators Scope (see *Methodology note*).

As of December 31, 2013, fewer than 20% of all employees in Western Europe and North America were under age 30, while employees under age 30 in the other geographic regions accounted for 23% to 33% of the workforce.

	Year ended December 31		
	2013		
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	33%	62%	5%
Asia Pacific	31%	61%	8%
Eastern Europe	23%	64%	13%
Western Europe	15%	59%	26%
Latin America	32%	63%	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 and are likely to develop professionally within Danone's organization and exhibit attitudes such as those promoted by the Danone Leadership College (DLC - see the section hereafter on *Training*). This policy is deployed by every subsidiary to meet its needs and support the evolution to its business.

As of December 31, 2013, 364 net jobs had been created, compared with 516 as of December 31, 2012 (Total Group Workforce Scope, see *Methodology note*).

There were 5,234 dismissals registered in 2013, compared with 4,439 in 2012 (Social Indicators Scope, see *Methodology note*).

Compensation and promotion

Compensation

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 that takes 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 processes guaranteeing equitable compensation. Median salaries by classification level and rules for wage increases are defined relative to local job market conditions and subsidiaries' needs, and under consideration of the 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 job performance goals, including:

- fixed compensation applicable to all employees;
- variable short-term compensation for senior managers and executive managers (defined on the basis of individual and collective goals related to the business of the subsidiary and/or Division and/or Group) (see section 6.3 *Compensation and benefits for executives and governance bodies*);
- variable medium-term and variable long-term compensation for executive directors and officers, members of the Executive Committee and senior managers, or around 1,500 people worldwide (see section 6.3 *Compensation and benefits for executives and governance bodies*).

Incentive and profit-sharing plans for employees of certain Group companies

The Company's employees benefit from a three-year incentive plan, which was renewed in 2012 and 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 2013, expenses recognized by the Group in connection with employee incentive and profit-sharing plans totaled €96 million (€100 million in 2012).

Employee shareholding and Company Savings Plan for certain Group companies

The employees of the Group's French subsidiaries may subscribe an annual capital increase as part of a Company Savings Plan (*Plan d'Épargne Entreprise*). The shares' subscription price corresponds to 80% of the average listed DANONE share price during the 20 market trading days prior to the Board of Directors' meeting at which the plan is approved (see section 7.3 *Authorization to issue securities that give access to the share capital*).

Other employee benefits

In accordance with the Law of July 28, 2011, a profit-sharing bonus of €150 was paid to all employees of Danone and its French subsidiaries in 2013, in addition to the amounts paid under the Group's other incentive and profit-sharing mechanisms.

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.

The amount provisioned for these obligations in the Group's consolidated financial statements as of December 31, 2013 and the expenses for the year are presented in Note 28 of the Notes to the consolidated financial statements.

Work organization

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. On February 19, 2013, Danone presented the organizational part of its plan for savings and adaptation in Europe.

The organizational part of this plan was implemented through close collaboration with employee representatives, with the wish to minimize the impact on employees and focus on professional and regional job mobility whenever and wherever possible. The notification and consultation process with European employee representatives occurred over a six-month period. The employee support measures are currently being implemented – with varying degrees of progress depending on the country – to identify internal and external job mobility prospects for employees affected by this plan (see Note 32 of the Notes to the consolidated financial statements).

Organization of working hours

The organization of working hours within the Group varies according to the local environment of each subsidiary, with different work schedules, such as employees opting for a transition to part-time work (number of work hours below that legally defined for full-time employment or the number of hours generally worked in the subsidiary) or the establishment of work-at-home practices at the Group's various subsidiaries, which helps to improve the employees' quality of life.

Measures were implemented in certain subsidiaries in order to facilitate the transition to this type of workplace organization. In France in 2013, for example, diagnoses were conducted for all workstations and in particular for night shift work. Following these diagnoses, action plans are being deployed.

The table hereafter shows the breakdown of full-time and part-time employees by geographic region and by Division in 2012 and 2013, on a like-for-like basis:

	Year ended December 31			
	Full-time employees		**Part-time employees**	
Workforce percentage [(a)]	**2012**	**2013**	**2012**	**2013**
By geographic region				
Africa and Middle East	99.4%	98.2%	0.6%	1.8%
Asia Pacific	99.5%	97.3%	0.5%	2.7%
Eastern Europe	96.3%	96.7%	3.7%	3.3%
Western Europe	87.1%	86.9%	12.9%	13.1%
Latin America	99.7%	99.9%	0.3%	0.1%
North America	97.6%	97.9%	2.4%	2.1%
By Division				
Fresh Dairy Products	97.4%	97.5%	2.6%	2.5%
Waters	97.9%	96.2%	2.1%	3.8%
Early Life Nutrition	95.1%	95.2%	4.9%	4.8%
Medical Nutrition	89.6%	90.2%	10.4%	9.8%
Central functions	92.9%	91.7%	7.1%	8.3%

(a) Social Indicators Scope (see *Methodology note*).

Danone promotes the application by its subsidiaries of best practices for work organization, especially through the Danone Way approach and the "Working hours and Organization" key practice (see section 5.1 *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 2.1% in 2013 (compared with 2.3% in 2012).

Social relations

Organization of social dialogue

Social dialogue at Danone is organized around:

- a worldwide social dialogue body, the Consultation and Information Committee (CIC);
- the negotiation and monitoring of international conventions with the IUF (International Union of Food workers), see section 5.1 *Danone social, societal and environmental approach*;
- active social dialogue in the Group's subsidiaries with union and employee 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 5.1 *Danone social, societal and environmental approach*), which includes:

- evaluating policies implemented by subsidiaries, in particular with regard to the application of the IUF convention on social dialogue, (ii) the creation of a favorable framework for social dialogue, (iii) the organization of elections for independent employee representatives, and (iv) the organization of discussions with employee 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 employee representatives, and (iii) the number of annual meetings between site management and employee representatives.

Review of collective conventions

Nine global conventions between Danone and the IUF are in effect as of December 31, 2013 (see section 5.1 *Danone social, societal and environmental approach*). In particular, they concern diversity, social dialogue, and the phases to be implemented when changes in business activity affect employment or working conditions. The most recent global convention was signed on September 29, 2011 and addresses health, safety, working conditions and stress. A special European labor agreement (*accord de méthode*) covering the implementation of the Group's plan for savings and adaptation in Europe was signed by Danone and the IUF on March 21, 2013.

The nine global conventions are deployed in every Group subsidiary, and their application is jointly assessed each year at several subsidiaries by a representative from Danone and a representative from the IUF. Between 2009 and 2013, 47 fully consolidated subsidiaries were visited in this way.

Other conventions may be signed locally at the initiative of the subsidiaries, such as the generation convention signed by Blédina in 2013 (Early Life Nutrition Division) or the convention on spin-offs to promote entrepreneurialism through company creations and acquisitions, signed by the mineral water company Evian (Waters Division) and its employee representative organizations in 2013.

Health and safety

Workplace safety

Since 2004, Danone has been committed to a worldwide program, known as WISE (see section 5.1 *Danone social, societal and environmental approach*), with the goal of developing a safety culture at all Group sites and significantly reducing the number of workplace accidents. This program is rolled out in each Division worldwide, 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, *see Methodology note*) fell from 2.5 to 2.3 between 2012 and 2013.

The Group's 2013 severity rate (SR rate, see *Methodology note)* for workplace accidents with medical absence totaled 0.07 for the Safety Scope (see *Methodology note*).

The results of the 2013 survey of Group employees (the Danone People Survey, an employee satisfaction survey administered every two years) indicate that safety ranks second-highest in terms of employee satisfaction.

Workplace accidents

The continued decline in the FR1 rate in 2013 was mainly due to the Fresh Dairy Products Division in Latin America (as the FR1 rate fell sharply in Argentina and Mexico) and, to a lesser extent, continued improvements in the FR1 rate in the Medical Nutrition and Waters divisions.

In Western Europe, however, the FR1 rate rose in 2013, notably in France, where companies were directly affected by uncertainties related to (i) the plan for savings and adaptation for the entities, and (ii) the reorganization plan for the sales function.

In 2013, Danone decided to expand its safety performance monitoring by tracking the severity rate (average number of calendar days lost per 1,000 work hours). This indicator is analyzed at the level of the subsidiaries, since a Group-level analysis is not considered relevant.

The following table presents the number of fatal accidents, the number of accidents with at least one day medical leave and Frequency Rate 1 by Division in 2012 and 2013.

Year ended December 31

(in 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] [b]	Fatalities [a]	Lost-time accident (with at least one day of absence) [a]	Frequency Rate 1 (FR1) [a]
			2012			**2013**
By Division						
Fresh Dairy Products	5	274	4.1	1	228	3.4
Waters	-	119	1.4	-	103	1.2
Early Life Nutrition	-	41	1.6	-	61	2.5
Medical Nutrition	-	17	1.7	-	11	1.1
Central functions	-	31	7.4	-	30	7.2
Total	**5**	**482**	**2.5**	**1**	**433**	**2.3**

(a) Safety Scope (see *Methodology note*).
(b) The FR1 rate of 2.2 reported for 2012 was adjusted to 2.5 after errors were identified in the tallying of hours worked at two subsidiaries.

Working conditions

Use of the WISE program to promote improved working conditions

In 2013, as an extension of the WISE program (see section 5.1 *Danone social, societal and environmental approach*) and due to the increased occurrence of musculoskeletal disorders among the workplace injuries at various types of Danone sites, working conditions were increasingly addressed through safety action plans, with new initiatives for:

- training: motion and posture training, ergonomics training for technical and engineering teams and training on risks associated with the use of chemicals;
- workstation adaptations;
- new project design: dedicated investments and participatory proposals.

In France, following up on its 2012 efforts to establish criteria defining physical strain as well as a diagnostic method consistent with the French unique risk assessment document (*Document Unique d'Évaluation des Risques - DUER*) – which is a safety standard – Danone conducted systematic diagnostic assessments in the plants in 2013. These assessments led to define action plans, which are currently being deployed.

Deployment of human feasibility studies

The convention signed with the IUF on health, safety, working conditions and stress (see section 5.1 *Danone social, societal and environmental approach*) stipulates that planning for the human consequences of major organizational changes is an important factor in maximizing the success of these changes and preventing potential negative impacts on employee working conditions.

In 2013, Danone finalized a methodology "for studying human feasibility," a method for analyzing, 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 used in numerous training sessions and was implemented prior to more than 20 projects. In 2013, it was implemented prior to (i) numerous projects in the French subsidiaries, and (ii) the implementation of the Group's plan for savings and adaptation for its European entities.

Work-related illness

The rate of work-related illness and associated absenteeism are monitored only at the local level, mainly in order to take each country's legislation into account.

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.

Most subsidiaries have rolled out programs in the workplace to encourage employees to take responsibility for their health through a balanced diet and regular physical activity.

Provide quality social welfare and medical coverage 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 services.

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 does not traditionally exist (for example, maternity care). All employees are covered, including those with long-term, short-term and in some cases temporary contracts.

In some countries, employee healthcare coverage is also valid for their families.

The first phase of the Dan'Cares program consisted of an audit carried out in 2010 in 15 countries, representing at that time 69,000 employees (or 85% of Group employees excluding ex-Unimilk Group companies) and 56 subsidiaries. This audit made it possible to identify 10 countries, which rolled out Dan'Cares starting in 2011, with a goal of improved healthcare coverage.

In 2012, the Group then conducted an audit of healthcare coverage in effect at all fully consolidated subsidiaries in order to expand Dan'Cares coverage to all countries where Group operates.

As of the date of this Registration Document, 70,000 employees in 25 countries received healthcare coverage in line with the standards defined by Dan'Cares, including 40,000 employees whose coverage resulted from the implementation of action plans initiated since 2011.

Prevent work-related stress and improve quality of life at work

Danone addresses issues of workplace health and safety, working conditions, and stress prevention in the workplace through preventive measures applied to all subsidiaries.

It is in this framework that a convention was signed between Danone and the IUF on September 29, 2011 (see section 5.1 *Danone social, societal and environmental approach*).

In France, this convention 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.*

Since 2012, the completion of a self-assessment by subsidiaries with regard to the content of the convention 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 5.1 *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 2013, 83,060 employees participated in at least one training course (compared with 85,917 in 2012 on the Social Indicators Scope, see *Methodology note*), and a total of 2,632,750 training hours were provided (compared with 2,657,951 hours in 2012 on the Social Indicators Scope, see *Methodology note*).

Making Group training programs available to as many employees as possible

Danone seeks to reach a maximum of employees with the Group's training programs.

First, Danone favors functional training courses developed and run internally 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"). In 2013, ten Danone Campus events were organized worldwide.

Meanwhile, Danone has developed its Danone Learning Solutions training kits, which are distributed to the human resources managers at the subsidiaries to facilitate employee access to training on such general topics as finance for non-financial, marketing for non-marketing, project management and welcoming new employees.

Finally, online programs were launched using an e-learning format (e-learning modules: short, topical learning models using videos, text documents, etc.) to make them more accessible (for example, Category Manager training). Following these pilot programs, the Group developed a "Campus 2.0" technology platform in order to:

- provide employees with digital training materials;
- facilitate the sharing of knowledge and best practices among employees.

This platform has been operational since October 2013 and steadily implemented at all of the Group's consolidated companies.

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 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 to (i) operations, by uniting and extensively involving the teams in each subsidiary's strategy, and (ii) individual and collective management and leadership capabilities, formally defined around Group values.

Since 2011, the program has been expanded to involve a greater number of Danone non-management employees in manufacturing operations and local sales teams.

Promoting best practices in training

Danone promotes the application of best practices for training in its subsidiaries, in particular through the Danone Way approach (see section 5.1 *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, with a budget and information system dedicated to training, (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 convention signed with the IUF in 2007 (Diversity convention described hereafter) to develop its equal treatment policy.

This policy is implemented through social dialogue, human resources practices and procedures and training.

Social dialogue

Local agreements have been signed by some subsidiaries with the trade unions to combat discrimination and encourage diversity, with the global convention signed with the IUF in 2007 (Diversity convention) serving as a reference point and basis for dialogue between employees and management (see section 5.1 *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) are in force within the 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 female employment trends in the overall workforce and by management level.

The Group notes that the proportion of women in the population of managers, senior managers and executive managers continued to grow in 2013.

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 5.1 *Danone social, societal and environmental approach*), which is based on the following two approaches, one organizational and the other individual.

Organizational

- proactive measures aimed at increasing the number of female employees at all management levels, based on three key factors: (i) internal promotions, (ii) external hiring, and (iii) retention of women within the Group;
- measures supporting flexible working hours for men and women;
- wage equality.

Individual

- support for women (training, networking, mentoring) and men (awareness training) in order to break down individual barriers;
- creation of "female leadership" modules for women employees, spanning the range from young managers to general managers.

Meanwhile, the EVE seminar was created in late 2010 by Danone along with other participating companies on the theme "Dare to be yourself in order to act." Strengthened by its success, the EVE seminar has been repeated every year since 2011 in Evian and is now a reference in awareness training and personal development on the subject of female leadership. EVE includes women and men at all levels of organization.

Generational diversity

In 2013, the Group pursued two major intergenerational initiatives:

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 Group, and that overall performance benefits when generations interact. The first Octave seminar took place in April 2012, and was attended by 120 people from five companies. This seminar is held each year.

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. It is held twice a year.

Disabilities

The percentage of persons with disabilities working for the Group in France was 3.7% in 2013.

This figure 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 to the subsidiaries. Many companies have signed specific three-year agreements with trade unions, thereby demonstrating their long-term commitment in this area.

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 5.1 *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 convention, (iv) communication to employees of actions supporting diversity, and (v) integration of diversity into the various human resources processes;
- monitoring of indicators such as the (i) the ratio of men to women at the organization's various management levels, (ii) then number of employees rising from non-management to manager positions, and (iii) the percentage of employees with disabilities.

Promotion of and compliance with 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, abolition of forced labor, principles of non-discrimination, freedom of association, workplace health and safety, working hours and compensation) defined in the ILO's conventions, were addressed in a convention between Danone and the IUF (see section 5.1 *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 (see above section *Review of collective conventions*).

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 5.1 *Danone social, societal and environmental approach*).

These 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 5.1 *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 through the Group's code of ethics known as the 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 as well as its mission. The Group processes 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, enabling 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: contributing to fighting climate change and reducing fossil fuel dependency;
- water: protecting water resources, particularly where they are scarce, and using them in harmony with local ecosystems and communities;
- packaging: turning waste into resources and developing renewable materials;
- agriculture: supporting 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 within its scope of direct responsibility. It achieved a 37.4% reduction between 2008 and 2013.

Company organization to address environmental issues

Organization

The implementation of the Nature strategy is based on (i) a Nature sponsor on the Group Executive Committee, (ii) a Nature department reporting directly to a member of the Group Executive Committee and including a Nature financial officer, and (iii) environment senior managers in each of the Divisions.

Danone has also developed a network of more than 100 environmental correspondents in its subsidiaries. A "Carbon Master" is in charge of the "Carbon Plan" for each subsidiary, measuring greenhouse gas emissions twice a year, defining and implementing action plans to reduce these emissions and communicating with the Divisions and the Group.

Lastly, since 2010 Danone has held strategic deliberations focusing on Nature with a panel of outside experts, opinion leaders and NGOs (Board of Nature stakeholders) in order to set a new long-term objective.

Information systems

The Group has collaborated with information systems developer SAP to develop an innovative solution to measure 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 deployed in 2011 in the subsidiaries equipped with the SAP/Themis integrated information system (see section 2.5 *Other elements related to the Group's activity and organization*).

Internal evaluation

Subsidiaries' progress is evaluated and audited annually as part of the Danone Way approach, in which four of the 16 key practices involve the "Environment" topic (see section 5.1 *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 2013, the extra-financial rating agency Vigeo ranked Danone as the food sector environmental performance leader;
- in 2013, for the fifth 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 asocial responsibility policy, innovation management and economic performance) as a benchmark company in the food and beverage sector, notably for its environmental reporting, packaging, climate strategy, raw materials supply and water-related risk management;

- in 2013 Danone received a score of 93 points in the Carbon Disclosure Leadership Index, entering the Carbon Disclosure Leadership Index for France;
- 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. This ISO 14001 certification is therefore a prerequisite set by the Group to obtain the top performance rating in its GREEN environmental risk audits (see section hereafter *Resources devoted to preventing environmental risks and pollution*).

The table hereafter presents the percentage of sites having received ISO 14001 certification:

	Year ended December 31	
(in number of sites except percentage of sites in percentage)	**2012**	**2013**
Total number of sites in the Production Site Environment Scope [(a)]	164	161
Total number of ISO 14001-certified sites in this Scope [(a)]	91	96
Percentage of IS0 14001-certified sites in this Scope [(a)]	55%	60%

(a) Production Site Environment Scope (see *Methodology note*).

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 the management committees of subsidiaries to define their strategies and goals with the inclusion of local sustainable development issues (social, societal and environmental issues);
- a new "Nature" training module developed and made available through "Danone Campus" (see above section related to *Training*). This module is intended primarily for the "Carbon Masters" but is also available for other Group functions. The "Carbon Masters" also participate in videoconferences held by Division on a monthly or quarterly basis in order to coordinate and manage their initiatives involving the Nature goals for the year as defined by the Group;
- a website dedicated to environmental claims for the marketing and communications teams, created by Danone and made available to all subsidiaries communicating on Nature topics, in order to provide them with all the information they need to frame responsible communication around their environmental initiatives and share best practices. This website was developed in cooperation with the British "anti-greenwashing" agency Futerra;
- sharing best practices with the industrial and supply chain teams, notably through (i) the creation of Nature Campus, with the primary aim of helping experts from each plant implement best practices in various areas (reducing raw material losses, reducing energy and water consumption, managing waste) in the Fresh Dairy Products Division, (ii) the Energy network (with one expert from every plant) which aims to reduce energy and water consumption in the Early Life Nutrition Division, and (iii) the development of documents listing best environmental practices illustrated by case studies in the Fresh Dairy Products and Waters Divisions.

Other information channels

Danone uses new media and has launched "Down to Earth," a blog specifically dedicated to sustainable development that is accessible both internally 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

Information on risk management, notably with respect to risks related to weather conditions and seasonality and industrial and environmental risks, are detailed in section 2.7 *Risk factors.*

Global Risk Evaluation for the Environment (GREEN) program

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 project, a tool for monitoring the main environmental risks relating to the production sites (accidents, reputation, non-compliance with environmental regulations).

As of December 31, 2013, 70% of the Group's production sites (Production Sites Environment Scope, see *Methodology note*) had been subjected to an external GREEN audit, or 113 sites in all. Of these 113 sites, 43 underwent a follow-up audit in 2013 and two-thirds of those improved their score compared to their previous audit.

Environmental investments and expenditures

In 2013, Group investments targeting environmental protection amounted to €33.6 million, around 3% of the Group's total capital industrial expenditures.

The primary categories of these investments in 2013 included:

- environmental compliance: waste processing, wastewater processing, treatment facilities, noise measurement, air quality, etc. On a like-for-like basis, these investments increased by 60% relative to 2012;
- investments targeting carbon emissions reductions (energy savings, renewable energy use, logistics and eco-design of packaging). These investments fell by 67% from 2012.

Operating expenditures related to the environment amounted to €108.2 million in 2013. They included €50.8 million to manage waste as well as water and air quality and €50.9 million for environmental taxes other than taxes on packaging in 2013.

Provisions and guarantees for environmental risks

No significant provision for environmental risks and charges was recognized in the Group's consolidated balance sheet as of December 31, 2013 (as in 2012).

Pollution and waste management

Measures to prevent, reduce or compensate for waste discharged directly 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 the livestock industry in certain subsidiaries).

This waste is monitored under the GREEN program (see section *Global Risk Evaluation for the Environment (GREEN) program* above).

Danone pays particular attention to wastewater quality at its production sites and seeks to reduce its pollutant content. Chemical Oxygen Demand measures concentrations of organic or mineral compounds, dissolved or suspended in water, based on the quantity of oxygen necessary for them to be fully oxidized.

The net (after treatment) Chemical Oxygen Demand (COD) per ton of product increased by approximately 17% from 2012 to 2013 on a like-for-like basis (see *Methodology note*). This increase was due in part to the launch of new products that had a strong impact on gross COD (i.e. before treatment) and in part to difficulties encountered during the operational launch of new wastewater treatment facilities. Action plans have been established for the corresponding subsidiaries in order to reduce product waste in wastewater and/or to improve the treatment efficiency of the facilities.

The table hereafter presents the quantities of COD discharged after treatment by the Group's production sites as of December 31, 2012 and 2013:

	Year ended December 31	
	2012	**2013**
Final discharge of Chemical Oxygen Demand (COD) [a] *(in thousands of tons)*	4.1	5.0
Net COD ratio [a] *(kg/ton of product)*	0.14	0.17

(a) Production Site Environment Scope (see *Methodology note*).

Measures to prevent, recycle and eliminate waste

Waste management at Danone production sites

The Group consolidates the quantities of waste generated by the production sites in accordance with four categories (see *Methodology note*): hazardous waste, non-hazardous inorganic waste, non-hazardous organic waste and wastewater treatment plant sludge (*i.e.* does not include product returns and whey, the latter being a by-product typically reused by a third party) – and monitors the percentage of this waste that is recovered. Such recovery may occur through recycling, reuse, composting or waste-to-energy conversion. The production sites seek to maximize their waste recovery rate by implementing the following measures: (i) organizing on-site waste sorting and staff training; (ii) finding subcontractors capable of recovering the various types of waste generated, and (iii) sharing best practices among sites.

On a like-for-like basis, the ratio of waste generated per ton of product increased by 1.6% between 2012 and 2013, primarily as a result of the increased volume of organic waste generated through new product launches. The recovery rate fell to 78% due to: (i) better application of the reporting scope, (ii) integration of sludge from wastewater treatment plants, and (iii) difficulties encountered in recovering some of the organic waste generated in 2013.

The table hereafter presents the quantities of waste generated by the Group's production in 2012 and 2013 excluding wastewater treatment plant sludge (in order to maintain comparable data) as well in 2013 after including this sludge from the 32% of plants with on-site wastewater treatment (see *Methodology note*):

	Year ended December 31		
	2012 (excl. sludge)	**2013 (excl. sludge)**	**2013 (with sludge)**
Waste generated [a]			
Total quantity *(in thousands of tons)*	271	279	295
Ratio of total quantity of waste per ton of product *(in kg/ton)*	9.6	9.3	9.8
Recovered waste [a]			
Total quantity *(in thousands of tons)*	238	224	229
Proportion of recovered waste *(in percentage)*	87.9%	80.2%	77.6%

(a) Production Site Environment Scope (see *Methodology note*).

Packaging end of life: turning waste into resources

Danone seeks to expand collection and recycling of its packaging, in order to:

- continue to support efforts to increase collection and recovery rates for recycling in 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 projects initiated by the Danone Ecosystem Fund are currently under way (see section 5.3 *Funds sponsored by Danone*);
- develop the use of recycled packaging.

Monitoring noise pollution and other forms of pollution specific to a given business

Noise pollution at Danone's production sites is measured on the framework of the GREEN program (see preceding section).

Sustainable use of resources

Water consumption and water supply based on local constraints

Total water withdrawn from the surrounding area and protection of springs

Of the 60,628 thousand cubic meters of water withdrawn, Danone uses:

- 24,573 thousand cubic meters of water in the composition of its finished products, primarily at its bottling sites (compared with 22,996 thousand cubic meters in 2012);
- 36,055 thousand cubic meters of water for production processes (compared with 35,711 thousand cubic meters in 2012).

The Group's water consumption increased by 3.3% in 2013, of which 2.7% consisted of water used in product composition and 0.6% resulted from water used in the production process.

The table hereafter presents water consumption by the Group's production sites in 2012 and 2013:

	Year ended December 31	
(in thousands of cubic meter)	**2012**	**2013**
Well water withdrawn from the surrounding area [(a)]	43,589	43,934
Municipal water withdrawn from the surrounding area [(a)]	11,862	12,759
River water withdrawn from the surrounding area [(a)]	3,256	3,935
Total water withdrawn from the surrounding area [(a)]	**58,707**	**60,628**

(a) Production Site Environment Scope (see *Methodology note*).

Otherwise, in 2004 Danone established 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 contributing 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 aquifers (geological formations containing underground water) and their watershed. In 2012, the Ramsar convention (United Nations international convention for wetlands 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

Water linked to the production process – for example cleaning water – does not enter into the composition of the products.

On a like-for-like basis, the intensity of water consumption related to the production process decreased by 4% in 2013. Some 1% of this decrease resulted from a positive mix effect and another 3% was due to efforts to enhance productivity across all Divisions (see *Methodology note*).

The table hereafter presents water consumption related to production processes at the Group's sites in 2012 and 2013:

	Year ended December 31	
	2012	**2013**
Water consumption from production process *(in thousands of cubic meter)*	35,711	36,055
Intensity of water consumption related to production process (in cubic meter*/ton of product)*	1.27	1.20

(a) Production Site 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 application and deployed at all plants.

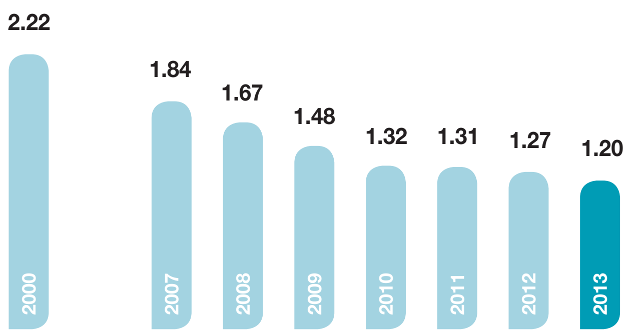
Within the Waters Division, the "WaterWatcher" tool allows monitoring of water use at the bottling sites and helps identify areas for improvement. This tool has been rolled out to every Division site.

The sites measure all quantities of water consumed for each use (production, cleaning, etc.) in order to identify loss-generating areas and come up with appropriate action plans to reduce these losses. The sites have annual targets to reduce their water losses. Their performance and rankings are published quarterly at each Division. Since 2008, more than 15 billion liters of water have been saved in this manner (equivalent to 15 million tons).

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 2013, notably with its partner Quantis but also 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 consumption at each stage of a product's development (ingredients, containers, production and packaging), and for transportation, consumer use and end of life;
- local water stress factors (water stress 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.

Going forward, this evaluation methodology will help identify sensitive zones as well as methods for reducing impacts across the entire lifecycle of the Group's products, starting with the Waters Division.

In addition, in 2012 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. In 2013, Danone Eaux France (Waters Division) teamed up with Quantis to develop a measurement tool (pilot) for the Water Footprint, which complements the Group's carbon footprint measurement (Danprint).

Consumption of raw materials and measures taken to improve their efficient use

Information on risk management, notably with respect to risks related to seasonal fluctuations and raw materials availability, are presented in section 2.7 *Risk factors*.

The following table presents production at the Group's production sites in 2012 and 2013:

	Year ended December 31	
(in thousands of tons)	**2012**	**2013**
Production [(a)]	28,214	30,000

(a) Production Site Environment Scope (see *Methodology note*).

The Group produced the equivalent of 30 million tons of products in 2013. Total production rose by 4.7% on a like-for-like basis in 2013 (see *Methodology note*), due in particular to increased production by the Waters and Early Life Nutrition Divisions.

The primary raw materials consumed in the Group's products are:

- water;
- liquid milk and powdered 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 production performance, as raw materials represent a large share of the Group products' cost structure. Several measures are therefore taken to use them more efficiently:

- liquid milk, sugar, fruit: raw material losses in the Fresh Dairy Products Division are monitored daily at the production sites, with results consolidated monthly at the level of the subsidiaries and the Division for comparison with the monthly loss reduction goals determined in the budget process. The principal measures applied to reduce these losses include (i) optimizing raw materials inventories, and (ii) optimizing production scheduling or production line scaling to reduce raw materials losses at the start and end of production runs;
- packaging materials: Danone's packaging development complies with eco-design principles defined by the Group in the 2002 guidelines. The Group intends to strengthen these guidelines and roll them out to all Divisions.

Energy consumption, measures taken to improve energy efficiency and the 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 4.4% in 2013. This improvement resulted mainly from the application of energy management best practices in all the Group's Divisions, which led to a 4.2% reduction in energy consumption intensity on a like-for-like basis as well as a favorable 0.2% product mix effect.

The table hereafter presents energy consumption by the Group's production sites in 2012 and 2013:

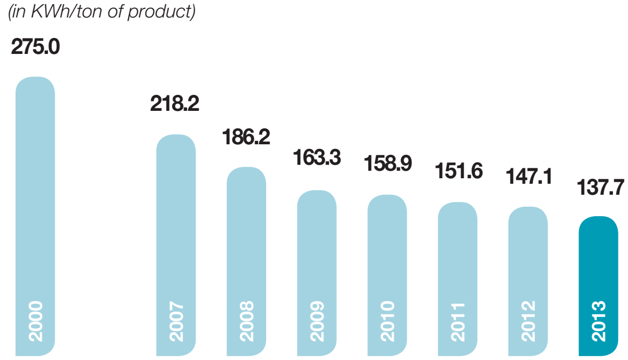
	Year ended on December 31	
(in MWh except intensity in KWh/ton of product)	**2012**	**2013**
Thermal energy [(a)]	2,336,932	2,311,832
Electricity [(a)]	1,814,245	1,817,815
Total	**4,151,177**	**4,129,647**
Intensity of energy consumption	**147.1**	**137.7**

(a) Production Site Environment Scope (see *Methodology note*).

The graph hereafter shows 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/ton of product)



Measures taken to improve energy efficiency

The Group achieved better energy management through 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 the plants' energy performance. Up to 90% of energy can be recovered through cogeneration, compared with 40% to 55% for traditional systems;
- optimizing energy use. In 2013, for example, the Early Life Nutrition Division closed the former production areas of its Istra site in Russia and built new production areas using more efficient technology and production processes, thereby cutting energy consumption per ton of finished product by 50% at this site.

Sharing best practices and fostering emulation between Group plants strengthened this improvement process in 2013:

- 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 in energy experts to support the implementation of best practices at all production sites. In 2013, two sessions were held in North America and Central Europe, respectively. Meanwhile, a two-day seminar brought together 30 production experts from the Group and 12 suppliers for the purpose of identifying innovative energy conservation solutions, which will be tested at pilot sites before being rolled out in the years ahead;
- in the Early Life Nutrition Division, monthly Energy network actions are implemented (see above section *Employee training and information initiatives in environmental protection*).

Use of renewable energies

Thermal energy from renewable sources

Danone is testing renewable energy production and usage projects at the local level, in particular:

- in Indonesia, 80% of electricity for the Waters Division's Brastagi plant is generated through natural geothermal energy available locally;
- in Brazil, at the Poços de Caldas plant in the Fresh Dairy Products Division, a biomass boiler was installed in August 2011 to replace the fuel oil used for heating. Thanks to the use of biomass, the thermal energy used by the plant is now generated entirely from renewable sources;
- since 2012, the Early Life Nutrition Division site in Wexford, Ireland has used a wood furnace that saves 23,500 tons of greenhouse gases annually and reduces fossil fuel costs.

Purchase of electricity specifically generated from 100% renewable sources

Each subsidiary is responsible for choosing its energy mix. In 2013, six production sites purchased electricity from 100% renewable sources (wind power, hydropower, etc.). This represents 3% of the Group's total electricity purchases.

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).

Soil use issues are also taken into account in the sustainable agriculture approach.

Climate change

Greenhouse gas emissions

Danone applies two methodologies for measuring greenhouse gas emissions:

- a "product" approach based on a product and packaging life cycle analysis, which takes into account emissions at every stage: raw materials (including milk and upstream agriculture), packaging, production, logistics, warehousing, sale and products and packaging end of life. This method makes it possible to identify the most significant means of reducing emissions;
- an "organization" approach that calculates greenhouse gases emissions generated by production activities and therefore a more restricted scope than for the "product" approach, in compliance with the provisions of Article 75 of the "Grenelle II" law, which categorizes direct emissions, called "scope 1", and indirect emissions, called "scope 2" (see section hereafter related to *Greenhouse gas 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 Gas Emissions Scope – Danprint, see *Methodology note*) at most of its subsidiaries (Danprint). This tool was successfully integrated into the Group's existing information systems thanks to a solution jointly developed with software developer SAP.

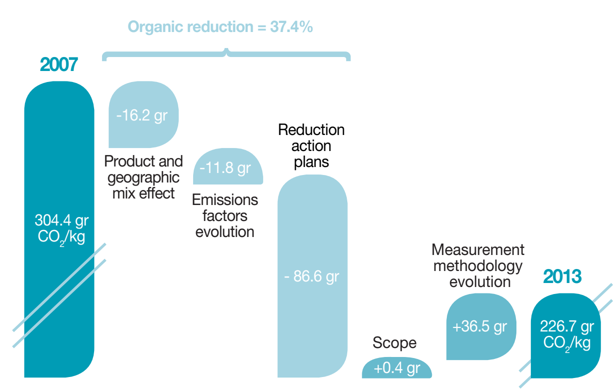
The goal is to allow the Group's subsidiaries that have this module to monitor their carbon emissions within their direct scope of activity, as well as the emissions of their suppliers and customers.

Reducing the carbon footprint: goals and results

For 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 warehousing – excluding upstream agriculture). This ambitious goal was more than exceeded thanks to the ongoing commitment of Danone's teams and of the Group's partners participating in this policy. The reduction from 2008 through end-2013 reached 37.4% (on a like-for-like basis). A specific strategy and priorities are established for each segment in the supply chain.

(in gr CO_2/kg)



The most meaningful actions to reduce emissions are energy conservation measures in the plants, reductions in packaging and the optimization of logistics supply routes.

For the total products lifecycle

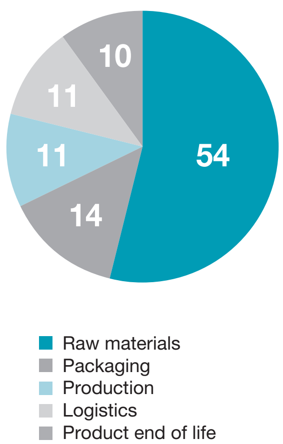
The Group's total emissions in 2013 (including upstream agriculture) are estimated at 17 million tons equivalent CO_2.

Expressed in grams equivalent CO_2 per kilogram of product, the Group's total emissions amount to:

- Direct responsibility scope: 226 grams equivalent CO_2 per kilogram of product (production, packaging, logistics, product and packaging end of life);
- Total scope: 585 grams equivalent CO_2 per kilogram of product (Greenhouse Gas Emissions Scope – Danprint, see *Methodology note*), which can be broken down by lifecycle as follows:

Lifecycle breakdown

(in percentage)



Carbon offsets

Based on its successful experience with carbon offset projects launched in partnership with IUCN and the Ramsar convention on wetlands 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 invest in natural ecosystem restoration projects. The Livelihoods fund and its achievements in 2013 are described in the section 5.3 *Funds sponsored by Danone*.

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 Verified Carbon Standard (VCS) and Gold Standard.

To successfully carry out its carbon offset strategy, *Evian* decided to concentrate its efforts on the Livelihoods fund, whose projects have been supported by the brand since 2008, and substantially bolstered its participation in the fund. The growing role of these projects will make it possible to steadily offset Evian's CO_2 emissions, with the Group's ultimate goal being to offset them entirely.

Greenhouse gas emissions by organization

Greenhouse gases emissions by organization (scope 1 and 2, see descriptions hereafter) for 2013 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 emissions sources from the Group's production plants into the measurement of its carbon footprint.

Direct emissions (scope 1) are those generated by the fuel consumption at the sites, (natural gas, fuel oil, etc.), and refrigerant leaks.

Indirect emissions (scope 2) are those created through the production of electricity, steam, heat or cold purchased and consumed by the Group.

		Year ended on December 31	
(in tons equivalent CO_2)	**2012 (all sites)**	**2012 (production sites)** [(a)]	**2013 (production sites)** [(a)]
Emissions scope 1	894,206	480,120	460,256
Emissions scope 2	847,529	767,170	778,566
Total emissions	**1,741,735**	**1,247,290**	**1,238,822**

(a) Production Site Environment Scope (see *Methodology note*).

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*.

Therefore, 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;
- damages to certain production sites located near coastlines, which could be impacted in the case of unusual climate events.

Protecting biodiversity

Measures taken to preserve or develop biodiversity

Sustainable agriculture

The impact of Danone's business on biodiversity is primarily related to upstream agriculture (soil and water). In 2012, the Brazilian subsidiary of Danone's Fresh Dairy Products Division launched a pilot product lifecycle analysis in conjunction with NGO partners IPE (Instituto de Pesquisas Ecologicas) and IUCN (International Union for Conservation of Nature) to develop a methodology for evaluating issues relating to biodiversity in Danone's value chain.

With respect to 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 section hereafter *Relations with milk producers*). In this context, Danone, in collaboration with the University of Berne, developed DanRISE, a tool for measuring and managing its sustainable agriculture approach. In 2013, this tool was tested in six pilot countries: Brazil, United States, Germany, Ukraine, Poland and Indonesia.

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 protection; such is particularly the case of the Waters Division sites, whose rainwater catchment areas are very 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;
- to preserve its natural mineral water spring, the Villavicencio brand in Argentina protects its nature reserve totaling 72,000 hectares, rich in biodiversity. Based on this experience, the brand is continuing its innovative partnership with the NGO Banco de Bosques and has implemented the operation "*Déjà tu Huella*" ("Leave your footprint"), which invites consumers to participate in the creation of a new natural reserve. For every bottle of *Villavicencio* purchased, the company pledges to protect 1 square meter of the park. The brand is also carrying out initiatives to raise public awareness as to the dangers of deforestation and the importance of biodiversity in the local ecosystem. The results of this operation are impressive: nearly 2,200 hectares protected, active public participation in the project and increased consumer preference for the *Villavicencio* brand;
- starting in 2012, Danone Waters China has enhanced its protection initiatives at the Longmen site through a partnership with the Danone Ecosystem Fund. The project, which aims to enlist the support of numerous farmers, is designed to preserve the quantity and quality of water resources and biodiversity while improving living conditions for local communities. The Danone Ecosystem Fund is described in section 5.3 *Funds sponsored by Danone*.

The Group's Forest Footprint Policy

Conscious of the importance of preserving our planet's forests (in particular tropical forests in Indonesia and the Congo and Amazon river 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 a volume of approximately 30,000 tons, Danone uses palm oil in modest proportions relative to other activities in the food and beverage industry.

Danone undertakes to source 100% of its palm oil needs from CSPO sources (sustainable sources) by 2014.

In a longer term, Danone plans to replace palm oil with alternative resources on a case-by-case basis.

Specific policy for paper/cardboard packaging

Jointly developed with several leading NGOs (in particular Rainforest Alliance), the paper/cardboard packaging policy has three objectives:

- actively reduce the paper packaging weight of each product;
- give priority to the use of recycled fibers and;
- when possible, give priority to FSC-certified virgin fibers.

Danone makes these policies publicly available on its website.

Societal information

Danone's societal approach is characterized by a systematic effort to create value for shareholders and all stakeholders. Danone therefore ensures that its activity leads to the development of benefits to society.

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 5.3 *Funds sponsored by Danone*.

Regional, economic and social impact of the Company's business

Danone has decided to consider both economic factors (wage levels, purchasing and subcontracting, local taxes, etc.) and societal issues (employment, provision of know-how, training, support for local initiatives, support for education in its areas of expertise, partnerships around environmental matters) into account for its business activities. The Group'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 Group's business

Partnership and corporate sponsorship initiatives

More than partnerships, Danone is committed to a co-creation process involving new forms of collaboration between multiple 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. Examples include:

- *Sed Cero*: the Danone Foundation in Argentina supports a tri-national (Argentina, Bolivia and Paraguay) program known as "*Sed Cero*" – "zero thirst" – which aims to provide drinking water to 100,000 families by 2016. This program is built around various local initiatives in the Gran Chaco, a region of South America where the lack of clean and drinking water is critical;
- Eat like a champ: a nutrition education program for children in the United Kingdom that targets primary schools and seeks to improve children's eating habits and promote a more active lifestyle. Launched as a pilot program in a few schools in 2010, it has been rolled out and enhanced each year. In 2013, Eat like a champ was brought to 800 classes throughout the United Kingdom, reaching nearly 30,000 children. This program is based on key partnerships with the British Nutrition Foundation, which helped to design interactive lessons in connection with the primary school curriculum;
- Restos du Cœur: since 2008, Danone, Carrefour and Restos du Cœur have implemented a partnership built around a welfare-to-work initiative.

Initiatives with schools

In addition to 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 societal value.

It is co-chaired by Professor Muhammad Yunus, the Bangladeshi economist, entrepreneur and Nobel Peace Prize winner, and Mr. Martin Hirsch, the Chairman of the Civic Service Agency and member of the Danone Ecosystem Fund steering committee.

Danone's partnerships and initiatives on behalf of educational institutions are also implemented at the local level and carried by the subsidiaries themselves. For example, the "Danone Young Social Entrepreneur" (DYSE) program in Indonesia was developed by local Human Resources teams in order to attract young talent.

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 occurs within these companies. Consistent with the Group's "dual economic and social project", the RESPECT approach launched in 2005 and managed using the Danone Way approach (see section 5.1 *Danone social, societal and environmental approach*) serves to extend this vision to the Group's entire supply chain, excluding milk producers (see section hereafter *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 purchasing terms;
- information-sharing based on self-disclosures by suppliers on their CSR performance using the Sedex platform (cross-company evaluation platform for the consumer goods industry, see section 5.1 *Danone social, societal and environmental approach*);
- external CSR audits of suppliers 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 section hereafter *Relations with milk producers*): raw materials (ingredients, sugar and fruit), packaging (plastic and 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 above-mentioned RESPECT approach, although Danone uses very little subcontracting, since the vast majority of its finished products are produced in the Group's own plants.

The areas addressed through this process comply with the principles of Human Rights, health and safety, compensation, work hours, respect for the environment and ethics, 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 gas emissions. This approach is anchored in formal agreements in which suppliers pledge 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 on 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 perspective.

From an economic perspective, milk accounts for half of the Group's raw materials expenditures, and Danone must therefore strike a balance between a competitive purchasing price and the 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, employment and quality criteria, using an audit grid developed by Danone, and based on assistance from Danone technicians who visit the farms to help milk producers subscribe to a policy of continuous improvement.

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 collection centers). 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 6.4 *Internal control and risk management*.

Measures taken in support of consumer health

Consumer health is at the heart of Danone's history and its mission of "bringing health through food to as many people as possible."

Danone's health and nutrition strategy is aligned with the major policy orientations of health authorities in the various countries; it is defined in the Group's Food Nutrition and 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 used in many countries (fresh dairy products and mineral waters) or belong to food categories governed by regulations (early life nutrition and medical nutrition), (see section 2.4 *Description and strategy of the Divisions*).

In some cases, product composition is dictated by strict regulations and in others it is governed by stringent internal Group nutrition standards based on public health authority recommendations (WHO and Eurodiet). The Nutriprogress program created by Danone monitors the nutritional quality of product portfolios and, if necessary, reformulation projects may be launched.

From December 2011 to November 2013, for example, the Argentine subsidiary of the Fresh Dairy Products Division reduced the levels of sugar and fats in several of its product lines (drinkable yogurts *Yogurisimo* & *Danonino*, *Danonino "fromage frais"*; *Yogurisimo* set yogurt, *Danette* and *Serenito*). During this period, 10,000 tons of sugar and 880 tons of fats were eliminated.

The Early Life Nutrition Division also launched a global effort to reformulate its products, with the new approach presented at the February 2013 meeting of the European platform for Action on Diet, Physical Activity and Health.

Responsible communication

In 2002 Danone introduced an internal procedure to ensure the consistency, credibility and scientific validity of the health and nutrition claims contained in its communications.

In terms of advertising, Danone is committed to applying the ICC Code (International Chamber of Commerce Code for Responsible Food and Beverage Marketing Communication). In the particular case of communications aimed at children, Danone is committed to restricting advertising exclusively to products adapted to their nutritional needs. To that end, Danone has joined numerous local and regional pledges (association of companies which take a specific engagement). In most of the countries involved, compliance with this commitment is certified by an external agency. In 2013, for example, Danone registered between 95% and 100% compliance with its television advertising commitments in Germany, Hungary, Poland, Spain and France. In the same year, 15 of Danone's 18 general public websites audited in 10 different countries were found to be in compliance.

Concerning early life 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 apply it in 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. Such labeling, an initiative of the European inter-branch professional organization, implemented at Danone through an internal document known as the Nutritional Information Charter. This nutrition information is also available from the subsidiaries' consumer relations departments and/or the websites of the subsidiaries in Europe and certain other countries outside of Europe.

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 environment. Impact studies are conducted on certain initiatives. Such was the case for the "*Eat like a champ*" program in the United Kingdom, whose positive results were presented to the European Platform "Diet, Physical Activity and Health" in September 2013.

Measuring the Group's nutrition and health performance

In 2011, Danone created a series of performance indicators (scorecard) to tangibly measure improvements and progress made with regard to health and nutrition issues, in particular product composition and responsible communication, with the results publicly disclosed annually. These indicators are consolidated for a scope of 14 countries combining all four of the Group's Divisions (46 subsidiaries in all, representing around 67% of consolidated sales). 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 5.1 *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 food-and-beverage-sector company's profitability based on consumer confidence.

Cooperation among all stakeholders involved in the food chain is therefore necessary. 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 worldwide", is the main organization that involves all stakeholders in the global food and beverage industry.

Internal quality system

In order to ensure the quality and 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 (i) product quality and safety, and (ii) compliance with Danone specifications at every stage of the distribution chain, from product design to consumption, worldwide and at all times.

With respect to the preventive product recall carried out following the warning issued by the New Zealand government and Fonterra, see Note 33 of the Notes to the consolidated financial statements.

The Group reviews these quality levels regularly. To that end, a risk and opportunity assessment is carried out for each subsidiary in order to prioritize resources to support business growth and ensure product safety and quality.

Compliance levels are defined based on the following criteria:

- level 1: compliance with mandatory requirements (regulations);
- level 2: basic procedures are in place to allow the entity to correct any non-compliance quickly;
- 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 has adapted this policy according to the specificities of the business lines (manufacturing process, number of ingredients, supply sourcing, etc.).

Performance indicators for each consumer 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 to guarantee product safety, based on six different indicators (best hygiene practices, best production practices, HACCP, Control and monitoring plans, bio-vigilance and traceability);
- product compliance in order to ensure that in all the countries where it operates, the Group effectively provides consumers with the promised value;
- consumer feedback in order to assess the consumer satisfaction level.

Danone employees are involved in every step of the product manufacturing process and receive ongoing training to ensure product quality and safety.

Danone has chosen the FSSC 22000 and ISO 22000 standards as the recognized food safety benchmarks in order to align all Group operations in all locations.

In 2013, 76% of the plants in the Waters Division, 90% of those in the Early Life Nutrition Division and 100% of those in the Medical Nutrition Division had received ISO 22000 certification, while 70% of the plants in the Fresh Dairy Products Division had received FSSC 22000 certification.

Initiatives in favor of Human Rights

Danone takes Human Rights into account in its operations and activities through its policies, programs and initiatives, notably Danone Way, RESPECT, WISE, Dan'Cares and the IUF conventions, mentioned above.

Methodology note

Consolidation scope and coverage

The consolidation scope is composed of all subsidiaries fully consolidated for the establishment of the Group's consolidated financial statements, in other words the subsidiaries in which the Group holds, directly or indirectly, a controlling interest (see Note 1 of the Notes to the consolidated financial statements).

Nevertheless, some subsidiaries do not report all social, safety and environmental indicators. These entities have been consolidated into the Group's consolidated financial statements for the year ended December 31, 2013, and action plans have been drawn up and/or are planned to ensure the availability and accuracy of the social, environmental and safety data reported. These entities include:

- the more recently-acquired entities, most notably those joining the Group as a result of the acquisition of Centrale Laitière (Fresh Dairy Products – Morocco) in 2013 and the companies forming part of the Wockhardt group (Early Life Nutrition and Medical Nutrition – India) acquired in 2012;
- entities resulting from the merger of the Unimilk group and Danone Russia (Fresh Dairy Products – CIS region) in 2010. Actions are being taken to ensure that their data will be sufficiently reliable to be included in the reports on social, safety and environmental indicators as of the 2014 fiscal year. However, these entities are included in the Total Group Workforce Scope.

Finally, those subsidiaries that do not report certain social (and safety) or environmental indicators may vary depending on the indicators; the coverage scope may differ following the categories hereafter, as described in the following sections:

- Total Group Workforce scope;
- Social Indicators Scope;
- Safety Scope;
- Production Sites Environment Scope;
- Greenhouse Gas Emissions Scope – Danprint.

Total Group Workforce Scope and Social Indicators Scope

In 2013, 181 Group entities representing around 82% of the total workforce reported social indicators (Social Indicators Scope). In the case of the total workforce indicator, the coverage rate is 100% (Total Group Workforce Scope).

Safety Scope

In 2013, 154 Group entities representing around 79% of the total workforce reported safety indicators (Safety Scope).

In addition, in the case of subsidiaries exiting the consolidation scope as of December 31, 2013, their social and safety data is reported until the date they exit the consolidation scope and is not taken into account in the workforce as of December 31, 2013. In 2013, companies exiting the consolidation scope related mainly to AlSafi Danone (Fresh Dairy Products – Saudi Arabia).

Production Sites Environment Scope

In 2013, 161 production sites (among the Group's 191 production sites) representing around 89.9% of the Group consolidated net sales reported environmental indicators (Production Sites Environment Scope).

The environmental impact of administrative headquarters and logistics centers is not included in the consolidation scope (except for certain indicators, when the logistics centers are adjacent to a production site).

Greenhouse Gas Emissions Scope – Danprint (product approach)

In 2013, this scope covered 94% of the Group's sales volume.

Like-for-like variations (constant scope)

The Group measures changes to some social and environmental indicators on a like-for-like basis, *i.e.* at constant consolidation scope. The 2013 data are restated using a consolidation scope identical to the 2012 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, methodology principles, calculation formulas and standard ratios.

These reporting guidelines regarding environmental, social, safety and GHG data are available upon request from the Social Responsibility Department.

The social, safety and environmental indicators are transmitted from the subsidiaries and/or production sites and are consolidated at Group level by the corresponding departments. The environmental data are checked at the subsidiary level and then at the Division level when reported. In the case of social and safety data, a control is performed at the end of the third quarter and at the time of the December 31 consolidation.

Social and safety indicators

The Human Resources Department is responsible for social and safety indicators. Reported data are generally derived from payroll systems installed in the subsidiaries and reported via the Group's financial consolidation software (SAP/BusinessObjects Financial Consolidation).

Safety indicators are reported monthly and entered at the level of each subsidiary in WISE, the Group consolidation system for safety indicators.

Environmental indicators

The Nature Department is responsible for environmental indicators. Environmental data are reported at the level of each production site by the Environment manager via the NatiV application. Greenhouse gas emissions (product approach) are reported via the Danprint application SAP Carbon.

Methodological details

The methodologies used for certain social and environmental indicators may involve limitations due in particular to:

- the absence of shared national and/or international definitions;
- the need to estimate, the representative nature of measurements performed or the limited availability of external data needed for calculations.

For these reasons, 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 (such is notably the case for expatriate employees who have three-party contracts between the employee, the home subsidiary and the host subsidiary).

Employees on long-term leaves (more than 9 months) are not counted in the total workforce at the end of the reporting period.

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 job creation

Net job creation corresponds to the current fiscal year's workforce compared with the previous fiscal year's workforce, on a like-for-like basis, as specified previously.

Number of training hours and number of trained employees

Training data from French subsidiaries include 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, 2013.

The training sessions for which evidence has not been received at the reporting closing date are included in the following fiscal year.

In the United Kingdom, the Early Life Nutrition and Medical Nutrition subsidiaries take into account training as well as coaching, seminars and training sessions lasting less than one hour, which may lead to inflated data relative to other subsidiaries.

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 grounds for absence taken into account for this indicator include sick leaves (with or without hospitalization), illness and injury related to work and unauthorized leave. Long-term sickness (more than nine months) and maternity/paternity leaves are not included.

The hypothesis choice for the theoretical hours worked calculation is at the discretion of the subsidiaries, taking into account local specificities, which can lead to minor heterogeneities.

Some subsidiaries monitor absenteeism only for hourly paid employees, as other employees are included in a specific program providing them some available days-off that can be used for several reasons (vacation, sickness, special leave, etc.). Such is the case in particular for Dannon Company (Fresh Dairy Products – United States), whose absenteeism rate for employees not paid on an hourly basis is estimated.

Frequency rates of work accidents

Frequency Rate 1 (FR1) is the number of workplace accidents with lost time of one day or more that occur over a 12-month period for every 1 million hours worked.

The severity rate (SR) represents the number of calendar days of absence due to workplace accidents with lost time for every 1,000 hours worked.

The hours worked are actual hours worked; if this figure is not available, theoretical hours worked are taken into account based on local practices and regulations.

The assumptions used for the theoretical hours worked calculation is left to the discretion of the subsidiaries, taking into account local specificities, which can lead to minor discrepancies.

Workplace accident indicators also cover accidents affecting temporary employees working at Danone's sites as well as interns who have an internship agreement with Danone. Temporary employees refers to individuals who do not have a contract with Danone but are under the Group's direct management, working on a temporary basis and for whom working time is available (in number of hours); this can create discrepancies in the scope of the workforce accounted for by the sites.

Waste

In 2013, waste was classified into four categories (hazardous waste, non-hazardous organic waste, non-hazardous inorganic waste and sludge from water treatment facilities).

The sludge from water treatment facilities taken into account in the indicators relates only to those sites that discharge their wastewater directly into the environment following on-site treatment (are excluded sludge from internal wastewater treatment facilities that are subject to further external treatment). In 2013, the "Volume of sludge from wastewater treatment facilities" indicator covered 32% of these sites, *i.e.* 19 sites in all, representing around 16,000 tons of sludge. Steps are currently being taken to ensure the accuracy of other sites' data, as soon as possible.

Consolidated data related to waste do not include (i) product returns (non-compliant raw materials rejected/unsold due to commercial issues), and (ii) whey, a by-product normally reused by a third party.

Data related to recovered waste include materials recovery (recycling, compost, reuse, etc.) and energy recovery.

Water consumption

Consumption of well water or surface water may be estimated when sites have no meter. The definition and methods of accounting for various uses of water (including run-off, water pumped from and returned into streams) are specified in the technical environmental guide and the specially developed software application NatiV. Water consumption includes water used in industrial process and water used in finished 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 temperature).

If a logistics center is located adjacent to a production site, its water consumption is included when the sites are not able to distinguish it.

Energy consumption

By definition, the environmental indicators by definition cover only 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 take into account only their own energy consumption (estimate and deduction of energy consumed by the non-industrial site adjacent to the plant).

In some cases, the energy consumption of buildings located adjacent to the production sites is included when no separate measurement is possible.

Greenhouse gas emissions by organization

Greenhouse gas emissions by organization (scope 1 and scope 2) for 2013 are calculated using the methodology described in the GHG Protocol Corporate Standard (revised 2010 version).

The approach chosen by Danone is to include all emissions sources of the Group's production sites in the measurement of its carbon footprint, since for the most part offices, warehouses and vehicles are not owned by the Group.

Direct emissions (scope 1) are those arising from consumption of fuels (natural gas, propane/butane/LPG, heating oil, fuel oil and coal) and from refrigerant leaks (in accordance with the GHG Corporate Protocol, only HFC and PFC consumption is included). No Group site uses PCFs.

Indirect emissions (scope 2) are those linked to the generation of electricity, steam, heat or cold and purchased by the Group.

Emissions (scopes 1 and 2) are calculated by applying to the activity data the global warming potential (GWP) and emissions factors.

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 (Intergovernmental Panel on Climate Change) is a group of inter-governmental experts specializing in climate change. The emission factors regarding electricity correspond to the data from the International Energy Agency (CO_2 highlights 2013), and the factors used regarding heat, steam and cold correspond to data from the ADEME carbon database.

Emissions factors used 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

Chemical Oxygen Demand (COD) data presented correspond to wastewater after internal and/or external treatment. If no information about external treatment is available, a purified output of 90% is applied.

In the case of the Akbou site (Fresh Dairy Products – Algeria), the net COD was estimated for 2013, as a result of operational problems and the lack of usable measurements. The purified output of the site's treatment plant was estimated on the basis of conservative assumptions (COD measurements were taken early in 2014 when the site was experiencing operational difficulties). This site's data represents 28% of the Group's net COD data. An action plan will be implemented to improve the reliability of COD measurement at this site in the next few years.

Statutory auditors' (appointed as independent third parties) report on the consolidated social, environmental and societal information disclosed in the management report

This is a free translation into English of the Statutory auditors' attestation and assurance report issued in the French language and is provided solely for the convenience of English-speaking readers. The 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 Danone's Statutory auditors and independent verifiers, whose application for accreditation has been accepted by COFRAC under numbers 3-1060 and 3-1065, we hereby present our report on the consolidated social, environmental and societal information issued for the year ended December 31, 2013, presented in section 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law* of the management report, (the "CSR information"), in accordance with the requirements of Article L. 225-102-1 of the French commercial code (*Code de commerce*).

Company's responsibility

The Board of Directors is responsible for preparing the management report including the CSR information in accordance with the requirements of Article R. 225-105-1 of the French commercial code, and prepared with the guidelines used by the company comprising the protocols for reporting the social, safety, environmental and GHG information (the "Guidelines"), a summary of which is provided in the Methodology note presented in section 5.2 *Information concerning the Group's social, societal and environmental performance in compliance with the Grenelle II law* of the management report and available upon request at the Registered office.

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.

Independent verifiers' responsibility

Our role, on the basis of our work, is to:

- attest whether the required CSR 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 (Attestation of presence of CSR information);
- provide limited assurance on whether the CSR information, taken as a whole, is fairly presented, in all material aspects, in accordance with the Guidelines (reasoned opinion on the fair presentation of the CSR information).

Our work was performed by a team of eleven people over a period of around fourteen weeks between October 2013 and March 2014. We called upon our Corporate Social Responsibility experts to assist us in the performance of our work.

Our engagement was performed in accordance with professional standards applicable in France and the decree of May 13, 2013 determining the procedures to be adopted by independent verifiers in carrying out their engagements, and concerning the reasoned opinion on truth and fairness, with ISAE 3000 (Assurance engagements other than audits or reviews of historical information).

1. Attestation of presence of CSR information

We examined, on the basis of interviews with the managers of the departments concerned, the guidance on sustainable development, in relation to the social and environmental consequences of the company's activity and its societal obligations and, where relevant, the resulting actions or programs.

We compared the CSR information presented in the management report with the list provided in Article R. 225-105-1 of the French commercial code.

In the event of the omission of some consolidated information, we verified that an appropriate explanation was given in accordance with the third paragraph of Article R. 225-105 of the French commercial code.

We verified that the CSR information covered the scope of consolidation, namely the company and its subsidiaries within the meaning of Article L. 233-1 and the controlled companies within the meaning of Article L. 233-3 of the French commercial code, within the limits specified in the Methodology note presented at the end of section 5.2 of the management report, especially the exclusion of entities resulting from the merger of the Unimilk group, Danone Russia and Centrale Laitière (Morocco) from most of the CSR information.

On the basis of this work, taking into account the limits referred to above concerning the scope, we attest that the required CSR information is presented in the management report.

2. Reasoned opinion on fair presentation of CSR information

Nature and extent of the work

We carried out around 40 interviews with the persons responsible for preparing the CSR information within the departments responsible for the information gathering processes and, where relevant, those responsible for the internal control and risk management procedures, in order to:

- assess the appropriateness of the Guidelines regarding their relevance, completeness, reliability, neutrality and clarity, taking into consideration, where applicable, best practices in the sector;
- verify that the Group had set up a process for the collection, compilation, processing and control of the CSR information to ensure its completeness and consistency, and examine the internal control and risk-management procedures relating to the preparation of the CSR information.

We determined the nature and extent of our tests and checks based on the nature and importance of the CSR information with regard to the company's characteristics, the social and environmental issues stemming from its activities, its sustainable-development policies and best practices in the sector.

As regards the CSR information that we considered to be the most important (**Social information**: workforce, dismissals, absenteeism, workplace accidents, their frequency and severity, work-related illnesses, training and the ILO core conventions; **Environmental information**: ISO 14001 certification, provisions and guarantees for environmental risks, waste discharged into the water and the 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 gas emissions and biodiversity; and **Societal information**: sub-contracting and suppliers, prevention of corruption and consumer health and safety):

- at the consolidating entity level, we consulted the source documents and carried out interviews to corroborate the qualitative information (organization, policies, actions, etc.), we implemented analytical procedures on the quantitative information and verified, on a test basis, the calculations and consolidation of the data as well as verifying their coherence and their consistency with the other information disclosed in the management report;
- at the level of a representative sample of entities we selected (**Waters Division**: Bonafont SA de CV (Mexico), Danone LTDA (Brazil), Robust Drinking Water Co Ltd (China), Zywiec Zdroj SA (Poland); **Fresh Dairy Products Division**: Danone de Mexico, Danone Djurdjura (Algeria), The Dannon Company Inc (US), Danone Sp zoo (Poland), Danone Produits Frais France (information on waste only); **Early Life Nutrition Division**: Nutricia Polska Sp zoo (Poland), OJSC Istra – Nutricia Babyfoods (Russia); **Medical Nutrition Division**: Support Produtos Nutricionais Ltda (Brazil), Nutricia Pharmaceutical (Wuxi) Co Ltd (China)) based on their business, their contribution to the consolidated indicators, their presence and a risk analysis, we conducted interviews to verify that the procedures were correctly applied and performed tests of details based on sampling, consisting of verifying the calculations made and reconciling the data with the supporting documents. The sample selected represented an average of 23% of the workforce and between 21% and 36% of the quantitative environmental information.

As regards the other consolidated CSR information, we assessed its consistency in relation to our knowledge of the company.

Finally, we assessed the relevance of the explanations given in the event of the total or partial absence of some information taking into consideration, where relevant, good professional practices.

We believe that the sampling methods and sample sizes we have adopted by exercising our professional judgment have enabled us to form a limited assurance conclusion; a higher level of assurance would have necessitated more extensive verification work. Due to the use of sampling techniques and other limitations inherent in the functioning of any internal control and information system, the risk of non-detection of a significant anomaly in the CRS information cannot be totally eliminated.

Conclusion

Based on our work, nothing has come to our attention that causes us to believe that the CSR information, taken as a whole, is not fairly presented, in accordance with the Guidelines.

Observations

Without qualifying the conclusion above, we draw your attention to the following matters:

- the CSR information has been drawn up in accordance with the Guidelines and with the methodological precision provided by the company in the Methodology note presented in section 5.2. When measured data are insufficient, estimates are made, particularly in the case of the "After treatment Chemical Oxygen Demand" indicator. In addition, the information concerning sludge from treatment facilities contributing to the "Total quantity of waste generated" indicator has only been included for some sites. The improvement in the accuracy of these indicators is based partly on an increase in the frequency of the measurements made and partly on a broadening of the scope of the sites taken into account;
- some of the subsidiaries' contributors are not as yet sufficiently aware of or well-trained in the definitions and calculation methodologies drawn up by the company whilst the internal control system defined in the Guidelines is not as yet implemented on a consistent basis in all subsidiaries and divisions. This can result in inaccuracies in the measurement and reporting process adopted by the subsidiaries in respect of certain indicators, notably the "Total quantity of waste generated", the "After treatment Chemical Oxygen Demand", the "Theoretical number of hours worked" (used in the calculation of the "Absenteeism rate") and the "Actual number of hours worked" (used in the calculation of the "Frequency rate of workplace accidents" and the "Workplace accident severity rate") indicators. The inaccuracies identified have been corrected in the CSR information published in the management report.

Neuilly-sur-Seine and Paris La Défense, March 11, 2014

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Philippe VOGT Partner	Sylvain LAMBERT Sustainable development expert	Gilles COHEN Partner	Eric MUGNIER Sustainable development expert

5.3 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, 2013, the danone.communities SICAV had assets under management totaling around €73 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.

With respect to the 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 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.

During 2013 fiscal year, Danone's financial contribution to the danone.communities projects totaled €3.6 million (compared to €4.7 million in 2012).

Furthermore, 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, 2013, approximately 30% of the Group's employees in France had subscribed to the danone.communities FCPE for a total amount of €11.4 million (a +8.6% increase from 2012).

Projects supported by the danone.communities FCPR

Since its creation, the danone.communities FCPR has carried out eight investments.

In accordance with the danone.communities Governance Charter, the Company's Social Responsibility Committee is consulted prior to each investment by the danone.communities 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 experiences, and take into account 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.

Hereafter is a description of the eight projects in which the danone.communities FCPR (and, for three of them, the Group) has 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 to increase living standards in the community, protect the environment and save resources.

Approximately €2.2 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, 2013, the Group's aggregate investment in Grameen Danone Foods Ltd. (*i.e.* the initial investment of €0.7 million at the time of the company's incorporation plus the participation in the €1.5 million capital increase in October 2012) totals approximately €2.2 million, which represents 38,5% of Grameen Danone Foods Ltd.'s share capital.

As of December 31, 2013, the FCPR had invested a total of approximately €1.6 million in Grameen Danone Foods Ltd. (including a new investment of €0.2 million in 2013).

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 bacteria present in surface water and render it drinkable at a minimal 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 of 2013, this project was operating in approximately 90 Cambodian villages and 10 new villages in Madagascar, giving access to drinking water to approximately 180,000 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 through 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 totals 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 part 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, specific and quantifiable commitments, notably with respect to: (i) increasing and securing the annual income of the farmers, (ii) training, (iii) developing a local dairy production chain, (iv) lowering 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.

Since Q3 2013, La Laiterie du Berger started to have operating profit and the Group expects full year profitability for 2014.

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 to: (i) 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.

An approximately €1.5 million capital increase was completed in September 2013 by NCWS to finance the future expansion of the company, and participated by the current shareholders.

The danone.communities FCPR participated in the creation of the company through an investment totaling around €2.1 million, which included a new capital increase of €0.5 million mentioned above.

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 (through 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 has invested €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 and reaching 6,420 by the end of 2013), 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 (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'Écosystème*)

At the April 23, 2009 Shareholders' Meeting, shareholders approved the proposed creation of the Danone Ecosystem Fund, with 98.36% of shareholders casting ballots in favor.

Description of the 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 Group's ecosystem, promote job creation and develop micro-entrepreneurship.

Contributions from the Group to the 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 contributions totaling 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);
- for the 2012 fiscal year, no supplementary contribution was made.

At its February 19, 2014 meeting, Danone's Board of Directors decided not to grant an annual supplementary contribution for the 2013 fiscal year.

See also the section hereafter.

Management of the fund's administrative, accounting, financial and legal activities

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 in kind to the extent that salaries and travel expenses of Group employees were allocated to the fund).

In 2013, the salaries and travel expenses of Group employees allocated to the fund were rebilled entirely by Danone to the fund, which represented a total invoiced amount of €1.7 million.

In 2014, the salaries and travel expenses of Group employees allocated to the fund's activities will be fully rebilled by Danone to the fund.

These rebilling are performed after all supporting documents have been submitted by the Group to the fund.

Projects supported by Danone Ecosystem Fund

Since its creation, the fund's board of directors has approved 48 projects (excluding feasibility studies), including five new projects in 2013, and furthermore 10 extensions of existing projects were approved in 2013.

The fund's board of directors terminated a project in 2011 as a result of the project's non-viability. Consequently, 47 projects remained active as of December 31, 2013.

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 47 active projects as of December 31, 2013, 14 projects were located in Western Europe, 10 in America, 9 in Central and Eastern Europe, 10 in Asia and 4 in Africa and the Middle East.

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.).

Starting in 2013, public interest projects are being carried out directly by the fund.

The fund supports initiatives that fall into five main thematic categories:

- supplies: supporting the milk and fruit supply chain in local regions where Danone operates by developing small producers in particular (reinforcement or acquisition of new competencies, technical solutions, access to the credit, etc.) (17 active projects, which represent €20 million committed by the fund as of December 31, 2013);
- 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 and €6 million committed by the fund as of December 31, 2013);
- 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 and €5 million committed by the fund as of December 31, 2013);
- services to individuals: in connection with nutrition, develop the professional skills of participants in the personal services sector (11 active projects and €5 million committed by the fund as of December 31, 2013);
- local development: contribute to social development at the local and regional levels where the Group's plants are located through local economic initiatives (8 active projects and €7 million committed by the fund as of December 31, 2013).

These projects are also subject to audits, impact studies and monitoring by a coordination team (these transverse costs totaled €5 million in 2013).

As of December 31, 2013, a total amount of €48 million had been committed by the fund to projects implemented by non-profit organizations (which in effect corresponds to amounts actually paid out by the fund to the partners as well as the amounts that the fund has agreed to pay out under contracts entered into with the partners) and public-interest initiatives carried out directly by the fund, audits, impact studies and monitoring by a coordination team.

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-registered 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.

Investments by the Group and co-investors in Livelihoods fund

As the fund's sponsor, Danone put together an initial investor group in 2011 comprising the Crédit Agricole (Crédit Agricole CIB and Delfinances), CDC Climat and Schneider Electric Industries groups. They were joined in 2012 by La Poste, Hermès International and Voyageurs du Monde. In 2013, SAP and Firmenich also joined the fund, which now has a total of nine investors.

By inviting co-investors to participate in the fund, which increases the 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, 2013, the investors have pledged to invest a total of €31.9 million, of which €13.9 million has already been disbursed. Of these amounts, the Group has committed to pay €13.8 million, of which €6.0 million has been disbursed as of December 31, 2013.

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, 2013, Livelihoods fund manages six projects, since the Novacel project was discontinued following a decision by the Livelihoods fund's Board of Directors on May 28, 2013. The first four projects had been initiated by Danone up until December 2011, when they were transferred to the fund at its inception. Two additional projects were launched by the fund in 2012 and 2013: the Hifadhi project in Kenya and the Fundaeco project in Guatemala. The projects are described hereafter:

- mangrove plantations in Senegal. Thanks to the work of Océanium, a local NGO, 350 villages in the Casamance and Sine Saloum regions restored 7,920 hectares of mangroves and thereby contributed to the return of food supplies in their ecosystem (fish, shell fish) and developed activities making it possible to improve living conditions for these villagers;
- mangrove plantations in India. Working with the Indian NGO Nature Environment & Wildlife Society (NEWS), villagers will have replanted 5,500 hectares of mangroves by the end of the first quarter of 2014. In this Ganges delta region, the mangrove replanting protect the levies against hurricanes and flooding and provide food resources in the form of fish;
- mangrove plantations in Indonesia. Led by Yagasu Aceh, a local NGO, the coastal villagers are working to restore 5,000 hectares on the island of Sumatra, with a very active approach to help local communities develop their mangrove-based activities (aquaculture, batik dyes);
- agroforestry in India. With the support of Naandi Foundation, the Adivasi tribal communities of the Araku valley planted 3 million fruit trees, coffee plants and timber trees using agroforestry models;
- rural and community reforestation in Kenya. With support from ClimatePal and together with Ecoact, the "Hifadhi" project seeks to manufacture and distribute 60,000 efficient artisanal ovens that will reduce the consumption of wood, the sole fuel source in African rural areas. Some 300,000 people in the Embu region will benefit from this initiative, which sharply reduces the workload borne by women, pressure on forests and negative health impacts on the population;
- agroforestry in Guatemala. With the support of the local NGO Fundaeco and the Guatemalan government, this project is intended to preserve the biodiversity of the Cerro San Gil mountain by enabling the small farmers living in the mountain's foothills to live decently thanks to agroforestry. A total of 4,000 hectares of trees and plants of different varieties will be planted.

CORPORATE GOVERNANCE

6

In accordance with Article L. 225-37 of the French commercial code, this section on Corporate Governance includes the Chairman's report (i) on the composition, the conditions for the preparation and organization of the work performed by the Board of Directors (section 6.1 Governance bodies), as well as (ii) on the internal control and risk management procedures in the Group (section 6.4 Internal control and risk management).The Chairman's report was reviewed and approved by the Company's Board of Directors on February 19, 2014.

In accordance with Article L. 225-37 of the French commercial code, the Company declares that it refers to the Corporate Governance Code for listed companies revised in June 2013 (the "AFEP-MEDEF Code").

6.1 GOVERNANCE BODIES

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Board of Directors

Composition of the Board of Directors

The administration of the Company is entrusted to the Board of Directors, whose members are appointed by the Shareholders' Meeting.

Members of the Board of Directors as of February 28, 2014

As of February 28, 2014, the following persons are the 13 members of the Board of Directors:

Name	Age	Principal position [(a)]	Starting date of Director's term	Expiration date of Director's term [(b)]
Franck RIBOUD	58	Chairman and Chief Executive Officer of Danone	1992	2016
Emmanuel FABER	50	Vice-Chairman of the Board of Directors and Deputy General Manager of Danone	2002	2016
Bernard HOURS	57	Vice-Chairman of the Board of Directors and Deputy General Manager of Danone	2005	2017 [(c)]
Bruno BONNELL [(d) (e)]	55	Chairman of I-Volution	2002	2017 [(c)]
Richard GOBLET D'ALVIELLA [(d)]	65	Executive Chairman of Sofina SA	2003	2015
Jacques-Antoine GRANJON [(d)]	51	Chairman and Chief Executive Officer of vente-privee.com	2012	2015
Jean LAURENT [(d)]	69	Chairman of the Board of Directors of Foncière des Régions	2005	2015
Benoît POTIER [(d)]	56	Chairman and Chief Executive Officer of L'Air Liquide SA	2003	2015
Isabelle SEILLIER	54	Head of Financial Institutions EMEA of J.P Morgan	2011	2017 [(c)]
Mouna SEPEHRI [(d)]	50	Member of the Executive Committee, Executive Vice-President of Renault SAS	2012	2015
Jean-Michel SEVERINO [(d)]	56	Head of I&P SARL	2011	2017 [(c)]
Virginia A. STALLINGS [(d)]	63	Professor of Pediatrics at the Children's Hospital of Philadelphia	2012	2015
Jacques VINCENT	67	Founder and Manager of the Un Métier Vocation Foundation	1997	2014 [(f)]

(a) Each Director's term of office and duties are detailed hereafter (see section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*).
(b) Date of the Shareholders' Meeting.
(c) Provided his term of office is renewed by the Shareholders' Meeting of April 29, 2014.
(d) Director deemed independent by the Board of Directors meeting held on February 19, 2014, upon recommendation of the Nomination and Compensation Committee (see section hereafter related to *Review of Directors' independence*).
(e) As of February 28, 2014, Mr. Bruno BONNELL is deemed an independent Director. Regarding his independence, in case his term of office is renewed at the end of the Shareholders' Meeting of April 29, 2014, see section hereafter *Review of Directors' independence.*
(f) The Board of Directors, upon recommendation of the Nomination and Compensation Committee, acknowledged Mr. Jacques VINCENT's wish not to renew his term of office as Director.

As of February 28, 2014, the Board of Directors includes a Lead Independent Director, Mr. Jean LAURENT, who was appointed by the Board of Directors on February 18, 2013 upon recommendation of the Nomination and Compensation Committee (see 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 end of the Shareholders' Meeting of April 28, 2011; in such capacity he has an advisory role.

On July 26, 2013, the Board of Directors acknowledged the resignation of Mr. Yoshihiro KAWABATA from his position as a member of the Board of Directors, and therefore from his functions as member of the Nomination and Compensation Committee.

Four members of the Danone Works Council, appointed by this 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. Once the two Directors representing employees have been appointed in accordance with the new provisions of the Act n°2013-504 of June 14, 2013 concerning job security, a single member of the Works Council will attend Board meetings in an advisory capacity.

As of February 28, 2014, the Board of Directors of Danone presented the following characteristics:

Rate of independence	62%
Percentage of women	23%
Average age of Directors	57.8 years
Average duration of Directors' terms of office	8.8 years
Percentage of Directors with non-French nationality	23%

Change in the composition of the Board proposed to the Shareholders' Meeting of April 29, 2014

The Shareholders' Meeting of April 29, 2014 is asked to renew the terms of office as Directors of Messrs. Bruno BONNELL, Bernard HOURS, Jean-Michel SEVERINO and Mrs. Isabelle SEILLIER and to appoint Mrs. Gaëlle OLIVIER and Mr. Lionel ZINSOU-DERLIN as Directors (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting* hereafter).

The Board of Directors of February 19, 2014, upon the recommendation of the Nomination and Compensation Committee, also acknowledged the wish of Mr. Jacques VINCENT, a Director for the past 17 years and former Deputy General Manager of Danone, not to seek renewal of his term of office.

In addition, in accordance with the new provisions of the law of June 14, 2013 relating to security of employment, the Shareholders' Meeting of April 29, 2014 is asked to amend Danone's by-laws to allow the appointment of two Directors representing employees (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Provided that the aforementioned term of office renewals and the appointments proposed are approved by the Shareholders' Meeting of April 29, 2014, the composition of the Board will present the following characteristics:

	Composition subsequent to the 2011 Shareholders' Meeting	Composition subsequent to the 2013 Shareholders' Meeting	Composition prior to the 2014 Shareholders' Meeting (a)	Composition subsequent to the 2014 Shareholders' Meeting
Rate of independence	57%	57%	62%	71%
Percentage of women	14%	21%	23%	29%
Average age of Directors	58.6 years	57.3 years	57.8 years	56.1 years
Average duration of Directors' terms of office	8.3 years	7.6 years	8.8 years	7.4 years
Percentage of Directors with non-French nationality	29%	29%	23%	29%

(a) Composition as of February 28, 2014, on this date the Board of Directors comprised 13 Directors due to the resignation of Mr. Yoshihiro KAWABATA on July 26, 2013.

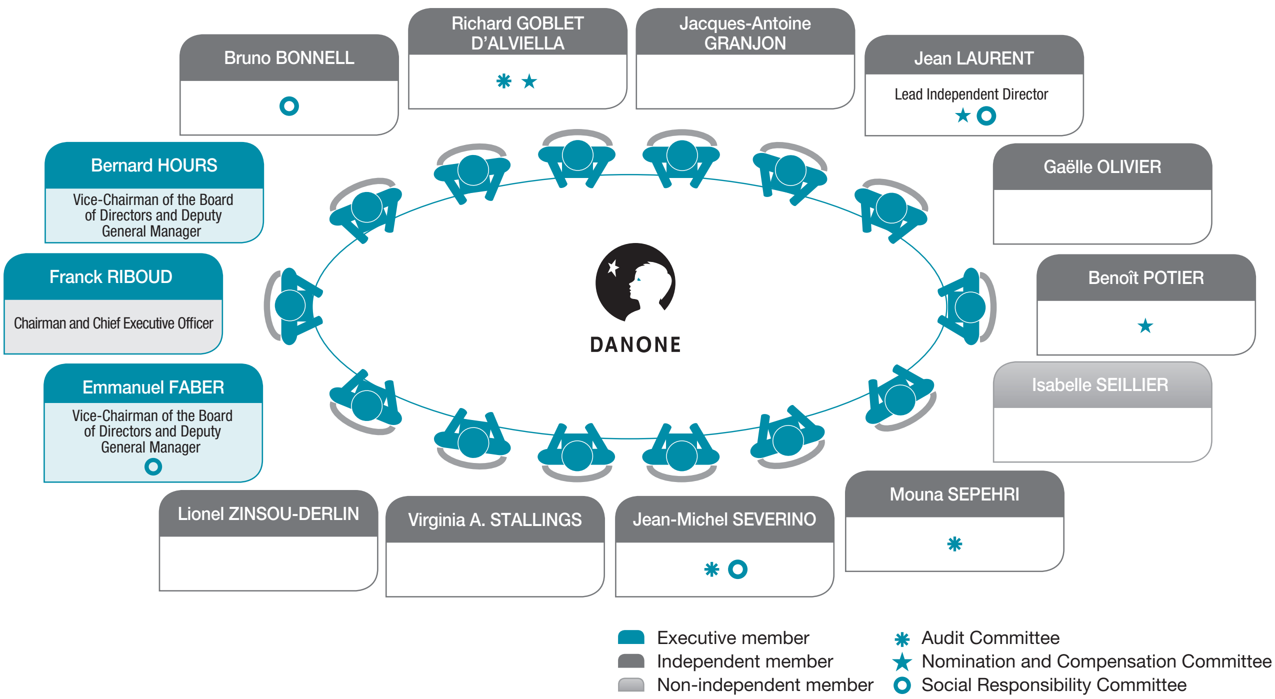
In accordance with the recommendations of the AFEP-MEDEF Code, the Directors representing employees will not be included in the calculation of the rate of independence for the Board of Directors. In addition, in accordance with applicable laws, these same Directors will not be taken into consideration when calculating the percentage of women on the Board.

Accordingly, following the Shareholders' Meeting of April 29, 2014, subject to a favorable vote by the Meeting:

- the rate of independence would still be higher than that recommended by the AFEP-MEDEF Code (which is 50% for widely-held companies without controlling shareholders, such as Danone), and all the members of the Audit Committee and Nomination and Compensation Committee would be independent, which is also higher than that recommended by the AFEP-MEDEF Code (under which these committees should comprise at least two-thirds and a majority of independent Directors, respectively);
- the percentage of women would also comply with applicable regulations (which require the percentage of women to be at least 20% by the Shareholders' Meeting to be held in 2014); and
- the average age of Directors and the average duration of their terms of office would be falling. Faced with this decrease in the average seniority of its members, in order to preserve its diversity, the Board of Directors believes it is important to retain among its members several non-executive Directors who have extensive knowledge of the Group (in particular, Mr. Bruno BONNELL, who has been a Director since 2002 and whose term of office is proposed for renewal to the Shareholders' Meeting).

It should be noted that, for several years, the Board has committed to its shareholders to continue to make proposals to the Shareholders' Meeting to 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.

Composition of the Board of Directors at the end of the 2014 Shareholders' Meeting [(a)]



(a) Subject to the approval by the Shareholders' Meeting of the proposed term of office renewals and appointments.

Rules applicable to the organization and the governance of the Board of Directors

Directors' terms of office

Duration and renewal of terms of office

Pursuant to the by-laws and in accordance with the AFEP-MEDEF Code in which Directors' terms of office may not exceed four years, a Director is appointed for a three-year term of office that may be renewed. The term of office of a Director who is an individual expires automatically at the end of the Shareholders' Meeting convened to vote on the past fiscal year's financial statements or held in the year during which such Director has turned or will turn 70. Furthermore, upon a decision of the Shareholders' Meeting, this age limit does not apply to one or more Directors who may remain in office or who may be reappointed one or more times, so long as the number of Directors concerned by this decision does not exceed one-fourth of the number of Directors in office.

In order to support the smooth renewal of the Board, all Directors' terms of office are staggered. The regular renewal of such terms of office by shareholders is thus facilitated (i) due to the fact that the by-laws limit the terms of office to three years and (ii) by spreading the expiration dates of the various terms of office and thereby enabling the Shareholders' Meeting to vote on the terms of office of several Directors each year.

Based on the current composition of the Board, the terms of office of five Directors will expire at the end of the Shareholders' Meeting convened to vote on the financial statements for the fiscal year 2013, the terms of office of six Directors will expire at the end of the Shareholders' Meeting convened to vote on the financial statements for the fiscal year 2014 and the terms of office of the remaining two Directors will expire at the end of the Shareholders' Meeting convened to vote on the financial statements for the fiscal year 2015.

Holding of DANONE shares by the Directors

Although French law does not require minimum shareholding of the directors of French limited companies (*sociétés anonymes*), Danone's by-laws nevertheless, in accordance with the AFEP-MEDEF Code, require each Director (with the exception, as laid down by law, of Directors representing employees, who should be appointed by the end of 2014, see sections 8.2 *Draft resolutions presented at the Shareholders' Meeting* and 8.3 *Comments on the resolutions of the Shareholders' Meeting*) to hold a minimum of 4,000 shares in registered form. By way of example and based on the closing price of the Company's share on February 28, 2014 (*i.e.* €51.18 per share), 4,000 DANONE shares represent an amount of €204,720.

Board of Directors' rules of procedure

Adoption by the Board of Directors on April 25, 2002

The Board of Directors' rules of procedure, which set out the Directors' rights and obligations and the method of operation of the Board of Directors, were adopted by the Board of Directors on April 25, 2002.

In accordance with the recommendations of the AFEP-MEDEF Code, the Board of Directors' rules of procedure are described in detail in this Registration Document.

Main changes

The Board of Directors' rules of procedure are amended on a regular basis, notably following each of the self-assessments, the most recent being achieved in 2008, 2010 and 2012 (see sections *Self-assessment of the Board of Directors* and *Directors' Code of ethics*) and in the framework of the Board's annual update on its operations.

The rules of procedure have therefore been amended as follows:

- amendments in 2008 on the prohibition of Directors from using any hedging instruments in connection with the Company's shares;
- amendments in 2010 on the addition of new Directors;
- in 2011, the procedure for declaring and managing conflicts of interest was strengthened; and
- in December 2013, in order to comply with the new recommendations of the AFEP-MEDEF Code, revised in June 2013, the Board of Directors' rules of procedure were amended as follows:
  - in the future, the prior approval of the Board of Directors must be obtained before an executive director and officer may accept any new appointment in a listed French or foreign company (in the past a mere information was sufficient),
  - any Director can meet the company's main managers in the absence of executive directors and officers,
  - the independent Directors meet at least once a year, on the initiative of the Lead Independent Director, who may invite the Company's other external Directors (*i.e.* the non-executive and non-independent Directors) to attend the meeting,
  - specific provisions provide for appropriate training for Directors representing employees, and
  - Directors are expressly prohibited from engaging in any transactions on securities of the companies for which they, due to their corporate office in Danone, have insider information.

Current Rules of Procedure

The main provisions of the Board of Directors' rules of procedure are summarized hereafter.

Responsibilities of the Board of Directors

The Board of Directors 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 a 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. Moreover, it grants prior approval for transactions defined by the rules of procedure which limit the powers of the Chief Executive Officer (see section hereafter *Powers of the Chief Executive Officer*).

At each Board meeting, the Chairman reports on the main transactions concluded by the Group 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.

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.

The executive directors and officers attend Board of Directors' meetings. In principle, 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.

Since the AFEP-MEDEF Code recommends that the non-executive Directors meet annually without the executive or internal Directors, from December 2013 the Board of Directors' rules of procedure provide that the independent Directors meet at least once a year, on the initiative of the Lead Independent Director, who may invite the Company's other external Directors (*i.e.* the non-executive and non-independent Directors) to attend the meeting. On February 28, 2014, this meeting has not yet been held as the Group's current position has not justified its organization in this period.

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 either the discussions or the vote, in accordance with the law. However, no executive director and officer attends any meeting of the Nomination and Compensation Committee during which his/her own compensation is discussed.

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.

The Committees are comprised solely of Directors: their members are appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. They are appointed in their individual capacity and may not, in turn, appoint a proxy to represent them. The Committee Chairmen are appointed by the Board of Directors upon recommendation of the Nomination and Compensation Committee. However, these Committees may not interfere in the Company's management or reduce or limit the powers of the Chairman and Chief Executive Officer, the Deputy General Manager or the Board of Directors. On matters within its scope of powers, each Committee submits proposals, recommendations and opinions, and reports to the Board of Directors on its activities. The final decision is taken by the Board of Directors, in accordance with the provisions of the French commercial code.

Each of these Committees may undertake studies or obtain advice from independent experts and is allocated a special budget by the Company for such use.

Compensation of Directors

Directors receive attendance fees; however the members of the Executive Committee and/or the Company's executive directors and officers and honorary directors do not receive any attendance fees. The Shareholders' Meeting approves the total maximum amount of attendance fees to be divided among the Directors.

In accordance with the AFEP-MEDEF Code, the allocation of attendance fees takes the effective participation of Directors at Board and Committee meetings into account by including a majority variable element (see section *Directors' attendance fees* hereafter).

Moreover, a reimbursement oversight policy for expenses incurred by Board members when carrying out their duties was adopted by the Board at its meeting of February 18, 2013.

Directors' Code of ethics

The Board's rules of procedure include a Directors' Code of ethics.

Defense of the corporate interest

Each Director is appointed by all the shareholders and, in carrying out his/her duties, should act in the best interests of Danone, independently from all other interests.

Awareness of Directors' rights and obligations

At the time he/she takes office, each Director must be aware of the general and specific obligations incumbent on his/her position.

Independence of Board members

Each year, after reviewing the opinion of the Nomination and Compensation Committee, the Board of Directors individually considers the situation of each Director in light of the AFEP-MEDEF Code independence rules. 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:

- he/she is not, and during the previous five years has not been, an employee or executive director and officer of the company, or an employee or director of its parent company or of a company within its consolidation scope;
- he/she is not an executive director and officer of a company in which the company directly or indirectly holds a directorship or in which an employee appointed for such purpose or an executive director and officer of the company (currently or who has held such position within the previous five years) holds a directorship;
- he/she is not a customer, supplier, investment bank or commercial bank:
  - that is significant to the company or its group,
  - or for which the company or its group represents a significant part of its business;
- he/she does not have close family ties with an executive director and officer;
- he/she has not been one of the company's statutory auditors during the previous five years;
- he/she has not been a director of the company for more than 12 years (see, on the application of this criterion, section *Application of the AFEP-MEDEF Corporate Governance Code for listed companies* hereafter).

Duty to report conflicts of interest

Each Director must at all times ensure that his/her personal situation does not create any conflict of interests with the Group. Any Director who has a conflict of interest must report it to the Board so that the latter may make a decision thereon, and must refrain from taking part in any deliberations and vote on the relevant matter (see section *Duty to report conflicts of interest* hereafter).

Each Director must provide a sworn statement describing whether or not he/she has any conflicts of interest, including potential conflicts of interest: (i) at the time he/she takes office, (ii) annually, in response to the Company's request when preparing the Registration Document, (iii) at any time, if requested by the Chairman of the Board of Directors, and (iv) within 10 business days of the occurrence of any event that causes the Director's previously filed statement to become inaccurate, in whole or in part.

Directors' confidentiality obligation

Directors are bound by a general confidentiality obligation regarding the decisions of the Board and of the Committees, as well as with respect to confidential information of which they become aware in the performance of their duties as a Director.

The Directors' general confidentiality obligation was extended to all information and documents of which they may become aware in the course of their duties as a Director.

Attendance requirement

With respect to their attendance obligations, Directors must limit the number of offices and Board committee chairs they hold in other companies to ensure sufficient availability. Should an executive director and officer wish to accept a new appointment within a French or foreign listed company, he/she must first inform the Chairman of the Board of Directors and the Chairman of the Nomination and Compensation Committee and, in accordance with the provisions of the AFEP-MEDEF Code, obtain the prior approval of the Board of Directors.

Transactions involving the Company's securities by members of the Board of Directors

The relevant securities include the Company's shares and all financial instruments linked to the shares.

In general, members of the Board of Directors are bound by a duty to exercise due care and diligence, as well as an obligation to take 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; and
- 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, 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 are related to the Directors (within the meaning of the applicable regulations).

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 the precise nature of the information he/she is required to disclose, must inform the Chairman of the Board of Directors or the Lead Independent Director accordingly.

Finally, pursuant to the new recommendations of the AFEP-MEDEF Code, the Board of Directors' rules of procedure also prohibit Directors from engaging in transactions in securities (and related financial instruments) of the companies for which he/she, as a result of his/her duties in Danone, has insider information.

Assessment of the Board of Directors

The Board's composition, organization and operation are assessed every two years. This assessment may be a self-assessment, an assessment by the Nomination and Compensation Committee or an assessment by a third party organization.

Under this assessment, the recommendation of the AFEP-MEDEF Code concerning measuring the actual contribution of each Director to the Board's work is not applied, notably due to the practical difficulties involved in implementing this type of recommendation and its possible consequences for the Board's team spirit and collegiality. Nonetheless, each year, each Director completes a very detailed questionnaire on the operation of the Board, allowing each member to give his/her opinion on potential issues. Moreover, the Board of Directors reviews the completed questionnaires, providing it with the opportunity to fully assess the contributions and involvement of all Directors in the work of the Board and its Committees. Lastly, the Board's rules of procedure expressly provide that this assessment should enable not only "the quality of the collective work of the Board of Directors to be assessed" but also "the availability and commitment of Directors".

Training of Directors

The rules of procedure of the Board of Directors provide that each Director is entitled to the training necessary for him/her to carry out his/her term of office, either upon appointment or throughout his/her term. These trainings, whether internal or external, enable the Director to understand in particular the Group's business, risks and organization, or to improve certain specific skills. It is organized and paid for by the Company.

Regarding the Directors representing employees who are soon to be appointed in accordance with the new legal provisions, the rules of procedure of the Board of Directors were amended in December 2013, in accordance with the new provisions of the AFEP-MEDEF Code, in order to ensure that these Directors are given appropriate training as soon as they take up their positions.

Furthermore, when taking up their positions, all new Directors receive all the documentation and information required to ensure thorough knowledge and understanding of the Group and its accounting, financial and operating characteristics (its history, organization, legal structure, financial results, press summaries, analysts' reports, press releases issued by the Company, etc.) and the performance of their duties as members of the Board (rules of procedure of the Board of Directors and its Committees and the AFEP-MEDEF Code, etc.). The Secretary of the Board also provides them with the rules pertaining to holding, communicating and using insider information, and to transactions on DANONE shares.

Lastly, following the self-assessment carried out by the Board of Directors in 2012 (see section hereafter *Self-assessment of the Board of Directors*), (i) every new Director is offered an improved integration process comprising individual meetings with several Directors and individual interviews with members of the General Management and the Executive Committee, and (ii) all Directors are given the opportunity to attend presentations by senior managers in charge of the Group's main functions as well as regular on-site visits.

Information of Directors

Concerning continuous information for Directors, the rules of procedure provide that:

- prior to each Board meeting, each Director should receive a file on the agenda items requiring specific analysis and advance reflection, so that he/she can consider his/her position on the matters to be discussed at the meeting in an informed and enlightened manner; the Lead Independent Director also ensures that the Directors are provided with a high level of information in advance of Board meetings;
- at each Board meeting, the Chairman advises Directors of the main facts and significant events affecting the Group since the date of the previous Board meeting;
- 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. In particular, they receive additional press releases to those reviewed during Board meetings; and
- General Management specifically informs the Board of Directors of the Company's financial position, cash position and commitments at least once every six months.

Operation of the Board of Directors during the fiscal year

Review of Directors' independence

As it does every year, the Board of Directors, meeting on February 19, 2014, upon recommendation of the Nomination and Compensation Committee, reviewed the independence of each Director.

As of February 19, 2014, Danone's Board of Directors is composed of 13 Directors, of which eight are considered to be independent (within the meaning of the AFEP-MEDEF Code), giving an independence rate of 62%. Moreover, the Chairmen of all the Board's Committees are independent Directors.

The five Directors who are not considered to be independent are:

- Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS in their capacity as executive directors;
- Mr. Jacques VINCENT, in his capacity as a former executive director and officer of Danone (he was Deputy General Manager until April 2010), it being specified that Mr. Jacques VINCENT has advised that he does not wish to seek renewal of his term of office; and
- Mrs. Isabelle SEILLIER, an executive employee within the J.P. Morgan banking group, which is one of the banks with which the Group regularly conducts business. Various measures have been implemented within the Board's rules of procedure 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 by Mrs. Isabelle SEILLIER from participating in discussions and voting on any deliberations which could place her in a situation in which there is a conflict of interest involving, directly or indirectly, the J.P. Morgan group, (ii) express reference in the report of the Board of Directors to the Shareholders' Meeting of her designation as a non-independent Director and of the existence of potential conflicts of interest involving her, (iii) full transparency on compensation terms for the J.P. Morgan group by the Danone Group as part of agreements subject to shareholders' approval, and (iv) a systematic resolution concerning all new related-party agreements entered into with the J.P. Morgan group, which will automatically be put to a separate shareholders' 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 at February 28, 2014:

- 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, who held, as of December 31, 2013, 2.2% of Danone's share capital and 3.8% of its gross voting rights (due to the double voting rights mechanism provided in the by-laws). 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 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, could compromise Mrs. Mouna SEPEHRI's independence. Pursuant to the rules of the AFEP-MEDEF Code, the independence of a Director would be compromised only if the said Director was himself/herself an executive director and officer of Renault, which is not the case here (since Mrs. Mouna SEPEHRI is not a director of Renault). The Board therefore confirmed that Mrs. Mouna SEPEHRI satisfies all of the AFEP-MEDEF Code independence criteria and that her situation is not likely to be a source of any conflicts of interest;
- concerning Mr. Jean LAURENT, Lead Independent Director and Chairman of the Nomination and Compensation Committee, given his position within Eurazeo (he is not an executive director and officer but Vice-Chairman of the Supervisory Board), the Board of Directors at its meeting on February 18, 2013, deemed that, at the time of his appointment as Lead Independent Director, in view of the small stake Eurazeo held in the Company's share capital, he fully satisfied the independence criteria of the AFEP-MEDEF Code. In 2013, Eurazeo transferred practically all the DANONE shares it held to bearers of Eurazeo bonds convertible into existing DANONE shares; as of December 31, 2013, Eurazeo thus holds a residual shareholding representing approximately 0.01% of Danone's share capital;
- concerning the proposal to renew the term of office of Mr. Bruno BONNELL, the Board of Directors of February 19, 2014, upon the recommendation of the Nomination and Compensation Committee, examined his situation with regard to the regulations of the AFEP-MEDEF Code defining the independence criteria for directors, and notably the criterion under which a director would lose his/her independence once his/her term of office exceeds 12 years. On this point, however, the Board considered that Danone has a dual economic and social project, which gives it a unique culture, which the Group has reaffirmed in its strategy, governing bodies, performance measurement and management performance for a number of years. The Board has stressed on many occasions the primary importance that it attaches to the Company's cultural factors in order to assess the pertinence and feasibility of the projects submitted to its approval. It considers that Danone's culture with respect to its dual project is a unique competitive advantage, for the Group and in the interests of its shareholders. As such, the Board has observed that within the collective decision-making approach taken at its meetings, the ability to view the development of cultural traits specific to the Company and its mission in the long-term is a real benefit which clarifies the Board's work. The Board thus believes that the holding of a term of office over a long period constitutes a measure of an ability to contribute to the Board's work in a free and autonomous manner while ensuring that the Group's identity and culture are preserved, rather than being an obstacle to independence, and that additionally, the length of service on the Board should not be used solely to determine the non-independence of a Director. Furthermore, the Board has observed that Mr. Bruno BONNELL has continually proven his particularly noteworthy independence of thought and freedom of speech, which have led him to take up marked and constructive positions and to provide specific and differentiated viewpoints during Board discussions. The Board noted that these positions have enriched its decisions and that the independence of such decisions is an important value for Danone, within a Board of Directors which has a majority of independent Directors as defined using the strictest application of current standards. In view of these elements, the Board has therefore decided that Mr. BONNELL is considered to be an independent Director for the purpose of the renewal of his term of office.

Moreover, in reviewing the proposed appointments as Directors, upon recommendation of the Nomination and Compensation Committee, the Board examined the positions of Mrs. Gaëlle OLIVIER and Mr. Lionel ZINSOU-DERLIN in light of the independence rules of the AFEP-MEDEF Code.

It concluded that Mrs. Gaëlle OLIVIER and Mr. Lionel ZINSOU-DERLIN should be considered independent Directors since they meet all the independence criteria of the AFEP-MEDEF Code applied by the Board. The detailed analysis of candidates' independence is given in the report of the Board of Directors to the Shareholders' Meeting on the resolutions (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Conflicts of interest

To the Company's knowledge, on one hand there are no family ties between the Company's executive directors and officers, and on the other hand 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, the matter was reviewed by the Nomination and Compensation Committee, and the Board, at its meeting in February 2011 during the review of her proposed appointment as Director, and again in February 2014 during the review of the renewal of her term of office as Director, acknowledged 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 conducts business. Due to the foregoing, the Board's rules of procedure were amended in 2011 to reinforce Directors' reporting obligations with respect to conflicts of interest (see section *Duty to report conflicts of interest* above). Furthermore, in accordance with the law and the Board's rules of procedure, as from her appointment, Mrs. Isabelle SEILLIER has not participated in any discussions or votes on any decisions that may create a conflict of interest for her. Moreover, the new related-party 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 29, 2014 on the resolutions (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

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 (with the exception of Mr. Bernard HOURS, Deputy General Manager, following the conclusion of a Statutory Director contract with a Dutch subsidiary of Danone, Danone Trading B.V. See sections 6.5 *Statutory auditors' special report on related party agreements and commitments* and 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Directors' attendance fees

Amount of Directors' attendance fees for 2013

The gross amount of attendance fees due in respect of 2013 was €512,000 (€515,000 in 2012).

Amount authorized by the Shareholders' Meeting of April 25, 2013 and rules for allocating attendance fees as of January 1, 2014

The Shareholders' Meeting of April 25, 2013 increased the maximum total yearly amount of attendance fees to be divided by the Board of Directors among its members from €600,000 to €800,000.

As stated by the Board in its report to the Shareholders' Meeting of April 25, 2013, the total amount of attendance fees has been used for the following purposes only: (i) to cover the compensation payable to the Lead Independent Director appointed by the Board of Directors at its meeting on February 18, 2013 for the fixed amount of €50,000 per year, and (ii) to take into account the specific situation of Directors residing outside France through the allocation of an additional amount to cover their travel expenses to attend Board meetings (€1,000 for Directors residing in Europe and €2,000 for Directors residing outside Europe).

In order to take into account the general economic environment and the current position of the Group, the Board of Directors preferred not to amend the other rules for the allocation of attendance fees for the fiscal year 2013, and more particularly, not to increase the amount of the unitary Directors' attendance fees in 2014 (with the exception of two changes set out above).

The Board reiterated this commitment for the fiscal year 2014 and again preferred not to amend the rules for allocating attendance fees, and more particularly, not to increase the amount of unitary attendance fees for Directors. Nevertheless, the Board decided to raise the additional amounts allocated to Directors residing outside France to cover their travel expenses to attend Board meetings, with effect from January 1, 2014.

Similarly, any increase in the amounts to be paid to Directors which may, where relevant, be decided upon as of 2015, will relate only to the variable portion, in order to encourage attendance at Board meetings, in line with the AFEP-MEDEF Code.

Lastly, at the time the Directors representing employees will take office (by end-2014), the Board will examine the possibility of submitting a resolution to the vote at the Shareholders' Meeting called to approve the 2014 financial statements, intended to raise the maximum total yearly amount of attendance fees in order to solely take into account the increase in the number of Directors.

Accordingly, as of January 1, 2014, the rules for allocating attendance fees are 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 (amount unchanged).

(ii) Variable portion

Board of Directors' meetings

- €2,000 per meeting (amount unchanged); and
- for travel by Directors residing outside of France:
  - an additional amount of €2,000 per trip to a meeting of the Board of Directors for Directors residing elsewhere in Europe (compared with €1,000 prior to December 31, 2013), and
  - an additional amount of €4,000 per trip to a meeting of the Board of Directors for Directors residing outside Europe (compared with €2,000 prior to December 31, 2013).

It is reminded that the rules set out above also apply to meetings of independent Directors convened by the Lead Independent Director.

Meetings of Board Committees

- Members: €4,000 per meeting (amount unchanged); and
- Chairmen: €8,000 per meeting (amount unchanged).

Moreover, for the additional travel expenses to attend Board's Committees meetings, the same rules apply as those specified for Directors.

Work performed by the Board of Directors

Actions undertaken to improve the efficiency of the Board of Directors' operation continued in 2013.

The Board of Directors met seven times in 2013 (nine times in 2012). The average length of each meeting was two hours and forty minutes (compared to two and a half hours in 2012).

Directors' attendance, expressed by their attendance rate at meetings, was 89% in 2013 (92% in 2012).

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 individual average attendance rate at Board meetings, for the full duration of his/her expiring term of office. With effect from this year, it was also decided to disclose the individual average attendance rate at meetings of Committees on which Directors whose term is proposed for renewal sit.

Recurring matters

The following recurring matters were reviewed and discussed by the Board of Directors in 2013:

(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, financial communications (in particular, when the annual and semi-annual financial statements are published), main acquisitions and sales of assets or equity interests, reviewing the Group's financial position and its indebtedness (changes, amount, composition and repayment dates, off-balance sheet commitments, equity levels, liquidity, hedging of financial risks, credit ratings), reviewing the Statutory auditors' approach to their work, reviewing financial commitments (security interests and guarantees), monitoring the Group's financial communication policy including reviewing all press releases bearing on the annual and interim financial statements, 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, implementing the share buyback program, annual capital increases reserved for employees, allotting Group performance units and Group performance shares (including setting, each year, the performance objectives for the following year and verifying that such objectives were met the previous year), following up the Company's share price and shareholding, setting the proposed dividend, approving the Group's yearly contributions to danone.communities and the Danone Ecosystem Fund, as well as discussing Danone's policy on gender work and pay equality.

(ii) Operation of corporate bodies

Follow-up of 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 after each meeting, 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 shareholders' approval, and preparing the Shareholders' Meeting.

(iii) Group strategy

Reviewing the Group's transformation priorities (*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, adjustment of the Group's products to local demand, etc.), attending annual strategic presentations made to the Board by each member of the Executive Committee at a dedicated one-day event held off-site. All these matters and presentations are always followed by in-depth discussions with the Directors.

In addition, each year Directors are invited to attend several working days 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 2013 and in February 2014:

(i) Transactions and the Group's accounting and financial position

- review of the year-end closing process in connection with the 2013 parent company and consolidated financial statements;
- share repurchase and reallocation transactions completed in 2013 and cancellation of treasury shares upon completion of these transactions;
- monitoring of the Group's indebtedness (change, amount, composition and redemption schedules);
- review of the annual delegation of powers to General Management for bond issues, under or outside of the Group's bond issue program (EMTN), including the raising of the authorized bond issue ceiling;

- review of the annual authorization in connection with the Group's commercial paper issue program;
- review of the Group's financing operations, including the extension for an additional year of the €2 billion syndicated facilities agreement;
- authorization given to the Company to sign a subscription agreement in the framework of a bond issue carried out by the Company under the EMTN program with the Group's banks authorized to place the bonds, including J.P. Morgan Securities PLC (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*);
- review of the authorization for Danone's guarantee, in the 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); and
- in connection with the Shareholders' Meeting of April 29, 2014, review of the resolutions to be submitted to the Shareholders' Meeting regarding the renewal of the share repurchase program, the Group's performance share plan and the resolution on the payment of dividends.

(ii) Corporate governance

In connection with the composition of the Board of Directors

- in the context of its meeting of July 26, 2013, the Board of Directors acknowledged the wish of Mr. Yoshihiro KAWABATA, non-independent Director, to resign from his position on the Board of Directors;
- at its meeting of February 19, 2014, the Board acknowledged the decision of Mr. Jacques VINCENT, non-independent Director and former Deputy General Manager of Danone, not to seek the renewal of his term of office.

In connection with the composition of the Nomination and Compensation Committee

- in the context of its meeting of July 26, 2013, the Board of Directors decided to appoint Mr. Richard GOBLET D'ALVIELLA as a member of the Nomination and Compensation Committee to replace Mr. Yoshihiro KAWABATA.

In connection with the implementation of the new recommendations of the AFEP-MEDEF Code

- review of the new recommendations of the AFEP-MEDEF Code following its revision in June 2013; and
- review of the rules of procedure of the Board of Directors and those of the three Board Committees, in order, to ensure they are compliant with the new recommendations of the AFEP-MEDEF Code.

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.

During this review, the Board paid particular attention to the following matters:

  - concerning Mr. Franck RIBOUD: The Board of Directors examined his position in light of: (i) the rules on concurrent holding of corporate offices, (ii) maintaining the absence of separation of the offices of Chairman of the Board of Directors and of Chief Executive Officer particularly with regard to the creation of a Lead Independent Director (see section *Lead Independent Director* hereafter), (iii) maintaining his suspended employment contract, (iv) indemnities for breach of his employment contract, and (v) the obligation to retain DANONE shares acquired through the grant of Group performance shares; and
  - concerning Mr. Emmanuel FABER: the Board of Directors also examined his situation with regard to (i) the rules on the concurrent holding of corporate offices, (ii) the indemnities for breach of his suspended employment contract and (iii) his obligations to retain DANONE shares acquired through the grant of Group performance shares;

- review of the amount of attendance fees paid to the Directors and the proposal to increase the total maximum amount and to amend the rules for the allocation of attendance fees (see section *Directors' attendance fees* above);
- amendments to the Board's rules of procedure concerning, in particular, the creation of the position of Lead Independent Director;
- review of the self-assessment of the Board of Directors and annual update on the operation of the Board; and
- review and authorization of related-party agreements.

In connection with the Shareholders' Meeting of April 29, 2014

- review of (i) the composition of the Board, in the context of the policy on the renewal of members' terms of office and the appointment of new members, particularly with regard to the percentage of women and independent members on the Board, and (ii) the diversity of the Board's composition, leading to the proposal to renew the terms of office of Messrs. Bruno BONNELL, Bernard HOURS, Jean-Michel SEVERINO and Mrs. Isabelle SEILLIER and to appoint Mrs. Gaëlle OLIVIER and Monsieur Lionel ZINSOU-DERLIN as Directors;
- review of the amendment necessary to the by-laws in order to designate Directors representing employees as Board members, in accordance with the French Act of June 14, 2013 concerning job security;
- review of Mr. Bernard HOURS's position, particularly in connection with the execution of a Dutch Statutory Director mandate agreement with one of Danone's Dutch subsidiaries, Danone Trading B.V., in order to organize the operational management of the Group's four Divisions, by Mr. Bernard HOURS, from Schiphol as from January 1, 2014 (see sections 6.5 *Statutory auditors' special report on related party agreements and commitments* and 8.3 *Comments on the resolutions of the Shareholders' Meeting).*
- Said review concerning in particular:
  - all aspects of compensation in connection with his appointment as Deputy General Manager and his mandate agreement with Danone Trading B.V., which remain (i) stable overall in terms of the amount versus his current compensation, (ii) consistent with the Group's compensation policy, and (iii) compliant with the recommendations of the AFEP-MEDEF Code; and
  - the indemnities for termination for Mr. Bernard HOURS (the principles, payment conditions and maximum amount of which remain unchanged) to ensure compliance with the AFEP-MEDEF Code.

(iii) The Group's activity and strategy for fiscal year 2013

- regular review of progress on the plan for savings and adaptation in Europe, including its social aspects, monitoring the costs incurred and savings achieved, as well as the impact of the plan on the Group's organization; and
- review and regular follow up throughout the second half of 2013 of the causes and consequences of the various crises and risks to which the Group was exposed during the year, and in particular, the false quality alert issued by Fonterra in Asia (concerning the possible bacteriological contamination of batches of ingredients supplied to the Group by this New-Zealand supplier and used in the production of baby milk in Asia) and its consequences for the Group. Following the Board's work in this regard, and supported by the recommendations of the Audit and Social Responsibility Committees, the Group decided that, given its increasing exposure to emerging countries (Asia, Latin America and now Africa) and the resulting changes to its risk profile, it will review the Group's various systems and internal control and compliance procedures, and dedicate additional means and resources to said procedures as from 2014.

(iv) Equity divestments and acquisitions

- review of the acquisition of an equity stake in the Mengniu group;
- review of the acquisition of the Fan Milk group in association with the Abraaj group;
- review of the acquisition of the US company, Happy Family;
- review of the new cooperation agreement with Yakult to replace the strategic alliance; and
- following up the acquisition of a controlling interest in Centrale Laitière.

(v) Corporate Social Responsibility (CSR)

- annual review of the Group's situation and policy concerning gender work and pay equality;
- review of the Group's non-financial risks, particularly reputation risk; and
- monitoring the activities of the Danone Ecosystem Fund, danone.communities and Livelihoods funds.

(vi) Compensation for executive directors and officers

- determining the various elements of variable compensation due to each of the executive directors and officers in respect of 2013 and setting of targets for the various elements of variable compensation in respect of 2014, based on a proposal from the Nomination and Compensation Committee.

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 composition, organization and operation of the Board itself and of each of its Committees. Following each of these self-assessments, the Board amended its operating methods and rules of procedure.

Self-assessments in 2008 and 2010

The Board's self-assessment in 2008 led the Board of Directors to amend its rules of procedure in order to notably: (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 Directors from using any hedging instruments in connection with the Company's shares. In addition, following this self-assessment, a dedicated one-day off-site meeting was initiated for presenting and discussing strategic plans and the annual budget.

The self-assessment of the Board in 2010 notably 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 to benefit from the support of a dedicated Director during their first 12 months in office 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.

Self-assessment in 2012

The most recent self-assessment of the Board and its various Committees was conducted in December 2012. The findings of this self-assessment were reviewed 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.

At the date of this Registration Document, the following improvements have been implemented:

- creation of the position of a Lead Independent Director in the event of the absence of 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 provided to all Directors: proposed presentation skills training sessions by the managers of the Group's main functions, continuation of site visits and Directors to be encouraged to undertake external training; and
- implementation of a regular update on the results of the Board of Directors' assessment.

Lead Independent Director

Presentation of the 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 create the position of a 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.

Excerpts 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 9.4 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 the rules of procedure of the Board of Directors are complied with. As part of the consultation procedure with respect to market ethics (*i.e.* the consultation procedure concerning transactions by the Directors involving DANONE shares, see section above *Transactions involving the Company's securities by members of the Board of Directors*), 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

The rules of procedure of the Danone Board of Directors specify, since December 2013, that Danone's independent Directors should hold at least one meeting per year, on the initiative of the Lead Independent Director, who may invite the Company's other external Directors (*i.e.* the non-executive and non-independent Directors) to attend this meeting. On February 28, this meeting has not yet been held as the Group's current situation has not justified the organization of such a meeting in this period.

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.

Committees of the Board of Directors

The Lead Independent Director may be appointed by the Board of Directors to serve as Chairman or member of one or more Board of Directors Committees. Even if not appointed, the Lead Independent Director may attend the meetings and has access to the work of the other Committees. In particular, the Lead Independent Director is involved in the work of the Nomination and Compensation Committee concerning the annual performance assessment and recommendations regarding the compensation of 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.

Appointment of Mr. Jean LAURENT as Lead Independent Director

Mr. Jean LAURENT was appointed as Lead Independent Director by the Board of Directors of February 18, 2013, in view of his independence, experience and knowledge of the Group. The Board of Directors considered that Mr. Jean LAURENT met all the requirements for independence necessary to serve in this position, pursuant to the independence criteria set out in the AFEP-MEDEF Code, and despite Eurazeo holding, as of December 31 2012, 2.6% of Danone's capital (Mr. Jean LAURENT is Vice-Chairman of Eurazeo's Supervisory Board and consequently not an executive director and officer of that company). In 2013, Eurazeo transferred practically all the DANONE shares it held to bearers of Eurazeo bonds convertible into existing DANONE shares (as of December 31, 2013, Eurazeo holds a residual shareholding representing approximately 0.01% of Danone's share capital). 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. Indeed, he has served the Group as Director since 2005, Chairman of the Social Responsibility Committee since 2007, and Chairman of the Nomination and Compensation Committee since 2011.

For information, Mr. Jean LAURENT's attendance at Board and Committee meetings was 100% for the 2013 fiscal year.

As of December 31, 2013, Mr. Jean LAURENT held three other offices in listed companies, including two in the Foncière des Régions group.

Work of the Lead Independent Director

Since his appointment, the Lead Independent Director performed the following duties:

- review of conflict-of-interest questionnaires submitted by Directors at the end of the year to confirm that no conflicts of interest exist;
- review of amendments to the new AFEP-MEDEF Code and the corresponding amendments to the rules of procedure of the Board and its Committees, as part of his role as Chairman of the Nomination and Compensation Committee;
- introduction, as part of his duties as Chairman of the Nomination and Compensation Committee, of consultation with shareholders during the 2014 Shareholders' Meeting on the individual compensation paid to senior management ("say on pay"), involving a review of all of the components of variable medium- and long-term compensation so as to ensure increased transparency, on the one hand, and a stronger correlation between the Group's performance and compensation paid to senior management on the other;
- in the context of his duties as Chairman of the Social Responsibility Committee, and in consultation with the Chairman of the Audit Committee, the Lead Independent Director coordinated and co-chaired a joint meeting of these two committees on December 10, 2013, to examine the Group's compliance policy;
- presentation of an initial report on his work since his appointment during the meeting of the Board of Directors on February 19, 2014; and
- finally, he held regular meetings with the Group's General Management and kept abreast of its latest developments, notably through reviewing analysts' notes and regular press summaries relating to Danone, its competitors and customers.

Audit Committee

Composition of the Audit Committee

As of February 28, 2014, all members of the Audit Committee are independent Directors (as a reminder, the AFEP-MEDEF Code requires only two-thirds of Committee members to be independent directors):

- Mr. Jean-Michel SEVERINO, the Chairman of the Audit Committee, was appointed as member and Chairman of this Committee in April 2012. On the same date, he was also designated "Committee's financial expert" within the meaning of Article L. 823-19 of the French commercial code in light of his skills and expertise. Mr. Jean-Michel SEVERINO is indeed an Inspector General of Finance and previous positions have included Development Director at the French Ministry of Cooperation, the World Bank's Vice-President in charge of Far East Asia and Chief Executive Officer of the 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 (he has also been a member of the Nomination and Compensation Committee since July 2013). Mr. Richard GOBLET D'ALVIELLA is Executive Chairman of the financial company Sofina. He is also a member of the audit committees of Eurazeo, Calédonie Investments and GLEvents. He has very significant experience and is highly skilled in both financial and accounting matters;
- 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. Her extensive experience in the area of mergers and acquisitions demonstrates her proven financial skills; furthermore, as head of the legal division of a major international listed group, Mrs. Mouna SEPEHRI brings important additional experience in risk management and internal control.

Audit Committee's rules of procedure

Adoption by the Board of Directors on December 15, 2006

On December 15, 2006, the Board of Directors adopted rules of procedure for the Audit Committee, which specify its role, responsibilities and operating rules.

Main provisions of the Audit Committee's rules of procedure

The main provisions of the Audit Committee's rules of procedure, adopted by the Board of Directors, are summarized hereafter.

The Audit Committee is in particular responsible for monitoring the following:

- the preparation of financial information;
- the effectiveness of the internal control, risk management and internal audit systems;
- the statutory audit of the annual and consolidated financial statements;
- the independence of the Statutory auditors.

The Audit Committee is tasked with:

- regarding the financial statements and financial information: (i) reviewing the Company's statutory and consolidated financial statements before they are submitted to the Board of Directors, (ii) ensuring the consistency of the accounting policies the Company applies, (iii) reviewing the accounting treatment of the main complex and/or non-recurring transactions, (iv) reviewing the consolidation scope of group companies and being informed of consolidation problems that may arise, (v) reviewing the policy for monitoring off-balance sheet commitments, (vi) being informed of the Statutory auditors' opinions and comments, (vii) being informed at half-yearly presentations by the General Management of the Company's financial position, cash position and commitments, (viii) reporting the main accounting options concerning the closing of the annual and semi-annual consolidated financial statements to the Board of Directors, (ix) reviewing, together with the General Management, press releases on the Group's results and having access to the Group's main financial communication documents, (x) accessing non-financial information published by the Group, which have been presented to the Social Responsibility Committee, and (xi) reviewing the Group's main disputes and any corresponding accounting provisions twice a year;
- regarding the Group's Statutory auditors: (i) management of the selection process for the Company's Statutory auditors by supervising call for tenders launched by General Management, with in particular (ii) making proposals for the appointment, renewal and compensation of the Statutory auditors, (iii) reviewing the results of their work and audits as well as their recommendations and the follow-up of the latter, (iv) regularly meeting with the Statutory auditors, including without directors being present, and (v) ensuring the independence of the Statutory auditors. In accordance with the recommendations of the French Financial Markets Authority working group on audit committees, on December 14, 2010, the Board of Directors supplemented the rules of procedure to provide for a joint review by the Audit Committee and the Statutory auditors of the protective measures the Statutory auditors adopt to mitigate potential risks to their independence, and ensure that they comply with statutory and regulatory provisions concerning the conflicts set out in the Statutory auditors' code of ethics;
- regarding risk management: (i) ensuring that structures and systems are in place to identify and evaluate the risks that the Group faces, as well as monitoring the effectiveness of such systems. This entails verifying that major risks faced by the Group are adequately taken into account and are subject to action plans; (ii) being informed by the Board of Directors, the Statutory auditors and the General Management of any events which expose the Company to significant risk, and (iii) being informed of the Group's main social, societal and environmental risks which have been presented to the Social Responsibility Committee;
- regarding internal control: (i) ensuring that an internal control system is in place and monitoring its effectiveness, (ii) being informed of any significant failures or weaknesses in internal control and any major fraud, (iii) reviewing the report of the Chairman of the Board of Directors on the composition, preparation and organization of the Board's work, as well as the internal control and risk management procedures established by the Company, (iv) ensuring that procedures are in place to process complaints received by the Group concerning accounting and financial transactions, breaches of internal control or anti-corruption and anti-fraud regulations, (v) being informed about significant complaints received by this system and supervising the processing of the most important files referred to it, and (vi) being available for the Social Responsibility Committee to consult on any questions relating to the business conduct policy or ethics; and
- regarding internal audit, (i) approving the internal audit plan and overseeing its implementation, (ii) reviewing the structure of internal audit, being informed about the content of the Group's Internal Audit Charter and being informed and consulted in relation to the appointment or replacement of the Internal Audit Director, (iii) providing opinions on the adequacy of internal audit resources and its independence and, in the event that external consultants are used to fulfill all or part of the internal audit missions, issuing recommendations regarding their appointment and renewal, (iv) being informed about the internal audit program and receiving a regular summary of these reports, and (v) meeting the heads of internal audit.

In performing its duties, the Audit Committee may regularly interview the executive directors and officers, the General Management of the Company and of its subsidiaries, as well as the Internal Audit Director, the Statutory auditors and senior managers of the Group (in particular, managers in charge of preparing the consolidated and parent company financial statements, risk management, internal control, 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.

Main amendments and changes to the Audit Committee's rules of procedure

The Audit Committee's rules of procedure are amended regularly, notably to ensure that they comply with the latest legal provisions and updated recommendations of the AFEP-MEDEF Code. The rules of procedure were amended in this way at the Board of Directors' meeting on December 10, 2013, in order to implement the new provisions of the AFEP-MEDEF Code, and in particular, to provide (i) for the recommendation that the Statutory auditors should meet regularly with the Audit Committee, including without executive directors and officers being present, particularly during Audit Committee meetings on the review of the process for the preparation of financial information and review of the financial statements, so that the Statutory auditors can report on the execution of their responsibilities and the conclusions from their work, (ii) that the Audit Committee should be given information regarding the internal audit program and receive periodic summaries of these programs, and (iii) that the Audit Committee should meet with the internal audit managers.

Work of the Audit Committee

In 2013, the Audit Committee met six times (as in 2012). Its members' attendance rate at meetings was 94% (89% in 2012). The Audit Committee invites the Statutory auditors to attend each of its meetings. Additionally, an Audit Committee meeting is organized once a year with the Statutory auditors without executive directors and officers being present, in accordance with the AFEP-MEDEF Code recommendations and the Committee's rules of procedure.

In 2013, 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) on the one hand, a joint presentation by the Chief Financial Officer, the executive responsible for preparing the financial statements (the Head of Financial Control) and, on the other, 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 including their audit adjustments;
- review of the financial indicators not defined by IFRS and used externally for publication of the annual and semi-annual consolidated financial statements, particularly the definition of the new indicator, free cash-flow, excluding exceptional items;
- review of the preparatory work for closing the 2013 annual and semi-annual consolidated financial statements;
- review of the changes to the Group's consolidation scope;
- review of the main terms and conditions and the accounting treatment of (i) the acquisition of Centrale Laitière (Morocco) and (ii) other significant transactions that triggered a change of scope during the fiscal year;
- examination of the repurchase of minority shareholdings in Danone Spain;
- review of put options granted to certain minority shareholders in the Group's subsidiaries, notably the minority shareholders of Danone Spain and the Danone-Unimilk entity;
- 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 draft resolutions concerning the renewal of the share buyback program and the allocation of Group performance shares to be submitted for approval at the Shareholders' Meeting of April 29, 2014;
- the review of the Group's crisis management system, including a semi-annual review of its main risks (including financial risks), particularly by thematic presentations and discussions with the operational managers in charge of monitoring and managing these risks, and updated presentations of risk mapping;
- 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);
- monitoring of the accounting and organizational aspects of the Group's plan for savings and adaptation in Europe;
- review of the allocation of responsibilities between the Audit Committee and Social Responsibility Committee;
- operation of the Committee, and establishing its program and priorities for the 2013 and 2014 fiscal years;
- review of the Group's main fiscal risks and changes to the fiscal environment; and
- review of IFRS developments.

In addition, in the framework of a joint meeting of the Audit Committee and the Social Responsibility Committee held on December 10, 2013 and coordinated and co-chaired by the Lead Independent Director, a review was made of the Group's compliance policy.

The Audit Committee reviews the annual and semi-annual consolidated financial statements at meetings held, in accordance with the AFEP-MEDEF Code recommendations, sufficiently in advance, namely at least three days before the Board meeting approving the financial statements.

A report on each Audit Committee meeting is made at the next Board of Directors meeting. All Directors are sent a copy of the minutes of each Audit Committee meeting, once approved by the Committee members. The purpose of these reports is to keep the Board fully informed, thereby facilitating its decisions.

Nomination and Compensation Committee

Composition of the Nomination and Compensation Committee

As of February 28, 2014, the Nomination and Compensation Committee comprises only independent Directors (note that the AFEP-MEDEF Code recommends that this Committee should have a majority of independent Directors):

- Mr. Jean LAURENT, former Chief Executive Officer of Crédit Agricole, appointed as Danone Lead Independent Director in February 2013, Chairman of the Nomination and Compensation Committee and of the Social Responsibility Committee, independent Director, a member of the Nomination and Compensation Committee since April 2005;
- Mr. Richard GOBLET D'ALVIELLA, independent Director, Member of this Committee since July 2013. Mr. Richard GOBLET D'ALVIELLA was appointed to the Nomination and Compensation Committee to replace Mr. Yoshihiro KAWABATA, who resigned from his position as a member of the Board. The Board justified its selection by pointing out that Mr. Richard GOBLET D'ALVIELLA, Executive Chairman of Sofina, enjoys an in-depth knowledge of the Group. He has been a Director of Danone and a member of the Audit Committee since April 2003; and
- Mr. Benoît POTIER, Chairman and Chief Executive Officer of L'Air Liquide, independent Director since 2003 and a member of the Committee since April 2012 (having chaired Danone's Audit Committee from April 22, 2005 to April 22, 2010).

Nomination and Compensation Committee's rules of procedure

Adoption by the Board of Directors on December 15, 2006

On December 15, 2006, the Board of Directors adopted rules of procedure for the Nomination and Compensation Committee, which specify its role, responsibilities and operating rules.

Main provisions of the Nomination and Compensation Committee's rules of procedure

The main provisions of the Nomination and Compensation Committee's rules of procedure are summarized hereafter.

The Nomination and Compensation Committee has the following responsibilities:

- in connection with the appointment of Directors and executive directors and officers or the renewal of their terms of office: (i) making recommendations to the Board of Directors regarding the appointment or renewal of members of the Board of Directors, its Chairman and Vice-Chairmen, the Chief Executive Officer or Deputy General Managers, Committee members and Committee Chairmen, and (ii) making proposals to the Board of Directors regarding the succession of executive directors and officers, in particular, in the event of unexpected vacancies. In addition, the Nomination and Compensation Committee is informed of any appointments to the Group's Executive Committee (other than executive directors and officers);
- in connection with corporate governance: preparing the Board of Directors' review of corporate governance issues and, in particular, checking whether and to what extent the Directors and Committee members comply with the independence criteria laid out in the AFEP-MEDEF Code;
- in connection with the assessment of the Board of Directors, the Audit Committee and the Social Responsibility Committee: organizing these assessments upon their request;
- in connection with compensation of the Company's executive directors and officers: (i) proposing criteria for determining all components of their compensation, as well as the amount and ensuring the correct application of these criteria, in particular for the variable portion, (ii) making proposals on granting performance-based stock-options or Group performance shares to executive directors and officers;
- in connection with Directors' attendance fees: recommending to the Board the amount of attendance fees to be proposed at the Shareholders' Meeting as well as the allocation of these attendance fees among the Directors;
- in connection with the Group's compensation policy: providing an opinion or making recommendations on the principles and methods for the Group's policy on allocating Company shares free of charge, stock purchase or subscription options and Group performance units and on any compensation mechanism linked to the Company's shares and, more generally, making any recommendation in relation to the Group's compensation policy. In addition, the Nomination and Compensation Committee is informed of the compensation policy for the Group's Executive Committee members (other than executive directors and officers).

For all matters concerning the appointment of executives (other than compensation issues), the Chairman and Chief Executive Officer participates in the Committee's work.

Main changes to the Nomination and Compensation Committee's rules of procedure

The Nomination and Compensation Committee's rules of procedure are regularly updated. Hence, acting on this Committee's recommendations, 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; and
- the specific confidentiality clause for this Committee was deleted and replaced with the clause provided for in the Board's rules of procedure, which was clarified and reinforced, and which applies to the Board and all Committees.

Work of the Nomination and Compensation Committee

In 2013, the Nomination and Compensation Committee met four times (as in 2012). Its members' attendance rate at meetings was 83% (92% in 2012).

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 2013 and early in 2014, the work of the Nomination and Compensation Committee focused on the following points in particular:

Concerning General Management

In connection with the Shareholders' Meeting of April 25, 2013

- 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 Mr. Emmanuel FABER as Deputy General Manager (in the context of the renewal of their terms as Directors approved by the Shareholders' Meeting on April 25, 2013); and
- review of the status of executive directors and officers and, in particular:
  - review of the absence of 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 regarding the indemnities for breach of employment contracts in certain cases of termination of the terms of office of Messrs. Franck RIBOUD and Emmanuel FABER and the proposed amendments to be made to the former arrangements;
  - consideration as to whether Mr. Franck RIBOUD's suspended employment contract should remain in force;
  - review of all of the corporate 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 simultaneous holding of corporate offices; and
  - 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.

In connection with the Shareholders' Meeting of April 29, 2014

- review of (i) the organization of General Management and, more specifically, (ii) the renewal of the term of office of Mr. Bernard HOURS as Deputy General Manager (subject to the renewal of his directorship by the Shareholders' Meeting on April 29, 2014);
- review of Mr. Bernard HOURS's position, notably in connection with the execution of a Dutch Statutory Director mandate agreement with one of Danone's Dutch subsidiaries, Danone Trading B.V. and, in particular:
  - relating to all components of compensation in connection with his appointment as Deputy General Manager and his mandate agreement with Danone Trading B.V., which shall remain (i) stable overall in terms of the amount versus his compensation prior to January 1, 2014, (ii) consistent with the Group's compensation policy, and (iii) compliant with the recommendations of the AFEP-MEDEF Code; and
  - the indemnities for termination for Mr. Bernard HOURS (the principles and amount of which remain unchanged) to ensure compliance with the AFEP-MEDEF Code;
- review of the position of executive directors and officers, and in particular, a review of the following:
  - the Company's commitments with respect to indemnities for termination in certain cases of termination of office for Mr. Bernard HOURS, and the proposed amendments to be made to the previous arrangements;
  - all of the offices held by Mr. Bernard HOURS with regard to the legal provisions and the recommendations of the AFEP-MEDEF Code regarding the simultaneous holding of corporate offices;
  - concerning renewal of Mr. Bernard HOURS' term of office, the review of his obligation to retain DANONE shares acquired through the grant of shares subject to performance conditions. On this occasion, in view of the demanding nature of the holding obligation already implemented, the Board renewed its decision 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;
  - 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);
  - all components of the compensation of each of the three executive directors and officers and of the other members of the Executive Committee and, in particular, the variable compensation due in respect of the fiscal year. The Committee thus 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 the other members of the Executive Committee to retain their shares; and

  - the resolutions to be presented to the Shareholders' Meeting of April 29, 2014 regarding the individual compensation for the three executive directors and officers ("say on pay").

Concerning the composition of the Board of Directors

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 a Lead Independent Director in the event of the absence of separation of the offices of Chairman and Chief Executive Officer and choice of a candidate for this function; and
- review of the rules for allocating attendance fees resulting in a resolution being put to the vote proposing an increase in the total annual amount of such fees in order to provide compensation for the position of a Lead Independent Director.

In connection with the Shareholders' Meeting of April 29, 2014

- implementing the selection process of members of the Board of Directors, as discussed during three meetings of the Committee, and including: (i) reviewing the general guidelines as to changes in the composition of the Board, (ii) confirming a recruitment and a medium-term renewal policy for its members (notably taking into consideration the objectives in relation to the number of women, independence and diversity in terms of nationality and international expertise of Board members, 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:
  - officially acknowledged the wish of Mr. Jacques VINCENT, a Director for the past 17 years and former Deputy General Manager, not to seek the renewal of his term of office as Director during the Shareholders' Meeting of April 29, 2014;
  - recommended the renewal of the terms of office of Messrs. Bruno BONNELL, Bernard HOURS, Jean-Michel SEVERINO and Mrs. Isabelle SEILLIER;
  - recommended the appointment of Mrs. Gaëlle OLIVIER and Mr. Lionel ZINSOU-DERLIN as Directors. The Committee deemed that each one met all of the independence criteria set forth in the AFEP-MEDEF Code;
  - acknowledged, subject to the Shareholders' Meeting of April 29, 2014 adopting all resolutions concerning changes in the composition of the Board, changes in the Board, in particular in terms of independence, number of women, diversity and reduction in the average age; and
  - recommended that the Board continue to improve corporate governance with respect to the percentage of women and the diversity of its composition.

Concerning the different Committees

- review of changes to the composition of the Nomination and Compensation Committee, with the proposal to appoint Mr. Richard GOBLET D'ALVIELLA as a member of that Committee to replace Mr. Yoshihiro KAWABATA, who is resigning from his position as a member of the Board of Directors (and therefore from this Committee also); and
- review of the proposed amendments to the rules of procedure of the Board of Directors and of the Audit 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 determination of performance conditions applicable to the GPU (Group performance units) based on targets communicated to the market;
- review of a new draft resolution concerning the grant of Group performance shares to be put to the Shareholders' Meetings of 2013 and 2014; and
- annual review to determine whether performance conditions have been achieved for Group performance units and Group performance shares.

Concerning corporate governance

- review of the implementation of the new provisions of the AFEP-MEDEF Code, revised in June 2013, and their impact on the Group governance and on rules of procedure of the Board of Directors and its Committees;
- annual individual review of the independence of each Director and of the existence of any conflicts of interest, including potential conflicts of interest. Details of the review of the independence criteria applicable to these candidates and of their individual expertise and skills are provided in the Board's report to the Shareholders' Meeting of April 29, 2014;
- review of the French Act of June 14, 2013 concerning job security, introducing Directors representing employees on Danone's Board of Directors by the end of 2014;
- annual 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; and
- increase in Directors' attendance fees, effective from January 1, 2014, uniquely for Directors residing outside France.

Social Responsibility Committee

On December 15, 2006, the Board of Directors created a third specific governance body, the Social Responsibility Committee.

Composition of the Social Responsibility Committee

On February 28, 2014, 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

Adoption by the Board of Directors at its meeting of February 14, 2007

On February 14, 2007, the Board of Directors adopted the Social Responsibility Committee's rules of procedure, which detail its responsibilities and expertise and method of operation.

Main provisions of the Social Responsibility Committee's rules of procedure

The main provisions of the Social Responsibility Committee's rules of procedure, adopted by the Board of Directors' meeting on February 14, 2007, are summarized hereafter.

The Social Responsibility Committee is responsible for overseeing the Group's societal project. Its scope covers all areas of social responsibility related to the project and the Group's activities and, in particular, social, environmental and ethical issues.

The Social Responsibility Committee pays special attention to the Group's action principles, policies and practices in these areas:

- social, relating to the Group's employees and those of its partners, subcontractors, suppliers and customers;
- environmental, relating to (i) activities directly controlled by the Group (industrial production, packaging, etc.) or indirectly controlled by it (purchasing, transport, energy, etc.), and (ii) the use of non-renewable natural resources;
- ethical, relating to Group employees, consumers and, more generally, all Group stakeholders; and
- nutrition, relating in particular to public health issues, the social impact of its products and communication with its consumers.

The Social Responsibility Committee is responsible for:

- reviewing the Group's main environmental risks and opportunities in relation to its objectives and activities;
- ensuring that members are informed about the internal control procedures implemented within the Group relating to its main environmental risks;
- being consulted by the Audit Committee with respect to audit missions related to its areas of intervention;
- 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;
- ensuring the application of the ethical rules adopted by the Group;
- being regularly informed about complaints received as part of the employee whistle blowing procedure which concern ethical, social or environmental issues and reviewing those which come under the scope of its remit, in conjunction with the work carried out by the Audit Committee; and
- regularly reviewing the results of the Group's self-assessments under the Danone Way program.

In addition, in the area of socially responsible investments, the Committee is responsible for:

- evaluating the impact of these investments for 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.

The Committee is also responsible for preparing and providing information to assist the work of the Board on investments and social action programs which Danone leads or participates in.

Main amendments/changes in the Social Responsibility Committee's rules of procedure

On December 17, 2009, the Board of Directors amended the rules of procedure, which stipulate that henceforth the Social Responsibility Committee will carry out a regular assessment of its performance.

In 2009, the Committee carried out a first assessment of its activities, which led to a reflection on the Committee's position, 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.

Work of the Social Responsibility Committee

In 2013, the Social Responsibility Committee met four times (three times in 2012). Its members' attendance rate at meetings was 100% (the same as in 2012).

In 2013, the Committee's work focused on:

- the review of the Group's ongoing social projects and, more specifically, the review of the activities of the funds sponsored by Danone, notably:
  - consideration of the increase in the Group's investment in the Livelihoods fund;
  - review of the Danone Ecosystem Fund, bearing notably on its operating resources and the projects supported by the Fund, as well as the amount paid by the Company in respect of its financial contribution to the Danone Ecosystem Fund;
  - the amount paid by the Company in respect of its annual financial contribution to danone.communities (see sections 5.3 *Funds sponsored by Danone* and 6.5 *Statutory auditors' special report on related party agreements and commitments)*;
- mapping and evaluation of non-financial risks of the Group;
- review of the various challenges created by the transformation of the Group in terms of human resources;
- the Group's plan for savings and adaptation in Europe, particularly the procedures for consultation between labor and management and support measures in cases of reductions in headcount implemented by the Group;
- review of the Group's situation and policies with respect to gender work and pay equality and the various projects initiated to improve women's professional situation in the Group;

- review of new strategic social priorities for the Group; and
- review of the causes and consequences for the Group of the false warning issued by Fonterra in Asia concerning the possible bacteriological infection of batches of ingredients supplied by Fonterra and used in the production of baby milk in Asia.

In addition, in the framework of a joint meeting of the Audit Committee and the Social Responsibility Committee held on December 10, 2013 and coordinated and co-chaired by the Lead Independent Director, a review was made of the Group's compliance policy.

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.

Powers of the Chief Executive Officer

Offices of Chairman of the Board of Directors and of 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 simultaneous holding 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 any 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 (57%) 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, 66% of the Nomination and Compensation Committee members and 75% of the Social Responsibility Committee members are independent. Since then, due to the resignation of Mr. Yoshihiro KAWABATA, as of December 31, 2013, the Board of Directors comprises 62% independent Directors, while 100% of the members of the Audit Committee and the Nomination and Compensation Committee are independent; and
- furthermore, 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 absence of 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 is required to approve (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:

Type of transactions	**Authorization thresholds**
Acquisitions or disposals of securities and/or assets, partnerships or joint-ventures (in cash or by asset contributions, carried out in one or several operations)	Threshold of €250 million applicable: • 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

Executive Committee

Role of the 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.

Composition of the Executive Committee

As of February 28, 2014, the following are the 10 members of the Executive Committee:

Name	Age	Principal position within the Group [(a)]	Starting date as Executive Committee member
Franck RIBOUD	58	Chairman and Chief Executive Officer	1996
Emmanuel FABER	50	Vice-Chairman of the Board of Directors and Deputy General Manager	2000
Bernard HOURS	57	Vice-Chairman of the Board of Directors and Deputy General Manager	2001
Thomas KUNZ	56	General Manager, Fresh Dairy Products	2004
Felix MARTIN GARCIA	53	General Manager, Early Life Nutrition	2008
Pierre-André TERISSE	47	Chief Financial Officer	2008
Flemming MORGAN	58	General Manager, Medical Nutrition	2009
Jean-Philippe PARE	55	General Manager, Research and Development	2011
Francisco CAMACHO	48	General Manager, Waters	2011
Marc BENOÎT [(b)]	50	General Manager, Human Resources	2014

(a) On February 28, 2014.
(b) Mr. Marc BENOÎT was appointed General Manager, Human Resources as of January 1, 2014, to replace Mrs. Muriel PENICAUD.

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, on December 18, 2008, the Board of Directors reviewed 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).

Danone applies the recommendations and other provisions of the AFEP-MEDEF Code, with the exception of the following points which the Company does not apply in a strict manner:

Recommendations	Danone's practice and justification
Assessment of the board **(section 10.2 of the AFEP-MEDEF Code)** One of the objectives of the assessment of the board of directors must be "*to measure the actual contribution of each director to the board's work through his or her competence and involvement in discussions*".	The recommendation of the AFEP-MEDEF Code concerning measuring the actual contribution of each Director to the Board's work is not applied, notably due to the practical difficulties involved in implementing this type of recommendation and its possible consequences for team spirit and collegiality. Nonetheless, each year, the Directors complete a very extensive questionnaire on the operation of the Board, allowing each member to give their opinion on potential issues. The Board of Directors reviews the completed questionnaires, providing it with the opportunity to fully assess the contributions and involvement of all Directors in the work of the Board and its Committees. Moreover, the Board's rules of procedure expressly provide that this assessment should enable not only "the quality of the collective work of the Board of Directors to be assessed" but also "the availability and commitment of Directors".
Termination of employment contract in case of appointment as executive director and officer **(section 22 of the AFEP-MEDEF Code)** *"When an employee is appointed as executive director and officer, it is recommended to terminate his or her employment contract with the company or with a company affiliated to the group, whether through contractual termination or resignation.* *This recommendation applies to the chairman, chairman and chief executive officer, and general manager of companies with a board of directors […]."*	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, 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. Upon 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 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 10 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 French Financial Markets Authority 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 or her personal situation.
Functioning of compensation committees **(section 18.2 of the AFEP-MEDEF Code)** "*When the report on the work of the compensation committee is presented, the board should deliberate on issues relating to the compensation of the executive directors and officers without the presence of the latter.*"	Executive directors and officers are present when the Board of Directors deliberates on issues relating to their compensation but do not take part in any debate or vote in relation to decisions which affect them. In addition, the Board of Directors only decides on compensation upon recommendation of the Nomination and Compensation Committee, all of whose members are independent. The executive directors and officers do not attend meetings of the Nomination and Compensation Committee which review the compensation of the Company's executive directors and officers. A Lead Independent Director was appointed in 2013 to provide additional assurance that the Board is functioning correctly and that power is well-balanced on the Management Board and Board of Directors.
Stock-options and performance shares **(section 23.2.4 of the AFEP-MEDEF Code)** "*It is recommended that performance shares allocated to executive directors and officers be conditional upon the purchase of a defined number of shares when the allocated shares vest, in accordance with the terms and conditions set by the board of directors.*"	Given the high obligation imposed on executive directors and officers and other Executive Committee members to retain DANONE shares, the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, considered that it was not necessary to require them to purchase a certain number of Company shares at the end of the holding period of their shares, subject to performance conditions.

Recommendations	Danone's practice and justification
Supplementary pension plans (section 23.2.6 of the AFEP-MEDEF Code) "*Supplementary defined benefit pension plans are subject to the condition that the beneficiary must be an executive director and officer or employee of the company when claiming his or her pension rights in accordance with the rules in force.*"	Directors' eligibility for the pension plan is indeed subject to the condition that they are performing their duties within the Group at the time of retirement. As an exception to this principle, in the sole case of redundancy after the age of 55, the benefit derived from the plan will be maintained, provided that the employee does not take up paid employment. This last provision, consistent with applicable French regulations, makes it possible to protect all beneficiaries against the risk of redundancy after the age of 55 and before they have reached retirement age.
Independence criteria for directors (section 9.4 of the AFEP-MEDEF Code) "*The criteria to be reviewed by the committee and the board in order for a director to qualify as independent […] are the following: […]* *– not to have been a director of the corporation for more than twelve years.*"	The Board of Directors of February 19, 2014, on the recommendation of the Nomination and Compensation Committee, examined the situation of Mr. Bruno BONNELL with regard to the regulations of the AFEP-MEDEF Code defining the independence criteria for directors, and notably the criterion under which a director would lose his/her independence once his/her term of office exceeds 12 years. On this point, however, the Board considered that Danone has a dual economic and social project, which gives it a unique culture, which the Group has reaffirmed in its strategy, governing bodies, performance measurement and management performance for a number of years. The Board has stressed on many occasions the primary importance that it attaches to the Company's cultural factors in order to assess the pertinence and feasibility of the projects submitted to its approval. It considers that Danone's culture with respect to its dual project is a unique competitive advantage, for the Group and in the interests of its shareholders. As such, the Board has observed that within the collective decision-making approach taken at its meetings, the ability to view the development of cultural traits specific to the Company and its mission in the long-term is a real benefit which clarifies the Board's work. The Board thus believes that the holding of a term of office over a long period constitutes a measure of an ability to contribute to the Board's work in a free and autonomous manner while ensuring that the Group's identity and culture are preserved, rather than being an obstacle to independence, and that additionally, the length of service on the Board should not be used solely to determine the non-independence of a Director. Furthermore, the Board has observed that Mr. Bruno BONNELL has continually proven his particularly noteworthy independence of thought and freedom of speech, which have led him to take up marked and constructive positions and to provide specific and differentiated viewpoints during Board discussions. The Board noted that these positions have enriched its decisions and that the independence of such decisions is an important value for Danone, within a Board of Directors which has a majority of independent Directors as defined using the strictest application of current standards. In view of these elements, the Board has therefore decided that Mr. BONNELL is considered to be an independent Director for the purpose of the renewal of his term of office.

Additional information

The steps that shareholders must take in order to attend the Shareholders' Meeting are summarized in section 8.1 *Shareholders' Meetings* hereafter.

The information required by Article L. 225-100-3 of the French commercial code is set out in section 7.9 *Factors that might have an impact in the event of a tender offer* hereafter.

6.2 POSITIONS AND RESPONSIBILITIES OF THE DIRECTORS AND NOMINEES TO THE BOARD OF DIRECTORS

(Article R. 225-83 of the French commercial code)

Information relating to the Directors and the nominees to the Board of Directors:

Appointments

Gaëlle OLIVIER

Lionel ZINSOU-DERLIN

Renewal of terms of office

Bruno BONNELL

Bernard HOURS

Isabelle SEILLIER

Jean-Michel SEVERINO

Current Directors

Richard GOBLET D'ALVIELLA

Emmanuel FABER

Jacques-Antoine GRANJON

Jean LAURENT

Benoît POTIER

Franck RIBOUD

Mouna SEPEHRI

Virginia A. STALLINGS

Jacques VINCENT

Appointments

GAËLLE OLIVIER

Born on May 25, 1971
Age: 42

Business address: 1 Raffles Place – #14-61 One Raffles Place Tower Two – Singapore 048616

Number of DANONE shares held as of February 28, 2014: 4,000

Independent Director

French nationality

Principal responsibility: Chief Executive Officer Axa Asia General Insurance

Personal background – experience and expertise

Graduate from the Ecole Polytechnique, the ENSAE and the Institut des Actuaires.

After having started her career in the dealing room at Crédit Lyonnais with equity derivative products, Gaëlle OLIVIER joined the AXA group in 1998 where she has had responsibilities in various activities, both in France and abroad.

After two years with AXA Investment Managers, she became Executive Assistant to AXA group CEO, Henri de Castries, and Secretary of the Supervisory Board for five years.

In 2004, she joined AXA Life Japan, as Head of Investment Operations, and then became a member of the Management Committee in 2006, in charge of Strategy, Winterthur Japan Integration and Audit.

In 2009, she became Head of Group Communication and Corporate Responsibility for the Axa group.

Since 2011, she has been Chief Executive Officer, Axa Asia General Insurance.

Positions and responsibilities as of December 31, 2013 [a]

Position	Company	Country
Director	*AXA ASIA REGIONAL CENTRE PTE LTD*	*Singapore*
	AXA GENERAL INSURANCE HONG KONG LIMITED	*China*
	AXA GENERAL INSURANCE CHINA LIMITED	*China*
	WIN PROPERTY (SHANGHAI LINKS) LIMITED	*China*
	AXA INSURANCE SINGAPORE PTE LTD	*Singapore*
	AXA AFFIN GENERAL INSURANCE BERHAD	*Malaysia*
	BHARTI – AXA GENERAL INSURANCE COMPANY LIMITED	*India*
	AXA TECHNOLOGY SERVICES SINGAPORE PTE LTD	*Singapore*
Chairwoman and Member of the Board of Directors	*AXA THAILAND PUBLIC COMPANY LIMITED*	*Thailand*
French Foreign Trade Advisor	*NATIONAL COMMITTEE OF FRENCH FOREIGN TRADE ADVISORS*	*Singapore*
Member of the Board of Directors	*FRENCH CHAMBER OF COMMERCE IN SINGAPORE*	*Singapore*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.

Positions and responsibilities held in the past five years

Position	Company	Country
Director	AXA DIRECT JAPAN	Japan
	AXA RESEARCH FUND – SCIENTIFIC COMMITTEE	France

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LIONEL ZINSOU-DERLIN

Born on October 23, 1954
Age: 59

Business address:
232 rue de Rivoli –
75001 Paris - France

Number of DANONE shares held as of February 28, 2014: 0 (in accordance with the by-laws, the 4,000 DANONE shares to be held by each Director will be purchased at the latest within 3 months following his appointment by the Shareholders' Meeting)

Independent Director

French and Beninese nationality

Principal responsibility: Chairman of PAI partners SAS

Personal background – experience and expertise

Lionel ZINSOU-DERLIN, of French and Beninese nationality, is a graduate from the Ecole Normale Supérieure (Ulm), the London School of Economics and the Institut d'Etudes Politiques of Paris. He holds a master degree in Economic History and is an Associate Professor in Social Sciences and Economics.

He started his career as a Senior Lecturer and Professor of Economics at Université Paris XIII.

From 1984 to 1986, he became an Advisor to the French Ministry of Industry and then to the Prime Minister.

In 1986, he joined Danone where he held various positions, in particular Group Corporate Development Director, then General Manager at HP Foods Limited and Lea & Perrins.

In 1997, he left the Group to join Rothschild & Cie bank as Managing Partner, and served as Head of the Consumer Products Group and Head of Middle East and Africa region.

In 2008, he joined PAI partners SAS of which he has been Chairman since 2009 and Chairman of the Executive Committee since 2010.

Positions and responsibilities as of December 31, 2013 [a]

Position	Company	Country
Chairman Chairman of the Executive Committee	*PAI PARTNERS SAS*	*France*
Director	ATOS SA [b]	France
	INVESTISSEURS & PARTENAIRES	Mauritius
	KAUFMAN & BROAD SA [b]	France
	PAI SYNDICATION GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE III GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE IV GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE V GENERAL PARTNER LIMITED	*Guernsey*
	PAI EUROPE VI GENERAL PARTNER LIMITED	*Guernsey*
Chairman and Member of the Supervisory Board	*LES DOMAINES DE BARONS DE ROTHSCHILD SCA (LAFITE)*	*France*
Member of the Advisory Council	*MOET HENNESSY*	*France*
Member of the Supervisory Board	*CERBA EUROPEAN LAB SAS*	*France*
Alternate Director	*UNITED BISCUITS TOPCO LTD*	*Luxembourg*
Manager	*SOFIA - SOCIÉTÉ FINANCIÈRE AFRICAINE SARL*	*France*

Position	Associations/Foundations/Other	Country
Founder and Treasurer	*FONDATION ZINSOU*	*Benin*
Director	*CARE FRANCE (Association)*	*France*
	LE SIÈCLE (Association)	*France*
	AMREF (Association)	*France*
	INSTITUT PASTEUR (Foundation)	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.

Positions and responsibilities held in the past five years

Position	Company	Country
Vice- Chairman of the Board of Directors	CHR HANSEN HOLDING AS [a]	Sweden
Director	CHR HANSEN HOLDING AS [a]	Sweden
	FINANCIÈRE SPIE SAS	France
	SODIMA SAS	France
	SPIE SAS	France
	STRATEGIC INITIATIVES FRANCE SAS	France
	YOPLAIT FRANCE SAS	France
	YOPLAIT MARQUES INTERNATIONALES SAS	France
	YOPLAIT SAS	France
Manager	STAR LADYBIRD SARL	Luxembourg
	CERBERUS NIGHTINGALE 1 SARL	Luxembourg

(a) Listed company.

Renewal of terms of office

BRUNO BONNELL

Born on October 6, 1958
Age: 55

Business address:
1, rue du Docteur Fleury-Papillon -
69100 Villeurbanne - France

Number of DANONE shares held as of December 31, 2013: 4,000

Independent Director

French nationality

Principal responsibility: Chairman of I-VOLUTION

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 founded Robopolis, a company specialized in service robotics. Robopolis develops and distributes robots aimed at the household, educational and healthcare markets. The company has operations in seven European countries.

In 2010, he founded Awabot, a company specialized in services on robotic platform.

In 2011, he was appointed Chairman of the Board of Directors of EM Lyon Business School.

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, 2013 [(a)]

Position	Company	Country
Director (term of office from February 18, 2002 to the end of the Shareholders' Meeting to approve the 2016 financial statements) [(c)] Member of the Board of Directors' Social Responsibility Committee (since February 14, 2007)	DANONE SA [(b)]	France
Director Member of the Sustainable Development Committee Member of the Strategy Committee	APRIL SA [(b)]	France
Chairman	*AWABOT SAS* *I-VOLUTION SAS* *SOROBOT SAS*	*France* *France* *France*
Director	*ROBOPOLIS SAS*	*France*
Member of the Management Board	*PATHE SAS*	*France*
Member of the Supervisory Board	*BANQUE RHONE-ALPES*	*France*

Position	Associations/Foundations/Other	Country
Chairman of the Board of Directors	*EMLYON BUSINESS SCHOOL*	*France*
Chairman	*FRENCH FEDERATION OF SERVICE ROBOTICS (SYROBO)*	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Subject to the renewal of his term of office at the Shareholders' Meeting to be held on April 29, 2014.

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)]	France
	ZSLIDE SA	France

(a) Listed company.

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BERNARD HOURS

Born on May 5, 1956
Age: 57
Business address:
105, Schiphol Boulevard – 1118 BG Schiphol Airport – The Netherlands
Number of DANONE shares held as of December 31, 2013:
31,435.

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 (28 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, Early Life 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 Danone Ecosystem Fund, and since 2011, he has served as a Director of the danone.communities mutual investment fund (SICAV).

Since January 1, 2014, he has steered the operational management of the Group's Divisions from Schiphol in the Netherlands.

Positions and responsibilities as of December 31, 2013 [(a)]

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 end of the Shareholders' Meeting to approve the 2016 financial statements) [(f)] Member of the Executive Committee (since November 1, 2001)	DANONE SA [(b)]	France
Director Member of the Corporate Officer and Compensation Committee	ESSILOR INTERNATIONAL SA [(b)]	France
Director	FLAM SA *DANONE INDUSTRIA* [(c)] *OJSC UNIMILK COMPANY* [(c)] danone.communities (SICAV) [(d)] *ESSILOR OF AMERICA, INC.*	France *Russia* *Russia* France *United States*
Permanent representative of Danone on the Board of Directors and on the Executive Board	*DANONE (SPAIN) SA* [(c)]	*Spain*
Statutory Director	*DANONE TRADING B.V.* [(e)]	*Netherlands*

Position	Associations/Foundations/Other	Country
Director	*FONDATION D'ENTREPRISE DANONE* [(d)]	*France*
Member of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [(d)]	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Company fully consolidated by Danone.
(d) Duties performed in the framework of social projects initiated by the Group.
(e) Appointment as of December 11, 2013, effective as of January 1, 2014.
(f) Subject to the renewal of his term of office at the Shareholders' Meeting to be held on April 29, 2014.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION BV DANONE BABY AND MEDICAL NUTRITION NEDERLAND BV	Netherlands Netherlands
Director	STONYFIELD FARM, INC.	United States
Member of the Supervisory Board	CEPRODI SA	France

ISABELLE SEILLIER

Born on January 4, 1960
Age: 54
Business address:
25 Bank Street, Canary Wharf,
London E14 5JP,
United Kingdom
Number of DANONE shares held as of December 31, 2013: 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. Since January 15, 2013, she is 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, 2013 [a]

Position	Company	Country
Director (term of office from April 28, 2011 to the end of the Shareholders' Meeting to approve the 2016 financial statements) [c]	DANONE SA [b]	France
Director	CLUB MÉDITERRANÉE SA [b]	France

Position	Associations/Foundations/Other	Country
Member of the Board of Directors	*AFB (ASSOCIATION FRANÇAISE DES BANQUES)*	*France*
	PARIS EUROPLACE (Association)	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Subject to the renewal of her term of office at the Shareholders' Meeting to be held on April 29, 2014.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	J.P. MORGAN CHASE BANK	France

JEAN-MICHEL SEVERINO

Born on September 6, 1957
Age: 56

Business address:
10, rue de Sèze – 75009 Paris – France

Number of DANONE shares held as of December 31, 2013: 4,000

Independent Director

French nationality

Principal responsibility: Head of I&P SARL (Investisseurs & Partenaires)

Personal background – experience and expertise

Jean-Michel SEVERINO was born on September 6, 1957 in Abidjan, Ivory Coast. He is a graduate of the École Nationale d'Administration, ESCP, IEP Paris and holds a postgraduate degree (DEA) in economics and a degree in law.

After four years working at the Inspection générale des finances (French General Inspection of Finance) (1984-1988), he was named technical advisor for economic and financial affairs at the French Ministry of Cooperation (1988-1989). He later became the Head of that Ministry's Department of Economic and Financial Affairs and then its Development Director. In all these positions, he was particularly active in macroeconomic and financial relations, as well as the management of political and humanitarian crises, in sub-Saharan Africa.

In 1996, he was recruited by the World Bank as Director for Central Europe at a time when this region was marked by the end of the Balkans conflict and reconstruction. He became the World Bank's Vice-President in charge of Far East Asia from 1997 to 2001 and focused on the management of the major macroeconomic and financial crisis that shook these countries.

Positions and responsibilities as of December 31, 2013 [(a)]

Position	Company	Country
Director (term of office from April 28, 2011 to the end of the Shareholders' Meeting to approve the 2016 financial statements) [(c)] 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 [(b)]	France
Chairman of the Board of Directors	EBI SA (ECOBANK INTERNATIONAL)	France
	I&P GESTION	*Mauritius*
Director Member of the Governance and Corporate Social Responsibility Committee	ORANGE [(b)]	France
Director	PHITRUST IMPACT INVESTORS SA	France
	I&P AFRIQUE ENTREPRENEURS	*Mauritius*
	I&P DEVELOPEMENT	*Mauritius*
	ADERIA PARTNERS	*Mauritius*
Manager	*I&P SARL (INVESTISSEURS ET PARTENAIRES)*	*France*

Position	Associations/Foundations/Other	Country
Chairman	*INSTITUT D'ÉTUDE DU DÉVELOPPEMENT ÉCONOMIQUE ET SOCIAL*	*France*
	CONVERGENCES 2015	*France*
	CRITICAL ECOSYSTEM PARTNERSHIP FUND (CEPF)	*United States*
Director	*FONDATION SANOFI ESPOIR*	*France*
	AFRICAN CAPACITY-BUILDING FOUNDATION	*Zimbabwe*
	AFRICAN CENTER FOR ECONOMIC TRANSFORMATION (ACET) GHANA	*Ghana*
	FONDATION GRAMEEN CREDIT AGRICOLE	*Luxembourg*
Senior fellow	*THE GERMAN MARSHALL FUND OF THE UNITED STATES (Foundation)*	*United States*
Research Director	*FONDATION POUR LES ÉTUDES ET RECHERCHES SUR LE DÉVELOPPEMENT INTERNATIONAL*	*France*
Member	*ACADÉMIE DES TECHNOLOGIES (public-sector institution with administrative activities)*	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Subject to the renewal of his term of office at the Shareholders' Meeting to be held on April 29, 2014.

JEAN-MICHEL SEVERINO (continued)

After a brief stint working once again for the French government as Inspector General of Finance, he was named Chief Executive Officer of the *Agence Française de Développement* (AFD), where from 2001 to 2010 he led the expansion efforts to cover the entire emerging and developing world, notably in the Mediterranean region, Asia and Latin America, while still maintaining its strong roots in sub-Saharan Africa. He significantly expanded the bank's development activities and extended its areas of responsibility to a large number of new countries as well as contemporary global issues: climate, biodiversity, poverty, growth, etc. He also implemented a significant restructuring of the AFD by entering into close partnerships with the local and international industrial and financial private sector.

In 2010, at the end of his third term of office, he returned once again to the Inspection générale des finances, where he was responsible for the French Water Partnership. In May 2011, he left the civil service in order to head up "I&P (Investisseurs et Partenaires)", a fund management company specializing in financing African small and medium-sized businesses.

In addition to his professional duties, he has significant experience in the educational and research areas, notably as an associate professor at CERDI (Centre d'Études et de Recherches sur le Développement International). He was elected as a member of the Académie des Technologies (2010); he is currently a senior fellow of the Fondation pour 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 held during the past five years

Position	Company	Country
Chairman	SOCIÉTÉ DE PROMOTION ET DE PARTICIPATION POUR LA COOPÉRATION ÉCONOMIQUE	France

Position	Associations/foundations/other	Country
Chairman	FRENCH WATER PARTNERSHIP	France
Chief Executive Officer	AGENCE FRANÇAISE DE DÉVELOPPEMENT (public-sector institution with industrial and commercial activities)	France
Vice-Chairman	COMITÉ NATIONAL FRANÇAIS	France
Director	EUROPEAN INVESTMENT BANK	Luxembourg
	INSTITUT DE RECHERCHE POUR LE DÉVELOPPEMENT (French public-sector institution with scientific and technological activities)	France
	danone.communities (SICAV)	France
	CENTRE DE COOPÉRATION INTERNATIONALE EN RECHERCHE AGRONOMIQUE POUR LE DÉVELOPPEMENT (public-sector institution with industrial and commercial activities)	France
	FONDATION JACQUES CHIRAC	France
	CONSERVATION INTERNATIONAL (Foundation)	United States
Member	INDEPENDENT ASSESSMENT COMMITTEE ON SUSTAINABLE DEVELOPMENT, VEOLIA ENVIRONNEMENT	France
	CONSEIL D'ORIENTATION SCIENTIFIQUE DE LA FONDATION JEAN-JAURÈS	France
Member of Working Group	ONU – DIVISION DÉVELOPPEMENT DURABLE	France

6

Current Directors

RICHARD GOBLET D'ALVIELLA

Born on July 6, 1948
Age: 65

Business address:
Rue de l'Industrie 31 – 1040 Brussels – Belgium

Number of DANONE shares held as of December 31, 2013: 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 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, 2013 [a]

Position	Company	Country
Director (term of office from April 11, 2003 to the end of the Shareholders' Meeting to approve the 2014 financial statements) Member of the Board of Directors' Audit Committee (since April 11, 2003) Member of the Board of Directors' Compensation and Nomination Committee (since July 26, 2013)	DANONE SA [b] [c]	France
Executive Chairman	*SOFINA SA* [b] [c]	*Belgium*
Managing Director	*UNION FINANCIÈRE BOEL SA* [b]	*Belgium*
Director Member of the Audit Committee Member of the Nomination Committee	*CALEDONIA INVESTMENTS* [b] [c]	*United Kingdom*
Director	*HENEX SA* [a] [b] *SOCIÉTÉ DE PARTICIPATIONS INDUSTRIELLES SA (c)* POLYGONE SA [c]	*Belgium* *Belgium* France
Director Member of the Audit Committee	GL EVENTS SA [b] [c]	France
Member of the Supervisory Board Member of the Audit Committee Member of the Compensation Committee	EURAZEO SA [b] [c]	France

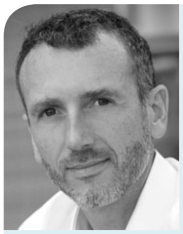
(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company (see note (c) hereafter).
(c) As a reminder, the AFEP-MEDEF Code states that "*an executive director should not hold more than two other directorships in listed corporations, including foreign corporations, not affiliated with his or her group*". Nevertheless, this Code provides that this limit "*does not apply to directorships held by an executive director in subsidiaries and holdings, held alone or together with others, of companies whose main activity is to acquire and manage such holdings*".
The position of Richard GOBLET D'ALVIELLA, Executive Chairman of the Sofina group, falls under this exception, since these terms of office are held in companies in which Sofina owns an equity interest (Caledonia Investments, Eurazeo, GL Events, Polygone and Danone). Furthermore, Henex SA, Société de Participations Industrielles SA and Union Financière Boël SA are themselves shareholders in Sofina.

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 - Member of the Compensation Committee	DELHAIZE GROUP [a]	Belgium
Non-voting advisor ("censeur")	GDF SUEZ [a]	France

(a) Listed company.

EMMANUEL FABER



Born on January 22, 1964
Age: 50
Business address:
17, boulevard Haussmann - 75009 Paris - France
Number of DANONE shares held as of December 31, 2013: 29,940

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 (16 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 Director of the danone.communities mutual investment fund (SICAV). Since 2009, he has been a member of the Steering Committee of the Danone Ecosystem Fund. And since December 2011, he has been a member of the Steering Committee of the Livelihoods Fund.

Positions and responsibilities as of December 31, 2013 [a]

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 end of the Shareholders' Meeting to approve the 2015 financial statements) Member of the Board of Directors' Social Responsibility Committee (since February 14, 2007) Member of the Executive Committee (since January 1, 2000)	DANONE SA [b]	France
Member of the Supervisory Board	LEGRIS INDUSTRIES SA	France
Director	*GRAMEEN DANONE FOODS LIMITED* [c] [d]	*Bangladesh*
	danone.communities (SICAV) [d]	France
Director and Vice-Chairman	*NAANDI COMMUNITY WATER SERVICES PRIVATE LTD* [d]	*India*
Member of the Steering Committee	*LIVELIHOODS FUND (SICAV)* [d]	*Luxembourg*

Position	Associations/Foundations/Other	Country
Member of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [d]	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Company consolidated as associate by Danone.
(d) Duties performed in the framework of social projects initiated by the Group.

Positions and responsibilities held during the past five years

Position	Company	Country
Vice-Chairman and Director	SOCIÉTÉS EN PARTENARIAT WAHAHA/ DANONE	China
Director Member of the Audit Committee	RYANAIR HOLDINGS PLC [a]	Ireland
Director	RYANAIR LIMITED	Ireland
	YAKULT HONSHA CO., LTD [a]	Japan
Member of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION BV	Netherlands

(a) Listed company.

JACQUES-ANTOINE GRANJON

Born on August 9, 1962
Age: 51

Business address:
249, avenue du Président Wilson - 93210 La Plaine-Saint-Denis - France

Number of DANONE shares held as of December 31, 2013: 4,000

Independent Director

French nationality

Principal responsibility: Chairman and Chief Executive Officer of vente-privée.com

Personal background – experience and expertise

Jacques-Antoine GRANJON is a graduate of the European Business School in Paris.

After completing his studies, his entrepreneurial spirit led him and a friend to found Cofotex SA, 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 model corporate citizen promoting responsible growth, training and employability and a social conscience.

Positions and responsibilities as of December 31, 2013 [(a)]

Position	Company	Country
Director (term of office from April 26, 2012 to the end of the Shareholders’ Meeting to approve the 2014 financial statements)	DANONE SA [(b)]	France
Chairman and Chief Executive Officer	VENTE-PRIVEE.COM SA	France
Chairman	*OREFI ORIENTALE ET FINANCIÈRE SAS* [(c)]	*France*
Chairman of the Board of Directors	*PALAIS DE TOKYO SAS*	*France*

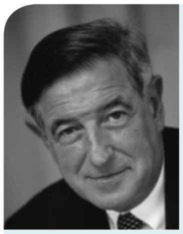
Position	Associations/Foundations/Other	Country
Chairman	*FONDATION VENTE-PRIVEE.COM*	France

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Jacques-Antoine GRANJON also holds corporate offices in companies controlled by OREFI ORIENTALE ET FINANCIÈRE SAS:
- Chairman of HOLDING DE LA RUE BLANCHE SAS (France), OREFO SAS (France), ORIMM SAS (France), VENTE-PRIVEE USA BRANDS, INC. (United States), VENTE-PRIVEE.COM DEUTSCHLAND (Germany), VENTE-PRIVEE.COM LIMITED (United Kingdom), VENTA- PRIVADA IBERICA (Spain), VENDITA.PRIVATA ITALIA SRL (Italy);
- Chairman and Chief Executive Officer of PIN UP SA (France);
- Manager of EGLISE WILSON SARL (France), ORIMM BIEN SARL (France);
- Co-Manager of VENTE-PRIVEE.COM IP SARL (Luxembourg);
- Director of VENTE-PRIVEE.COM HOLDING SA (Luxembourg), LOOKLET (Sweden), VENTE-PRIVEE USA, LLC (United States);
- Director of NOUVELLE D’EXPLOITATION DE RENOVATION ET DE RENAISSANCE DU THEATRE DE PARIS SA (France);
- Manager of French civil partnerships (sociétés civiles françaises) SCI 247, SCI 249, BM WILSON SCI, FRUITIER WILSON SCI, LANDY WILSON SCI, LYON 3 SCI, MM WILSON SCI, PRESSENSE WILSON SCI, BRETONS WILSON, SCI, and SCI LE STADE WILSON.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	ROSEBUZZ SAS	France

JEAN LAURENT



Born on July 31, 1944
Age: 69
Business address:
30, avenue Kléber – 75208 Paris Cedex 16 – France
Number of DANONE shares held as of December 31, 2013: 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 the 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 SA (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.

The Board of Directors of Danone appointed Jean LAURENT as Chairman of the Social Responsibility Committee on February 14, 2007, Chairman of the Compensation and Nomination Committee on April 28, 2011 and Lead Independent Director on February 18, 2013.

Positions and responsibilities as of December 31, 2013 [a]

Position	Company	Country
Director (term of office from February 10, 2005 to the end of the Shareholders' Meeting to approve the 2014 financial statements) Chairman and member of the Board of Directors' Compensation and Nomination 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) Lead Independent Director (since February 18, 2013)	DANONE SA [b]	France
Chairman of the Board of Directors Member of the Strategy and Investments Committee	FONCIÈRE DES RÉGIONS SA [b]	France
Vice-Chairman of the Supervisory Board Chairman of the Audit Committee Member of the Finance Committee	EURAZEO SA [b] [c]	France
Member of the Board of Directors	UNIGRAINS SA	France

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) As of December 31, 2013, Eurazeo holds 0.01% of the Company's share capital (see section 7.7 *Share ownership structure as of December 31, 2013 and significant changes over the last three fiscal years* for more information).

Positions and responsibilities held during the past five years

Position	Company	Country
Director	CRÉDIT AGRICOLE EGYPT SAE	Egypt
Director Member of the Compensation Committee	BENI STABILI [a]	Italy
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
Chairman of the Board of Directors	FONDATION INSTITUT EUROPLACE DE FINANCE	France

(a) Listed company.

BENOÎT POTIER

Born on September 3, 1957
Age: 56
Business address:
75, quai d'Orsay -
75007 Paris - France
Number of DANONE shares held as of December 31, 2013: 8,178

Independent Director
French nationality
Principal responsibility: Chairman and Chief Executive Officer of Air Liquide SA

Personal background – experience and expertise

A graduate of the *École Centrale de Paris*, Benoît POTIER joined the Air Liquide group in 1981 as a Research and Development engineer. He then held positions as Project Manager in the Engineering and Construction Department and Head of Energy Development within the Large Industry segment. In 1993 he was named Head of Strategy-Organization and in 1994 he was appointed Head of Chemicals, Steel, Refining and Energy Markets. He became Deputy General Manager in 1995, and added to the aforementioned responsibilities that of Head of Construction Engineering and Large Industry for Europe.

Benoît POTIER was appointed Chief Executive Officer in 1997, Director of Air Liquide in 2000 and Chairman of the Management Board in November 2001. In 2006, he was named Chairman and Chief Executive Officer of Air Liquide SA.

In 2004, Air Liquide acquired the assets of Messer Griesheim in Germany, the United Kingdom and the United States.

In 2007, the group expanded its technology portfolio by acquiring the Lurgi engineering company and in 2008 launched the Alma company project aimed at accelerating its growth. The group is continuing to diversify internationally, notably through its growing presence in developing economies: Asia, Russia, Central and Eastern Europe, the Middle East and Latin America.

In 2008, Benoît POTIER initiated the creation of Fondation Air Liquide and has served as its Chairman since inception. Fondation Air Liquide supports research projects in the environmental and healthcare fields and contributes to local development by encouraging micro-initiatives in those areas of the world where the group is present.

Since October 2010, Benoît POTIER has also been the Vice-Chairman of the European Roundtable of Industrialists (ERT).

Positions and responsibilities as of December 31, 2013 [(a)]

Position	Company	Country
Director (term of office from April 11, 2003 to the end of the Shareholders' Meeting to approve the 2014 financial statements) Member of the Board of Directors' Compensation and Nomination Committee (since April 26, 2012)	DANONE SA [(b)]	France
Chairman and Chief Executive Officer	AIR LIQUIDE SA [(b)]	France
	AIR LIQUIDE INTERNATIONAL (SA) [(c)]	*France*
Director	*AMERICAN AIR LIQUIDE HOLDINGS INC* [(c)]	*United States*
Chairman, President & Chief Executive Officer	*AIR LIQUIDE INTERNATIONAL CORPORATION (ALIC)* [(c)]	*United States*

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)*	*France*
	CERCLE DE L'INDUSTRIE (Association)	*France*
	LA FABRIQUE DE L'INDUSTRIE (Association)	*France*
	ASSOCIATION NATIONALE DES SOCIÉTÉS PAR ACTIONS (ANSA)	*France*
	ÉCOLE CENTRALE DES ARTS ET MANUFACTURES	*France*
Member of Conseil France (French board)	*INSEAD*	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Companies in the Air Liquide group in which Benoît POTIER holds a corporate office.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman	AMERICAN AIR LIQUIDE HOLDINGS, INC.	United States
Member and Chairman of the Audit Committee	DANONE [(a)]	France
Member of the Supervisory Board Member of the Audit Committee	MICHELIN [(a)]	France

(a) Listed company.

FRANCK RIBOUD

Born on November 7, 1955
Age: 58

Business address:
17, boulevard Haussmann - 75009 Paris - France

Number of DANONE shares held as of December 31, 2013: 221,884

Non-Independent Director

French nationality

Principal responsibility:
Chairman and Chief Executive Officer of Danone

Seniority in Danone Group: October 1981 (32 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 was involved in the most significant acquisition completed by a French group in the United States, namely the acquisition of Nabisco's European activities by BSN. In July 1990, he was appointed General Manager of Société des Eaux Minérales d'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 investment fund (SICAV), a financing entity aimed at promoting the development of profitable companies whose primary goal is to maximize socially responsible objectives as opposed to profit.

Since 2009, he has served as the Chairman of the Steering Committee of the Danone Ecosystem Fund, and in December 2011 he was named member of the Steering Committee of the Livelihoods Fund.

Positions and responsibilities as of December 31, 2013 [a]

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 end of the Shareholders' Meeting to approve the 2015 financial statements) Chairman of the Executive Committee (since July 4, 1997)	DANONE SA [b]	France
Director	RENAULT SA [b]	France
	BAGLEY LATINOAMERICA SA [c]	*Spain*
	DANONE (SPAIN) SA [d]	*Spain*
	RENAULT SAS	*France*
	ROLEX SA	*Switzerland*
	ROLEX HOLDING SA	*Switzerland*
Chairman of the Board of Directors	danone.communities (SICAV) [e]	France
Member of the Steering Committee	*LIVELIHOODS FUND (SICAV)* [e]	*Luxembourg*

Position	Associations/Foundations/Other	Country
Chairman of the Steering Committee	*DANONE ECOSYSTEM FUND (endowment fund)* [e]	*France*
Director	*ASSOCIATION NATIONALE DES INDUSTRIES AGROALIMENTAIRES*	*France*
	INTERNATIONAL ADVISORY BOARD HEC BUSINESS SCHOOL	*France*
Member of the Supervisory Board	*FONDATION ELA (EUROPEAN LEUKODYSTROPHY ASSOCIATION)*	*France*
Member of the Board	*FONDATION EPFL PLUS (ÉCOLE POLYTECHNIQUE FÉDÉRALE DE LAUSANNE)*	*Switzerland*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.
(c) Company consolidated as associate by Danone.
(d) Company fully consolidated by Danone.
(e) Duties performed in the framework of social projects initiated by the Group.

Positions and responsibilities held during the past five years

Position	Company	Country
Director	LACOSTE SA	France
	OMNIUM NORD AFRICAIN (ONA) [a]	Morocco
	WADIA BSN INDIA LIMITED	India
Director and Member of the Compensation Committee	ACCOR SA [a]	France
Chairman and Member of the Compensation Committee	RENAULT SA [a]	France

Position	Associations/Foundations/Other	Country
Director	FONDATION GAIN (GLOBAL ALLIANCE FOR IMPROVED NUTRITION)	Switzerland

(a) Listed company.

MOUNA SEPEHRI

Born April 11, 1963
Age: 50
Business address:
13-15, quai Le Gallo -
92513 Boulogne-Billancourt -
France
Number of DANONE shares held as of December 31, 2013: 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 Renault-Nissan Alliance Board of Directors. In 2010, she also became a member of the steering committee on the Alliance cooperation with Daimler. As a part of that mission, she was responsible for steering the implementation of Alliance synergies, coordinating strategic cooperation and for driving new projects.

On April 11, 2011, she joined the Renault group Executive Committee as Executive Vice President, Office of the CEO. She oversees the following functions: Legal, Public Affairs, Communications, Public Relations, Corporate Social Responsibility, Property and General Services, Prevention and Group Protection, Cross-functional Support, the Operating Costs Effectiveness Program and the Strategy and Group Planning.

Positions and responsibilities as of December 31, 2013 [a]

Position	Company	Country
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2014 financial statements) Member of the Board of Directors' Audit Committee (since April 26, 2012)	DANONE SA [b]	France
Director	NEXANS SA [b]	France
Member of the Supervisory Board	M6 SA (MÉTROPOLE TÉLÉVISION) [b]	France

Position	Associations/Foundations/Other	Country
Director	*FONDATION RENAULT*	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
None		

VIRGINIA A. STALLINGS

Born on September 18, 1950
Age: 63

Business address:
Children's Hospital of Philadelphia – 3535 Market Street – Rm 1558 – Philadelphia, PA 19104 – United States

Number of DANONE shares held as of December 31, 2013: 4,000

Independent Director

American 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 a Chair in Gastroenterology and Nutrition. She is a pediatrician and an expert in nutrition and growth in children with chronic illnesses. Her research interests are in nutrition-related growth in healthy children and those with chronic illnesses including: obesity, sickle cell disease, osteoporosis, cystic fibrosis, cerebral palsy, Crohn's disease, HIV and congenital heart disease. She has been extensively involved in pediatric nutrition clinical care and research for more than 25 years.

Dr. Stallings plays a significant role in the community of nutrition scientists and physicians as a member of the Institute of Medicine, the Food and Nutrition Board of the US National Academy of Sciences and the Council of the American Society for Nutrition. She steered the Institute of Medicine committee report, *Nutrition Standards for Foods in Schools: Leading the Way Towards Healthier Youth*, and the committee report, *School Meals: Building Blocks for Healthy Children*, that led to new policy to improve the nutritional quality of children's meals and school meals in the United States. She has received research and teaching awards from the American Society of Nutrition, the American Academy of Pediatrics, the Institute of Medicine, and the National Academies.

Positions and responsibilities as of December 31, 2013 [(a)]

Position	Company	Country
Director (term of office from April 26, 2012 to the end of the Shareholders' Meeting to approve the 2014 financial statements)	DANONE SA [(b)]	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 the Teaching Advisory Committee	*CHILDREN'S HOSPITAL OF LA PLATA RESEARCH INSTITUTE*	*Argentina*

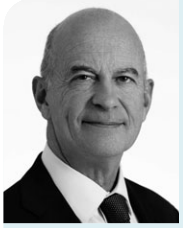
(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.
(b) Listed company.

Positions and responsibilities held during the past five years

Position	Company	Country
Chairman of the Board of Directors	DANONE INSTITUTE USA [(a)]	United States
	DANONE INSTITUTE INTERNATIONAL [(a)]	France

(a) The mission of these two organizations, which are established as non-profit associations, is essentially to promote research and education in the field of nutrition, as well as the importance of nutrition for health.

JACQUES VINCENT



Born April 9, 1946
Age: 67

Business address:
28, quai du Louvre - 75001 Paris - France

Number of DANONE shares held as of December 31, 2013: 5,123

Non-Independent Director

French nationality

Principal responsibility: Founding member and manager of Fondation UnMétierVocation

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, followed by General Manager of Danone Italy, Danone Germany, Italaquae, Dannon USA and the Group's Fresh Dairy Products Division.

In 1996, he was appointed Deputy General Manager of Danone.

In 1998, he was appointed 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.

On February 19, 2014, the Board of Directors acknowledged his wish not to ask for the renewal of his term of office as Director.

Positions and responsibilities as of December 31, 2013 [a]

Position	Company	Country
Director (term of office from March 17, 1997 to the end of the Shareholders' Meeting to approve the 2013 financial statements)	DANONE SA [b]	France
Director	MEDIAPERFORMANCES PUBLIC'AD SA	France
Chairman	*COMPASSION ART SAS*	*France*
Director Member of the Compensation Committee	*SYNGENTA AG* [b]	*Switzerland*

Position	Associations/Foundations/Other	Country
Founding member and manager	*FONDATION UNMÉTIERVOCATION*	*France*
Director	*FONDATION MANPOWER*	*France*

(a) Terms of office shown in italics do not fall within the scope of Article L. 225-21 of the French commercial code with regard to the aggregation of offices rules.

(b) 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
	INSTITUT BIOPHYTIS SAS	France
Chairman of the Board of Directors	COMPAGNIE GERVAIS DANONE	France
Director and Member of the Executive Committee	DANONE (SPAIN) SA	Spain
Director	AVESTHAGEN	India
	DASANBE AGUA MINERAL NATURAL SA	Spain
	WEIGHT WATCHERS DANONE CHINA, LTD	China
	WIMM BILL DANN FOOD OJSC [a]	Russia
	YAKULT DANONE INDIA PVT LTD	India
	YAKULT HONSHA CO., LTD [a]	Japan
Director Member of the Audit Committee Member of the Nomination and Governance Committee	CEREPLAST, INC.	United States
Member of the Supervisory Board	DANONE BABY AND MEDICAL NUTRITION BV	Netherlands
	DANONE BABY AND MEDICAL NUTRITION NEDERLAND BV	Netherlands

Position	Associations/Foundations/Other	Country
Chairman of the Board of Directors	ÉCOLE NORMALE SUPÉRIEURE DE LYON (ENS)	France

(a) Listed company.

6.3 COMPENSATION AND BENEFITS FOR EXECUTIVES AND GOVERNANCE BODIES

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Principles of the compensation policy for Group senior managers and executives

The Group's compensation policy for directors and executives uses a tiered approach to responsibilities based on job content and market practices. It is built on collective principles applied to approximately 1,500 senior managers and executives worldwide, including those with the status of director, as well as directors and officers. The principles adopted by the Group break compensation down into two distinct parts: annual compensation and multi-year compensation, as described hereafter.

The compensation policy is regularly reviewed by the Nomination and Compensation Committee. As described above in section 6.1 G*overnance Bodies*, this Committee is composed entirely of independent directors, and is chaired by Danone's Lead Independent Director. The annual presentation of the Group's compensation policy includes a study conducted by a specialized firm, the objectivity of which is guaranteed by the Nomination and Compensation Committee, and which takes into account practices in two main markets, France and Europe.

The Nomination and Compensation Committee met several times in 2013 and at the beginning of 2014 to review the compensation policy of executive directors and officers and members of the Executive Committee.

In its recommendations on the compensation of executive directors and officers and members of the Executive Committee, the Compensation and Remuneration Committee seeks to maintain a balance between the various components.

The Committee considers best market practices on the basis of (i) a benchmark prepared by the aforementioned firm, including large international companies listed in France (CAC 40), and (ii) a panel of eight international benchmarks in the food and beverage sector (the same panel used to set the performance conditions for the Group's performance shares and the severance pay of executive directors and officers, and includes Unilever NV, Nestle SA, PepsiCo Inc., The Coca-Cola Company, General Mills Inc., Kellogg Company, Kraft Foods Group Inc. and Mondelez International Inc.).

The Nomination and Compensation Committee seeks in particular to ensure that the medium- and long-term portions have sufficient weighting in relation to annual compensation to encourage executive officers to focus their work on the long term.

The Nomination and Compensation Committee also seeks to ensure that the performance-based portion has sufficient weighting in relation to the fixed portion to ensure the effective alignment of the interests of management with the general interests of the Company and shareholders and to prevent the possibility of poor performances being rewarded by bonuses.

Performance conditions are determined to be both complementary and stable. They enable the interests of shareholders to be aligned with those of management, since they are largely based on the Group's objectives communicated to the financial markets. In addition, these performance conditions reflect best compensation practices, namely "no pay below median" as regards external performance conditions.

Lastly, the Nomination and Compensation Committee is particularly careful to ensure that the performance criteria for compensation are demanding and reward long-term performance, in line with market expectations.

Danone's compensation policy is based on simple, stable and transparent principles. As such, multi-year compensation in the form of Group performance units was established in 2005, and long-term compensation in the form of Group performance shares in 2010. All performance conditions for these components of pluri-annual/long-term compensation, as well as the review of their achievement, have been set out clearly and precisely in the Registration Document for several years.

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 Nomination and Compensation Committee also determines overall executive compensation by integrating the advantage represented by the potential benefit of a supplementary pension plan.

Principles applicable to annual compensation of Group senior managers and executives

This annual compensation consists of:

Principles applicable to fixed compensation

Fixed compensation of executive directors and officers is reviewed after relatively long periods, in accordance with the recommendations of the AFEP-MEDEF Code, and reflects the experience and level of responsibility of the beneficiary.

Principles applicable to annual variable compensation

Annual short-term variable compensation is subject to performance conditions, calculated on the basis of objective and specific quantitative and qualitative criteria and determined on the basis of economic, social and managerial objectives (described hereafter) for (i) executive directors and officers, (ii) members of the Executive Committee who manage a Division, (iii) other members of the Executive Committee, and (iv) other General Managers and senior managers in the Group.

Conditions of variable compensation of executive directors and officers

For the Chairman and Chief Executive Officer, Mr. Franck RIBOUD, as well as for Mr. Emmanuel FABER, and Mr. Bernard HOURS, both Deputy General Managers, this variable compensation comprises the following items:

(i) a variable economic portion, making up the majority of the variable compensation, calculated with reference to Group objectives as disclosed to the financial markets in terms of:

- sales;
- trading operating margin; and
- free cash-flow.

In accordance with AMF recommendation no. 2012-02 of February 9, 2012, the expected level of fulfillment by each of the three executive directors and officers for each of these criteria was established in a detailed manner on the basis of recommendations from the Nomination and Compensation Committee, but cannot be disclosed publicly for reasons of confidentiality. Indeed, Danone is particularly careful about confidentiality issues, all the more so in a sector characterized by robust competition. Nonetheless, in view of shareholders' requirements to align executive directors and officers' variable compensation with Group performance and shareholders' interests, information is provided concerning the calculation of the amounts allocated as variable compensation to allow shareholders to verify the transparency of compensation and ensure compliance with best market practices;

(ii) a variable social portion, determined with reference to the Group's social objectives such as safety at work, employee training and skills development, environmental parameters and societal initiatives; and

(iii) a variable managerial portion determined 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).

Achievement of each objective is capped at a maximum of twice the target, in line with best practices in the Fast Moving Consumer Goods sector to which Danone belongs.

Furthermore, the maximum amount of annual short-term variable compensation for executive directors and officers in respect of 2013 cannot exceed more than 202% of fixed compensation for the Chairman and Chief Executive Officer or more than 166% of fixed compensation for the two Deputy General Managers.

Conditions of variable compensation for members of the Executive Committee managing 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, making up the majority of the variable compensation, 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 social portion, based on the social objectives set for the Division concerned (such as safety at work, employee training and skills development, environmental parameters and societal initiatives); and

(iii) a variable managerial portion calculated with reference to objectives linked to the expansion of the Division's business (product innovation, market share, expansion in new geographic areas and implementation of strategic themes).

Conditions of variable compensation for the 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, making up the majority of the variable compensation, calculated with reference to Group objectives as communicated to the financial markets (*e.g.* in terms of sales, trading operating margin and free cash-flow);

(ii) a variable social portion, based on the Group's social objectives (such as safety at work, employee training and skills development, environmental parameters and societal initiatives); and

(iii) a variable managerial portion determined with reference to objectives linked to the expansion of the Group's business.

Conditions of variable compensation for other general managers and senior managers of the group

The annual variable compensation applicable to executive directors and officers and to members of the Executive Committee applies in the same way to all 1,500 Group general managers and senior managers (the "Managers") at all locations throughout the world, particularly as regards the criteria and their weighting.

Principles applicable to pluri-annual variable compensation

This pluri-annual compensation is in the form of Group performance units.

General principles of Group performance units

The Group's pluri-annual variable compensation consists of Group performance units paid subject to pluri-annual performance conditions over a three-year period.

The Group performance units 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 operating and economic performance and in the medium term. Accordingly, and in accordance with the AFEP-MEDEF Code, Group performance units are not reserved uniquely for executive directors and officers.

Group performance units are allocated each year upon the decision of the Board of Directors, for a three-year period. The Board of Directors, upon the recommendation of the Nomination and Compensation Committee, sets the performance objectives for the next calendar year and afterwards evaluates the potential achievement of the previous year's objectives for each Group performance unit plan. The annual objectives for Group performance units currently in the process of vesting (Group performance units granted in 2011, 2012 and 2013) are detailed in section *Group performance units annual objectives* hereafter.

At the end of the 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 Group performance unit if the objectives were achieved only two years out of the three and to €0 per Group performance unit if the objectives were achieved only one year out of the three or were never achieved.

Group performance unit objectives are based on performance conditions in line with the Group's objectives, as communicated to the financial markets at the beginning of the year (see the list in section *Group performance units annual objectives* hereafter). Achievement of the performance conditions under a Group performance unit plan for a fiscal year also assumes the achievement of performance conditions on a cumulative basis. Since these objectives are cumulative, the Group performance unit performance conditions are particularly high.

Other characteristics of the Group performance units

Consequences for a beneficiary following a business transfer or change of control

In the event of a sale of all or part of a business, the performance objectives for the year during which the transfer takes place would be deemed to have been achieved for the beneficiaries pertaining to the business involved, and all of the Group performance unit plans concerned would be paid within the month following completion of the transfer.

Moreover, if a person or group of persons acting in concert (within the meaning of Article L. 233-10 of the French commercial code) were to acquire control of Danone (within the meaning of Article L. 233-3 of the French commercial code), then the performance objectives relating to the year in which the change of control occurred would be considered to have been achieved and a payment would accordingly become due in the month following the change of control.

Consequences following death, voluntary or non-voluntary retirement of a beneficiary

The regulations of the Group performance unit plans stipulate that the continuing employment requirement and the performance condition are partially waived in the event of death, voluntary or non-voluntary retirement of a beneficiary.

Since 2013, the new Group performance unit plans have been aligned with best governance practices, in accordance with the recommendations of the AFEP-MEDEF Code.

The AFEP-MEDEF Code states that in the event of the departure of an executive director and officer before the expiry of the term set for the assessment of performance criteria, the payment of pluri-annual variable compensation is cancelled, except in exceptional circumstances justified by the Board.

As such, in the event of the retirement of an executive directors and officer:

(i) within 12 months of the award, he loses all rights to the Group performance units attributed to him over the year; and

(ii) more than one year after the award of Group performance units, the latter are (a) considered as vested for the said beneficiary and the condition of continuous employment for three years does not apply, and (b) valued at the date of the event in accordance with the following rules:

- the calendar years for which performance is validated by the Board of Directors are valued based solely on the achievement of objectives,
- current and future calendar years are deemed to have zero value, and
- the rule that objectives must be achieved over a minimum of two years does not apply.

Principles applicable to long-term variable compensation

Long-term compensation in the form of Group performance shares (program introduced in 2010)

General principles applicable to Group performance shares and termination of the stock-option program

The Group's long-term variable compensation takes the form of Group performance shares (Company shares subject to performance conditions). Group performance shares were introduced in 2010 by the Shareholders' Meeting held on April 22, 2010 to replace the stock-option program that was consequently closed. They are allocated to executive directors and officers, to members of the Executive Committee and to more than 1,500 Group senior managers. In accordance with the AFEP-MEDEF Code, Group performance shares are not reserved uniquely for executive directors and officers.

This long-term, performance-based incentive program is intended to strengthen the commitment of beneficiaries to support the Group's development and enhance the share value on a long-term basis.

The plan regulations prohibit Group performance shares beneficiaries from hedging in any manner (i) their position with respect to their rights to receive Group performance shares or (ii) 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 prohibition of hedging is extended to all DANONE shares or financial instruments related to these shares that they own or may be in a position to own (see hereafter section *Obligation to hold Company shares resulting from vestings of Group performance shares*).

Authorization by the Shareholders' Meeting

On April 22, 2010 the Shareholders' Meeting authorized the Board of Directors to grant on one or more occasions, existing or to be issued Company shares, to members of personnel or to certain categories thereof that it shall select among eligible employees and directors and officers of the Company or of its affiliates 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 on April 23, 2009 by the Shareholders' Meeting in its 30th resolution to grant options to purchase and/or subscribe shares.

The Shareholders' Meeting of April 26, 2012, renewed this authorization for a period of 26 months, in its 13th resolution (see section 9.3 *Comments on the resolutions* in the 2011 Registration Document).

The Shareholders' Meeting of April 25, 2013, canceled the as-then-unusued portion of the 2012 authorization and renewed this authorization for the 2013 fiscal year in its 19th resolution (see section 9.3 *Comments on the resolutions* in the 2012 Registration Document).

A new authorization will be submitted for the approval of the Shareholders' Meeting on April 29, 2014 (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Cap on the number of Group performance shares granted

Group performance share grants are subject to a double cap, decided by the Shareholders' Meeting, limiting (i) the total number of Group performance shares that may be granted, and (ii) the total number of Group performance shares that may be granted to all the executive directors and officers as follows:

Shareholders' Meeting authorizing the Group performance shares	04/22/2010	04/26/2012	04/25/2013
Maximum number of Group performance shares that may be granted [(a)]	0.4%	0.4%	0.2%
Including the maximum number of Group performance shares that may be granted to all executive directors and officers [(b)]	*0.1%*	*0.1%*	*0.05%*

(a) Expressed as a percentage of the share capital for the fiscal year in question, recorded at the close of the Shareholders' Meeting that authorized the plans. This number of shares does not reflect potential adjustments that may be made in accordance with applicable legal and regulatory requirements and, where applicable, contractual provisions calling for other adjustments in order to maintain the rights of holders of securities or other rights giving access to the share capital.

(b) Authorization valid until December 31, 2013.

Grant by the Board of Directors

Group performance shares are granted annually by the Board of Directors at consistent and regular periods. They are granted at the end of July to the members of the Executive Committee (including to executive directors and officers), as well as to managers with the status of senior manager. In addition, a second, very minor grant, to the benefit of certain new employees, is made in October.

Finally, regardless of the date of the grant, in 2013, as in previous years, the Group performance share performance conditions were set in advance and mentioned in the report of the Board of Directors to the Shareholders' Meeting presenting the resolution on Group performance shares.

Review of the potential achievement of performance objectives by the Board of Directors

The potential achievement of performance objectives is ratified by the Board of Directors after prior review by the Nomination and Compensation Committee.

Valuation and booking in the consolidated financial statements

Long-term compensation in the form of Group performance shares is valued and booked in the Group's consolidated financial statements, pursuant to IFRS 2, *Share-based payment* (see Note 1 of the Notes to the consolidated financial statements, in section *Stock-options and Group performance shares granted to certain employees and executive directors and officers*).

General principles of the performance conditions of Group performance shares

The performance conditions are determined by the Board of Directors upon recommendation of the Nomination and Compensation Committee.

The performance conditions of the various plans in effect are based on the following principles:

Demanding performance conditions appropriate for the Group's current environment

The performance conditions for Group performance shares consist of two complementary criteria representative of the Group's performances and adapted to the specificity of its activity:

- **(i)** the first criterion (an external performance criterion) is based on the Group's sales growth compared to that of a panel of the Group's historical peers, comprising leading international groups in the food and beverage sector; and
- **(ii)** the second criterion (an internal performance criterion) is based on the change in the Group's trading operating margin.

These two objectives reflect key indicators followed by investors and analysts to measure companies' performance in the food and beverage sector.

Stability of performance conditions and consistency of the composition of the panel of the Group's historical peers

The Board considers that a certain degree of consistency in performance conditions is an essential factor for long-term value creation. In that regard, the performance criterion related to Group sales was used for all Group performance shares grants.

The Group operating margin has been used since 2013.

Since performance conditions constitute one of the factors in long-term value creation, in 2013 the Board of Directors stated that it did not intend to amend the nature of these conditions every year. As a consequence, for 2014 the performance criteria will continue to include the Group sales and its trading operating margin.

Moreover, regarding the external performance based criterion, the composition of the panel of peers that serves as the basis for the performance conditions of the Group performance shares but also for those of the termination indemnities has remained unchanged since 2007. It was however adjusted in 2013 in order to take into account the spin-off of one of its members, Kraft Foods Inc.: the latter was replaced in the panel by the two companies created further to this spin-off completed in 2012, namely Kraft Foods Group Inc. and Mondelēz International Inc.

Introduction of a single reference period of three years applicable to all performance conditions

In 2013, the criterion related to the growth of the Group's sales was set with a three-year reference period and the criterion related to the trading operating margin with a two-year period. In accordance with the Board of Directors' aim to comply with investors' expectations, it will be proposed for the allocation of Group performance shares for 2014 that reference periods relating to both performance conditions be aligned with a single period of three years.

Application beyond the members of the Executive Committee and executive directors and officers of the performance conditions to 100% Group performance shares

In accordance with best market practices and further to discussions with certain shareholders and shareholder representatives of the Group, from 2012, the Board of Directors has chosen to have all Group performance shares allocated by virtue of the authorization given by the Shareholders' Meeting subject to performance conditions.

The Board notes that under the previous authorization given by the Shareholders' Meeting, one-third of the Group performance shares allocated to beneficiaries who were neither executive directors and officers nor Executive Committee members were not subject to performance conditions.

General principles relating to the condition of continuous employment for Group performance shares

All of the grants are subject to a condition of continuous employment, which applies to all Group performance share beneficiaries.

Therefore, a Group performance share beneficiary who leaves the Group prior to the end of the vesting period may not retain his/her Group performance shares, which will be canceled. By way of exception, in statutory cases of early departure (including death and disability categories two and three) the Group performance, the continuous employment and performance conditions may also be partially waived. In the event of the employee's voluntary retirement (or statutory early retirement), the continuing employment requirement may be partially waived (not the performance conditions). However, in the specific case where an employee retires (or takes statutory early retirement) in the 12 months following a grant, the Group performance shares thus granted will be canceled.

In addition, the plan regulations for the Group performance shares granted by the Board of Directors as of July 26, 2010 leave open the possibility, for Group performance share 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, until their closure, see section *Compensation and benefits paid to executive directors and officers and governance bodies* hereafter). Therefore, if a person or group of people acting collectively (as defined in Article L. 233-10 of the French commercial code) acquires the control of Danone (as defined in Article L. 233-3 of the French commercial code), there would be no more conditions in order to receive the Group performance shares at the end of the vesting period.

General principles of the definitive grant of Group performance shares

Vesting period provided for by the Shareholders' Meeting

The grants of Group performance shares become final and Company shares are delivered to their beneficiaries after a vesting period set by the Board of Directors. In accordance with the authorization given by the Shareholders' Meeting, this vesting period may in principle not be less than three years.

Holding period provided for by the Shareholders' Meeting

In principle, the beneficiaries must hold the shares for a period of two years following their definitive grant.

However, to the extent the vesting period for all or part of one or more grants is at least of four years, the Board of Directors may choose not to impose any holding period for the corresponding shares.

Allocation by the Board of Directors of "3+2" and "4+0" plans

In 2010, 2011 and 2012, the Board set up "3+2" and "4+0" depending on the social security contributions regime of beneficiaries *(i.e.* "3 +2" for the French regime and "4+0" for those of other countries).

Since 2013 and in order to strengthen the incentive character of Group performance shares for the Group's executive directors and officers and employees, the Board of Directors has only set up "4+0" plans.

Impact of Group performance shares in terms of dilution/ ownership of the Company's share capital

The Group's policy on the grant of stock-options and Group performance shares has always had a very limited impact on dilution/ownership of the Company's share capital. Thus, the grant of Group performance shares is subject to a double cap: (i) the total number of Group performance shares that may be granted and, (ii) the total number of Group performance shares that may be granted to all executive directors and officers.

For 2013 concerning all executive directors and officers, the grant of Group performance shares could not exceed 0.05% of the share capital. In prior years, the cap was set at 0.10% over a 2-year period.

Long-term compensation in the form of stock-options (until 2009)

General principles of stock-options and closure of the stock-option program

In its 15th resolution, the April 22, 2010 Shareholders' Meeting authorized the Board of Directors to grant Company existing or to be issued shares, 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-option has been granted since November 2009. As a result, Table 4, required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers, is not applicable. Instead, Group performance shares 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 stock-options were granted to eligible employees as part of stock-option plans (the Company had not issued options to subscribe shares since 1997). These allocations were granted to the same group of employees as those now receiving Group performance shares.

Grant by the Board of Directors

Stock-options were generally granted twice a year: (i) the main grant during the course of the year (generally in April) was intended for members of the Executive Committee (including the executive directors and officers), as well as managers with the status of senior manager, and (ii) a second grant (generally in October) was intended for certain new employees, and where appropriate, for certain employees of recently acquired companies.

Characteristics of stock-options

The exercise price of the options was the equivalent of the average stock market price of DANONE shares during the 20 trading days leading up to the Board of Directors' meeting held to grant them, with no discount offered.

The term of the existing plans is eight years: with the last plan having been approved in October 2009, the Group's stock-option program will remain in effect until October 2017. Since 2006, the options may be exercised following a four-year period from the date of grant (with the exception of the two plans granted in December 2007 and April 2008, for which the respective vesting periods are two and three years). However, the regulations of the stock-option plans authorized by the Board of Directors beginning April 11, 2003 entitle beneficiaries to exercise all or part of the options granted to them in the event of a successful public offer targeting the Company's shares (see section 7.10 *Change of control*).

In the event of voluntary departures, the granted options would be canceled. Thus, for example, as of December 31, 2013, the aggregate number of void or canceled options represented 1,955,936 options out of a total 13,059,050 options granted.

Valuation and booking in the consolidated financial statements

Long-term compensation in the form of stock-options is valued and booked in the consolidated financial statements, pursuant to IFRS 2, *Share-based payment* (see Note 1 of the Notes to the consolidated financial statements section *Stock-options and Group performance shares granted to certain employees and executive directors and officers* and Note 30 of the Notes to the consolidated financial statements).

General principles of retirement commitments

Approximately 170 Group 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 (in particular 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, 2013 for the payment of annuities calculated on the basis of life expectancies derived from mortality tables (see Note 28 of the Notes to the consolidated financial statements).

The General principles of retirement commitments in respect of executive directors and officers are provided in section *Agreements, plans and indemnities applicable to executive directors and officers* hereafter.

Description of the Group compensation collective programs

Description of the Group performance units program

Group performance units annual objectives

Objectives for fiscal year 2011 (applied to Group performance units granted in 2009, 2010 and 2011)

For 2011, the criteria set by the Board of Directors of February 14, 2011, acting upon 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; and
- 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 upon recommendation of the Nomination and Compensation Committee, confirmed the achievement of the 2011 objectives.

Objectives for fiscal year 2012 (applied to Group performance units granted in 2010, 2011 and 2012)

For 2012, the criteria set by the Board of Directors of February 14, 2012, acting upon 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; and
- the generation of at least €2 billion in free cash-flow on a reported basis.

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 upon recommendation of the Nomination and Compensation Committee, confirmed the achievement of the 2012 objectives.

Objectives for fiscal year 2013 (applied to Group performance units granted in 2011, 2012 and 2013)

For 2013, the criteria set by the Board of Directors on February 18, 2013, acting upon 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; and
- a reduction in the trading operating margin of a maximum of 50 basis points in 2013 versus 2012, on a like-for-like basis.

The Board, upon recommendation of the Nomination and Compensation Committee acknowledged that the objective relating to a maximum 50 basis point reduction in the trading operating margin in 2013 versus 2012 was not achieved. As a result, as the Group performance unit performance conditions are cumulative, the Board of Directors meeting on February 19, 2014 did not confirm the achievement of the Group performance unit 2013 objectives.

Objectives for fiscal years after 2013

The criteria will be set by the Board of Directors during the fiscal year in question, upon recommendation of the Nomination and Compensation Committee.

Group performance unit plans: position as of December 31, 2013

Group performance unit plans currently outstanding are presented hereafter:

Group performance unit plans outstanding					**Total**
Year of grant	**2010**	**2011**	**2012**	**2013**	
Date of Board of Directors' meeting granting the Group performance units	07/26/2010	04/28/2011	07/26/2012	07/26/2013	
Number of Group performance units granted	1,009,580	1,099,772	1,042,424	1,019,636	**4,171,412**
Of which, number granted to executive directors and officers	*100,000*	*108,000*	*68,500*	*68,500*	***345,000***
Number of beneficiaries	1,372	1,454	1,525	1,584	
Group performance unit characteristics					
Year paid	2013	2014	2015	2016	
Unit value	€30 per share if the objective is achieved for the three fiscal years; €20 per share if the objective is achieved for two of the three fiscal years; €0 if not				
Performance conditions (a)	Objectives set for each of the 2010, 2011 and 2012 fiscal years	Objectives set for each of the 2011, 2012 and 2013 fiscal years	Objectives set for each of the 2012, 2013 and 2014 fiscal years	Objectives set for each of the 2013, 2014 and 2015 fiscal years	
Review to determine whether performance conditions have been achieved	Achievement of objectives for 2010, 2011 and 2012 (b)	Achievement of objectives for 2011 and 2012, but not for 2013 (b)	• Achievement of objectives for 2012 but not for 2013 (b); • Review to determine whether objectives for 2014 will be achieved in 2015	• Objectives for fiscal year 2013 not achieved (b); • Review to determine whether other objectives will be achieved in 2015 and 2016	
Unit value of Group performance units	€30 per unit	€20 per unit (as the 2013 objectives were not achieved)	€20 per unit maximum (as the 2013 objectives were not achieved)	€20 per unit maximum (as the 2013 objectives were not achieved)	

(a) See details of these objectives above.
(b) See details of possible achievement of these objectives above.

Description of the Group performance shares program

Description of the Group performance shares' performance conditions

Three sets of performance conditions are in application for the various Group performance share plans in effect:

Shareholders' Meeting authorizing the Group performance shares	04/22/2010	04/26/2012	04/25/2013
Performance conditions applied to Group performance shares	Grants made in 2010 and 2011	Grants made in 2012	Grants made in 2013

Performance conditions of grants made in connection with the resolution approved on April 22, 2010 (2010 and 2011 Group performance share plans)

The performance conditions of the grants relating to the resolution approved on April 22, 2010 were determined as follows:

(i) 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"); and
- growth in free cash-flow (on a consolidated and like-for-like basis, *i.e.* excluding changes in scope and exchange rates) ("FCF").

(ii) 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 Group performance share grants will not be subject to the performance conditions, and the definitive grant of each half of the reminder of the shares granted will be subject to the achievement of the performance condition concerned.

(iii) 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%; and
- 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%.

(iv) Exceptions to the application of performance conditions

Part of the Group performance shares granted pursuant to the resolution approved in 2010 could be made without performance conditions within the following limits:

- the grantees could only be Group employees, excluding executive directors and officers and members of the Executive Committee;
- these shares could not represent more than 25% of the total number of shares eligible to be granted pursuant to this authorization; and
- these shares could not represent more than 33% of the total number of shares granted for each respective employee.

(v) Review of achievement of performance conditions for grants relating to the resolution approved on April 22, 2010 (2010 and 2011 Group performance share plans)

The Board of Directors on February 14, 2012 noted the achievement of the performance conditions of the 2010 Group performance share plan, *i.e.* for the 2010 and 2011 fiscal years: average annual growth in consolidated sales of 7.3% and growth in free cash-flow of 14.3%.

The Board of Directors on February 18, 2013 noted the achievement of the performance conditions of the 2011 Group performance share plan, *i.e.* for the 2011 and 2012 fiscal years: average annual growth in sales of 6.6% and growth in free cash-flow of 11.7%.

Performance conditions of grants made in connection with the resolution approved on April 26, 2012 (2012 Group performance share plans)

The performance conditions of the grants relating to the resolution approved on April 26, 2012 are:

(i) Nature of performance conditions and detailed objectives for each performance criterion

(a) Comparison of the average arithmetic 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 allocation 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 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 designates seven benchmark multinational companies in the food and beverage sector, specifically: Unilever N.V., Nestlé S.A., PepsiCo Inc., Coca-Cola Company, General Mills Inc., Kellogg Company and Kraft Foods;
- 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; and
- 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) Achievement of 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, and
- 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.

(ii) Weighting of each performance criterion

The achievement of each of these two criteria (subject to the requirement of continued employment with the Group) determines the definitive grant of half of the Group performance shares granted to the beneficiary. Accordingly, and in all cases subject to a requirement of continued employment with the Group: (i) for the beneficiary 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.

(iii) Exceptions to the application of performance conditions

Part of the Group performance shares granted pursuant to the resolution approved in 2012 could be made without performance conditions within the following limits:

- the grantees could only be Group employees, excluding executive directors and officers and members of the Executive Committee;
- these shares could not represent more than 25% of the total number of shares eligible to be granted pursuant to this authorization; and
- these shares could not represent more than 33% of the total number of shares granted for each respective employee.

(iv) Review of achievement of performance conditions for grants relating to the resolution approved on April 26, 2012 (2012 Group performance share plans)

Concerning sales growth, the achievement or otherwise of this condition will be recorded early in 2015, when the companies in the Panel have published their sales results.

Concerning the level of free cash-flow of at least €2 billion per year on average over the Reference Period: the Board of Directors meeting on February 19, 2014 acknowledged that this objective had not been achieved. As a result, the share of Group performance shares granted subject to the free cash-flow performance condition is zero, with an impact (i) of 50% on the number of Group performance shares granted to executive directors and officers and to the members of the Executive Committee and, (ii) of 33% on the number of Group performance shares granted to other beneficiaries.

Performance conditions of grants made in connection with the resolution approved on April 25, 2013 (2013 Group performance share plan)

The performance conditions of the grants relating to the resolution approved on April 25, 2013 were:

(i) Nature of performance conditions and detailed objectives for each performance criterion

(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.* 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%; and
- 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 designates 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; and

- 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%; and
- 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%;

Where:

- 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);
- "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 "on the format of financial statements for entities applying international accounting standards", and comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to major litigation. Since the application of IFRS 3 *Revised, Business combinations*, Other operating income has 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; and
- 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) Weighting of each performance criterion

For all beneficiaries, provided that the condition of continued employment with the Group is met (see hereafter), two-thirds of the Group performance 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.

(iii) No exceptions to the application of performance conditions

In accordance with best practices in the market and following discussions with shareholders, 100% of Group performance shares granted under this plan are subject to performance conditions.

(iv) Review of achievement of performance conditions for grants relating to the resolution approved on April 25, 2013 (2013 Group performance share plans)

Concerning sales growth in the period 2013 to 2015, the achievement of this condition will be recorded early in 2016, when the companies in the Panel have published their sales results.

Concerning the achievement of the trading operating margin in 2013 and 2014, the Board of Directors meeting on February 19, 2014 acknowledged that this objective had not been achieved. As a result, the share of Group performance shares granted subject to the trading operating margin performance condition is zero, with an impact of 33% on the number of Group performance shares granted to all beneficiaries.

Vesting periods of the Group performance share plans

A vesting period and, where relevant, a holding period (lock-up period) apply to the "3+2" and "4+0" plans, described hereafter:

Shareholders' Meeting authorizing the Group performance shares	04/22/2010		04/26/2012		04/25/2013
Plans	"3+2"	"4+0"	"3+2"	"4+0"	"4+0"
Vesting period of shares [(a)]	3 years	4 years	3 years	4 years	4 years
Retention period [(b)]	2 years	-	2 years	-	-

(a) Shares are delivered to their beneficiaries at the end of a vesting period, after application of the performance and continued employment conditions.
(b) The retention period starts on the delivery date and applies only to "3+2" plans whose beneficiaries are subject to the French system of social security contributions.

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 Group performance shares plans and stock-options has also been implemented and is described in sections *Obligation to hold Company shares resulting from vestings of Group performance shares* and *Obligation to hold Company shares resulting from exercise of stock-options* hereafter.

Group performance share plans: position as of December 31, 2013

Summary of Group performance shares outstanding and grants for fiscal year 2013

The characteristics of the Group performance share plans currently outstanding in 2013, the grants made in connection with these plans and the changes in these plans during 2013 are presented hereafter (information required by AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers, Tables 6 and 7):

Group performance share plans outstanding						
Shareholders' Meeting authorizing the Group performance shares						04/22/2010
Group performance shares authorized by the Shareholders' Meeting (a)						2,587,963
Of which, Group performance shares not granted						*1,229,737*
Board of Directors' meeting authorizing the Group performance shares	07/26/2010	07/26/2010	04/28/2011	04/28/2011	10/20/2011	10/20/2011
Plans	"3+2"	"4+0"	"3+2"	"4+0"	"3+2"	"4+0"
Number of Group performance shares granted	**266,900**	**377,665**	**276,023**	**420,288**	**11,000**	**6,350**
Group performance share characteristics						
Delivery date	07/27/2013	07/27/2014	04/29/2014	04/29/2015	10/21/2014	10/21/2015
Holding period (b)	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.					
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%).			
Changes in 2013 and situation as of December 31, 2013						
Group performance shares as of December 31, 2012	**248,872**	**321,714**	**264,397**	**362,836**	**11,000**	**5,100**
Group performance shares granted in 2013 (d)	-	-	-	-	-	-
Of which, Group performance shares granted to executive directors and officers	-	-	-	-	-	-
Void or cancelled Group performance shares in 2013	2,382	26,484	4,267	31,705	-	-
Transfer from Group performance share plan "3+2" to "4+0"	(24,119)	24,119	-	-	-	-
Shares delivered in 2013	222,371	-	-	-	-	-
Of which shares delivered to executive directors and officers	*88,750*	-	-	-	-	-
Of which shares delivered to the ten Group employees (excluding executive directors and officers) who received the largest number of shares in 2013	*54,200*	-	-	-	-	-
Group performance shares as of December 31, 2013	**-**	**319,349**	**260,130**	**331,131**	**11,000**	**5,100**
Of which, Group performance shares granted to executive directors and officers (e)	-	-	*98,000*	-	-	-
Of which, Group performance shares granted to members of the Executive Committee (e)	-	*21,150*	*137,000*	*24,300*	*11,000*	*4,000*
Of which, number Executive Committee beneficiaries	-	*3*	*6*	*3*	*2*	*1*
Of which, Group performance shares granted to the ten Group employees (excluding executive directors and officers) who received the largest number of shares in 2013 (f)	-	-	-	-	-	-
Number of beneficiaries (g)	-	1,372	-	1,449	-	5
Group performance shares cancelled as of December 31, 2013 (h)	**20,410**	**82,335**	**15,893**	**88,957**	**-**	**1,250**

(a) Authorization expressed as a percentage of the Company's share capital at the close of the Shareholders' Meeting and excluding any adjustments likely to take place.
(b) The holding period starts on the delivery date and applies only to "3+2" plans whose beneficiaries are subject to the French system of social security contributions.
(c) Conditions other than continuing employment.
(d) 100% of grants are subject to performance conditions.
(e) Note that all Group performance shares granted to the members of the Executive Committee and executive directors and officers are subject to performance conditions.

					Total
		04/26/2012		04/25/2013	
		2,568,986		1,268,724	
		1,784,674		*447,081*	
07/26/2012	07/26/2012	10/23/2012	07/26/2013	10/23/2013	
"3+2"	"4+0"	"4+0"	"4+0"	"4+0"	
334,406	**446,506**	**3,400**	**817,993**	**3,650**	**2,964,181**

07/27/2015	07/27/2016	10/24/2016	07/27/2017	10/24/2017	
2 years	-	-	-	-	
Conditions determined on 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.			Conditions determined at the February 18, 2013 Board meeting: • average growth in sales equal to or greater than the median sales of the Panel over the 2013, 2014 and 2015 fiscal years; • achievement of a trading operating margin level for 2013 and 2014 (i).		
Review by the Board of Directors to determine whether the sales criterion will be met in 2015, following the recommendation of the Nomination and Compensation Committee; The non-achievement of the free cash-flow objective for the two years was noted by the Board of Directors' meeting on February 19, 2014.			Sales growth objective from 2013 to 2015: review by the Board of Directors to determine whether this criterion will be met in 2016; The non-achievement of the free cash-flow objective for the two years was noted by the Board of Directors' meeting on February 19, 2014.		

					Total
332,756	**440,926**	**3,400**	**-**	**-**	**1,991,001**
-	-	-	817,993	3,650	821,643
-	-	-	*137,000*	-	*137,000*
5,067	28,050	-	3,900	-	101,855
-	-	-	-	-	-
-	-	-	-	-	222,371
-	-	-	-	-	*88,750*
-	-	-	-	-	*54,200*
327,689	**412,876**	**3,400**	**814,093**	**3,650**	**2,488,418**
137,000	-	-	*137,000*	-	*372,000*
202,000	*40,000*	-	*239,500*	-	*678,950*
7	*3*	-	*10*	-	
-	-	-	*113,850*	-	*113,850*
-	1,523	5	1,578	9	
6,717	**33,630**	**-**	**3,900**	**-**	**253,092**

(f) Of which, 102,500 Group performance shares granted to seven members of the Executive Committee, excluding executive directors and officers.
(g) Cumulative number of beneficiaries for "3+2" and "4+0" plans granted by the Board of Directors.
(h) The notion of cancelled Group performance shares covers the cases where the continuous employment condition was not satisfied and does not include the Group performance shares that were not vested because of the non-achievement of performance conditions.
(i) The trading operating margin objective for 2013 set by the Shareholders' Meeting of April 25, 2013, was the following: "a reduction in the trading operating margin of a maximum of 50 basis points in 2013 versus 2012, on a like-for-like basis". The trading operating margin objective for 2014 was the following: "an increase in the trading operating margin in 2014 versus 2013, on a like-for-like basis".

Impact of Group performance shares in terms of dilution/ownership of the Company's share capital in 2012 and 2013

Group performance share grants in fiscal years 2012 and 2013 as a percentage of share capital are presented hereafter:

Year ended December 31				
	2012		2013	
	Number of shares	Percentage of share capital [a]	Number of shares	Percentage of share capital [a]
Allocations in the fiscal year				
Group performance shares granted	784,312	0.12%	821,643	0.13%
Of which, Group performance shares granted to all executive directors and officers	*137,000*	*0.021%*	*137,000*	*0.022%*
Balance as of December 31 [b]	**1,991,001**	**0.31%**	**2,488,418**	**0.39%**

(a) Percentage of share capital at December 31 of the fiscal year in question.
(b) Balance of shares that may be delivered under Group performance share plans outstanding as of December 31 of the relevant fiscal year.

The number of Group performance shares granted in 2013 to Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS represent respectively 0.009%, 0.007% and 0.007% of the Company's share capital, and 16.7% of the overall grant (*i.e.*, 6.6%, 5% and 5%, respectively, of the total Group performance shares granted).

Description of stock-option programs (as of December 31, 2013)

Stock-option plans outstanding					
Shareholders' Meeting authorizing the options	04/11/2003				
Stock-options authorized by the Shareholders' Meeting	8,000,000 [b]				
Of which, stock-options not granted	*1,762,184* [c]				
Board of Directors' meeting authorizing the stock-options	04/22/2005	08/05/2005	10/18/2005	04/27/2006	10/16/2006
Stock-options granted [a]	**2,411,983**	**29,680** [e]	**27,136**	**2,045,853**	**36,040**
Stock-options characteristics					
First exercise date [f]	04/23/2007	08/06/2007	10/19/2007	04/27/2010	10/16/2010
Expiry date	04/22/2013	07/20/2013	10/18/2013	04/26/2014	10/15/2014
Exercise price	35.43	38.95	42.53	46.92	52.40
Changes in 2013 and situation as of December 31, 2013					
Stock-options as of December 31, 2012	**1,043,814**	**1,500**	**11,872**	**1,651,117**	**29,044**
Void or cancelled stock-options in 2013	104,768	-	3,816	4,028	-
Stock-options exercised in 2013 [g]	939,046	1,500	8,056	679,490	2,968
Of which, stock-options exercised by executive directors and officers in 2013 [i]	*325,070*	-	-	*56,180*	-
Stock-options outstanding as of December 31, 2013	**-**	**-**	**-**	**967,599**	**26,076**
Of which, stock-options granted to executive directors and officers [g]	-	-	-	*268,180*	-
Of which, stock-options granted to members of the Executive Committee	-	-	-	*403,860*	-
Of which, number of Executive Committee beneficiaries	-	-	-	*7*	-
Void or cancelled stock-options as of December 31, 2013 [h]	**287,188**	**-**	**7,208**	**235,161**	**6,996**

(a) The number of stock-options granted was adjusted to reflect the June 25, 2009 capital increase.
(b) The number of authorized stock-options was not adjusted to reflect the June 25, 2009 capital increase.
(c) The number of stock-options not granted was not adjusted to reflect the June 25, 2009 capital increase.
(d) Date of last grant of options to executive directors and officers.
(e) 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.

Summary of stock-option plans outstanding

The characteristics of the stock-option plans currently outstanding and the changes in these plans during 2013 are presented hereafter (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers, Tables 5, 8 and 9) and take into account:

- the split by half of DANONE shares that occurred in June 2004 and June 2007;
- the adjustments 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.

							Total
04/22/2005					04/26/2007	04/23/2009	
6,000,000 [b]					6,000,000 [b]	6,000,000	
1,497,900 [c]					*476,942* [c]	*5,979,600*	
04/26/2007	10/19/2007	12/17/2007	04/29/2008	10/21/2008	04/23/2009 [d]	10/20/2009	
2,633,517	**28,408**	**327,078**	**2,762,403**	**31,941**	**2,704,611**	**20,400**	**13,059,050**
04/26/2011	10/19/2011	12/18/2009	04/29/2011	10/21/2011	04/23/2013	10/20/2013	
04/25/2015	10/18/2015	12/16/2015	04/28/2016	10/20/2016	04/22/2017	10/19/2017	
57.54	52.33	56.57	53.90	43.71	34.85	40.90	
							Total
2,279,424	**15,900**	**236,933**	**2,271,386**	**22,189**	**2,284,652**	**18,400**	**9,866,231**
7,420	-	3,444	10,601	-	22,048	-	156,125
40,174	848	38,146	227,641	1,413	593,224	-	2,532,506
-	-	-	-	-	-	-	*381,250*
2,231,830	**15,052**	**195,343**	**2,033,144**	**20,776**	**1,669,380**	**18,400**	**7,177,600**
536,360	-	-	*424,000*	-	*328,600*	-	*1,557,140*
623,704	-	-	*623,810*	-	*554,380*	-	*2,205,754*
7	-	-	*9*	-	*9*	-	
361,513	**12,508**	**93,589**	**501,618**	**6,148**	**442,007**	**2,000**	**1,955,936**

(f) The first exercise date corresponds to the end of the vesting period.

(g) Of which 572,026 options were exercised at a weighted average price of €43.81 by the ten Group employees (excluding executive directors and officers) having thereby acquired the largest number of shares through exercise of stock-options in 2013 (including 206,700 options by 3 members of the Executive Committee who are not executive directors and officers).

(h) The notion of cancelled stock-options covers the cases where the continuous employment condition was not satisfied and/or the stock-options were not exercised before their expiry date.

(i) See details in section *Compensation and benefits paid to executive directors and officers and governance bodies* hereafter. As of December 31, 2013, 38% of these stock-options were in the money, relative to the DANONE share price on that date (€52.32 per share).

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Impact of stock-options in terms of dilution/ownership of the Company's share capital

The Group's policy on the grant of stock-options and Group performance shares has always had a limited impact on dilution/ownership of the Company's share capital. The most recent stock-option grants were made in 2009:

	Year ended December 31, 2009	
	Number of shares	**Percentage of share capital** (a)
Allocations in the fiscal year		
Stock-options granted	2,725,011	0.4%
Of which, stock-options granted to all executive directors and officers	*575,050*	*0.1%*

(a) Percentage of share capital on the grant date (date of the Shareholders' Meeting authorizing the stock-option grants).

These grants in fiscal year 2009 as a percentage of share capital are presented hereafter:

	Year ended December 31			
	2012		**2013**	
	Number of shares	**Percentage of share capital** (a)	**Number of shares**	**Percentage of share capital** (a)
Balance as of December 31 (b)				
Active stock-options	9,866,231	1.53%	7,177,600	1.14%
Of which, stock-options granted to all executive directors and officers	*1,938,390*	*0.30%*	*1,557,140*	*0.25%*

(a) Percentage of share capital as of December 31 of the fiscal year in question.
(b) Balance of stock-options that may be exercised as of December 31 of the fiscal year in question.

Compensation and benefits paid to executive directors and officers and governance bodies

Compensation and benefits paid to members of the Board of Directors and of the Executive Committee

Summary of compensation and benefits paid to members of the Board of Directors and of the Executive Committee

Compensation and benefits paid to Directors (including the three executive directors and officers) and to the members of the Company's Executive Committee are detailed hereafter (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers - Table 1):

	Year ended December 31	
(in € millions)	**2012**	**2013**
Compensation paid to executive directors and officers and to members of the Executive Committee (a)	18.1	17.2
Attendance fees paid to Directors (b)	0.5	0.5
Compensation paid	**18.6**	**17.7**
Termination benefits	-	-
Carrying amount of Group performance shares granted (c)	9.8	8.3

(a) Annual and pluri-annual fixed and variable compensation (gross amount before employers' charges), of which the variable portion amounts to €11 million in 2013 (€12 million in 2012).
(b) The three executive directors and officers are not entitled to attendance fees.
(c) For 2012, the carrying amount represents the full value estimated at the grant date pursuant to IFRS 2, on the assumption that performance conditions would be achieved (see details above and Note 1 of the Notes to the consolidated financial statements section *Stock-options and Group performance shares granted to certain employees and executive directors and officers* and Note 30 of the Notes to the consolidated financial statements). For fiscal year 2013, the amount indicated reflects the non-achievement of the performance condition relating to the margin, *i.e.* a decrease of one-third of the value of the Group performance shares granted in July 2013.

It is also important to note that some Directors received an annuity under the Group's supplementary retirement plan, in respect of prior positions in the Group. The aggregate amount was €1.5 million in 2013 (unchanged from 2012).

Compensation and benefits paid to non-executive members of the Board of Directors

The amount of annual compensation due and paid, as well as of all types of benefits granted during fiscal years 2012 and 2013 to the members of the Board of Directors who are not executives breaks down as follows (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers – Table 3):

Year ended December 31

	2012					2013				
(in €)	Directors' attendance fees [(a)]		Benefits of any kind	Total annual compensation		Directors' attendance fees [(a)]		Benefits of any kind	Total annual compensation	
Name	Amounts due	Amounts paid	Amounts due and paid	Amounts due and paid	Amounts due and paid	Amounts due	Amounts paid	Amounts due and paid	Amounts due and paid	Amounts due and paid
Jacques VINCENT [(b)]	28,000	28,000	-	28,000	28,000	22,000	22,000	-	22,000	22,000
Bruno BONNELL	34,000	34,000	-	34,000	34,000	34,000	34,000	-	34,000	34,000
Richard GOBLET D'ALVIELLA	44,000	44,000	-	44,000	44,000	62,000	62,000	-	62,000	62,000
Yoshihiro KAWABATA [(e)]	36,000	36,000	-	36,000	36,000	9,000	9,000	-	9,000	9,000
Christian LAUBIE [(c) (d)]	23,000	23,000	-	23,000	23,000	-	-	-	-	-
Jean LAURENT [(b)]	90,000	90,000	-	90,000	90,000	138,000	138,000	-	138,000	138,000
Hakan MOGREN [(d)]	27,000	27,000	-	27,000	27,000	-	-	-	-	-
Guylaine SAUCIER [(d)]	31,000	31,000	-	31,000	31,000	-	-	-	-	-
Benoît POTIER	32,000	32,000	-	32,000	32,000	38,000	38,000	-	38,000	38,000
Isabelle SEILLIER	28,000	28,000	-	28,000	28,000	29,000	29,000	-	29,000	29,000
Jacques-Antoine GRANJON	18,000	18,000	-	18,000	18,000	20,000	20,000	-	20,000	20,000
Mouna SEPEHRI	34,000	34,000	-	34,000	34,000	42,000	42,000	-	42,000	42,000
Virginia A. STALLINGS	18,000	18,000	-	18,000	18,000	34,000	34,000	-	34,000	34,000
Jean-Michel SEVERINO	72,000	72,000	-	72,000	72,000	84,000	84,000	-	84,000	84,000
Total	**515,000**	**515,000**	**-**	**515,000**	**515,000**	**512,000**	**512,000**	**-**	**512,000**	**512,000**

(a) Gross amount due during the year before withholding tax.
(b) The annuity received by Mr. Jacques VINCENT under the Group's supplementary retirement plan in respect of his prior positions and for which he qualifies as a result of his 40 years' service in the Group amounts to €0.9 million in 2013 (unchanged from 2012).
(c) The annuity received by Mr. Christian LAUBIE under the Group's supplementary retirement plan in respect of his prior positions and for which he qualifies as a result of his 40 years' service in the Group amounts to €0.6 million (unchanged from 2012).
(d) The Directors' term of office of Mrs. Guylaine SAUCIER, Mr. Christian LAUBIE and Mr. Hakan MOGREN ended after the April 26, 2012 Shareholders' Meeting.
(e) Mr. Yoshihiro KAWABATA ended his term of office as Director on July 15, 2013.

Compensation and benefits paid to executive directors and officers

Summary of compensation and Group performance shares granted to executive directors and officers

The total compensation due and the value of grants of Group performance units and Group performance shares during fiscal years 2012 and 2013 to each executive director and officer break down as follows (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers – Table 1):

	Year ended December 31	
(in €)	**2012**	**2013**
Franck RIBOUD		
Annual compensation [(a)]	2,401,245	1,947,645
Pluri-annual variable compensation (value of Group performance units granted in the fiscal year) [(b)]	817,500	545,000
Long-term compensation (value of Group performance shares granted in the fiscal year) [(c)]	2,197,985	1,882,413
Total	**5,416,730**	**4,375,058**
Emmanuel FABER		
Annual compensation [(a)]	1,334,720	1,041,440
Pluri-annual variable compensation (value of Group performance units granted in the fiscal year) [(b)]	618,750	412,500
Long-term compensation (value of Group performance shares granted in the fiscal year) [(c)]	1,663,613	1,424,775
Total	**3,617,083**	**2,878,715**
Bernard HOURS		
Annual compensation due [(a)]	1,334,720	1,041,440
Pluri-annual variable compensation (value of Group performance units granted in the fiscal year) [(b)]	618,750	412,500
Long-term compensation (value of Group performance shares granted in the fiscal year) [(c)]	1,663,613	1,424,775
Total	**3,617,083**	**2,878,715**

(a) Amounts due, fixed and variable. See details hereafter.

(b) The value of Group performance units granted in respect of fiscal 2012, based on the assumption that performance conditions would be achieved, was €30 per Group performance unit. For 2013, given the non-achievement of the margin objective (see details above), the value was €20 per Group performance unit.

(c) For 2012, the carrying amount represents the full value estimated at the grant date pursuant to IFRS 2, on the assumption that performance conditions would be achieved (see details above, Note 1 of the Notes to the consolidated financial statements, section *Stock-options and Group performance shares granted to certain employees and executive directors and officers* and Note 30 of the Notes to the consolidated financial statements). For 2013, the amount indicated takes into account the non-achievement of the performance condition relating to the margin, *i.e.* a discount of one-third of the value of the Group performance shares granted in July 2013.

Details of annual compensation and benefits due and paid to executive directors and officers

Summary of annual compensation due and paid, as well as benefits of any kind granted in fiscal years 2012 and 2013

The amount of annual compensation due and paid, as well as all types of benefits granted during fiscal years 2012 and 2013 to executive directors and officers breaks down as follows (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers – Table 2):

	Year ended December 31			
(in €)		2012		2013
Name	**Amounts due**	**Amounts paid**	**Amounts due**	**Amounts paid**
Franck RIBOUD				
Fixed annual compensation [(a)]	1,050,000	1,050,000	1,050,000	1,050,000
Variable annual compensation	1,346,625	1,786,050	893,025	1,346,625
Benefits of any kind [(b)]	4,620	4,620	4,620	4,620
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [(c)]	N/A	N/A	N/A	N/A
Total	**2,401,245**	**2,840,670**	**1,947,645**	**2,401,245**
Emmanuel FABER				
Fixed annual compensation [(a)]	681,500	681,500	681,500	681,500
Variable annual compensation	648,600	864,612	355,320	648,600
Benefits of any kind [(b)]	4,620	4,620	4,620	4,620
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [(c)]	N/A	N/A	N/A	N/A
Total	**1,334,720**	**1,550,732**	**1,041,440**	**1,334,720**
Bernard HOURS				
Fixed annual compensation [(a)]	681,500	681,500	681,500	681,500
Variable annual compensation	648,600	864,612	355,320	648,600
Benefits of any kind [(b)]	4,620	4,620	4,620	4,620
Extraordinary compensation	N/A	N/A	N/A	N/A
Directors' attendance fees [(c)]	N/A	N/A	N/A	N/A
Total	**1,334,720**	**1,550,732**	**1,041,440**	**1,334,720**

(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) The three executive directors and officers are not entitled to attendance fees.

2013 annual fixed compensation

Fixed compensation paid to Mr. Franck RIBOUD for fiscal year 2013 amounted to €1,050,000, which has been stable for the past six years. This is consistent with the recommendations of the AFEP-MEDEF Code, which recommends that such annual fixed compensation should only be reviewed at relatively long intervals.

Fixed compensation paid to Messrs. Emmanuel FABER and Bernard HOURS for fiscal year 2013 also remained stable relative to that of 2012 and totaled €681,500 for each person.

2013 annual short-term variable compensation

The Board of Directors' meeting on February 19, 2014, upon recommendation of the Nomination and Compensation Committee and in accordance with the policy described in section *Principles of the compensation policy for Group senior managers and executives* above, set the short-term variable compensation target to be paid, subject to performance conditions, in 2014 for the 2013 fiscal year at €1,417,500 for Mr. Franck RIBOUD and at €564,000 each for Messrs. Emmanuel FABER and Bernard HOURS.

Upon the recommendation of the Nomination and Compensation Committee, in 2013 the maximum amount of annual variable short-term compensation for the executive directors and officers may not represent more than 202% of the fixed compensation for the Chairman and Chief Executive Officer, and 166% for the two Deputy General Managers.

In view of its results for fiscal year 2013, the variable annual compensation paid by the Group to its executive directors and officers for this year was below the target.

The criteria related to the variable economic component were not satisfied, since they had been established with reference to the Group's objectives (these objectives were: (i) sales growth of at least 5% (ii) reduction of the trading margin by 50 to 30 basis points, and (iii) free cash-flow of some €2 billion), and which were adjusted during the year (namely (a) sales growth of 4.5% to 5%, (b) reduction of 80 basis points in the trading operating margin, and (c) free cash-flow of €1.5 to €1.6 billion).

Nevertheless, the objectives related to the social and managerial components (described in section above *Principles applicable to annual variable compensation*) were both achieved, with results for both objectives exceeding the target. The various adjustment plans in progress at the different organizations, as well as the measurement of the level of commitment of Danone's employees were selected in respect of the social element, with the achievement of Danone's development objectives in its new strategic regions having been chosen for the managerial component. Following analysis of the Group's financial performance as well as the achievement of social and managerial objectives, the Nomination and Compensation Committee recommended to the Board of Directors that annual variable compensation of very slightly below target be paid, namely 63% for each of the three executive directors and officers. The short-term variable compensation targets for Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS were €1,417,500, €564,000 and €564,000, respectively.

The short-term variable compensation due to Mr. Franck RIBOUD in respect of the fiscal year ended on December 31, 2013 amounted to €893,025 *i.e.* 85% of his annual fixed compensation, €355,320 *i.e.* 52% of his annual fixed compensation for Mr. Emmanuel FABER, and €355,320 *i.e.* 52% of his annual fixed compensation for Mr. Bernard HOURS.

In 2013, the variable compensation of executive directors and officers was subject to the performance criteria set out above in section *Principles of annual variable compensation*.

Annual variable compensation target for 2014

The Board of Directors' meeting on February 19, 2014, upon recommendation of the Nomination and Compensation Committee and in accordance with the policy described in section *Principles of the compensation policy for Group senior managers and executives* above, set the short-term variable compensation target to be paid in 2015 for the 2014 fiscal year, subject to performance conditions, at €1,417,500 for Mr. Franck RIBOUD and at €564,000 each for Messrs. Emmanuel FABER and Bernard HOURS.

Details of Group performance units granted to executive directors and officers

The Board of Directors, upon recommendation of the Compensation and Nomination Committee, grants Group performance units annually to executive directors and officers (for more information see section *General principles of Group performance units* above).

Grant of Group performance units and amounts paid to executive directors and officers

The value of Group performance units granted and amounts paid during fiscal years 2012 and 2013 to executive directors and officers breaks down as follows:

	Year ended December 31			
(in €)	**2012**		**2013**	
Name	**Value of Group performance units granted during the year (a)**	**Amounts paid (b)**	**Value of Group performance units granted during the year (a)**	**Amounts paid (b)**
Franck RIBOUD	817,500	1,500,000	545,000	1,500,000
Emmanuel FABER	618,750	750,000	412,500	750,000
Bernard HOURS	618,750	750,000	412,500	750,000

(a) For 2012, the value of Group performance units granted in the fiscal year assumes that performance conditions are met, i.e. a value of €30 per Group performance unit. For 2013, given the non-achievement of the margin objective (see breakdown above), the value is €20 per Group performance unit.

(b) The amounts paid in 2012 were in respect of Group performance units granted in 2009, and given that the performance conditions in 2009, 2010 and 2011 were met. The amounts paid in 2013 were in respect of Group performance units granted in 2010 and subject to the achievement of the performance conditions in 2010, 2011 and 2012 (see details above).

History of Group performance unit grants to executive directors and officers

The Group performance units granted to each executive director and officer break down as follows:

Year of grant	2010	2011	2012	2013
Date of Board of Directors' meeting granting the Group performance units	07/26/2010	04/28/2011	07/26/2012	07/26/2013
Of which, granted to				
Franck RIBOUD				
Number of Group performance units	50,000	50,000	27,250	27,250
Maximum value of Group performance units granted during the year [(a)]	*1,500,000*	*1,500,000*	*817,500*	*545,000*
Emmanuel FABER				
Number of Group performance units	25,000	28,000	20,625	20,625
Maximum value of Group performance units granted during the year [(a)]	*750,000*	*840,000*	*618,750*	*412,500*
Bernard HOURS				
Number of Group performance units	25,000	30,000	20,625	20,625
Maximum value of Group performance units granted during the year [(a)]	*750,000*	*900,000*	*618,750*	*412,500*
Group performance unit characteristics				
Year of vesting	2013	2014	2015	2016
Unit value	€30 per share if the objective is met for the three fiscal years; €20 per share if the objective is met for two of the three fiscal years; €0 if not			
Performance conditions [(a)]	Objectives set for each of the 2010, 2011 and 2012 fiscal years	Objectives set for each of the 2011, 2012 and 2013 fiscal years	Objectives set for each of the 2012, 2013 and 2014 fiscal years	Objectives set for each of the 2013, 2014 and 2015 fiscal years
Review to determine whether performance conditions have been achieved	Achievement of objectives for 2010, 2011 and 2012 [(b)]	Achievement of objectives for 2011 and 2012, but not for 2013 [(b)]	• Achievement of objectives for 2012, but not for 2013 [(b)]; • Review to determine whether objectives for 2014 will be achieved in 2015	• Objectives for fiscal year 2013 not achieved [(b)]; • Review to determine whether other objectives will be achieved in 2015 and 2016
Unit value of Group performance units	€30	€20 (since the 2013 objectives were not achieved), leading to a 33% reduction in the target value	€20 maximum (since the 2013 objectives were not achieved), leading to a reduction of at least 33% in the target value	€20 maximum (since the 2013 objectives were not achieved), leading to a reduction of at least 33% in the target value

(a) See details of these objectives above.
(b) See details of possible achievement of these objectives above.

The performance conditions are presented in section *Group performance units annual objectives* above.

Details of Group performance shares granted to executive directors and officers

The Board of Directors, upon the recommendation of the Nomination and Compensation Committee, grants Group performance shares annually to executive directors and officers (as detailed in section *Long-term compensation in the form of Group performance shares (program introduced in 2010)*).

Grant in the fiscal year and history of Group performance share grants to executive directors and officers

Group performance shares granted to the three executive directors and officers are presented in the table hereafter (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers, Tables 6 and 10):

Group performance share plans outstanding				
Shareholders' Meeting authorizing the Group performance shares		04/22/2010	04/26/2012	04/25/2013
Group performance shares authorized by the Shareholders' Meeting [(a)]		2,587,963	2,568,986	1,268,724
Of which, Group performance shares not granted		*1,229,737*	*1,784,674*	447,081
Board of Directors' meeting authorizing the Group performance shares	07/26/2010	04/28/2011	07/26/2012	07/26/2013
Plans	"3+2" and "4+0"	"3+2" and "4+0"	"3+2" and "4+0"	"4+0"
Number of Group performance shares granted	644,565	696,311	780,912	821,643
Group performance share characteristics for "3+2" plans [(b)]				
Delivery date	07/27/2013	04/29/2014	07/27/2015	07/27/2017
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.	Conditions determined at the February 18, 2013 Board meeting: • average growth in sales equal to or greater than the median sales of the Panel over the 2013, 2014 and 2015 fiscal years; • achievement of a trading operating margin level for 2013 and 2014.
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%).	• Review by the Board of Directors to determine whether the sales criterion will be met in 2015; • The Board of Directors meeting on February 19, 2014 noted the non-achievement of the free cash-flow objective for the two fiscal years.	• Sales growth objective from 2013 to 2015: review by the Board of Directors to determine whether this criterion will be met in 2016; • Trading operating margin objective: This objective was not achieved for fiscal year 2013.
Group performance shares granted to executive directors and officers				
Franck RIBOUD				
Number of Group performance shares	*38,750*	*40,000*	*54,500*	*54,500*
Theoretical value of Group performance shares granted during the year [(e)]	*1,497,688*	*1,716,560*	*2,197,985*	*1,882,413*
Aggregate number of void or canceled Group performance shares [(f)]	-	-	-	-
Emmanuel FABER				
Number of Group performance shares	*25,000*	*28,000*	*41,250*	*41,250*
Theoretical value of Group performance shares granted during the year [(e)]	*966,250*	*1,201,592*	*1,663,613*	*1,424,775*
Aggregate number of void or canceled Group performance shares [(f)]	-	-	-	-
Bernard HOURS				
Number of Group performance shares	*25,000*	*30,000*	*41,250*	*41,250*
Theoretical value of Group performance shares granted during the year [(e)]	*966,250*	*1,287,420*	*1,663,613*	*1,424,775*
Aggregate number of void or canceled Group performance shares [(f)]	-	-	-	-

(a) Authorization expressed as a percentage of the Company's share capital as recorded at the close of the Shareholders' Meeting and excluding any adjustments likely to take place.
(b) For the 2010, 2011 and 2012 grants, Group performance shares under the "3+2" plans were granted to executive directors and officers. In 2013, the Board of Directors, upon the recommendation of the Compensation and Nomination Committee, decided that they would be granted Group performance shares under a "4+0" plan.
(c) The retention period starts from the delivery date. These shares are subject to a retention obligation, described in section *Compensation and benefits paid to executive directors and officers and governance bodies* relative to *Obligation to hold Company shares resulting from vestings of Group performance shares.*
(d) Conditions other than continuing employment.
(e) For the 2010, 2011 and 2012 fiscal years, the carrying amount represents the full value estimated as of the grant date in accordance with IFRS 2 on the assumption that performance conditions are met (see details above, Note 1 of the Notes to the consolidated financial statements section *Stock-options and Group performance shares granted to certain employees and executive directors and officers* and Note 30 of the Notes to the consolidated financial statements). For fiscal year 2013, the amount indicated reflects the non-achievement of the performance condition relating to the margin, *i.e.* a reduction of one-third of the value of the Group performance shares granted in July 2013. For 2013, the retained value of €20 per Group performance unit granted corresponds to the maximum value achievable given that performance conditions in respect of 2013 were not met, following the market announcement in October 2013.
(f) The notion of cancelled Group performance shares covers the cases where the continuous employment condition was not satisfied and does not include the Group performance shares that were not vested because of the non-achievement of performance conditions.

The performance conditions are described above in section *Description of Group performance share conditions*.

Delivery of Group performance shares

In accordance with Article L. 225-184 of the French commercial code, the Company's shares subject to performance conditions delivered in 2013 to the three executive directors and officers are presented hereafter:

	Year ended December 31, 2013			
	Date of Board of Directors' meeting granting the shares	**Delivery date**	**Number of shares delivered**	**Retention period [(a)]**
Franck RIBOUD	07/26/2010	07/27/2013	38,750	2 years
Bernard HOURS	07/26/2010	07/27/2013	25,000	2 years
Emmanuel FABER	07/26/2010	07/27/2013	25,000	2 years

(a) The holding period starts from the delivery date. These shares are subject to a retention obligation, described in section *Compensation and benefits paid to executive directors and officers and governance bodies* relative to *Obligation to hold Company shares resulting from vestings of Group performance shares.*

Obligation to hold Company shares resulting from vestings 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 the registered form) a number of shares derived from each Group performance share plan granted as from July 26, 2010 (until termination of their corporate functions) corresponding to 35% of the capital gains upon acquisition, net of tax and social security contributions, which would be realized if all shares resulting from each Group performance share plan granted to the executive were sold.

Given the significant level of the obligation to hold shares applicable to executive directors and officers and other Executive Committee members, the Board of Directors, acting upon recommendation of the Nomination and Compensation Committee, agreed it was not necessary to require them to purchase a certain number of Company shares at the end of the holding period for their shares subject to performance conditions.

In addition, acting upon recommendation of the Nomination and Compensation Committee, the Board of Directors' of February 14, 2012 decided to complement the current system with the addition of an overall holding ceiling for shares resulting from 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 the other members of the Executive Committee. This scheme complies fully with the new recommendations of the AFEP-MEDEF Code regarding the requirement to retain shares acquired by the executive directors and officers.

The Board of Directors confirmed the holding obligation at the time of the renewal of the term of office of Mr. Franck RIBOUD and Mr. Emmanuel FABER on February 18, 2013, and Mr. Bernard HOURS on February 19, 2014.

Details of stock-options granted to executive directors and officers

History of stock-option grants to executive directors and officers

Stock-options outstanding in 2013 and granted to the three executive directors and officers are presented in the table hereafter:

Stock-option plans outstanding					
Shareholders' Meeting authorizing the options	04/11/2003		04/22/2005		04/26/2007
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	04/22/2005	04/27/2006	04/26/2007	04/29/2008	04/23/2009 (d)
Stock-options granted (a)	**2,411,983**	**2,045,853**	**2,633,517**	**2,762,403**	**2,704,611**
Stock-options characteristics					
First exercise date	04/23/2007	04/27/2010	04/26/2011	04/29/2011	04/23/2013
Expiry date	04/22/2013	04/26/2014	04/25/2015	04/28/2016	04/22/2017
Exercise price	35.43	46.92	57.54	53.90	34.85
Options granted to executive directors and officers					
Franck RIBOUD					
Number of options	212,000	212,000	424,000	212,000	164,300
Value of options granted (e)	*1,372,000*	*2,088,000*	*5,846,000*	*3,142,000*	*1,573,250*
Emmanuel FABER					
Number of options	56,535	56,180	56,180	106,000	82,150
Value of options granted (e)	*365,877*	*553,320*	*774,595*	*1,571,000*	*786,625*
Bernard HOURS					
Number of options	56,535	56,180	56,180	106,000	82,150
Value of options granted (e)	*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) Represents the full fair value estimated as of the grant date in accordance with IFRS 2 before the adjustment to reflect the June 25, 2009 capital increase. See Note 1 of the Notes to the consolidated financial statements, section *Stock-options and Group performance shares granted to certain employees and executive directors and officers.*

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 2013 by the three executive directors and officers (relating to grants made prior to the termination of the stock-option program after 2009, the last grant date), are presented in the table hereafter (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers – Table 5):

Year ended December 31, 2013

	Date of Board of Directors' meeting granting the options	Exercise date	Number of options exercised	Average exercise price
Franck RIBOUD	04/22/2005	03/13/2013	212,000	35.43
Emmanuel FABER	04/22/2005	03/14/2013	56,535	35.43
Bernard HOURS	04/22/2005	03/18/2013	56,535	35.43
	04/27/2006	04/30/2013	56,180	46.92

Obligation to hold Company shares resulting from 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 the 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 to the same conditions.

Also, in accordance with the AFEP-MEDEF Code and upon 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 2014).

Agreements, plans and indemnities applicable to executive directors and officers

Summary of agreements, plans and indemnities applicable to the executive directors and officers

The table hereafter shows the various agreements, plans and indemnities applicable to the executive directors and officers of the Group as of December 31, 2013 (information required pursuant to the AMF recommendation relative to disclosures in registration documents on compensation of executive directors and officers – Table 11):

Name	Employment contract [(a)]		Supplementary retirement plan [(b)]		Indemnities or benefits due likely to be due as a result of termination or change in function [(c)]		Indemnities relating to a non-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: 2016	x		x		x			x
Emmanuel FABER Deputy General Manager Date of first appointment: 2002 Date appointment ends: 2016	x		x		x		x	
Bernard HOURS Deputy General Manager Date of first appointment: 2005 Date appointment ends: 2017 [(e)]	x		x		x		x	

(a) The employment contracts of Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS have been suspended, see section *Suspension of employment contract of executive directors and officers* hereafter.

(b) These supplementary retirement plans are described in section *Obligations relative to executives' retirement plans* hereafter.

(c) The indemnities payable in the event of certain cases of the cessation of the corporate mandates of executive directors and officers are detailed in section *Termination indemnities for executive directors and officers* hereafter. 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 *Termination indemnities for executive directors and officers* hereafter.

(d) This clause applies solely in the event of the resignation of the officer concerned and enables the Group 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 *Non-compete indemnities* hereafter for more information on the non-compete clause.

(e) Provided his term of office is renewed by the Shareholders' Meeting of April 29, 2014.

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 25, 2013 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 capped and they have to be paid only in certain cases.

At its meeting of December 10, 2013, the Board of Directors authorized the signing of a Statutory Director mandate agreement between Mr. Bernard HOURS and one of Danone's Dutch subsidiaries, Danone Trading B.V. (the "Dutch Mandate" (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*). The terms and conditions of Mr. Bernard HOURS' termination indemnity were amended to take into account the termination indemnity provided for in the event that the Dutch Mandate would be terminated (in accordance with Dutch law), it being specified that these terms and conditions were also adjusted to incorporate the modifications made in 2013 to the termination indemnities of Messrs. Franck RIBOUD and Emmanuel FABER. This ensures the strict compliance of these terms and conditions with the provisions of the AFEP-MEDEF Code.

At the same time the renewal of Mr. Bernard HOURS' term of office is put to the Shareholders' Meeting of April 29, 2014, it will be proposed that his termination indemnity be renewed on the same basis as that set by the Board of Directors at its meeting of December 10, 2013 (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

Consequently, in the event that these new terms and conditions are approved by the Shareholders' Meeting of April 29, 2014, the termination indemnities of the three executive directors and officers will be aligned and in compliance with the AFEP-MEDEF Code. In particular:

- inclusion of demanding performance conditions covering a five-year period preceding the date on which the executive director and officer's duties end;
- the amount of the termination indemnity due in certain cases of termination of the corporate office (i) is capped at two years of gross compensation (fixed and variable) and (ii) in the event that it is paid in addition to the indemnity due in case of termination of the duties as a salaried employee, is included within a global cap, also limited to two years of gross compensation (fixed and variable), applicable to all termination indemnities paid, as the case may be, pursuant to the corporate office and the duties as a salaried employee; and
- payment of the indemnity only being applicable in the event of forced termination, of whatever form, and linked to a change in control or of strategy.

Comprehensive information relating to the termination indemnities of the Company's three executive directors and officers is provided in the Statutory auditors' report on related-party agreements in section 6.5 *Statutory auditors' report on related party transactions and commitments*.

Employment contract of executive directors and officers

Employment contract of executive directors and officers

As of December 31, 2013, Mr. Franck RIBOUD has been with the Group for 32 years, including more than 17 years as Chairman and Chief Executive Officer of Danone.

Note for information that 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 executive director and officer 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 12 months preceding the resumption of his employment contract; and
- 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 his employment contract.

Moreover, the Board of Directors' meeting of February 13, 2008 authorized an amendment to the employment contracts concluded with Messrs. Bernard HOURS and Emmanuel FABER, 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 the Company), assuming that their term of office had ended, for whatever reason. These amendments provide both executive directors and officers, 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 12 months preceding the resumption of their employment contract;
- they will benefit from the Company's defined benefit pension plan based on their seniority as executive directors and officers and their seniority under their employment contract; and
- the contractual indemnity due in the event of a breach of the employment contract will be cancelled.

Suspension of the employment contract of executive directors and officers

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.

Based on the same principles, the employment contracts of Messrs. Bernard HOURS and Emmanuel FABER were also suspended.

Non-compete indemnities

The non-compete clauses currently applicable to Messrs. Emmanuel FABER and Bernard HOURS, Deputy General Managers of the Company (there is no non-compete clause included in the suspended employment contract of Mr. Franck RIBOUD, Chairman and Chief Executive Officer) enable the Group either to activate the clause for a period of 18 months in exchange for gross monthly financial compensation paid to the executive concerned equivalent to 50% of the officer's gross average fixed and target variable compensation paid over the last 12 months ("Consideration for non-compete clause"), or to release the executives from the clause with no financial compensation.

Please note that these non-compete clauses aimed to protect the Company, and potential non-compete indemnities constitute the necessary financial consideration for the restrictions imposed.

Moreover, to avoid any aggregation of (i) the indemnity provided for by Danone's collective agreement applicable to all Company employees (the "Indemnity for termination of employment contract"), (ii) the indemnity due in certain instances of termination of the term of office of an executive director and officer, and (iii) the Non-compete clause consideration, which would exceed twice the gross annual compensation (comprising both fixed and variable compensation) and which would therefore breach the recommendations of the AFEP-MEDEF Code, the Board of Directors' meeting on February 10, 2010, upon recommendation of the Nomination and Compensation Committee, amended their suspended employment contracts such that the non-compete clause may only be exercised by the Company in the event of resignation, in which event neither an indemnity for termination of the employment contract nor any indemnity due in certain cases of termination of their term of office would be paid.

Obligations relative to executives' retirement plans

Executive directors and officers are covered by a defined benefit retirement plan provided to managers who are classified as senior managers. This retirement plan was closed to any new beneficiaries 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 since it concerns a collective contractual commitment. As of December 31, 2013, 162 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 the 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 condition that they are performing their duties within the Group at the time of retirement, it being specified that as an exception to this principle, in the event of leaving the Group before the age of 55, the rights are forfeited and that, only in the event of dismissal after the age of 55, would the benefit of the plan be maintained provided that the beneficiary does not take up any employee position elsewhere. This last provision, although consistent with applicable French regulations, does not form part of the AFEP-MEDEF Code recommendations, however it enables the Company to protect all beneficiaries against the risk of termination after the age of 55 and before they have reached retirement age;

- beneficiaries must have at least five years' service within the Group (*i.e.* a more stringent condition than the two-year minimum set out in the AFEP-MEDEF Code);
- this benefit is taken into account by the Nomination and Compensation Committee and the Board of Directors 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). For Mr. Franck RIBOUD, if he were to retire from the Group in 2014, this average of the base salaries and annual variable compensation received for 2011, 2012 and 2013 would be €2,708,475. For information, last year, the amount including fiscal years 2010, 2011 and 2012 would have been €2,873,850; and
- 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), less 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, 2013 Mr. Franck RIBOUD's length of service was 32 years. As a consequence, he could benefit from an overall retirement arrangement that would amount to 64% of his compensation as defined above. It should be noted that the above-mentioned cap of 65% is in line with the recommendation of the AFEP-MEDEF Code, to the extent that this plan was closed to new beneficiaries on December 31, 2003 and that the limit of 45% of the reference revenue referred to in the said code does not apply to retirement plans closed to new beneficiaries (see section 6.5 *Statutory auditors' special report on related party transactions and commitments*),

(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 portion falling between three and eight times the French social security ceiling, and (ii) 3% per year of service (including the period corresponding to the term of executive director and officer) of this calculation base, for the portion that is higher than eight times the ceiling (this amount will, however, be capped on the basis of a maximum period of service of 20 years), less 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, 2013 Messrs. Emmanuel FABER's and Bernard HOURS' respective lengths of service were 16 years, and 28 years. The overall retirement package to which Mr. Bernard HOURS would be entitled would provide him with an amount equal to 60% of that portion of his compensation exceeding eight times the Social Security ceiling, as defined above. For Mr. Emmanuel FABER, the overall retirement package he would be entitled to receive would provide him with an amount equal to 48% of that portion of his compensation exceeding eight times the Social Security ceiling, as defined above. Nevertheless, in the event that Mr. Emmanuel FABER were to leave the Group before the age of 55 years, the potential entitlement from this regime would be fully canceled, and

(iii) for each executive director and officer, 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.

In addition, executive directors and officers benefit from the defined contribution retirement plan set up for managers classified as Group senior managers. Contributions in respect of 2013 amounted to €21,800 for each of the three executive directors and officers. The benefit derived from this plan will be deducted in full from any defined benefit retirement plan.

As of December 31, 2013, the portion of the total amount of the Group's obligation relating to the Company's executive directors and officers and to members of the Executive Committee under this defined benefit retirement plan amounted to €67.2 million, which takes into account the impact of the new charges applicable in 2013 (as provided in the amended 2012 Finance Act, see also Note 28 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 €0.9 million in 2013 and currently concerns Mr. Jacques VINCENT, on account of his 40 years of service with the Group.

Comprehensive information about the retirement indemnities of the Company's three executive directors and officers is provided in the Statutory auditors' report on related party agreements in section 6.5 *Statutory auditors' special report on related party transactions and commitments*.

As indicated above, the executives' retirement plans are a collective contractual commitment which benefits a large number of Danone managers; at December 31, 2013, 162 employees were eligible for this collective contractual commitment. In this context, any amendment to this collective contractual commitment would require the individual agreement of each of the 162 people affected. Furthermore, entitlement to this collective contractual commitment constitutes an established right for each of these 162 beneficiaries and cannot be affected retroactively.

Accordingly, shareholders' attention is drawn to the fact that:

- the collective and contractual nature of the defined benefit plan is an obstacle to its modification and the Group reaffirms its wish to respect the contractual obligations that it has legitimately concluded;
- this retirement plan was closed to new beneficiaries as of 31 December 2003;
- the importance of the potential amounts under this plan in respect of the executive directors and officers is a direct result of their length of service (32 years for Mr. Franck RIBOUD and 28 years for Mr. Bernard HOURS) and not of using a high percentage as the basis of calculation for each year of service, which figure is 2% per year for Mr. Franck RIBOUD and between 1.5% and 3% (see detail hereafter) per year for Mr. Emmanuel FABER and Mr. Bernard HOURS;
- the shareholders have been kept fully informed of the characteristics of these contractual commitments and approved these with a majority of 95% during a resolution on related party transactions at the Shareholders' Meeting held in April 2008, including the specific confirmation of this retirement plan;
- lastly, the size of the benefit resulting from this collective contractual commitment for the executive directors and officers concerned has been taken into account by the Nomination and Compensation Committee and by the Board of Directors in determining their overall compensation.

Individual compensation of executive directors and officers in accordance with the AFEP-MEDEF Code

In accordance with the recommendations of the AFEP-MEDEF Code, the table summarizing the components of compensation due or granted to each of the executive directors and officers and being presented to the shareholders for consultation, is presented in section 8.3 *Comments on the resolutions of the Shareholders' Meeting*.

Transactions made in 2013 involving Company shares by members of the Board of Directors and Executive Committee

Name	Position	Type of securities	Type of transaction	Transaction date	Gross price per share	Number of share	Total gross amount
Franck RIBOUD	Chairman and Chief Executive Officer	Shares	Exercise of stock-options	03/13/2013	€35.43	212,000	€7,511,160.00
A person linked to Franck RIBOUD		Shares	Disposal	03/19/2013	€55.05	19,000	€1,045,948.10
Emmanuel FABER	Deputy Managing Director	Shares	Exercise of stock-options	03/18/2013	€35.43	56,535	€2,003,035.05
A person linked to Emmanuel FABER		Shares	Disposal	08/20/2013	€58.28	2,866	€167,042.52
Bernard HOURS	Deputy Managing Director	Shares	Exercise of stock-options	03/14/2013	€35.43	56,535	€2,003,035.05
		Shares	Exercise of stock-options	04/30/2013	€46.92	56,180	€2,635,965.60
		Shares	Disposal	04/30/2013	€58.42	56,180	€3,282,181.67
A person linked to Bernard HOURS		Shares	Disposal	03/20/2013	€55.16	14,000	€772,207.80
Francisco CAMACHO	Executive Committee member	Shares	Exercise of stock-options	03/08/2013	€35.43	5,512	€195,290.16
		Shares	Disposal	03/08/2013	€55.07	5,512	€303,518.28
Thomas KUNZ	Executive Committee member	Shares	Exercise of stock-options	03/22/2013	€35.43	42,400	€1,502,232.00
		Shares	Disposal	03/22/2013	€54.70	42,400	€2,319,322.40
		Shares	Exercise of stock-options	03/22/2013	€46.92	56,180	€2,635,965.60
		Shares	Disposal	03/22/2013	€54.76	56,180	€3,076,613.43
Félix MARTIN GARCIA	Executive Committee member	Shares	Exercise of stock-options	05/28/2013	€46.92	7,420	€348,146.40
		Shares	Disposal	05/28/2013	€60.00	7,420	€445,200.00
Flemming MORGAN	Executive Committee member	Shares	Exercise of stock-options	05/08/2013	€34.85	26,500	€923,525.00
		Shares	Disposal	05/08/2013	€58.07	26,500	€1,538,817.90
		Shares	Exercise of stock-options	05/13/2013	€53.90	26,500	€1,428,350.00
		Shares	Disposal	05/13/2013	€59.00	26,500	€1,563,500.00
		Shares	Purchase	06/18/2013	€57.50	4,372	€251,390.00
Jean-Philippe PARE	Executive Committee member	Shares	Exercise of stock-options	01/04/2013	€35.43	5,512	€195,290.16
		Other [a]	Subscription	05/13/2013	€10.00	3,500	€35,000.00
		Shares	Exercise of stock-options	08/01/2013	€46.92	9,540	€447,616.80
		Shares	Disposal	08/01/2013	€60.05	9,540	€572,870.32
Muriel PENICAUD	Executive Committee member	Shares	Exercise of stock-options	04/30/2013	€34.85	55,120	€1,920,932.00
		Shares	Disposal	04/30/2013	€58.41	52,220	€3,049,966.54
		Other [a]	Subscription	05/13/2013	€10.00	3,500	€35,000.00
Pierre-André TERISSE	Executive Committee member	Other [a]	Subscription	05/13/2013	€10.00	3,500	€35,000.00
Jacques VINCENT	Director	Shares	Exercise of stock-options	02/19/2013	€46.92	140,980	€6,614,781.16
		Shares	Disposal	02/19/2013	€52.00	140,980	€7,330,960.00

(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 2013. At the completion of this capital increase, this Temporary Fund was merged into the "Fonds Danone" company investment fund.

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 Group performance share plans and stock-option issues has also been implemented and is described in section above *Compensation and benefits paid to executive directors and officers and governance bodies*.

6.4 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 6.4 *Internal control and risk management* represents the report of the Chairman of the Board of Directors on the internal control and risk management procedures implemented by 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 19, 2014, 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. 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, 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 5.1 *Danone social, societal and environmental approach*) and is the subject of an annual systematic 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 systematically to the Group's fully consolidated subsidiaries and to certain subsidiaries consolidated as associates using the equity method. 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 2013, 176 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, including 44 using the referential focusing on the fundamentals.

The Unimilk group's companies, which have since been renamed Danone Russia, Danone Ukraine, Danone Belarus and Danone Kazakhstan, are now integrated in the Group's internal control system following an initial DANgo self-assessment in 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 6.1 *Governance bodies*). 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 Finance functions and Divisions are members of an Executive Finance Committee, which meets monthly.

Risk management

Since 2013, the Group has organized its risk identification and risk management system around two complementary processes:

- identification and management of operational risks, under the responsibility and monitoring of the Internal Control Department;
- identification and management of strategic risks, under the responsibility and monitoring of the Financial Controlling Department.

The process for identifying and managing Group risks is described hereafter in section *Risk identification and assessment*.

Financial Controlling department

Part of the Group Finance Department, the Financial Controlling Department is responsible for the identification, management and monitoring of strategic risks. In particular, it manages the Group's strategic 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 Divisions and regions (see section hereafter relating to *Organization of the finance function*).

Internal Control Department

Reporting to the Financial Controlling 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 Early Life 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, and (ii) the methodology to be used for the self-assessment process, its testing and documentation;
- managing and analyzing the: (i) internal control indicators, and (ii) results of the assessments and action plans implemented by the community of internal controllers;
- establishing and monitoring operational risks mapping at the various levels of the organization and managing the network of internal controllers on priority actions to be defined in response to these risk maps;
- supporting and guiding the international network of internal controllers through coordination, communication and training.

Internal Audit Department

The Internal Audit Department reports to the Financial Controlling Department. It reports functionally to the Chairman of the Audit Committee (see section 6.1 *Governance bodies*) 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 that supervises specialized teams from international audit firms (including KPMG) and manages a Singapore-based internal audit team. 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 again certified by IFACI in 2012 for a further three-year period. In 2013, a follow-up audit was conducted and confirmed the IFACI certification.

This central unit is supported by 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 the Group's largest and most complex subsidiaries notably in the emerging countries, the local head of internal control is supported by a team of operational internal controllers and auditors, who are responsible for ensuring the successful achievement of internal control practices at the sites (warehouses, plants, etc.).

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., see section hereafter on *Risk identification and assessment*).

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 also involved in the management and continuous monitoring of internal control, with a view to ensuring, in particular, consistency with the operating activity at all levels.

Danone's overall internal control and risk management 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 whistle-blowing 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 WHO Code (see section hereafter *Monitoring internal fraud* and section 5.2 *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 2013.

Risk identification and assessment

Every company faces internal and external risks that may hinder the achievement of its objectives. The principal risks to which the Group believes it is exposed as of the date of this Registration Document are described in section 2.7 *Risk Factors*.

The Group has established a system for identifying and managing risks based on two distinct systematic risk identification processes.

Operational risks

The first process for risk identification and management focuses on operational risks related to the company's current activity and deficiencies identified by the internal control review (through the self-assessment and testing of control indicators, see section *Internal Control Department* above). A local standardized mapping of these deficiencies (*Internal Control Deficiencies Impact Mapping*) at the level of each operating unit makes it possible to classify them based on two categories qualifying (i) their potential impact on the company and (ii) the expected difficulty in resolving the deficiency under consideration. This mapping may then be used at different levels of the organization (management committee of the operating unit, region, WWBU, function, etc.) as a prioritization tool for action plans to be implemented in order to reduce the identified risk.

Strategic risks

The second risk identification and management process focuses on strategic risks through a special risk mapping tool (Vestalis). This overall risk identification and management system ranks the challenges based on their likelihood of occurrence and their estimated impact on the Group.

Vestalis mapping methodology

This risk mapping is prepared and updated annually in most subsidiaries (see section hereafter relating to *Vestalis Coverage in 2013*), under the responsibility of each of the Group's four Divisions. The following methodology is used:

- identification of risks and weaknesses deemed strategic and/or structural for all activities of covered subsidiaries;
- consolidation by the business Division and then at the Group level;
- ranking of risks based on their likelihood of occurrence and estimated financial impact, at the scale of a country or a Division;
- determination of preventive or corrective actions, which may be local or global depending on the case.

Risk monitoring

For each Division, the most significant risks are reviewed twice a year by the regional managers and the Group's Head of Financial Controlling, who is also responsible for internal control, at special meetings attended by the general manager and finance director of each Division.

Furthermore, a review of the most significant risks is also presented twice a year by the Group's Head of Financial Controlling to the Deputy General Manager responsible for Finance, Human Resources and IT systems as well as to the Chief Financial Officer. A mapping of Danone's major risks is assessed during these meetings, risk owners are systematically designated, and risk mitigation plans are reviewed and assessed. This work serves as the basis for the presentations made to Danone's Executive Committee and to the Audit Committee.

Other Group's organizational units contributing to risk identification and analysis

The existence of procedures – regarding the monitoring of competition, training, risk prevention and protection, etc. – and the initiatives taken by specialized departments – such as the Environment Department and the Quality and Safety Department for food – contribute to the identification and analysis of risks.

Also, the Safety Department helps to identify threats against Group employees or assets.

In addition, 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 related risk was not previously identified.

Moreover, the identification and reporting of risks is also facilitated by the relatively low number of reporting levels within the Group, short decision-making channels and input from the operating units in strategic discussions. In addition, a quarterly transversal Compliance Committee, headed by the Internal Audit Department, has been set up to deal with compliance issues. Since 2006, various central functions that collaborate on the quality of the control environment participate in this process.

Vestalis coverage in 2013

Vestalis has been operational since 2002 in the companies making up the Fresh Dairy Products and Waters Divisions, and its use has been vastly and steadily expanded since 2009 to the companies in the Medical Nutrition and Early Life Nutrition Divisions. In 2013, Vestalis was up and running in 148 Group operating companies, which represented 99% of 2013 consolidated sales.

In 2013, nearly all of the regional general managers and finance directors participated to a risk committee focusing on the risks of their subsidiaries.

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 within the DANgo scope use an annual self-assessment process. The largest of them follow a more detailed internal control review methodology that includes information flows, control points and tests conducted by management:

- the IT application that hosts the DANgo system allows subsidiaries to perform self-assessments and determine whether they are compliant with the Group's internal control referential. It also makes it possible to monitor any action plan that may be needed;
- the results of the DANgo self-assessment campaign by the subsidiaries are sent periodically 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 under the supervision of the Internal Control Department, with a goal of continuous improvement and internal audits are subsequently carried out to validate that corrective measures have indeed been taken.

In addition, the performances and results of each operating unit in the area of internal control are regularly and systematically monitored by the entities' Management Committees.

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 by 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 2013 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; and
  - it communicates regularly at various levels of the organization (Corporate Committees, meetings at Division level with the finance directors or operational employees, systematic annual presentations to the general managers and finance directors of the regions, and participation 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 status of the self-assessments 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 Internal Control and Internal Audit functions.

Monitoring of internal control indicators

The Internal Control Department has introduced and monitors internal control performance indicators (coverage rate, internal control intensity rate and deficiency rate on control points) to analyze and communicate the internal control results of the subsidiaries and of 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 6.1 *Governance bodies*), before being sent to the subsidiaries, which assists in harmonizing and developing a shared vision of the internal control priorities.

In 2013, Danone's internal control key indicators showed again signs of improvements. The deficiencies rate compared with 2012 continued to fall even as the coverage rate of subsidiaries remained stable at 97%. This improvement was achieved thanks to continuous monitoring of internal control throughout the organization.

Monitoring of internal fraud

The Group has implemented a 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 rose in 2013 compared to 2012, mainly in certain emerging countries. In 2013, approximately 280 suspected cases were reported per six-month period, of which approximately 170 were subsequently confirmed to involve fraudulent activity, the vast majority of these confirmed 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 above section *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 2013, the Group received notifications of around forty suspected fraud cases, of which around 10 were subsequently confirmed to be fraudulent.

Internal audit assignments

In 2013, the Internal Audit Department conducted 41 internal audits at subsidiaries or transversal functions, based on the plan previously approved by the Audit Committee. These audits confirmed the overall reliability's level of the DANgo self-assessment performed by the subsidiaries.

Following each audit, an action plan is prepared by the management of the subsidiary to correct weaknesses identified in the audit report. The implementation of action plans is monitored by the operational and functional managers, under the supervision of the Internal Audit Department. In particular, in 2013, 10 short follow-up audits on the implementation of action plans were carried out, within 12 months from the initial audit as far as possible.

Moreover, the Treasury and Financing, Information Systems, Environment, Legal and Crisis Management Departments all arrange for audits and periodic reviews in the subsidiaries, in addition to the general 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, Financial Controlling (to which the following departments in particular report: (i) Consolidation, Reporting and Standards, (ii) Controlling, (iii) Internal Control, and (iv) Internal Audit), Financial Communication and Corporate Legal;
- the finance department of each Division. These departments are organized by geographic regions supervising operating units with, in some countries, transactional functions (accounting, treasury, tax compliance) 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;
- two comprehensive month-by-month re-estimates of financial indicators projected to the year end are performed, one in April and the other in October;
- monthly reports;

- monthly updated forecasts of certain financial indicators projected to the year end (monthly scorecards) 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, equity, provisions and liabilities).

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 prior to the consolidated interim and annual financial statements, respectively;
- meetings to share information and best practices are attended regularly by the main financial managers of each Division and some central department heads and training sessions covering specific accounting topics are also held regularly;
- (i) preparation meetings with the financial staff of 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 6.1 *Governance bodies*).

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.

As of December 31, 2013, the activities supported by Themis accounted for 74% of consolidated sales in the Fresh Dairy Products and Waters Divisions (excluding the Unimilk group's companies). 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 Early Life Nutrition Divisions (covering 30% of these two activities' total sales for the year ended December 31, 2013).

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/Business Objects Financial Consolidation).

This same system is also used to produce the six-month and full year consolidated financial statements. The procedures related to the security, use and development of new features of this consolidation system are documented.

Control environment

The control environment relating to the preparation and processing of Danone's financial and accounting information is based on the following:

- the organization of the finance function, which is based on central functional departments and the finance department of each of the Divisions (see section 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 DANgo control practices and procedures, 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 controls 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 finance 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 Group 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;
- the internal control system is also 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 financial planning process administered by the Controlling Department.

Members of the central departments visit the operating units on a regular basis (performance monitoring, procedure reviews, pre-closing meetings, *ad hoc* audits, progress on improving internal controls, follow-up on action plans, and training in accounting standards). The appropriate documents are provided sufficiently well in advance for them to be reviewed by 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 closing of the six-month and full year financial statements, including all subjects involving risk management, internal control and corporate law.

The control activities are therefore conducted at all of 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, 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, 2013.

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 6, 2014

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

6.5 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 have performed the due diligence procedures that we deemed necessary in accordance with the professional guidance issued by the French Institute of Statutory auditors (*Compagnie nationale des Commissaires aux comptes*) for this type of assignment. These procedures consisted in verifying that the information provided to us is consistent with the documentation from which it has been extracted.

1. Agreements and commitments submitted for approval by the Shareholders' Meeting

1.1. Agreements and commitments authorized during the past fiscal year

In accordance with Article L. 225-40 of the French commercial code, we were informed of the following agreements and commitments which received prior authorization of 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) Second amendment to the syndicated facilities agreement dated May 24, 2013

Nature, purpose and conditions

On July 27, 2011, the Board of Directors had unanimously authorized your Company (Mrs. Isabelle SEILLIER abstaining from voting) to enter into a syndicated facilities agreement and all related contractual documents with J.P. Morgan Europe Limited and J.P. Morgan Limited (hereinafter "J.P. Morgan").

On July 28, 2011, your Company therefore 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 for up to two additional years subject to banks' approval.

Interest due by your Company on the amounts used with respect to this syndicated facilities agreement, are calculated using market rates (EURIBOR 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, 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.

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. 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;

On June 18, 2012, the Board of Directors had 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 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, 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);

On April 25, 2013, the Board of Directors unanimously authorized your Company to extend the duration of the syndicated facilities agreement entered into with J.P. Morgan on July 28, 2011 and amended on July 12, 2012 for a further year (*i.e.* until July 28, 2018). Mrs. Isabelle SEILLIER abstained from voting.

Accordingly, through an amendment signed on May 24, 2013, the syndicated facilities agreement was again extended for a further year, without modifying the other terms of the syndicated facilities, as agreed by all banking institutions parties to the syndicated facilities agreement (including J.P. Morgan).

No amount was drawn under this syndicated facilities agreement in 2013.

In 2013, your Company paid J.P. Morgan a total of €297,266 in fees related to these credit facilities (non-utilization fees).

b) Subscription agreement of November 13, 2013 in connection with a bond issue

Nature, purpose and conditions

On October 23, 2013, the Board of Directors unanimously authorized your Company to enter into subscription agreements with the J.P. Morgan group in connection with bond issues to be carried out by your Company. Mrs. Isabelle SEILLIER abstained from voting.

In accordance with this authorization, on November 13, 2013, within the scope of a bond issue of €1 billion with a maturity of eight years under the EMTN program, your Company entered into a subscription agreement with the banks responsible for placing the bonds (including J.P. Morgan Securities PLC), under the terms of which said banks underwrote your Company's entire bond issue, which they then immediately placed with investors wishing to participate in the issue.

The commitment to subscribe gave rise to a fee of 0.20% of the nominal amount of the bonds issued, *i.e.* €1 billion, equally divided among the banks responsible for placing the bonds (including J.P. Morgan Securities PLC), as these fees are proportional to the banks' underwriting commitments, which were all of the same amount.

Accordingly, the fee paid to each of the banks responsible for placing the bonds, including J.P. Morgan Securities PLC, amounted to €333,333.

1.1.2. With Danone Finance International, an indirect wholly-owned subsidiary of your Company

Extension of the guarantee granted by your Company in respect of the commitments of Danone Finance International under the second amendment to the syndicated facilities agreement established dated May 24, 2013

Nature, purpose and conditions

On April 28, 2011, the Board of Directors had unanimously 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 (see section 1.1.1.a) above) 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 will 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;

On June 18, 2012, within the scope of the extension of the syndicated facilities agreement for an additional year, the Board of Directors had unanimously authorized the increase in the scope of the guarantee previously granted by your Company in respect of the commitments of Danone Finance International;

On April 25, 2013, within the scope of the extension of the syndicated facilities agreement for an additional year, the Board of Directors once again unanimously authorized the increase in the scope of the guarantee. As a reminder, the maximum principal amount covered by this guarantee is €2 billion.

Since Danone Finance International did not draw down any amount on the syndicated facilities agreement in 2013, this guarantee was not implemented during the year.

1.1.3. With Mr. Bernard HOURS, Deputy General Manager:

a) Conclusion of a Statutory Director's contract between Mr. Bernard HOURS and Danone Trading B.V., a wholly-owned indirect subsidiary of your Company based in the Netherlands

Nature, purpose and conditions

On December 10, 2013, on recommendation of the Nomination and Compensation Committee, the Board of Directors unanimously approved the Statutory Director's contract (the "*Dutch Statutory Director Contract*") between Mr. Bernard HOURS and Danone Trading B.V., a wholly-owned indirect subsidiary of your Company based in the Netherlands and an operational holding company for part of the management teams of the Medical Nutrition and Early Life Nutrition Divisions and some of the teams of the Fresh Dairy Products Division. Mr. Bernard HOURS abstained from voting.

To this effect, on December 20, 2013, Danone Trading B.V. signed a Dutch Statutory Director Contract with Mr. Bernard HOURS, of which the main characteristics are the following:

- Mr. Bernard HOURS was appointed Statutory Director as from January 1, 2014, the effective date of the Dutch Statutory Director Contract;
- the Dutch Statutory Director Contract concerns the management of the Danone Trading B.V. subsidiary and operational responsibility of the four Group Divisions, under the supervision of your Company's Chief Executive Officer;
- the gross fixed annual compensation for the Dutch Statutory Director Contract amounts to €545,200;
- the annual variable short-term compensation for the Dutch Statutory Director Contract is subject to the performance conditions applicable to the Group's executive directors and officers, set by the Board of Directors on recommendation of the Nomination and Compensation Committee; for 2014, its target level is €446,000;
- for the Dutch Statutory Director Contract, Bernard HOURS will be granted Group performance units and Group performance shares under the terms and conditions set by the Board of Directors on the recommendation of the Nomination and Compensation Committee;
- the change in Mr. Bernard HOURS' compensation pursuant to his Dutch Statutory Director Contract and the performance conditions applicable to his variable compensation are still subject to the Board of Directors' approval on the advice of the Nomination and Compensation Committee, taking into account Mr. Bernard HOURS' other compensation components for his duties as Deputy General Manager;
- the Dutch Statutory Director Contract may be terminated at any time by Danone Trading B.V. and shall end automatically on cessation of Mr. Bernard HOURS' duties as your Company's Deputy General Manager;
- in the event of cessation of the Dutch Statutory Director Contract, a termination indemnity shall be payable, in accordance with Dutch law. In keeping with the principles of consistency and stability reiterated by the Nomination and Compensation Committee and to ensure compliance with the AFEP-MEDEF Code, the termination indemnity payment mechanism applicable to Mr. Bernard HOURS' Dutch Statutory Director Contract has been aligned with that applicable in the event of termination of his duties as Deputy General Manager. Thus, a termination indemnity equivalent to twice the gross annual compensation (fixed and variable) received by Mr. Bernard HOURS over the last twelve months under his Dutch Statutory Director Contract (the "Dutch Statutory Director Indemnity") may be paid, subject to the same performance and payment conditions (*i.e.* in the event of forced termination due to a Change of Control, as defined in section 1.1.3.b) hereafter, or a change in strategy only) as those set by the Board of Directors for the termination indemnity applicable to Mr. Bernard

HOURS' term of office as Deputy General Manager. This indemnity will not be payable if Mr. Bernard HOURS can, within a short period of time, avail himself of his pension entitlements. Like the termination indemnity applicable to Mr. Bernard HOURS' duties as Deputy General Manager, the payment of the indemnity applicable to his Dutch Statutory Director Contract shall be authorized by the Board of Directors within three months following the termination of his duties, on the advice of the Nomination and Compensation Committee and upon confirmation of the performance conditions based on a financial adviser's report (see section 1.1.3.b) hereafter); and

- the Dutch Statutory Director Contract is subject to the standard provisions applicable to agreements between the Group and its senior executives based abroad (including, in particular, the benefit of a company car and the reimbursement of reasonable and duly incurred expenses upon presentation of proof of payment) and is governed by Dutch law.

If appropriate, you are reminded that Mr. Bernard HOURS holds an employment contract with your Company, which has been suspended since his appointment as Deputy General Manager, and of which the provisions remain unchanged (see section 2.2.2 hereafter).

b) Adjustment of commitments concerning indemnification conditions in certain cases of cessation of Mr. Bernard Hours' term of office, upon the signing of the Statutory Director's contract with Danone Trading B.V.

Nature, purpose and conditions

On December 10, 2013, on recommendation of the Nomination and Compensation Committee, the Board of Directors (excluding Mr. Bernard HOURS who abstained from voting) unanimously decided, upon the signing of the Dutch Statutory Director Contract (see section 1.1.3.a) above), to amend Mr. Bernard HOURS' termination indemnity in certain cases of termination of his duties as Deputy General Manager (the "Indemnity").

This indemnity right authorized by the Board of Directors on February 14, 2011 and approved by the Shareholders' Meeting on April 28, 2011, was modified to take account of the indemnity applicable to the Dutch Statutory Director Contract and bring Mr. Bernard HOURS' indemnity entitlement into line with those applicable to Messrs. Franck RIBOUD and Emmanuel FABER, authorized by the Board on February 18, 2013 and approved by the Shareholders' Meeting on April 25, 2013. The modifications were made to ensure strict compliance with the provisions of the AFEP-MEDEF Code.

The mechanism amended by the Board of Directors on December 10, 2013, applicable as from January 1st, 2014, is described hereafter.

(i) Amount of the Indemnity

Mr. Bernard HOURS will receive, in respect of 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 duties as Deputy General Manager for the twelve months preceding the date on which said duties ceased.

Moreover, pursuant to the Dutch Statutory Director Indemnity, Mr. Bernard HOURS will be able to receive, under the same terms and conditions as those set for the payment of the Indemnity (in particular concerning payment and performance conditions), an amount equal to twice the gross annual compensation (comprising both fixed and variable compensation) received for his duties pursuant to the Dutch Statutory Director Contract in the twelve months preceding the date on which said duties ceased.

The sum of the amounts received under (i) the indemnity provided by the Danone collective agreement applicable to all your Company employees, *i.e.* the "Indemnity for Termination of the Employment Contract" (the portion of said indemnity corresponding to the length of service acquired in respect of his term of office as Deputy General Manager being also subject to performance conditions), (ii) the Dutch Statutory Director Indemnity and (iii) the Indemnity, must not exceed twice the gross annual compensation (comprising both fixed and variable compensation) received by Mr. Bernard HOURS in respect of the last twelve months preceding the date of termination of his duties as Deputy General Manager and his Dutch Statutory Director Contract.

In the event that the sum of the amounts due in respect of the Indemnity, the Indemnity for Termination of the Employment Contract and the Dutch Statutory Director Indemnity exceed this upper limit of twice the gross annual compensation (comprising both fixed and variable compensation) received by Mr. Bernard HOURS in respect of his duties as Deputy General Manager and his Dutch Statutory Director Contract, so as to ensure strict compliance with this limit, the amount paid will be deducted in priority from the Indemnity and then, where relevant, from the amount payable in respect of the Dutch Statutory Director Indemnity, and lastly, if applicable, 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 as Deputy General Manager.

(ii) Cases of payment of the Indemnity

The Indemnity will be payable to Mr. Bernard HOURS only in the event that his duties as Deputy General Manager are terminated by the Board of Directors due to a Change of Control or change of strategy, 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.* an extremely serious fault which precludes any continuation of the term of office, or gross negligence (*faute lourde*) *i.e.* an extremely serious fault committed by Mr. Bernard HOURS with the intention of harming your Company), and subject to the performance conditions being met. It is specified that "Change of Control" means any change in your Company's legal situation resulting, in particular, from a merger, restructuring, sale, takeover bid or exchange offer, following which a shareholder that is a legal entity or natural person, either alone or acting in concert, comes to hold, directly or indirectly, more than 50% of your Company's share capital or voting rights.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, no payment of the Indemnity will be due if Mr. Bernard HOURS is able to avail himself of his pension entitlements within a short period of time on the terms and conditions defined by the pension schemes.

It is also specified that, given the automatic resumption of Mr. Bernard HOURS' employment contract in the event of the termination of his term of office as executive director and officer, the Indemnity will also be due if Mr. Bernard HOURS ceases to hold his salaried position or requests that it be terminated within three months following the date of termination of his duties as Deputy General Manager in the case of forced termination following a Change of Control.

Where applicable, no indemnity pursuant to the office of Deputy General Manager and no indemnity pursuant to the Dutch Statutory Director Contract will be due if Mr. Bernard HOURS 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 to Mr. Bernard HOURS

Payment of the Indemnity will be based on:

a) the arithmetic average internal ("organic") growth in the Group's net sales (the "Group's CA") over the five completed fiscal years preceding the date of termination of Mr. Bernard HOURS' duties as Deputy General Manager ("the Reference Period"); and

b) the arithmetic average internal ("organic") growth in net sales recorded by the Panel members (the "Panel CAs") 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);
- 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 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 international groups in the food and beverage 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 Mr. Bernard HOURS' duties as Deputy General Manager. 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 financial adviser's report.

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 the Group over the last five fiscal years for which financial statements were published for all members of the Panel and for the Group.

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 Mr. Bernard HOURS;
- if the Group's CA is lower than the Median CA of the Panel, no Indemnity will be paid to Mr. Bernard HOURS.

In accordance with the amendment to Mr. Bernard HOURS' employment contract and the terms of the Dutch Statutory Director Contract, it is recalled that the same performance conditions and payment conditions will apply to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of service acquired in respect of the office of Deputy General Manager, and to the Dutch Statutory Director Indemnity and that the sum of all amounts due in respect of the Indemnity, the Dutch Statutory Director Indemnity and the Indemnity for Termination of the Employment Contract shall not exceed an amount equal to twice the gross annual compensation (including both fixed and variable compensation) paid to Mr. Bernard HOURS by the Group during the twelve months preceding the date on which his duties ceased.

Upon each renewal of Mr. Bernard HOURS' term of office as Deputy General Manager, these performance conditions as well as, where relevant, the composition of the Panel, will be reviewed by the Board of Directors and, where appropriate, amended to take into account any changes to your Company and its business sectors.

It is recalled that, where relevant, such modifications will apply under the same conditions to the portion of the Indemnity for Termination of the Employment Contract corresponding to the length of office acquired in respect of the office of Deputy General Manager and to the Dutch Statutory Director Indemnity.

(iv) Payment of the Indemnity to Mr. Bernard HOURS

The amount of the Indemnity determined according to the above rules will be paid to Mr. Bernard HOURS 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.

It is also recalled that, in accordance with Mr. Bernard HOURS' employment contract, amended by authorization of the Board of Directors on February 10, 2010, the performance conditions applicable to the portion of the Indemnity for Termination of the Employment Contract corresponding to the seniority acquired in respect of his term of office will be automatically modified by the approval of this commitment.

1.2 Agreements and commitments authorized since the year-end

We were informed of the following agreements and commitments, priorly authorized after the year-end by your Board of Directors.

Renewal under identical terms of the commitments concerning the indemnification of the Deputy General Manager, in certain cases of termination of his term of office as executive director and officer and his Statutory Director Contract with Danone Trading B.V.

Person concerned

Mr. Bernard HOURS, Deputy General Manager.

Nature, purpose and conditions

On February 19, 2014, on recommendation of the Nomination and Compensation Committee, the Board of Directors unanimously decided, upon the renewal of Mr. Bernard HOURS' term of office subject to approval by the Shareholders' Meeting of April 29, 2014, to renew the commitments made by the Group in certain cases of termination of his duties as Deputy General Manager and his Dutch Statutory Director Contract. Mr. Bernard HOURS abstained from voting.

These commitments are to be renewed under the same terms and conditions as those set by the Board of Directors on December 10, 2013 (see section 1.1.3.b) above).

This indemnification right is subject to approval by the Shareholders' Meeting of April 29, 2014 and its renewal is subject to the following conditions precedent: (i) its approval by the Shareholders' Meeting and (ii) the renewal of Mr. Bernard HOURS' term of office as Deputy General Manager at the close of the Shareholders' Meeting.

The mechanism authorized by the Board of Directors on February 19, 2014 is described in section 1.1.3.b) above.

2. Agreements and commitments already authorized by the Shareholders' Meeting Agreements and commitments approved in prior years

2.1. whose implementation continued during the past fiscal year

In accordance with Article R. 225-30 of the French commercial code, we were informed that the following agreements and commitments, approved by the Shareholders' Meeting in prior years, were still in effect in the year just ended.

2.1.1. Cooperation agreement in connection with the danone.communities project

Persons concerned

Messrs. Franck RIBOUD, Chairman and Chief Executive Officer, Emmanuel FABER, Deputy General Manager and Bernard HOURS, Deputy General Manager, all three being Directors of the mutual investment fund (SICAV) danone.communities.

Nature, purpose and conditions

On April 26, 2007, within the framework of the danone.communities project, your Company's Board of Directors unanimously authorized the signing of a cooperation agreement established between your Company, the danone.communities mutual investment 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 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, and abstained from voting. This agreement governs the relations between your Company and other entities that have taken part in the danone.communities project, and in particular provides for the subscription of shares of the 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.

On February 18, 2013, the Board of Directors unanimously set your Company's annual financial contribution for 2013 at a maximum of €3.8 million (your Company's total financial contributions toward danone.communities for 2013 thus amounted to €3.7 million). Messrs. Franck Riboud, Emmanuel Faber and Bernard Hours abstained from voting as all three are Directors of the danone.communities SICAV.

On February 19, 2014, the Board of Directors unanimously set your Company's annual financial contribution for 2014 at a maximum of €3.7 million. Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS abstained from voting as all three are Directors of the danone.communities SICAV.

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

On February 13, 2008, the Board of Directors unanimously confirmed your Company's commitment 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 your 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 executive directors and officers concerned abstained from voting.

- 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 your Company;

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- 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 2013 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 was paid to him during the 2013 fiscal year with respect to this agreement amounted to €0.9 million

2.2. Which were not implemented during the past fiscal year

In addition, we were informed that the following ongoing agreements and commitments, approved by the Shareholders' Meeting in prior years, were not implemented in the year just ended.

2.2.1. Commitments with respect to the Chairman and Chief Executive Officer relative to the conditions under which his employment contract would be resumed following the expiration of his term of office

Person concerned

Mr. Franck RIBOUD, Chairman and Chief Executive Officer.

Nature, purpose and conditions

On July 21, 2004, the Board of Directors, on recommendation of the Nomination and Compensation Committee, unanimously updated the conditions under which the employment contract of Mr. Franck RIBOUD (which was suspended on August 26, 1994 when he was appointed as executive director and officer (*mandataire social*) of your Company) would be resumed if his term of office ended, for whatever reason, Mr. Franck RIBOUD abstaining from voting, and established that:

- the length 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.

2.2.2. Commitments with respect to the Deputy General Managers relative to the conditions under which their employment contracts would be resumed following the expiration of their terms of office

Persons concerned

Messrs. Emmanuel FABER and Bernard HOURS, Deputy General Managers.

Nature, purpose and conditions

On February 13, 2008, the Board of Directors (excluding Messrs. Emmanuel FABER and Bernard HOURS who abstained from voting) unanimously authorized an amendment to your Company's employment contracts concluded with Mr. Emmanuel FABER and Mr. Bernard HOURS, for the purpose of determining the conditions under which their respective employment contracts would be resumed (these employment contracts were suspended when they were appointed 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 executive directors and officers and seniority under their employment contract;
- the contractual indemnity due in the event of a breach of the employment contract will be cancelled.

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

On February 10, 2010, the Board of Directors 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 was decided by the Board of Directors at its February 14, 2011 meeting (the executive directors and officers concerned abstained from voting).

These agreements were therefore amended in order that:

- the indemnity provided under your Company's collective agreement applicable to all Company employees (the "Indemnity for Termination of the Employment Contract") is (i) subject to a limit of two years' fixed and variable gross compensation and (ii) in the event of the payment of both the Indemnity for Termination of the Employment Contract and the indemnity due in certain instances of the termination of the term of office of 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 your Company and result in the payment of consideration in the event of resignation.

2.2.4. Guarantee in respect of the commitments of Danone Corporate Finance Services, a wholly-owned subsidiary of your Company

Nature, purpose and conditions

On April 26, 2012, the Board of Directors 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 €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 Group companies, 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;

On February 18, 2013, your Company's Board of Directors unanimously renewed its authorization, retaining the same terms and amount.

This guarantee was not implemented in 2013.

On February 19, 2014, the Board of Directors unanimously renewed its authorization, retaining the same terms and amount.

2.2.5. Commitments concerning the indemnification conditions applicable to Mr. Bernard HOURS, Deputy General Manager, in certain cases of termination of his term of office

Nature, purpose and conditions

On February 13, 2008, the Board of Directors unanimously approved the principle and methods for the rights to an indemnity for each of your Company's three executive directors and officers. Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS abstained from voting.

On February 10, 2010, the Board of Directors had amended the indemnification rights of Bernard HOURS, Deputy General Manager, in certain cases of termination of his duties, it being specified that the renewal of these conditions under the same terms had been decided by the Board of Directors on February 14, 2011.

These amendments were approved by your Company's Shareholders' Meeting of April 28, 2011 under the conditions set out hereafter:

(i) Amount of the Indemnity

Mr. Bernard HOURS 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 amounts of (i) the indemnity provided under Danone's collective agreement applicable to all Company employees (the "Indemnity for Termination of the Employment Contract", with the portion of this indemnity that corresponds to the length of service acquired pursuant to the office being subject to performance conditions) and (ii) the Indemnity, may not exceed twice the gross annual compensation (including 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 section 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 Mr. Bernard HOURS 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.* an extremely serious fault which precludes any continuation of the term of office, or gross negligence (*faute lourde*), *i.e.*, an extremely serious fault committed by Mr. Bernard HOURS with the intention of harming your 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, 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 your Company's capital or voting rights.

In addition, no payment will be due under the Indemnity if Mr. Bernard HOURS, 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 Mr. Bernard HOURS in the event of the termination of his term of office as an executive director and officer, the Indemnity will also be due if Mr. Bernard HOURS 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

Payment of 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 and beverage 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 your Company over the last five fiscal years for which financial statements have been published by all Panel members and by your Company.

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 hereafter 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, Mr. Bernard HOURS 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, Mr. Bernard HOURS 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 Mr. Bernard HOURS.

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 your Company and its business sectors.

(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 right of Mr. Bernard HOURS was amended upon the signing of his Dutch Statutory Director Contract (see section 1.1.3.a) above), authorized by the Board of Directors on December 10, 2013. This amended indemnification right was subsequently renewed under the same terms and conditions by the Board of Directors on February 19, 2014, and is subject to approval by the Shareholders' Meeting of April 29, 2014. Its renewal is subject to the conditions precedent of (i) its approval by the Shareholders' Meeting, and (ii) the renewal of Mr. Bernard HOURS' term of office as Deputy General Manager at the close of the Shareholders' Meeting of April 29, 2014 (see section 1.2 above).

2.2.6. Commitments concerning the indemnification conditions applicable to Mr. Franck RIBOUD, Chairman and Chief Executive Officer, and Mr. Emmanuel FABER, Deputy General Manager, in certain cases of termination of their terms of office

Nature, purpose and conditions

On February 13, 2008, the Board of Directors unanimously approved the principle and methods for the rights to an indemnity for each of your company's three executive directors and officers. Messrs. Franck RIBOUD, Emmanuel FABER and Bernard HOURS abstained from voting.

On February 10, 2010, the Board of Directors amended the indemnification rights of Messrs. Franck RIBOUD, Chairman and Chief Executive Officer, and Emmanuel FABER, Deputy General Manager, in certain cases of termination of their terms of office.

These amendments were approved by your Company's Shareholders' Meeting of April 22, 2010.

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 terms of office as Directors of Messrs. Franck RIBOUD and Emmanuel FABER, subject to the approval of the Shareholders' Meeting of April 25, 2013, to renew their rights to indemnity applicable in certain instances of termination of their respective terms of office. Mr. Franck RIBOUD and Mr. Emmanuel FABER abstained from voting. These rights to indemnity were renewed on the same basis as that set by the Board of Directors on February 10, 2010 and approved by the Shareholders' Meeting of April 22, 2010, subject to certain amendments made in order to ensure strict compliance with the provisions of the AFEP-MEDEF Code or to make the payment conditions more restrictive.

These amendments were approved by your Company's Shareholders' Meeting of April 25, 2013 under the conditions set out 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 his gross annual compensation (including both fixed and variable compensation) received in respect of his term of office during the twelve months preceding the date of termination of said duties.

The sum of the amounts of (i) the indemnity provided under your Company's collective agreement applicable to all Company employees (the "Indemnity for Termination of the Employment Contract, with the portion of this indemnity that corresponds to the length of service acquired pursuant to the office being subject to performance conditions) and (ii) the Indemnity, must not exceed twice the gross annual compensation (including both fixed and variable compensation) received in respect of the term of office over the last twelve months.

In the event that the amount of the Indemnity and the amount of the Indemnity for Termination of the Employment Contract exceed this ceiling of twice the gross annual compensation, and to ensure strict compliance with this ceiling, the amount actually paid to 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 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 which precludes any continuation of his term of office, or gross negligence, *i.e.* an extremely serious fault committed with the intention of harming your Company), and subject to the performance conditions being met. It is specified that the change in control means any change in your Company's legal situation resulting, in particular, from a merger, restructuring, sale, takeover bid or exchange offer, following which a shareholder that is a legal entity or natural person, either alone or acting in concert, comes to hold, directly or indirectly, more than 50% of your Company's share capital or voting rights.

Moreover, in accordance with the recommendations of the AFEP-MEDEF Code, no payment of the Indemnity will be due if 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 an executive director and 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 specified 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 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 international groups in the food and beverage 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 your Company over the last five fiscal years for which financial statements were published for all members of the Panel and for your Company.

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 lower 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 to each of them for 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 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 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 were automatically modified by the approval of this commitment.

Neuilly-sur-Seine and Paris-La Défense, March 7, 2014

The Statutory auditors

PricewaterhouseCoopers Audit		Ernst & Young et Autres	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

SHARE CAPITAL AND SHARE OWNERSHIP

7

7.1 COMPANY'S SHARE CAPITAL

Share capital as of February 28, 2014

As of February 28, 2014, the Company's share capital amounted to €157,757,000, fully paid in, and divided into 631,028,000 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
	2009	**2010**	**2011**	**2012**	**2013**
Capital					
Share capital *(in €)*	161,747,713	161,980,460	160,561,643	160,790,500	157,757,000
Number of issued shares	646,990,850	647,921,840	642,246,573	643,162,000	631,028,000

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** *(in 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** *(in number of shares)*
April 23, 2009	(1,844,442)	Capital decrease by cancellation of shares	(461,111)	127,989,426	511,957,702
May 7, 2009	580,040	Capital increase reserved for employee members of a Company Savings Plan	145,010	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	130,938,625	523,754,498
June 25, 2009	123,236,352	Capital increase	30,809,088	161,747,713	646,990,850
May 6, 2010	930,990	Capital increase reserved for employee members of a Company Savings Plan	232,747	161,980,460	647,921,840
May 5, 2011	939,160	Capital increase reserved for employee members of a Company Savings Plan	234,790	162,215,250	648,861,000
December 13, 2011	(6,614,427)	Capital decrease by cancellation of shares	(1,653,607)	160,561,643	642,246,573
May 11, 2012	915,427	Capital increase reserved for employee members of a Company Savings Plan	228,857	160,790,500	643,162,000
February 18, 2013	(8,800,000)	Capital decrease by cancellation of shares	(2,200,000)	158,590,500	634,362,000
May 13, 2013	918,000	Capital increase reserved for employee members of a Company Savings Plan	229,500	158,820,000	635,280,000
July 26, 2013	(4,252,000)	Capital decrease by cancellation of shares	(1,063,000)	157,757,000	631,028,000

Shares not representing share capital

The Company has not issued shares not representing share capital.

7.2 TREASURY SHARES AND DANONE CALL OPTIONS HELD BY THE COMPANY AND ITS SUBSIDIARIES

This section is a description of the share repurchase program in accordance with Articles 241-1 *et seq.* of the General Regulation of the French Financial Markets Authority.

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 25, 2013 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 26, 2012.

In addition, the Board of Directors will submit to the Shareholders' Meeting to be held on April 29, 2014, a new authorization valid for 18 months, which will supersede the authorization granted by the Shareholders' Meeting of April 25, 2013, 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, 63,102,800 shares as of February 28, 2014, representing a maximum potential purchase amount of €4,101,682,000) at a maximum purchase price of €65 per share.

Subject to approval of the authorization by the Shareholders' Meeting of April 29, 2014, the purchase of the Company's shares may be executed for the purposes of:

- the allocation of shares with respect to the exercise of stock-options by employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancellation of shares within the maximum legal limit;
- 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.

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 this way). These means include the use of any financial contract or financial instrument (including in particular any future or any option), except the sale of put options, in compliance with the conditions set out by applicable regulations.

These transactions may be carried out during an 18-month period beginning April 29, 2014, with the exception of periods during which a public tender offer for the Company's securities has been made, within the limits allowed by the applicable regulations.

Authorization to cancel shares and 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.

Pertaining to this authorization, on February 18, 2013, the Board of Directors decided to cancel 8.8 million shares, representing around 1.4% of the share capital, and which were previously earmarked for cancellation.

The Shareholders' Meeting of April 25, 2013 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.

Pertaining to this authorization, on July 26, 2013, the Board of Directors decided to cancel 4.252 million shares, representing around 0.7% of the share capital, and which were previously earmarked for cancellation.

DANONE call options held by the Company

Purchase of DANONE call options by the Company

On October 25, 2011, within its share repurchase 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, the Company held treasury shares specifically allocated to hedge these stock-option plans. These treasury shares were earmarked for gradual release into circulation on the market as and when beneficiaries exercised stock-options until the expiry of the plans still in force, *i.e.* until October 2017. In order to limit the dilutive effect of the exercise of these options, in 2011 the Company decided to hedge part of these stock-options by the acquisition of DANONE call options, as a substitute for the treasury shares held.

A total of 6.6 million DANONE call options representing around 1.02% of the share capital were thus acquired from a financial institution. The Company's intention is to exercise these call options at any time until the expiry of the last stock-option plans still in force (*i.e.* until October 2017), in order to comply with its commitments to deliver shares to stock-option holders.

The 6.6 million treasury shares held until then to hedge the stock-options concerned were reallocated with a view to their cancellation and were subsequently cancelled on December 13, 2011.

DANONE call options held by the Company as of December 31, 2013

(in number of options)	As of December 31, 2012	Movements during the period: Purchases	Matured options	Options exercised	As of December 31, 2013
DANONE call options	4,288,634	-	-	(2,267,219)	**2,021,415**

As of December 31, 2013, the Company held DANONE call options representing 0.32% of the Company's share capital.

Open positions in equity derivatives on the Company's shares as of December 31, 2013

Open positions in equity derivatives on the Company's shares as of December 31, 2013 are as follows:

	Open long positions		Open short positions	
	Call options purchased	**Forward purchases**	**Call options sold**	**Forward sales**
Number of shares	2,021,415	-	-	-
Weighted maximum average maturity	05/13/2016	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, 2013 are detailed as follows:

Board of Directors' meeting authorizing the hedged stock-option plans [(a)]	04/27/2006	10/21/2008	04/23/2009	10/20/2009
DANONE call options hedging stock-option plans	638,474	18,676	1,348,771	15,494
Expiry date of DANONE call options hedging stock-option plans	04/26/2014	10/20/2016	04/22/2017	10/19/2017
Exercise price of DANONE call options hedging stock-option plans *(in € per share)*	46.92	43.71	34.85	40.90

(a) Stock-option plans granted to certain employees and executive directors and officers are detailed in section 6.3 *Compensation and benefits for executives and governance bodies.*

Transactions on Company shares in 2013 and situation as of December 31, 2013

In 2013, the Group carried out the following transactions involving DANONE shares:

- the repurchase of 15.1 million DANONE shares for the purpose of external growth transactions for an amount of €809 million (including 6.7 million shares in order to offset the dilutive effect resulting from the contribution of 6,715,266 DANONE shares - described hereafter) carried out by investment services providers acting independently within the framework of the Company's share repurchase program;
- the delivery of a total of 6,715,266 DANONE treasury shares as remuneration for part of the acquisition of the shares of Danone Spain from that subsidiary's minority shareholders (see Note 23 of the Notes to the consolidated financial statements);
- the repurchase of 0.3 million and 0.2 million shares in relation to (i) the exercise of stock-options by their beneficiaries, and (ii) the delivery of performance shares granted to certain employees and executive directors and officers;
- the cancelation of 13.1 million DANONE shares for €597 million under the Treasury shares heading and therefore with no impact on the amount of consolidated equity.

The changes in treasury shares in terms of transactions and use during 2013 and detailed depending on the Company's purposes are as follows:

		Movements during the period						
(in number of shares)	**As of December 31, 2012**	**Purchases [(a)] [(b)]**	**Other transactions**	**Reallocations [(a)]**	**Cancellations [(a)]**	**Exercise of options [(a)]**	**Delivery of Group performance shares**	**As of December 31, 2013**
External growth transactions	31,503,419	15,043,900	(6,715,266)	(8,749,629)	-	35,338	-	31,117,762
Hedging of stock-options and Group performance shares	7,747,810	-	-	497,629	-	(312,421)	(222,371)	7,710,647
Share cancellations	4,800,000	-	-	8,252,000	(13,052,000)	-	-	-
Treasury shares	**44,051,229**	**15,043,900**	**(6,715,266)**	**-**	**(13,052,000)**	**(277,083)**	**(222,371)**	**38,828,409**
Shares held by Danone Spain	5,780,005	-	-	-	-	-	-	5,780,005
Total	**49,831,234**	**15,043,900**	**(6,715,266)**	**-**	**(13,052,000)**	**(277,083)**	**-**	**44,608,414**

(a) Acquisitions and allocations (reallocations and cancellations) made pursuant to authorizations granted by the Shareholders' Meeting.
(b) Purchases allocated to the hedging of stock-options were made by exercising DANONE call options.

The average price of DANONE shares repurchased during 2013 was €48.82 per share for shares repurchased by independent investment services providers and €38.79 per share (exercise price of call options, excluding premium paid in 2011 on the acquisition of call options, see section *Purchase of DANONE call options by the Company* above) for shares purchased through the exercise of DANONE call options.

Transaction expenses during this period totaled €2 million. As of December 31, 2013, the Company held 44,608,414 treasury shares, which represented 7.1% of its share capital (nominal value of €11,152,104) and a gross purchase value of €1,896 million.

Use of the share repurchase authorizations granted by the Shareholders' Meeting in 2013

Date of Shareholders' Meeting having authorized the repurchase program	**Purpose of repurchase**	**Shares repurchased** *(in number of shares)*	**Total value of shares repurchased** *(in €)*
04/26/2012	External growth transactions	14,198,005	695,222,870
04/26/2012	Hedging of stock-options and Group performance shares	296,584	11,555,741
04/25/2013	External growth transactions	15,043,900	806,178,587
04/25/2013	Hedging of stock-options and Group performance shares	2,224,317	86,374,479

Treasury shares held by the Company and its subsidiaries as of February 28, 2014

Company shares held by the Company and its subsidiaries as of February 28, 2014 are presented broken down by the Company's purposes as follows:

(in number of shares)	As of February 28, 2014
External growth transactions	30,997,762
Liquidity contract [(a)]	-
Hedging of stock-options and Group performance shares	7,710,647
Cancellations	-
Shares held by the Company	**38,708,409**
Shares held by Danone Spain	**5,780,005**
Total	**44,488,414**

(a) See section hereafter related to liquidity contact.

Based on the closing price of the Company's share on February 28, 2014 (*i.e.* €51.18 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 €2,277 million. A 10%, increase or decrease, of the Company's share price would result in a €228 million increase or decrease, respectively, in the market value of the Company's shares held by the Group.

As of February 28, 2014, the Company held 1,747,071 DANONE call options, relating to the same number of shares, representing around 0.28% of its share capital. Taking into account these shares, as of February 28, 2014, the Group held, directly or through these call options, a total of 46,235,485 shares, *i.e.* around 7.33% of its share capital.

The Company assigned the implementation of a liquidity contract with effect from January 17, 2014, for a period of one year with tacit renewal, to Rothschild & Cie Banque in accordance with the Ethical charter drawn up by the Association Française des Marchés Financiers (AMAFI) and approved by the French Financial Markets Authority on March 21, 2011. This decision comes under the share repurchase program authorization given by the Shareholders' Meeting of April 25, 2013 for a period of 18 months.

In order for this contract to be implemented, 120,000 DANONE shares were allocated to the liquidity account opened in the Company's name in the books of Rothschild & Cie Banque.

7.3 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, 2013

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, 2013 are as described hereafter.

At the outset, it should be noted that most of the ceilings applicable to these issuance authorizations are set as a nominal amount and not as a percentage of share capital. However, the percentage of share capital represented by said ceilings, based on the share capital as of December 31, 2013, is provided below for reference purposes only. It should also be noted that this indicative percentage of share capital has increased slightly between the amounts provided for the Shareholders' Meeting of April 25, 2013 and December 31, 2013, due to the capital reduction carried out by the Company in July 2013 (see section *Authorization to cancel shares and reduce the share capital following the purchase by the Company of its own shares* above).

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 €55.3 million (following the renewal of the authorization by the Shareholders' Meeting of April 25, 2013) representing a maximum of 221.2 million new shares to be issued (or around 35.05% of the total share capital as of December 31, 2013).

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 €23.6 million, representing a maximum of 94.4 million new shares to be issued (or around 14.96% of the share capital as of December 31, 2013).

A summary of the financial authorizations valid as of December 31, 2013 is provided hereafter.

Summary of financial authorizations valid as of December 31, 2013

The existing authorizations for the issuance of ordinary shares and securities giving access to the share capital, with or without preferential subscription rights, valid as of December 31, 2013 are provided in the following table.

All such authorizations were approved by the Shareholders' Meeting of April 25, 2013. They were granted for a period of 26 months until June 25, 2015, except for the authorization to award Group performance shares, the deadline for which is December 31, 2013, and which the Shareholders' Meeting of April 29, 2014 will be asked to renew (see section *Financial authorizations subject to approval by the Shareholders' Meeting* hereafter).

Authorized maximum common amounts of capital *(nominal amount)*		**Authorization type**	**Individual maximum amounts authorized** *(nominal amount or percentage of capital)*	**Use in 2013** *(nominal amount)*	**Balance available as of December 31, 2013** *(nominal amount or percentage of capital)*
Maximum common amount applicable to all dilutive and non-dilutive issuances: €55.3 million (approximately 35.05% [a] of capital)	Maximum amount applicable to non-dilutive issuances: €55.3 million (approximately 35.05% [a] of capital)	Capital increase with preferential subscription rights of shareholders	€55.3 million (approximately 35.05% [a] of capital) [b]	-	€55.3 million
	Maximum amount applicable to dilutive issuances: €23.6 million (approximately 14.96% [a] of capital)	Capital increase without preferential subscription right but with a right of first refusal for shareholders	€23.6 million (approximately 14.96% [a] of capital) [b]	-	€23.6 million
		Overallotment (as a % of initial issuance)	15% [b] [c]	-	-
		Public exchange offer initiated by the Company	€15.7 million (approximately 9.95% [a] of capital) [b]	-	€15.7 million
		Contributions in kind	10% of the capital	-	10% of the capital
		Capital increase reserved for employees and/or managers of the Group	€3.1 million (approximately 1.97% [a] of capital)	€229,500 [d]	€3.1 million [e]
		Grants of Group performance shares (GPS)	0.2% of the share capital as of the closure of the Shareholders' Meeting	821,643 shares granted [g] (approximately 0.13% [h] of capital)	0 [f]
-	-	Incorporation of reserves, earnings, premiums or other sums	€40.7 million (approximately 25.8% [a] of capital)	-	€40.7 million

a) This percentage is calculated for indicative purposes only, on the basis of the share capital as of December 31, 2013 (after taking into account the capital reduction of a nominal amount of €1.063 million by the cancellation of 4.252 million treasury shares performed by the Company on July 26, 2013).

(b) All issuances of securities representing debts giving access to the Company's share capital liable to be performed pursuant to these authorizations: (i) capital increase with preferential subscription rights of shareholders, (ii) capital increase without preferential subscription rights but with right of first refusal for shareholders, (iii) over-allotment option and (iv) public tender offer initiated by the Company, shall not exceed a ceiling representing a principal amount of €2 billion (or the counter-value of this amount if issued in a foreign currency or unit of account set by reference to several currencies).

(c) For capital increases without preferential subscription rights (but with right of first refusal for shareholders) 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 power held by the Board of Directors shall not have the effect of increasing the ceiling under this authorization (€23.6 million in capital and a principal amount of €2 billion for debt securities giving access to the Company's share capital).

(d) The capital increase reserved for Group employees decided by the Board of Directors on February 18, 2013 and implemented in May 2013 used the authorization approved by the Shareholders' Meeting held on April 28, 2011 (and not the authorization approved by the Shareholders' Meeting held on April 25, 2013).

(e) The nominal amount of the new capital increase reserved for the Group's employees, decided by the Board of Directors at its meeting of February 19, 2014 and to be completed in May 2014, will be deducted from this amount.

(f) This financial authorization expired on December 31, 2013, and accordingly cannot give rise to grants of Group performance shares pursuant to this authorization.

(g) See section 6.3 *Compensation and benefits for executives and governance bodies* 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 at the end of the Shareholders' Meeting held on April 25, 2013.

Lastly, it is noted that in addition to these issuance authorizations, the Shareholders' Meeting has authorized the Board of Directors to cancel shares repurchased by the Company, and that this authorization was used by the Board of Directors during fiscal year 2013 (see section *Authorization to cancel shares and reduce the share capital following the purchase by the Company of its own shares* above).

Group performance share plans (GPS)

During fiscal year 2013, the Board of Directors used the authorization granted by the Shareholders' Meeting to award Group performance shares (GPS).

The granting of GPS during fiscal year 2013, the various GPS plans in force as of December 31, 2013, the impact of outstanding plans in terms of dilution/ownership of the Company's share capital, the performance conditions applicable to said GPS plans and the review of the achievement of performance conditions by the Board of Directors are described in section 6.3 *Compensation and benefits for executives and governance bodies.*

Stock purchase option plans (stock-options)

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. The last outstanding stock-option plans implemented by the Company will expire in October 2017.

The various stock-option plans still outstanding as of December 31, 2013, their main terms and the impact of outstanding plans in terms of dilution/ownership of the Company's share capital are described in section 6.3 *Compensation and benefits for executives and governance bodies.*

Employee shareholding

Capital increase reserved for employees in 2013

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.

This authorization, which was in force until June 2013, was renewed by the Shareholders' Meeting of April 25, 2013 for a period of 26 months, within the limit of a nominal amount of €3.1 million.

Pursuant to the authorization of the Shareholders' Meeting of April 28, 2011, the Company carried out in May 2013 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 €229,500, representing the issuance of 918,000 new shares, or approximately 0.14% of the Company's share capital (see Note 21 of the Notes to the consolidated financial statements).

Capital increase reserved for employees underway

Pursuant to the authorization of the Shareholders' Meeting of April 25, 2013, the Board of Directors of February 19, 2014 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 €80 million, representing a maximum of 1,987,084 new shares (or 0.31% of the Company's share capital) based on a discounted DANONE share price of €40.26. The actual amount subscribed will be disclosed in June 2014.

Financial authorization subject to approval by the Shareholders' Meeting

The Shareholders' Meeting of April 29, 2014 will be asked to renew the authorization to grant Group performance shares (GPS), in accordance with the conditions set out in the table below:

			Maximum amount
	Authorization date	**Expiry date**	**Ordinary shares** *(nominal value at issue)*
Grant of Group performance shares (GPS)	04/29/2014	12/31/2014	0.2% of the share capital as of closure of the Shareholders' Meeting, deducted from the ceiling of €23.6 million for all dilutive issuance made pursuant to financial authorizations given by the Shareholders' Meeting of April 25, 2013

This draft resolution is presented in sections 8.2 *Draft resolutions presented at the Shareholders' Meeting* and 8.3 *Comments on the resolutions of 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.

7.4 FINANCIAL INSTRUMENTS NOT REPRESENTING CAPITAL

Powers of the Board of Directors

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.

Delegation of powers to the General Management

At its meeting of October 23, 2013, 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 of America by means of private placements to institutional investors), ordinary bonds, subordinated debt securities or complex securities (whether fixed-term or perpetual) or any other type of negotiable debt instrument for up to a maximum outstanding principal amount at any time of €10 billion (or the equivalent amount in any other currency or unit of account).

Bonds outstanding as of December 31, 2013

As of December 31, 2013, the total outstanding principal amount on bonds issued by the Company was €7,078 million (amount as of December 31, 2013 recorded in the consolidated financial statements, see Note 31 of the Notes to the consolidated financial statements).

Lastly, it is noted that in accordance with a substitution agreement entered into on November 16, 2009 by the Company and its subsidiary Danone Finance (which 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 the sole issuer of the Group's bonds. The last debt securities issued by Danone Finance (which the Company has replaced) and still outstanding will reach maturity in June 2016.

7.5 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 29, 2014 in respect of shares for which the dividend entitlement date is January 1, 2013. If this dividend is approved, it will be detached from the share on May 7, 2014 and will be payable as from June 3, 2014.

Furthermore, the Shareholders' Meeting of April 29, 2014 will propose to offer each shareholder the possibility to opt for the payment in new shares of the Company of the full dividend to which the shares owned give an entitlement (see section 8.3 *Comments on the resolutions of the Shareholders' Meeting*).

The following dividends were paid for the three fiscal years prior to the 2013 fiscal year:

Dividend for fiscal year [(a)]	**Dividend per share** *(in € per share)*	**Dividend approved** *(in € per share)*	**Dividend paid** [(b)] *(in € per share)*
2010	1.30	842	790
2011	1.39	893	843
2012	1.45	933	858

(a) Paid in the following year.
(b) Treasury shares held directly by the Company (*i.e.* approximately 6.15% of the share capital as of December 31, 2013) do not carry the right to receive a dividend. By contrast, the Company's shares held by its subsidiary Danone Spain (*i.e.* approximately 0.92% of the share capital as of December 31, 2013) 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.

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7.6 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

Principle of limitations on voting rights

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.

In accordance with Article 26 II of the Company's by-laws, this limitation applies when:

- the total number of voting rights taken into account is calculated as of the date of the Shareholders' Meeting and is brought to the attention of shareholders at the opening of the Shareholders' Meeting;
- the number of voting rights held directly and indirectly refers particularly to those attached to shares held personally by a shareholder, shares held by a corporation he or she controls within the meaning of Article L. 233-3 of the French commercial code and shares assimilated with shares held, as defined by the provisions of Articles L. 233-7 *et seq.* of the French commercial code; and
- in respect of voting rights used by the Chairman of the Shareholders' Meeting, those attached to shares for which a proxy form has been returned to the Company without naming a proxy and which, individually, do not violate the applicable limitations, are not taken into account.

This limitation of voting rights in the Shareholders' Meeting was implemented by the Company for the first time at the Shareholders' Meeting of April 25, 2013, in respect of the MFS group (see section 7.7 *Share ownership structure as of December 31, 2013 and significant changes over the last three fiscal years* for more information on the interest held by the MFS group in the Company's share capital).

Exceptions to limitations on voting rights

In accordance with Article 26 II of the Company's by-laws, the aforementioned limitations shall become null and void if any individual or corporate entity, acting alone or in concert with one or more individuals or corporate entities, were to come into possession of at least two-thirds of the total shares of the Company as a result of a public tender offer for all the Company's shares. The Board of Directors shall formally acknowledge that the limitations have become null and void and shall complete the corresponding modifications to the by-laws.

In addition, in accordance with the general regulations of the French Financial Markets Authority, the effects of the limitations provided for in the preceding sections shall be suspended at the first Shareholders' Meeting following the close of a takeover bid if the bidder, acting alone or in concert, were to come into possession of more than two-thirds of the total shares or total voting rights of the company concerned.

Lastly, following adoption of the 16th resolution by the Shareholders' Meeting of April 22, 2010, the 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.

Reasons for the limitation of voting rights for shareholders

The Board of Directors has, on several occasions, reviewed this clause limiting voting rights at Shareholders' Meetings and, following discussions with its shareholders, has concluded that this voting rights limitation is in the interest of all the Company's shareholders. Thus:

- this limitation prevents shareholders from influencing corporate decisions in a manner that would be disproportionate to the actual size of their shareholding, particularly in the event of a low quorum or when a simple majority is sufficient for the adoption of a corporate decision (given that the quorum for Shareholders' Meetings is 50%, 25% of the votes could be sufficient to adopt or reject a corporate decision);
- it 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; and
- 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 steadily and significantly over the last several years: from 42% in 2005 to 58% in 2013 (61% 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 of 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 participation options:

- attend the Meeting in person by requesting an admission card by postal or electronic means;
- give a proxy to the Chairman of the Shareholders' Meeting or any other natural or legal person 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 29, 2014, 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 29, 2014 (as was already the case for the Shareholders' Meeting of April 25, 2013). This year, however, this facility will be available to all holders of a minimum of one bearer share, for whom the account-holding institution has adhered to the VOTACCESS system (in 2013, the first year that VOTACESS was used, it was only available for Group shareholders with a minimum number of shares). 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.

Finally, the Board of Directors may decide that any vote cast during a Shareholders' Meeting may be expressed by videoconference or by any telecommunication mean enabling the shareholder to be identified, in accordance with the terms set forth in the applicable legislation and regulations.

Crossing of thresholds

In addition to the legal obligation to inform the Company and the French Financial Markets Authority in the event of a crossing, in either direction, of any of the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, one-third, 50%, two-thirds, 90% or 95% of the Company's share capital or voting rights, within four trading days of crossing such shareholding threshold (Article L. 233-7 of the French commercial code), any individual or entity that comes to acquire or ceases to hold in any manner whatsoever, within the meaning of Articles L. 233-7 *et seq.* of the French commercial code, a fraction equivalent to 0.5% of the voting rights or a multiple thereof must, within five trading days of crossing such threshold, notify the Company of the total number of shares or securities giving future access to the capital and the total number of voting rights that said individual or entity holds alone, or indirectly, or in concert, by registered mail with return receipt to the Company's registered office. If the threshold is crossed as a result of a purchase or sale on the market, the period of five trading days begins as from the date of trade and not the date of delivery.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

7.7 SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2013 AND SIGNIFICANT CHANGES OVER THE LAST THREE FISCAL YEARS

Share ownership structure as of December 31, 2013

It should be noted that double voting rights are granted to all fully paid-up shares held in registered form in the name of the same shareholder for at least two years (see section 7.6 *Voting rights, crossing of thresholds*).

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, 2013:

Shareholders	Number of shares held	% of capital	Number of gross voting rights	% of gross voting rights [(a)]	Number of net voting rights	% of net voting rights [(b)]
MFS group [(c)]	68,665,265	10.9%	53,434,379	8.1%	53,434,379	8.7 % [(d)]
Sofina & Henex group	13,584,541	2.2%	24,766,654	3.8%	24,766,654	4.0%
Amundi Asset Management	14,048,609	2.2%	14,048,609	2.1%	14,048,609	2.3%
Norges Bank	10,761,115	1.7%	10,761,115	1.6%	10,761,115	1.8%
Natixis Asset Management	14,651,596	2.3%	9,023,478	1.4%	9,023,478	1.5% [(e)]
CDC group	9,145,941	1.4%	9,145,941	1.4%	9,145,941	1.5%
Harris Associates	14,426,983	2.3%	14,426,983	2.2%	14,426,983	2.4%
Employee shareholding - "Fonds Danone" company investment fund	8,269,252	1.3%	16,168,243	2.5%	16,168,243	2.6%
Treasury shares – The Company	38,828,409	6.2%	38,828,409	5.9%	-	-
Treasury shares - Subsidiary Danone Spain	5,780,005	0.9%	5,780,005	0.9%	-	-
Others	432,866,284	68.6%	461,796,843	70.1%	461,796,843	75.2%
Total	**631,028,000**	**100.0%**	**658,180,659**	**100.0%**	**613,572,245**	**100.0%**

(a) The percentage of gross voting rights is calculated taking into account the shares held by the Company and its subsidiaries, which are stripped of voting rights.
(b) The number of net voting rights (or voting rights "exercisable in a Shareholders' Meeting") is calculated excluding shares stripped of voting rights.
(c) See section *Significant changes in Company's share ownership structure over the last three fiscal years* hereafter for details on MFS group's positions.
(d) The voting rights of MFS group were capped at 6% at the Shareholders' Meeting of April 25, 2013 in accordance with Article 26 II of the by-laws of the Company (see section 7.6 *Voting Rights, crossing of thresholds* above for details on limitations on voting rights in Shareholders' Meetings).
(e) Natixis Asset Management indicated to the Company that the number of voting rights (gross and net) it held in the Company is less than the number of shares that it holds, as certain of its customers retain the voting right attached to the shares managed by Natixis.

As of December 31, 2013, the total number of the Company's shares held by the 13 members of the Board of Directors and the 10 members of the Executive Committee (including 3 Directors), *i.e.* a total of 20 persons was 405,923 shares, representing 0.06% 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, 2013, 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, 14,314 shares held by three shareholders and 87,436 shares held by 10 shareholders.

To the Company's knowledge, on the basis of threshold crossing statements made to the French Financial Markets Authority, no shareholder other than the MFS group had a stake of more than 5% in the Company's share capital or voting rights as of December 31, 2013.

Significant changes in Company's share ownership 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:

Year ended December 31

	2013			2012			2011		
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]	68,665,265	10.9%	8.7%	55,558,778	8.6%	6.6%	30,231,820	4.7%	3.6%
Eurazeo group [b]	94,227	0.01%	0.01%	16,433,370	2.6%	5.0%	16,433,370	2.6%	4.9%
Sofina & Henex group	13,584,541	2.2%	4.0%	13,584,541	2.1%	3.9%	13,584,541	2.1%	4.2%
Amundi Asset Management	14,048,609	2.2%	2.3%	20,039,020	3.1%	3.1%	17,401,507	2.7%	2.7%
Norges Bank	10,761,115	1.7%	1.8%	15,048,614	2.3%	2.4%	16,305,801	2.5%	2.5%
Natixis Asset Management	14,651,596	2.3%	1.5%	12,811,179	2.0%	2.0%	14,181,439	2.2%	2.2%
CDC group	9,145,941	1.4%	1.5%	9,783,434	1.5%	1.5%	11,688,114	1.8%	1.8%
Harris Associates	14,426,983	2.3%	2.4%	3,187,384	0.5%	0.5%	1,519,398	0.2%	0.2%
Employee shareholding - "Fonds Danone" company investment fund	8,269,252	1.3%	2.6%	8,533,644	1.3%	2.6%	8,804,680	1.4%	2.6%
Treasury shares - The Company	38,828,409	6.2%	-	44,051,229	6.8%	-	35,825,460	5.6%	-
Treasury shares - Subsidiary Danone Spain	5,780,005	0.9%	-	5,780,005	0.9%	-	5,780,005	0.9%	-
Other	432,772,057	68.6%	75.2%	438,350,802	68.2%	72.3%	470,490,438	73.3%	75.2%
Total	**631,028 000**	**100.0%**	**100.0%**	**643,162,000**	**100.0%**	**100.0%**	**642,246,573**	**100.0%**	**100.0%**

(a) This percentage excludes shares held by the Company and its subsidiaries, which are stripped of voting rights.
(b) See hereafter for details on MFS group and Eurazeo groups' positions.

Interest held by Eurazeo group

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 15.5 million 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 rights completed by the Company in 2009). As part of this issue, 16.4 million 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 16.4 million 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 (declaration no. 210C0641).

These bonds exchangeable for existing DANONE shares were scheduled to reach maturity on June 10, 2014. However, on April 26, 2013, the Eurazeo group announced that, in view of the increase in the DANONE share price, it had received requests from bondholders to exchange 12.3 million bonds into DANONE shares and that it planned to exercise its early redemption option on the bonds for which no exchange request was received. In a statement issued on August 28, 2013, the Eurazeo group said that it had ultimately kept 94,227 DANONE shares (approximately 0.01% of the share capital) following the transaction.

As of December 31, 2013, the Eurazeo group held 0.01% of the share capital (corresponding to 94,227 shares) and 0.01% of the gross voting rights of the Company.

Interest held by the MFS group

The Massachusetts Financial Services group ("MFS") has gradually increased its stake in the Company's share capital, from 4.7% (as of December 31, 2011) to 10.9% (as of December 31, 2013).

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 the Company's share capital owned. This decision has resulted, since August 8, 2012, in the aggregation at Massachusetts Financial Services Company level of all the DANONE shares held by the MFS group.

This decision also led the MFS group to declare the crossing of a threshold to the French Financial Markets Authority on August 10, 2012. Abandoning the policy of disaggregation led the MFS group to cross the legal thresholds of 5% of capital and voting rights (declaration no. 212C1042).

Finally, MFS indicated to the Company that the number of (gross and net) voting rights of the Company it holds, is less than the number of shares it owns, as certain of its clients retain the voting ability on the shares whose management is assigned to MFS. As such, on December 31, 2013, MFS has informed the Company that it held 68,665,265 DANONE shares (approximately 10.9% of share capital), including 53,434,379 shares (representing approximately 8.5% of share capital) for which MFS exercises voting rights and 15,230,886 shares (representing approximately 2.4% of share capital) for which MFS clients have retained voting rights.

Other

In the course of 2013, the company Harris Associates, an American subsidiary of the Natixis group, has increased its stake in the Company's share capital up to 2.3% of the Company's shares as of December 31, 2013.

No statement regarding the crossing of legal thresholds in respect of the share capital or voting rights of the Company was made by the French Financial Markets Authority in fiscal year 2013.

To the best of the Company's knowledge, no other significant changes in the Company's shareholding structure have taken place during the past three fiscal years.

Survey of the Company's identifiable shareholders

Under the terms of its by-laws and in accordance with the legislation and regulations, the Company may, at any time, ask the entity responsible for clearing shares (Euroclear France) for the name (or legal name), nationality, and address of the holders of shares or other securities conferring immediate or future voting rights at its Shareholders' Meetings, along with the number of securities held by each of them and, if applicable, any restrictions placed upon such securities. Euroclear France obtains the information requested from account-holding custodians affiliated to it, which are obliged to provide such information.

At the request of the Company, the above information may be limited to those individuals holding a number of securities as determined by the Company.

The Company conducted a survey of identifiable bearer shareholders in December 2013:

	Percentage of capital
Institutional investors	**77%**
France	13%
United Kingdom	8%
Switzerland	5%
Rest of Europe	12%
North America	33%
Asia Pacific	5%
Rest of the World	1%
Individual shareholders and "Fonds Danone" company investment fund	**11%**
Shares held by the Company and its subsidiaries	**8%**
Other	**4%**
Total	**100%**

Employee shareholding

The Company performs each year a capital increase reserved for Group employees having subscribed to a Company Savings Plan (see section *Employee shareholding* above).

As of December 31, 2013, the number of the Company's shares held directly or indirectly by employees of the Company and of companies related to it, and, in particular, those that are subject to collective management or conditions prohibiting their disposal, either within the framework of a French Company Savings Plan (*Plan d'Épargne Entreprise*) or through a French company investment funds *(Fonds Communs de Placement Entreprise - FCPE)* (the "Fonds Danone" FCPE and the FCPEs of other Group subsidiaries), amounted to 8,417,355 shares, or 1.3% 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 employee members representing the employee 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 and appointed by the Group's management.

7.8 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; ticker: "BN") and also have a secondary listing on the Swiss Stock Exchange (SWX Suisse Exchange).

Between 1997 and 2007, the Company's shares were also listed on the New York Stock Exchange in the form of American Depositary Shares (ADS). Due to the low trading volume of these ADS on this market, in 2007 the Group decided to delist the shares from that market and to deregister them with the Securities and Exchange Commission, pursuant to the U.S. Securities Exchange Act of 1934.

The Group nevertheless maintains a sponsored Level 1 program of American Depositary Receipts (ADR), which are traded over the counter), through the OTCQX platform under the symbol DANOY (each ADR representing one-fifth of a DANONE share). OTCQX is an information platform representing over 300 international groups and enabling them to access US investors while guaranteeing price transparency.

Indices

The Company's shares are included in the following indices:

- CAC 40, the principal index published by Euronext Paris; and
- Eurostoxx 50, which lists the 50 largest market capitalizations in the euro zone.

The Company is also included in the main indices of social responsibility:

- Dow Jones Sustainability Index, Vigeo World 120 and Ethibel Europe, which comprise the best-performing companies selected annually based on strict criteria such as the quality of corporate governance, social responsibility policy, their criteria relating to innovation, and their economic performance;
- Carbon Disclosure Leadership Index (see section 5.2 *Information concerning the Group's social, societal and environmental performances in compliance with the Grenelle II law*).

Stock price and trading volumes (Euronext Paris)

	Number of shares dealt [a]		Amounts dealt [a]		Stock price [a]	
	Total *(in number of shares)*	**Daily average** *(in number of shares)*	**Total amount traded** *(in € millions)*	**Monthly average stock price** *(in € per share)*	**High** *(in € per share)*	**Low** *(in € per share)*
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
March	36,028,505	1,801,425	1,966	54.669	55.780	52.460
April	53,396,769	2,542,703	3,000	56.170	59.750	52.980
May	30,412,960	1,382,407	1,771	58.331	60.000	56.500
June	37,939,210	1,896,961	2,148	56.659	58.360	54.630
July	35,662,544	1,550,545	2,044	57.317	59.980	54.500
August	22,888,857	1,040,403	1,342	58.734	60.450	55.840
September	36,318,714	1,729,463	2,053	56.411	57.980	54.910
October	43,406,536	1,887,241	2,336	54.184	56.130	50.300
November	27,549,079	1,311,861	1,496	54.282	55.980	53.000
December	32,322,983	1,616,149	1,675	51.737	53.920	50.550
2014						
January	41,821,865	1,900,994	2,131	51.102	53.310	48.330
February	36,884,694	1,844,235	1,858	50.408	52.460	48.500

(a) Source Euronext Paris. Includes over-the-counter transactions.

7.9 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 7.7 *Share ownership structure as of December 31, 2013 and significant changes over the last three fiscal years*.

(ii) By-laws' restrictions to the exercise of voting rights

The Company’s by-laws provide for a system of limitation of voting rights. This mechanism is described in section 7.6 *Voting rights, crossing of thresholds*. The Shareholders’ Meeting of April 22, 2010 has decided to include a mechanism for suspending this limitation if the number of shares present or represented at a Shareholders’ Meeting reaches or exceeds 75% of the total number of shares carrying voting rights.

The Company’s by-laws provide for a reporting obligation for anyone who would hold or cease to hold a fraction equal to 0.5% of voting rights or a multiple thereof, beginning when one of the thresholds is crossed. This mechanism is described in section 7.6 *Voting rights, crossing of thresholds*.

In the event of failure to comply with this notification requirement, upon the request of any holder or holders of 5% or more of the voting rights, the voting rights in excess of the fraction that should have been declared may not be exercised or delegated by the non-complying shareholder at any Shareholders’ Meeting held during a period of two years as from the date on which the shareholder makes the corrective notification.

On the date hereof, the Company is not aware of any clause of agreements providing for preferential terms of sale or acquisition concerning at least 0.5% of the capital or voting rights of the Company.

(iii) Direct or indirect holdings in the Company’s share capital of which the Company is aware

A detailed analysis of the Company’s shareholder structure is presented in section 7.7 *Share ownership structure as of December 31, 2013 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, 2013 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 Board of Directors or to amendments of the by-laws

There are no specific rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws.

(viii) Powers of the Board of Directors in the event of a tender offer

Pursuant to the resolution approved by shareholders at the April 25, 2013 Shareholders' Meeting, the Board of Directors is prohibited from implementing the Company share repurchase program during a tender offer involving the Company's shares.

The Shareholders' Meeting of April 29, 2014 will be asked 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 Note 22 of the Notes 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 6.3 *Compensation and benefits for executives and governance bodies*.
- 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 has been renewed for additional terms of one year on two occasions, in July 2012 and May 2013, extending the term until July 28, 2018. 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 22 of the Notes 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 6.3 *Compensation and benefits for executives and governance bodies*.

7.10 CHANGE OF CONTROL

To the Company's knowledge, no agreement exists which, if implemented, could, at a future date, lead to a change of control of the Company.

COMBINED SHAREHOLDERS' MEETING OF APRIL 29, 2014

8

8.1 SHAREHOLDERS' MEETINGS

The Board of Directors convenes Shareholders' Meetings in accordance with French law.

Meetings shall be held in the town in which the registered office is located or in any other locality, depending on the decision made in such regard by the person calling the meeting, and at the venue specified in the notice of meeting.

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.

Upon decision of the Board of Directors, the shareholders can follow the Shareholders' Meeting in real time or in replay during one year on the Group's website.

Danone also publishes on its website a report on the Shareholders' Meeting, including in particular the main presentations to shareholders.

8.2 DRAFT RESOLUTIONS PRESENTED AT THE SHAREHOLDERS' MEETING

Resolutions within the authority of the Ordinary Shareholders' Meeting

First resolution

(Approval of the statutory financial statements for the fiscal year ended December 31, 2013)

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, 2013, which include the balance sheet, the income statement and the notes, as presented, which show earnings amounting to €746,692,446.37, as well as the transactions reflected therein and summarized in these reports.

Second resolution

(Approval of the consolidated financial statements for the fiscal year ended December 31, 2013)

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, 2013, which include the balance sheet, the income statement and the notes, as presented, as well as the transactions reflected therein and summarized in these reports.

Third resolution

(Allocation of earnings for the fiscal year ended December 31, 2013 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 2013 amount to €746,692,446.37;
- acknowledges that retained earnings amount to €3,237,634,385.14;

Totaling earnings available for allocation of profits of €3,984,326,831.51;

- decides to allocate the total earnings as follows:
  - to dividends in the amount of €914,990,600.00,
  - to retained earnings in the amount of €3,069,336,231.51.

The Shareholders' Meeting therefore decides the payment of a dividend of €1.45 per share.

When paid to individuals domiciled in France for tax purposes, the dividend is fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.

The ex-dividend date is May 7, 2014 and the dividend will be payable on June 3, 2014.

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)] (in €)
2010	647,921,840	1.30
2011	642,246,573	1.39
2012	643,162,000	1.45

(a) Dividend fully eligible for the 40% deduction provided for in Article 158-3.2° of the French tax code.

Fourth resolution

(Option for the payment of the dividend in 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 noted that the Company's share capital has been fully paid up, decides, in accordance with the provisions of Article L. 232-18 *et seq.* of the French commercial code and Articles 27.I and 34.I of the Company's by-laws, to offer each shareholder the possibility to opt for the payment in new shares of the Company of the full dividend to which the shares owned give an entitlement.

The new shares will bear rights as from January 1, 2014 and will be entirely fungible with the Company's other shares.

The issuance price of these new shares is set at 90% of the average of the opening Company share prices on Euronext over the 20 trading days preceding the date of this Shareholders' Meeting less the amount of the dividend. This issuance price will be rounded up to the next euro cent.

If the amount of the dividends to which the shareholder is entitled does not correspond to a whole number of shares, the shareholder will obtain the number of shares immediately below, and a balancing payment in cash.

The option for the payment of the dividend in shares can be exercised between May 7, 2014 and May 21, 2014 by requesting authorized financial intermediaries or, for shareholders registered in registered share accounts of the Company, to its agent (BNP Paribas Securities Services, Service Opérations sur Titres – Les Grands Moulins de Pantin, 9, rue du Débarcadère – 93761 Pantin Cedex). Failure to exercise this option within this period will result in the full amount of the dividend owed to the shareholder being paid in cash on the date of payment of the dividend, *i.e.* on June 3, 2014.

The Shareholders' Meeting 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 carry out all transactions related or consecutive to the exercise of the option, acknowledge the resulting share capital increase, amend the Company's by-laws accordingly, and more generally, complete all formalities useful for the issuance, listing and financial servicing of securities issued as a result of this resolution and take all useful and necessary steps in accordance with applicable laws and regulations.

Fifth resolution

(Renewal of the term of office of Mr. Bruno BONNELL as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mr. Bruno BONNELL as Director for the three-year period set forth in the by-laws.

Mr. Bruno BONNELL's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2016.

Sixth resolution

(Renewal of the term of office of Mr. Bernard HOURS as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mr. Bernard HOURS as Director for the three-year period set forth in the by-laws.

Mr. Bernard HOURS' term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2016.

Seventh resolution

(Renewal of the term of office of Mrs. Isabelle SEILLIER as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mrs. Isabelle SEILLIER as Director for the three-year period set forth in the by-laws.

Mrs. Isabelle SEILLIER's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2016.

Eighth resolution

(Renewal of the term of office of Mr. Jean-Michel SEVERINO as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, renews the term of office of Mr. Jean-Michel SEVERINO as Director for the three-year period set forth in the by-laws.

Mr. Jean-Michel SEVERINO's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2016.

Ninth resolution

(Appointment of Mrs. Gaëlle OLIVIER as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, appoints Mrs. Gaëlle OLIVIER as Director for the three-year period set forth in the by-laws.

Mrs. Gaëlle OLIVIER's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2016.

Tenth resolution

(Appointment of Mr. Lionel ZINSOU-DERLIN as Director)

The Shareholders' Meeting, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, having reviewed the Board of Directors' report, appoints Mr. Lionel ZINSOU-DERLIN as Director for the three-year period set forth in the by-laws.

Mr. Lionel ZINSOU-DERLIN's term of office will expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the fiscal year 2016.

Eleventh 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, 2013 mentioned in this report except those covered by the 12th, 13th and 14th resolutions.

Twelfth 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 the J.P. Morgan 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, 2013 and entered into with the J.P. Morgan group mentioned in this report.

Thirteenth resolution

(Approval of the statutory director contract entered into between Mr. Bernard HOURS and Danone Trading B.V. and the corresponding adjustments to the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Bernard HOURS in the event of the termination of his term of office as executive director and officer)

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 Articles L. 225-38 and L. 225-42-1 of the French commercial code, approves the statutory director contract entered into between Mr. Bernard HOURS and Danone Trading B.V., as well as the undertakings given by Danone Trading B.V. under this contract described in the aforementioned special report, and the adjustments to the agreements and undertakings covered by Articles L. 225-38 and L. 225-42-1 of the French commercial code made in favor of Mr. Bernard HOURS in the event of the termination of his term of office as executive director and officer, approved by the Shareholders' Meeting of April 28, 2011 and also mentioned in this report.

Fourteenth resolution

(Approval of the renewal of the agreements and undertakings referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Bernard HOURS and entered into by the Company and Danone Trading B.V.)

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 Articles L. 225-38 and L. 225-42-1 of the French commercial code, approves the renewal of the agreements and undertakings covered by Articles L. 225-38 and L. 225-42-1 of the French commercial code made in favor of Mr. Bernard HOURS and mentioned in this report.

Fifteenth resolution

(Opinion on the elements of the compensation due or awarded to Mr. Franck RIBOUD, Chairman and Chief Executive Officer, for the fiscal year ended December 31, 2013)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF listed companies corporate governance Code, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the elements of the compensation due or awarded to Mr. Franck RIBOUD for the fiscal year ended December 31, 2013, as presented in the Board of Directors' report.

Sixteenth resolution

(Opinion on the elements of the compensation due or awarded to Mr. Emmanuel FABER, Deputy General Manager, for the fiscal year ended December 31, 2013)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF listed companies corporate governance Code, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the elements of the compensation due or awarded to Mr. Emmanuel FABER for the fiscal year ended December 31, 2013, as presented in the Board of Directors' report.

Seventeenth resolution

(Opinion on the elements of the compensation due or awarded to Mr. Bernard HOURS, Deputy General Manager, for the fiscal year ended December 31, 2013)

The Shareholders' Meeting, consulted pursuant to the AFEP-MEDEF listed companies corporate governance Code, acting under the conditions of quorum and majority required for ordinary shareholders' meetings, issues a favorable opinion on the elements of the compensation due or awarded to Mr. Bernard HOURS for the fiscal year ended December 31, 2013, as presented in the Board of Directors' report.

Eighteenth 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 any of the following purposes:

   - 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 external growth transactions;
   - 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 applicable regulations, the shares may be acquired, sold, exchanged or transferred, in whole or in part as the case may be, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF) or *via* a systematic internalizer or over the counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or instrument (including in particular any future or any option) except the sale of put options, in the conditions set out by applicable regulations.

2. Decides that these transactions may be completed at any time, except during the period of a public tender offer for the Company's securities, and within the limits allowed by applicable regulations.

3. Decides that the maximum purchase price may not exceed €65 per share (excluding acquisition costs).

   In the event of a capital increase by incorporation of premiums, reserves or earnings through free allocations of shares or in the event of a stock split or a reverse stock split or any other transaction relating to the share capital, the price indicated above will be adjusted by a multiplying factor equal to the ratio between the number of shares comprising the share capital before the transaction and the number of shares comprising the share capital after the transaction.

4. Acknowledges that the maximum number of shares that may be purchased under this authorization may not, at any time, exceed 10% of the total number of shares comprising the share capital (*i.e.*, on an indicative basis, 63,102,800 shares as of February 28, 2014, without taking into account the shares already held by the Company, representing a maximum theoretical purchase amount of €4,101,682,000), 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;
   - enter into any agreements for, among other purposes, 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 regulatory provisions; and
   - carry out all other formalities and, generally, take any necessary measures.

The Board of Directors will inform the Shareholders' Meeting of the transactions carried out pursuant to this resolution.

This authorization is granted for an 18-month period as from the date of this Meeting and supersedes with effect from this day the authorization granted by the Shareholders' Meeting of April 25, 2013 in its 11th resolution.

Resolutions within the authority of the Extraordinary Shareholders' Meeting

Nineteenth resolution

(Authorization granted to the Board of Directors to allocate existing or newly issued shares of the Company, without preferential subscription rights 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, 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. If the shares allocated are to be issued, this authorization will result, after the expiration of the vesting period(s), in a capital increase through the incorporation of reserves, earnings or premiums in favor of the beneficiaries of said shares.
2. Decides that the Board of Directors will proceed with the allocations and will determine the identity of the beneficiaries of said allocations.
3. Decides that the allocation of shares in accordance with this authorization may not represent a number of existing or newly issued shares exceeding 0.2% of the Company's share capital at the end of this Meeting; this percentage shall be calculated without taking into account the adjustments that may be made in accordance with any applicable legal and regulatory requirements or any contractual provisions providing for any other adjustments, to protect the rights of the holders of securities or other rights giving access to the share capital. It is noted that the nominal amount of the existing or newly issued shares allocated pursuant to this authorization shall be deducted from the limits provided for in paragraph (a) of the 12th and 13th resolutions approved by the Shareholders' Meeting of April 25, 2013.
4. Decides that the existing or newly issued 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 that 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 end of this Meeting (subject to any adjustment mentioned in the preceding paragraph).
5. Decides that the allocation of shares to their beneficiaries will become final after a vesting period, the duration of which will be set by the Board of Directors and shall not be less than three years. The beneficiaries must hold said shares for a duration set by the Board of Directors and the holding period may not be less than two years after the final allocation of such shares. However, if the vesting period for all or a part of one or more allocations is a minimum of four years, the Shareholders' Meeting authorizes the Board of Directors not to impose any holding period for the shares in question. It is reminded that the Board of Directors may provide for longer vesting and holding periods than the aforementioned minimum durations.
6. Expressly subjects the final allocation of all existing or newly issued shares under this resolution to the achievement of the performance conditions determined by the Board of Directors and presented in the Board of Directors' report.
7. Decides, moreover, that, in the event that the disability of the beneficiary corresponds to a classification in the second or third of the categories provided in Article L.341-4 of the French social security code, the shares will be definitively allocated to the beneficiary before the end of the remaining vesting period. Said shares will be freely transferable from delivery.
8. Acknowledges that this authorization entails *ipso jure* the waiver by the shareholders of their preferential subscription right to the shares that would be issued as a result of this resolution, to the benefit of the beneficiaries.
9. Grants full powers to the Board of Directors, with the ability to sub-delegate in accordance with 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 newly issued shares, acknowledge the share capital increases, amend the Company's by-laws accordingly, and more generally complete all formalities useful for the issuance, listing and financial servicing of securities issued as a result of this resolution and take all useful and necessary steps in accordance with applicable laws and regulations.

This authorization is granted until December 31, 2014.

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

(Amendments to the Company's by-laws regarding the appointment of Directors representing employees to the Board of Directors)

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 favorable opinion of the Company's Works Council pursuant to the provisions of Article L. 225-27-1 of the French commercial code, decides to amend, as follows and effective as of this day, Articles 15 and 16 of the Company's by-laws in order to enable the appointment of Directors representing employees on the Board of Directors:

Previous wording	New wording
Article 15 – Method of exercising general management – Board of directors […] Board of directors	**Article 15 – Method of exercising general management – Board of directors** […] Board of directors
I - The company shall be administered by a Board comprising not less than three Directors and not more than the number of directors prescribed by applicable legislation. Directors shall be appointed or reappointed by the Ordinary Shareholders' Meeting and shall be chosen from among the shareholders.	**I -** The company shall be administered by a Board comprising not less than three Directors and not more than the number of directors prescribed by applicable legislation. Directors shall be appointed or reappointed by the Ordinary Shareholders' Meeting and shall be chosen from among the shareholders.
All types of legal entities that are shareholders may sit on the Board of Directors. Upon appointment, they shall designate for the purposes of taking part in the proceedings of the Board of Directors and, generally, of fulfilling said term of office as Director, a permanent representative for the term of the Directorship of said legal entity, which person shall be subject to the same conditions and obligations and shall incur the same liabilities under civil and criminal law as if he were a Director in his private capacity.	All types of legal entities that are shareholders may sit on the Board of Directors. Upon appointment, they shall designate for the purposes of taking part in the proceedings of the Board of Directors and, generally, of fulfilling said term of office as Director, a permanent representative for the term of the Directorship of said legal entity, which person shall be subject to the same conditions and obligations and shall incur the same liabilities under civil and criminal law as if he were a Director in his private capacity.
In the event of the permanent representative's death, resignation or removal from office, the legal entity holding the Directorship shall immediately notify the company, by registered letter, of the reason for terminating said person's term of office and shall also disclose the identity of its new permanent representative.	In the event of the permanent representative's death, resignation or removal from office, the legal entity holding the Directorship shall immediately notify the company, by registered letter, of the reason for terminating said person's term of office and shall also disclose the identity of its new permanent representative.
Acceptance and fulfillment of a Directorship implies the undertaking on the part of each person concerned to swear an oath at any time that he personally meets the conditions and obligations stipulated under applicable law, in particular as regards the question of multiple directorships.	Acceptance and fulfillment of a Directorship implies the undertaking on the part of each person concerned to swear an oath at any time that he personally meets the conditions and obligations stipulated under applicable law, in particular as regards the question of multiple directorships.
II - Individuals shall only be entitled to be appointed or re-appointed as a member of the Board in a personal capacity, provided they are less than seventy years of age on the date of the resolution appointing or re-appointing them. The term of office of any Board member who is an individual shall automatically expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the previous year and held in the year of said Board member's seventieth birthday.	**II -** Individuals shall only be entitled to be appointed or re-appointed as a member of the Board in a personal capacity, provided they are less than seventy years of age on the date of the resolution appointing or re-appointing them. The term of office of any Board member who is an individual shall automatically expire at the end of the Ordinary Shareholders' Meeting convened to approve the financial statements for the previous year and held in the year of said Board member's seventieth birthday.
The Shareholders' Meeting may resolve, however, that this age limit shall not apply to one or more Board members who may remain in office or may be re-appointed once or more than once, provided the number of Board members concerned by this provision does not exceed one-quarter of the Board members in office.	The Shareholders' Meeting may resolve, however, that this age limit shall not apply to one or more Board members who may remain in office or may be re-appointed once or more than once, provided the number of Board members concerned by this provision does not exceed one-quarter of the Board members in office.
	III - When the number of Directors calculated, in accordance with the law, is less than or equal to 12, the Board of Directors shall also include a Director representing employees appointed by the Company's Works Council. When the number of Directors appointed in accordance with the aforementioned section I exceeds 12, and, subject to the condition that this criterion is still satisfied on the day of his/her appointment (which must occur within six months from the time this threshold has been crossed), a second Director representing employees shall be appointed by the European Works Council. It should be noted that in the event the number of Directors falls below or is equal to 12, the term of office of the Director representing employees and appointed by the European Works Council shall remain in effect until the end of its remaining term.

Previous wording	New wording
	Further to applicable legal provisions, it should be noted, as necessary, that failure by the aforementioned employee representative bodies to appoint, pursuant to applicable law and this Article, a Director representing employees (for whatever reason and in particular due to late action by said bodies) in no way affects the validity of the deliberations of the Board of Directors. **The provisions of Article 17 of these by-laws do not apply to Directors representing employees.**
Article 16 – Term of office – Replacement –Additional directorships	**Article 16 – Term of office – Replacement – Additional directorships**
I - Subject to the effect of the provisions of the last two paragraphs of this Article, the term of office of Board members shall be three years. The Directors' term of office shall end at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the previous year and held in the year during which the term of office of said Director expires. Directors whose term of office has expired shall be eligible for reappointment.	**I -** Subject to the effect of the provisions of the last **three** paragraphs of this Article, the term of office of Board members shall be three years. The Directors' term of office shall end at the close of the Ordinary Shareholders' Meeting convened to approve the financial statements of the previous year and held in the year during which the term of office of said Director expires. Directors whose term of office has expired shall be eligible for reappointment. **All of the provisions of this Article 16, section I, apply to Directors representing employees.** **Early termination of the term of office of the Director representing employees shall be carried out in accordance with the conditions set forth by law and this Article; if the conditions provided by law are no longer satisfied, the term of office of the Director(s) representing employees shall terminate at the end of the meeting of the Board of Directors at which the Board of Directors recognizes that the company no longer falls within the scope of the law.**
II – In the event of one or more vacant Directorships resulting from death or resignation, the Board of Directors shall be entitled, between Shareholders' Meetings, to make temporary appointments. Definitive appointments shall be made at the next Ordinary Shareholders' Meeting. If the appointment of a Director chosen by the Board is not ratified by the Shareholders' Meeting, the acts performed by said Director and the resolutions passed by the Board during the temporary period of management shall nevertheless remain valid. Should the number of Directors fall below three, the remaining Directors (or the Statutory auditors or an agent designated by the President of the Commercial Court at the request of any party) shall, forthwith and prior to any proceedings, convene an Ordinary Shareholders' Meeting to appoint one or more new Directors in order to bring members sitting on the Board up to at least the legal minimum. Any Director who is appointed to replace another Director shall remain in office only for the portion of the Directorship of his predecessor which remains to be served. The decision to appoint a new Board member in addition to the current members can be taken only by the Shareholders' Meeting. The Shareholders' Meeting making such an appointment shall set the corresponding term of office.	II – In the event of one or more vacant Directorships resulting from death or resignation, the Board of Directors shall be entitled, between Shareholders' Meetings, to make temporary appointments. Definitive appointments shall be made at the next Ordinary Shareholders' Meeting. If the appointment of a Director chosen by the Board is not ratified by the Shareholders' Meeting, the acts performed by said Director and the resolutions passed by the Board during the temporary period of management shall nevertheless remain valid. Should the number of Directors fall below three, the remaining Directors (or the Statutory auditors or an agent designated by the President of the Commercial Court at the request of any party) shall, forthwith and prior to any proceedings, convene an Ordinary Shareholders' Meeting to appoint one or more new Directors in order to bring members sitting on the Board up to at least the legal minimum. Any Director who is appointed to replace another Director shall remain in office only for the portion of the Directorship of his predecessor which remains to be served. The decision to appoint a new Board member in addition to the current members can be taken only by the Shareholders' Meeting. The Shareholders' Meeting making such an appointment shall set the corresponding term of office. **By exception to the above provisions, in the event a Board seat held by a Director representing employees becomes vacant for any reason, the vacant seat is filled in accordance with the conditions set forth by the law.**

Twenty-first resolution

(Powers to carry out formalities)

The Shareholders' Meeting gives full powers to any bearer of an original, a copy or an excerpt of these minutes to make all legal and administrative formalities and carry out all filings and any publicity required by laws and regulations.

8.3 COMMENTS ON THE RESOLUTIONS OF THE SHAREHOLDERS' MEETING

Approval of the statutory and consolidated financial statements for fiscal year 2013 (1st and 2nd resolutions)

We request that you approve the Company's statutory and consolidated financial statements for the fiscal year ended December 31, 2013.

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 €426,771 during the year under review, and that the tax borne as a result of these expenses and charges totaled €162,173.

Allocation of earnings (3rd and 4th resolutions)

Allocation of earnings and dividend proposal (3rd resolution)

You are asked to:

- acknowledge that the earnings for fiscal year 2013 amount to: €746,692,446.37;
- acknowledge that the retained earnings amount to: €3,237,634,385.14;

  Totaling earnings available for allocation of profits of: €3,984,326,831.51;
- decide to allocate the total earnings available for allocation as follows:
  - to dividends in the amount of: €914,990,600,
  - to retained earnings in the amount of: €3,069,336,231.51.

The amount of €914,990,600 distributed among shareholders enables the payout of a dividend of €1.45 per share. Where this is paid to individuals domiciled in France for tax purposes, the dividend is fully eligible for the 40% tax allowance provided for in Article 158-3.2 of the French tax code.

The dividend to be paid for fiscal year 2013 will be detached from the share on May 7, 2014 and will be payable as from June 3, 2014.

In accordance with 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

Fiscal year	Number of shares	Dividend distributed per share [(a)] *(in €)*
2010	647,921,840	1.30
2011	642,246,573	1.39
2012	643,162,000	1.45

(a) Dividend fully eligible for the 40% deduction provided for in Article 158-3.2 of the French tax code.

Option for the payment of the dividend in shares (4th resolution)

We propose, in accordance with applicable legal provisions and the Company's by-laws, to offer each shareholder the possibility of opting to have the entire dividend paid to him/her in newly issued shares of the Company.

This option, already offered by the Company in 2009, would allow shareholders opting to have their dividend paid in shares to immediately reinvest the amount of their dividend and obtain in return new DANONE shares.

The new shares would bear rights as from January 1, 2014 and would be entirely fungible with the Company's other shares.

The issuance price of these new shares would be set at 90% of the average of the opening Company share prices on Euronext over the twenty trading days preceding the date of the Shareholders' Meeting less the amount of the dividend. This issuance price would be rounded up to the next euro cent.

If the amount of the dividends to which the shareholder is entitled did not correspond to a whole number of shares, the shareholder would obtain the number of shares immediately below, and a balancing payment in cash.

The option for dividends to be paid in shares would be open from May 7, 2014 to May 21, 2014.

Failure to exercise this option within this period would result in the full amount of the dividend owed to the shareholder being paid in cash.

The ex-dividend date is set at May 7, 2014. The date set for payment in cash or delivery of the shares is June 3, 2014.

Composition of the Board of Directors (5th to 10th resolutions)

We request that you renew the terms of office of Mr. Bruno BONNELL, Mr. Bernard HOURS, Mrs. Isabelle SEILLIER and Mr. Jean-Michel SEVERINO as Directors for the three-year period set forth in the by-laws. If their terms of office are renewed, they will expire at the end of the Shareholders' Meeting convened to approve the financial statements for the fiscal year 2016.

We request that you also appoint Mrs. Gaëlle OLIVIER and Mr. Lionel ZINSOU-DERLIN as Directors for the three-year period set forth in the by-laws. Their terms of office would expire at the end of the Shareholders' Meeting convened to approve the financial statements for fiscal year 2016.

The Board of Directors noted that, if all its proposals are approved by the Shareholders' Meeting, the changes in the Board's composition will allow the Board to continue the on-going improvement in the Company's governance.

Accordingly, at the end of the Shareholders' Meeting of April 29, 2014, and in comparison with the composition of the Board at the end of the Shareholders' Meeting of April 25, 2013:

- the rate of independence of the Board would rise from 57% to 71%;
- the percentage of women on the Board would rise from 21% to 29%;
- the average age of Directors would fall from 57.3 years to 56.1 years;
- the average length of term of office as Director would fall from 7.6 years to 7.4 years; and
- the international composition of the Board would remain stable at 29%.

The Board recalls that it has been committed towards its shareholders for several years to improving its governance, particularly in terms of its independence, the percentage of women on the Board, its expertise and the diversity of its composition.

Renewal of terms of office as Directors (5th to 8th resolutions)

Regarding Mr. Bruno BONNELL (5th resolution)

We request that you renew the term of office as Director of Mr. Bruno BONNELL.

1. Mr. Bruno BONNELL's situation with regard to the aggregation of offices rules

On February 19, 2014 the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mr. Bruno BONNELL's situation with regard to the law 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. Bruno BONNELL currently holds only one term of office as Director of another listed company (April SA).

A biography and a list of all Mr. Bruno BONNELL's positions and responsibilities as of December 31, 2013 and of those held during the last five years are included in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mr. Bruno BONNELL's rate of attendance

Mr. Bruno BONNELL's rate of attendance over the past three years has been on average 75% at the Board meetings and 100% at the Social Responsibility Committee meetings.

3. Mr. Bruno BONNELL's situation with regard to independence rules

The Board of Directors of February 19, 2014, on the recommendation of the Nomination and Compensation Committee, examined the situation of Mr. Bruno BONNELL with regard to the regulations of the AFEP-MEDEF Code defining the independence criteria for directors, and notably the criterion under which a director would lose his/her independence once his/her term of office exceeds 12 years.

On this point, however, the Board considered that Danone has a dual economic and social project, which gives it a unique culture, which the Group has reaffirmed in its strategy, governing bodies, performance measurement and management performance for a number of years. The Board has stressed on many occasions the primary importance that it attaches to the Company's cultural factors in order to assess the pertinence and feasibility of the projects submitted to its approval. It considers that Danone's culture with respect to its dual project is a unique competitive advantage, for the Group and in the interests of its shareholders.

As such, the Board has observed that within the collective decision-making approach taken at its meetings, the ability to view the development of cultural traits specific to the Company and its mission in the long-term is a real benefit which clarifies the Board's work. The Board thus believes that the holding of a term of office over a long period constitutes a measure of an ability to contribute to the Board's work in a free and autonomous manner while ensuring that the Group's identity and culture are preserved, rather than being an obstacle to independence, and that additionally, the length of service on the Board should not be used solely to determine the non-independence of a director.

Furthermore, the Board has observed that Mr. Bruno BONNELL has continually proven his particularly noteworthy independence of thought and freedom of speech, which have led him to take up marked and constructive positions and to provide specific and differentiated viewpoints during Board discussions. The Board noted that these positions have enriched its decisions and that the independence of such decisions is an important value for Danone, within a Board of Directors which has a majority of independent Directors as defined using the strictest application of current standards.

In view of these elements, the Board has therefore decided that Mr. BONNELL is considered to be an independent Director for the purpose of the renewal of his term of office.

Regarding Mr. Bernard HOURS (6th resolution)

We request that you renew the term of office as Director of Mr. Bernard HOURS, Deputy General Manager of the Company.

1. Situation of Mr. Bernard HOURS with regard to the aggregation of offices rules

On February 19, 2014 the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mr. Bernard HOURS' situation with regard to the law 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. Bernard HOURS currently holds only one term of office as a director of another listed company (Essilor International).

A biography and a list of all Mr. Bernard HOURS' positions and responsibilities as of December 31, 2013 and of those held during the last five years are included in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mr. Bernard HOURS' rate of attendance

Mr. Bernard HOURS' attendance rate at Board meetings over the past three years has been 100%. He does not sit on any committee.

3. 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, up to 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 decided that the holding obligation would be deemed to be fulfilled when the threshold set out above is 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. Bernard HOURS' term of office. On this occasion, the Board of Directors meeting of February 19, 2014, in accordance with the recommendation of the Nomination and Compensation Committee, decided that this holding obligation was sufficiently stringent.

Furthermore, 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, in accordance with the terms 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 (as set out above), this mechanism had an effect equivalent to that of the recommendation of the AFEP-MEDEF Code and allowed to achieve the objective targeted by this recommendation. Consequently, the Board decided that it was not relevant to supplement this mechanism with a share purchase obligation at the end of the holding period applicable to the shares allocated.

Regarding Mrs. Isabelle SEILLIER (7th resolution)

We request that you renew the term of office as Director of Mrs. Isabelle SEILLIER.

1. Mrs. Isabelle SEILLIER's situation with regard to the aggregation of offices rules

On February 19, 2014 the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mrs. Isabelle SEILLIER's situation with regard to the law 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, Mrs. Isabelle SEILLIER currently holds only one term of office as a director of another listed company (Club Méditerranée SA).

A biography and list of all Mrs. Isabelle SEILLIER's positions and responsibilities as of December 31, 2013 and of those held during the last five years are included in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mrs. Isabelle SEILLIER's rate of attendance

Mrs. Isabelle SEILLIER's attendance rate at Board meetings over the past three years has been 100%. She does not sit on any committee.

3. Mrs. Isabelle SEILLIER's situation with regard to independence rules

In the annual individual review of independence of the Directors, Mrs. Isabelle SEILLIER was designated by the Board at its meeting of February 19, 2014, upon recommendation of the Nomination and Compensation Committee, a non-independent Director as a result of her functions as executive director in the banking group J.P. Morgan Chase, which is one of the banks with which the Group has regular business relations.

The Board of Directors recalls that, in this regard, and upon recommendation of the Nomination and Compensation Committee, 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, in particular: (i) Mrs. Isabelle SEILLIER systematically abstains from participating in discussions and voting on decisions that could put her in a conflict of interest situation, (ii) express mention is made in the report of the Board of Directors to the Shareholders' Meeting that she has been designated as non-independent Director and that there might be a potential conflict of interest concerning her, (iii) total transparency prevails regarding compensation conditions of the J.P. Morgan group by the Group in connection with agreements submitted for the approval of shareholders and, (iv) a resolution concerning all new related party agreements that may, in the future, be entered into with the J.P. Morgan group will be systematically put to a separate shareholder vote during the subsequent Shareholders' Meeting. Thus, since the beginning of the term of office of Mrs. Isabelle SEILLIER in 2010 and at each Shareholders' Meeting since then, a specific and distinct resolution has been presented to the shareholders regarding agreements reached with the J.P. Morgan group.

Regarding Mr. Jean-Michel SEVERINO (8th resolution)

We request that you renew the term of office as Director of Mr. Jean-Michel SEVERINO.

1. Mr. Jean-Michel SEVERINO's situation with regard to the aggregation of offices rules

On February 19, 2014 the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mr. Jean-Michel SEVERINO's situation with regard to the law 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. Jean-Michel SEVERINO currently holds only one term of office as director of another listed company (Orange SA).

A biography and a list of all Mr. Jean-Michel SEVERINO's positions and responsibilities as of December 31, 2013 and of those held during the last five years are included in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

2. Mr. Jean-Michel SEVERINO's rate of attendance

Mr. Jean-Michel SEVERINO's attendance rate at meetings of the Board, of the Audit Committee and of the Social Responsibility Committee over the past three years has been 100%.

3. Mr. Jean-Michel SEVERINO's situation with regard to independence rules

In the annual individual review of independence of the Directors, the Board, at its meeting of February 19, 2014, upon recommendation of the Nomination and Compensation Committee, confirmed the designation of Mr. Jean-Michel SEVERINO as independent Director, in compliance with the AFEP-MEDEF Code independence criteria.

Nomination of two new Directors (9th and 10th resolutions)

The Board of Directors of February 19, 2014, upon recommendation of the Nomination and Compensation Committee, examined the situation of each of these nominees:

Regarding Mrs. Gaëlle OLIVIER (9th resolution)

1. Skills and expertise of Mrs. Gaëlle OLIVIER

Aged 42 and of French nationality, Mrs. Gaëlle OLIVIER is a graduate of the Ecole Polytechnique, of the ENSAE and is an actuary.

After starting her career at Crédit Lyonnais in the equity derivatives trading room, Mrs. Gaëlle OLIVIER then went to AXA in 1998 where she held various positions both in France and abroad in various activity areas of the AXA group. After two years at AXA Investment Managers, she became Executive Assistant to the group's Chairman and Chief Executive Officer, Henri de Castries, and was Secretary of the Supervisory Board for five years. In 2004, she joined AXA Life Japan, as Head of Investment activities, and then member of the Steering Committee in 2006, with responsibility for strategy, integration with Winterthur Japan and auditing. In 2009, she became Head of Communication and Corporate Responsibility of the AXA group. Since 2011, she has been Director General of AXA's damages insurance in Asia.

The Board notes that her appointment would strengthen the various skills and expertise already present on the Board since, in addition to her in-depth knowledge of Asia, Mrs. Gaëlle OLIVIER has recognized skills in the areas of finance, risk management and internal audit. Additionally, in connection with her functions as Secretary of the Supervisory Board, she has also been involved in the challenges of governance.

2. Mrs. Gaëlle OLIVIER's situation with regard to the aggregation of offices rules

On February 19, 2014 the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mrs. Gaëlle OLIVIER's situation with regard to the law 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, Mrs. Gaëlle OLIVIER currently holds no term of office as director of another listed company.

A biography and a list of all Mrs. Gaëlle OLIVIER's positions and responsibilities as of December 31, 2013 and of those held during the last five years are included in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

3. Mrs. Gaëlle OLIVIER's situation with regard to the independence rules

The Nomination and Compensation Committee, followed by the Board of Directors at its meeting of February 19, 2014, specifically reviewed the relationships between the Group and AXA and its various subsidiaries (the "AXA Group"), of which Mrs. Gaëlle OLIVIER is a senior executive, in order to assess whether these are of such importance and nature as to affect Mrs. Gaëlle OLIVIER's independence of judgment.

The Board of Directors thus determined:

- that there is indeed a contractual relationship between the Group and the AXA Group, the latter being part of the major insurance groups located in many countries where the Group is also present;
- that financial flows between the Group and the AXA Group essentially correspond to the payment by the Group of insurance premiums covering property damage, business interruption, general liability and personal insurance policies (including expatriate employees of the Group); and
- that, in any event, for the year 2013, the amounts paid by the Group to the AXA Group were significantly lower than 0.1% of the sales generated either by the Group or by the AXA Group.

The Board considered, insofar as such contracts or agreements are concluded at market conditions in the normal course of the Group's business and do not represent a significant amount, none of these contracts or agreements, taken separately or together:

- may give rise to conflicts of interests between, on the one hand, Mrs. Gaëlle OLIVIER's obligations in her capacity as Director *vis-à-vis* Danone or its shareholders and, on the other hand, her private interests and/or other obligations; and
- is likely to undermine her independence as Director of Danone.

The Board, therefore, considers that Mrs. Gaëlle OLIVIER fully satisfies the independence criteria of the AFEP-MEDEF Code and that her situation is not likely to give rise to any conflict of interests.

Regarding Mr. Lionel ZINSOU-DERLIN (10th resolution)

1. Skills and expertise of Mr. Lionel ZINSOU-DERLIN

Aged 59 and a national of both France and Benin, Mr. Lionel ZINSOU-DERLIN is a graduate of the École Normale Supérieure (rue d'Ulm), of the London School of Economics and of the Institut d'Études Politiques of Paris. He holds a Masters Degree in economic history and is an Associate Professor of economics and social sciences.

He started his career as a lecturer and teacher of economics at the Université Paris XIII. Between 1984 and 1986 he was Adviser to the Minister of Industry and the Prime Minister. In 1986 he joined the Danone Group, where he held various positions, in particular Head of Development, then Managing Director of HP Foods and Lea & Perrins. In 1997, he left the Group for Rothschild & Cie Banque, where he became a managing partner and held the positions of Head of Consumer Goods and Director Middle East and Africa. In 2008, he joined PAI Partners SAS, where he has been Chairman since 2009, and Chairman of the Executive Committee since 2010.

The Board notes that Mr. Lionel ZINSOU-DERLIN's extensive experience in financial matters, and mergers and acquisitions, as well as his excellent knowledge of African markets, will constitute valuable skills for the work of the Board.

2. Mr. Lionel ZINSOU-DERLIN's situation with regard to the aggregation of offices rules

On February 19, 2014 the Board of Directors, upon recommendation of the Nomination and Compensation Committee, examined Mr. Lionel ZINSOU-DERLIN's situation with regard to the law 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. Lionel ZINSOU-DERLIN currently holds only two terms of office as director of other listed companies (Atos SA and Kaufman & Broad SA).

A biography and a list of all Mr. Lionel ZINSOU-DERLIN's positions and responsibilities as of December 31, 2013 and of those held during the last five years are included in section 6.2 *Positions and responsibilities of the Directors and nominees to the Board of Directors*.

3. Mr. Lionel ZINSOU-DERLIN's situation with regard to the independence rules

The Nomination and Compensation Committee, followed by the Board of Directors at its meeting of February 19, 2014, specifically reviewed the situation of Mr. Lionel ZINSOU-DERLIN and considered that the fact that Mr. Lionel ZINSOU-DERLIN had been an employee and senior executive of the Group for 11 years, until 1997, does not call into question his designation as independent Director. The AFEP-MEDEF Code indeed states that only persons who have been employees or officers of the company, its parent company or its consolidated subsidiaries during the previous five years should be considered non-independent directors.

The Board, therefore, considers that Mr. Lionel ZINSOU-DERLIN fully satisfies the independence criteria of the AFEP-MEDEF Code and that his situation is not likely to give rise to any conflict of interests.

Approval of agreements and commitments referred to in the Statutory auditors' special report (11th to 14th resolutions)

We are asking you to approve the regulated agreements referred to in Articles L. 225-38 *et seq.* of the French commercial code, which were authorized by the Board of Directors during the 2013 fiscal year and early in the 2014 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 group (12th resolution).

Furthermore, although this is not required by regulations, the Board decided that the vote by the Shareholders' Meeting on the agreements and commitments referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Bernard HOURS should be addressed by two 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) (11th resolution);
- a separate resolution on the agreements entered into by the Company with the J.P. Morgan group (12th resolution); and
- two specific resolutions on the agreements and commitments referred to in Articles L. 225-38 and L. 225-42-1 of the French commercial code regarding Mr. Bernard HOURS (13th and 14th resolutions).

Lastly, it should be noted that, by law, only new agreements are subject to a vote of the Shareholders' Meeting. However, for the information of the shareholders, the special report of the Statutory auditors describes existing agreements that remained in effect during the fiscal year ended December 31, 2013. 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 (11th resolution)

You are first asked to approve the new agreement authorized by the Board of Directors during the fiscal year ended December 31, 2013 and described in the Statutory auditors' special report on related party agreements and commitments (see section 6.5 *Statutory auditors' special report on related party agreements and commitments*).

With the exception of the agreements entered into with the J.P. Morgan group and the agreements and commitments relating to Mr. Bernard HOURS, which are covered by separate, individual resolutions, one regulated agreement was entered into by the Company in 2013 and is thus submitted to the shareholders for approval.

1. Description of the agreement entered into with the subsidiary Danone Finance International

Danone Finance International is an indirect wholly-owned 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 was extended by means of an amendment signed on July 12, 2012.

At its meeting of April 25, 2013, the Board of Directors unanimously authorized the increase in the scope of this guarantee as part of the extension of the term of the new syndicated loan for an additional year (the conclusion of the amendment thus extending the term of the syndicated loan is also subject to shareholder approval due to the presence of the J.P. Morgan group among the lending banks - see comments below on the 12th resolution). We remind you that the maximum principal amount covered by this guarantee is €2 billion.

The increase in the scope of the guarantee resulting from the signing of a second amendment to the syndicated facilities agreement extending the contract duration is thus subject to shareholder approval. This amendment enables the Group to benefit from credit lines totaling €2 billion until July 2018.

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.

The Board informs you that since Danone Finance International did not draw down any amount under this syndicated facilities agreement in 2013, this guarantee was not activated during the year.

2. Benefit for the Company and shareholders of entering into this agreement

This agreement is entered into with a Group subsidiary specializing in finance, which carries out transactions that are essential to the operations of the Group's entities (mainly cash centralization).

The Board of Directors stresses that this subsidiary needs the Company guarantee to properly carry out its 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 transactions interrupted;
- this subsidiary must also be able to obtain the best possible financial terms (it is granted advantageous terms as it benefits from the Company's credit quality).

This agreement is therefore in the strict interest of the Company and its shareholders.

We therefore request that you approve this agreement entered into by the Company with its subsidiary, which was authorized by the Company's Board of Directors during the year ended December 31, 2013.

Separate resolution on the agreements entered into with the J.P. Morgan group (12th resolution)

As part of its activities, the Group works with various leading financial institutions, including the J.P. Morgan group.

In 2013, the Board of Directors thus authorized the signing of the following two agreements with various banks, including the J.P. Morgan group: (i) a second amendment to the syndicated loan agreement signed in 2011, and (ii) a subscription agreement entered into on November 13, 2013 as part of a bond issue.

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 on the Board of Directors of Mrs. Isabelle SEILLIER, also a senior executive of the J.P. Morgan group.

Mrs. Isabelle SEILLIER has been a Director of the Company since the Shareholders' Meeting of April 28, 2011. Due to her position at J.P. Morgan, she was designated non-independent Director by the Board of Directors, upon 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 (see comments on the 7th resolution above).

1. July 12, 2012 amendment to the syndicated facilities agreement

At its meeting on July 27, 2011, the Board of Directors unanimously authorized the Company to enter into a syndicated facilities agreement with J.P Morgan Europe Limited and J.P. Morgan Limited (hereinafter together or separately "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 maturity 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 syndicated facilities agreement at the Shareholders' Meeting of April 26, 2012.

At its meeting on June 18, 2012, the Board of Directors unanimously (Mrs. Isabelle SEILLIER abstaining from voting) authorized the Company to enter with J.P. Morgan into 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) in return, the addition, for all participating banks and in proportion to their commitments, of a fee for utilization of the facilities under certain circumstances and an additional margin for drawdowns in US dollars.

Thus, on July 12, 2012, the Company, together with J.P. Morgan and several other bank parties drew up an amendment agreement to the syndicated facilities agreement. This amendment agreement took effect on July 28, 2012 (the syndicated facilities agreement's anniversary date).

At its meeting on April 25, 2013, the Board of Directors again unanimously authorized the Company to extend by one additional year (*i.e.* until July 28, 2018) the duration of the syndicated facilities agreement with J.P. Morgan entered into on July 28, 2011 and amended on July 12, 2012, Mrs. Isabelle SEILLIER abstaining from voting.

In this context, and by a deed dated May 24, 2013, the syndicated facilities agreement was extended again for another year, without changing any other terms of the facility, with the agreement of all the bank parties to the syndicated facilities agreement (including J.P. Morgan).

This second amendment will enable the Group to benefit from credit lines totaling €2 billion until July 2018.

J.P. Morgan's commitment as a lender under the syndicated facilities agreement represents €210 million, *i.e.* 10.5% of the total, which is the same percentage as the other banks having the first rank in the syndicated facilities agreement. The fees and interest owed to the 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.

No amount was drawn under this syndicated facilities agreement in 2013.

In 2013, the Company paid J.P. Morgan a total of €297,266 in fees related to these credit facilities (non-utilization fees).

As indicated in the Board of Directors' reports to the Shareholders' Meetings of April 26, 2012 and April 25, 2013, the shareholders will be informed each year, by means of the Statutory auditors' special report on related party agreements and commitments, of the amount actually paid to J.P. Morgan in respect of this agreement during the preceding fiscal year.

2. Subscription agreement of November 13, 2013 in connection with a bond issue

At its October 23, 2013 meeting, the Board of Directors unanimously (Mrs. Isabelle SEILLIER abstained from voting) authorized the Company to enter with the J.P. Morgan into group subscriptions agreements in connection with a bond issue by the Company.

Under this authorization, on November 13, within the scope of a bond issue of €1 billion with a maturity of eight years under the EMTN program, the Company entered into a subscription agreement with the banks responsible for placing the bonds (including J.P. Morgan Securities PLC), under the terms of which said banks underwrote the Company's entire bond issue, which they then immediately placed with investors wishing to participate in the issue.

Under the subscription agreement, a fee of 0.2% of the nominal amount of the bonds issued was equally divided among the banks responsible for placing the bonds (including J.P. Morgan Securities PLC); these fees were proportional to the banks' underwriting commitments, which were all of the same amount.

In this context, the amount paid to each of the banks responsible for the placement of the bonds, including J.P. Morgan Securities PLC after equal sharing of the commission, amounted to €333,333.

3. Benefit for the Company and its shareholders of these agreements entered into with J.P. Morgan

The Board of Directors recalls 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 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; and
- 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 granted to J.P. Morgan. Thus, for the bond issue in 2013 with the JP Morgan group, the commission paid by the Company was divided equally among all the banks responsible for placing the bonds, these commissions being paid in proportion to the underwriting commitment of each bank and all banks having the same underwriting commitment.

In this context, we request that you approve the two above mentioned agreements entered into by the Company with the J.P. Morgan group, which were authorized by the Board of Directors during the fiscal year ended December 31, 2013.

Approval of related party agreements and commitments concerning Mr. Bernard HOURS (13th and 14th resolutions)

1. Statutory Director contract signed between Mr. Bernard HOURS and Danone Trading B.V., an indirect 100%-owned subsidiary of the Company located in the Netherlands and corresponding amendment of the commitments relating to the conditions of compensation in certain cases of termination of office of Mr. Bernard HOURS (13th resolution)

Conclusion of a statutory director contract between Mr. Bernard HOURS and Danone Trading B.V.

At its meeting of December 10, 2013, upon recommendation of the Nomination and Compensation Committee, the Board decided unanimously (Mr. Bernard HOURS abstained from voting) to approve the statutory director contract between Mr. Bernard HOURS and Danone Trading B.V. (the "Dutch Statutory Director Contract"), a subsidiary of the Company located at Schiphol in the Netherlands. As part of this Dutch Statutory Director Contract, operational management of the Group's four Divisions, provided by Mr. Bernard HOURS, is to take place in Schiphol from January 1, 2014.

Since 2007 and the acquisition of the Numico group, Schiphol has been an important center for the Group where a large part of the operational management of its business is based. This center, with nearly 700 employees, is notably where the management seats for the Medical Nutrition and Early Life Nutrition Divisions are based. The Group's second-largest global research center, after Palaiseau in France, is also situated in the Netherlands.

The main features of the Dutch Statutory Director Contract signed by Danone Trading B.V. on December 20, 2013 are set out in section 1.1.3.a) of the Statutory auditors' special report on related party agreements and commitments.

In particular, in accordance with Dutch law, the Dutch Statutory Director Contract provides for payment of an indemnity for termination to Mr. Bernard HOURS. In order to ensure compliance with the AFEP-MEDEF Code, the termination indemnity payment mechanism with respect to the Dutch Statutory Director Contract has been aligned with that provided for in the event of termination by Mr. Bernard HOURS of his duties as Deputy General Manager. Hence, a termination indemnity, equal to twice the gross annual (fixed and variable) compensation received by Mr. Bernard HOURS during the preceding 12 months pursuant to the Dutch Statutory Director Contract (the "Dutch Statutory Director Indemnity"), may be paid, provided that the performance-related criteria and payment conditions (*i.e.*, in the event of forced termination related to a Change of Control or change in strategy only) identical to those fixed by the Board of Directors for the termination indemnity related to Mr. Bernard HOURS' term of office as Deputy General Manager are met. This indemnity will not be paid if Mr. Bernard HOURS can, within a short period of time, avail himself of his pension entitlements. Like the termination indemnity with respect to the term of office as Deputy General Manager, the payment of the Dutch Statutory Director Indemnity will be authorized by the Board of Directors within three months from termination of Mr. Bernard HOURS' duties, after the Nomination and Compensation Committee has issued its opinion and after acknowledgement, on the basis of a financial adviser's report, that the performance-related criteria have been met.

Moreover, in the context of the conclusion of the Dutch Statutory Director Contract, the Board of Directors, upon recommendation of the Nomination and Compensation Committee, re-examined Mr. Bernard HOURS' duties as Deputy General Manager. In this review, the Board redefined in the internal organization of the Company, with effect from January 1, 2014, the scope of duties and tasks entrusted to Mr. Bernard HOURS as Deputy General Manager. It is pointed out that Mr. Bernard HOURS' being based in the Netherlands has no impact on the governance of the Danone group or on the organization of the meetings of the Board of Directors or of the Executive Committee (which essentially take place in Paris).

The Board also defined the fixed gross annual compensation and the short-term target variable gross compensation to be paid to Mr. Bernard HOURS for his term of office as Deputy General Manager and for the Dutch Statutory Director Contract for fiscal year 2014. In this context, in accordance with the AFEP-MEDEF Code, compliance was assured with the following principles in particular (i) stability, particularly in terms of amount, relative to the components and commitments currently benefiting to Mr. Bernard HOURS, and (ii) consistency with the Group's compensation policy (see section 6.3 *Compensation and benefits for executives and governance bodies)*. Changes in Mr. Bernard HOURS' compensation pursuant to his term of office as Deputy General Manager and to the Dutch Statutory Director Contract remain subject to the approval of the Board of Directors, after the Nomination and Compensation Committee has issued its opinion, taking into account the other components of Mr. Bernard HOURS' compensation.

Related amendment of commitments concerning indemnification conditions in certain cases of termination of his term of office

When the Dutch Statutory Director Contract was signed on December 10, 2013, the Board of Directors decided unanimously, upon recommendation of the Nomination and Compensation Committee, to amend the indemnity which may be paid to Mr. Bernard HOURS in the event of termination of his office as Deputy General Manager.

This right to an indemnity authorized by the Board of Directors on February 14, 2011 and approved by the Shareholders' Meeting of April 28, 2011, was amended to take into account the Dutch Statutory Director Indemnity and also to align the arrangement that Mr. Bernard HOURS benefits from with those applicable to Mr. Franck RIBOUD and Mr. Emmanuel FABER, authorized by the Board on February 18, 2013 and approved by the Shareholders' Meeting of April 25, 2013, those amendments being made to ensure strict compliance with the AFEP-MEDEF Code.

The arrangements, modified by the Board of Directors on December 10, 2013, and in force since January 1st, 2014, are described in section 1.1.3.b) of the Statutory auditors' special report on related party agreements and commitments.

2. Renewal under identical terms of commitments regarding Mr. Bernard HOURS' compensation conditions as Deputy General Manager, in certain cases of termination of his term of office and of the agreement signed with Danone Trading B.V. (13th resolution)

By law, upon the renewal of the term of office of Mr. Bernard HOURS as Director, the Company's shareholders must decide as to the renewal of his right to indemnification in the event of termination of his duties.

At its meeting of February 19, 2014 the Board of Directors decided unanimously, upon recommendation of the Nomination and Compensation Committee, when renewing Mr. Bernard HOURS' term of office subject to the vote of the Shareholders' Meeting of April 29, 2014, to renew the commitments made by the Group in certain cases of termination of his duties as Deputy General Manager and of his Dutch Statutory Director Contract.

These commitments are to be renewed under the same terms as those decided by the Board of Directors on December 10, 2013.

The arrangements renewed by the Board of Directors on February 19, 2014 are described in section 1.1.3.b) of the special report by the Statutory auditors' special report on related party agreements and commitments.

Opinion on the components of compensation due or awarded for the year ended December 31, 2013 to executive directors and officers (15th to 17th resolutions)

Reminder of the principles of the Group's compensation policy for executive directors and officers

In accordance with the recommendations of the AFEP-MEDEF Code, the Company submits to the opinion of its shareholders the components of the compensation due or awarded for the year ended December 31, 2013 to its three executive directors and officers.

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. We remind you that these two bodies are predominantly (for the Board) or in whole (for the Nomination and Compensation Committee) composed of independent directors.

In accordance with the AFEP-MEDEF Code, the compensation of the Company's executive directors and officers is:

- appropriate and balanced in its various components, while favoring the award of a main part in the form of a variable compensation for several years; and
- determined in line with that of other directors and officers of the Group's subsidiaries worldwide.

The principles applied are divided into two distinct elements: an annual compensation and a pluri-annual compensation as detailed below.

The Nomination and Compensation Committee undertook an in-depth study of good practices in the market on the basis of (i) a benchmark prepared by external consultants, whose objectivity is guaranteed by the Committee, including large international companies listed in France (CAC 40), and (ii) a panel of eight leading international groups in the food and beverage sector (the same panel as used for the performance conditions of Group performance shares and termination indemnities of executive directors and officers, and including Unilever N.V., Nestlé S.A., PespiCo Inc., The Coca-Cola Company, Kraft Foods Group Inc., Mondelēz International Inc., General Mills Inc. and Kellogg Company).

The Nomination and Compensation Committee determines the compensation of its executive directors and officers taking care, on the one hand, that the mid-term and long-term portion is sufficiently significant in relation to their annual compensation (to motivate the executive directors and officers to work in a long-term perspective) and, on the other hand, that the part subject to performance conditions is also sufficiently significant when compared to the fixed part (to ensure effective alignment of the interests of management with the general interest of the Company and shareholders). We can also confirm that the Nomination and Compensation Committee determines the overall compensation of its executives by integrating the advantage represented by the potential benefit of a supplementary pension plan.

The performance conditions used to determine the various components of the executive directors' and officers' compensation are established so as to be both complementary and stable over the long-term. They are drawn up with reference to the Group's objectives as regularly communicated to the markets. In addition, these performance conditions reflect compensation best practices, such as the integration of internal and external performance conditions, the latter being drawn up according to the "no pay below median" principle.

Lastly, the Nomination and Compensation Committee is particularly careful to ensure that the performance criteria for compensation are demanding and reward long-term performance in line with market expectations. Thus, for Group performance shares granted in 2013, as one of the performance conditions was not met, the maximum number of Group performance shares deliverable to executive directors and officers has been reduced by one-third. The remaining two-thirds of the Group performance shares remain subject to the achievement of a performance condition linked to growth in the Group's net sales compared to a panel of its peers.

The compensation policy implemented is based on simple, stable and transparent principles: thus Group performance units have been awarded since 2005 and Group performance shares since 2010. All the components of the compensation of executive directors and officers, as well as an assessment of whether they have been achieved, are published on the Company's website and in the Registration Document (see section 6.3 *Compensation and benefits for executives and governance bodies*). Lastly, for several years, the Company has been holding regular dialogs with its shareholders on this subject.

The annual compensation of the executive directors and officers is composed of the following components:

- a fixed compensation, reviewed after relatively long periods, in accordance with the recommendations of the AFEP-MEDEF Code and which reflects the experience and level of responsibility of the beneficiary; in this regard, it is specified that the annual fixed compensation of the three executive directors and officers of Danone has been stable for several years; and
- a short-term annual variable compensation, capped at 150% of annual variable target compensation for the Chairman and Chief Executive Officer, with the on-target amount of the latter representing 135% of his fixed compensation. It is capped at 200% of annual variable target compensation for Deputy General Managers, with the on-target amount of the latter representing 83% of their fixed compensation. It is granted subject to performance conditions, calculated on the basis of objective and precise quantitative and qualitative criteria and determined on the basis of economic, social and managerial objectives. This short-term annual variable compensation includes:
  - a variable economic portion which makes up the majority of this element, calculated with reference to the Group's objectives as communicated to the markets in terms of:
    - sales,
    - trading operating margin, and
    - free cash-flow,
  - a variable social portion, calculated with reference to the Group's social objectives (safety at work, employee training, skills development, environmental parameters and societal initiatives), and
  - a variable managerial portion, calculated with reference to objectives related to growth of the Group's business (product innovation, market share, development in new geographical areas, implementation of strategic directions).

The medium- and long-term variable compensation of executive directors and officers is composed of the following components:

- a medium-term variable compensation in the form of "Group performance units" paid subject to pluri-annual performance conditions being met over a three-year period; and
- a long-term variable compensation in the form of Group performance shares subject to long-term performance conditions based on internal performance criteria (related to the objectives communicated to the markets by the Group) and external performance criteria (related to a comparison of the Group's performance against those of a panel of its peers). The Company's program for awarding Group performance shares is thus in line with best market practices (see comments on the 19th resolution below).

For more information on the compensation policy for executive directors and officers, see section 6.3 *Compensation and benefits for executives and governance bodies*.

Concerning the components of the compensation due or awarded in respect of the year ended December 31, 2013 to Mr. Franck RIBOUD, Chairman and Chief Executive Officer, submitted for review by the shareholders (15th resolution)

The shareholders are asked to issue an opinion on the following components of the compensation due or awarded to Mr. Franck RIBOUD, Chairman and Chief Executive Officer, for the year just ended:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2014**	**Presentation**
Components of compensation due or awarded in respect of the year just ended		
Fixed compensation	1,050,000	Fixed compensation is reviewed after relatively long periods in accordance with the recommendations of the AFEP-MEDEF Code and takes into account the executive's experience and level of responsibility. Fixed compensation paid to Mr. Franck RIBOUD has remained stable for the past six years.
Annual variable compensation	893,025	Short-term variable compensation is subject to performance conditions, calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of the economic, social and managerial objectives described in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Principles applicable to annual variable compensation*. It is recalled that the annual variable compensation of Mr. Franck RIBOUD in respect of 2012 was equal to €1,346,625.
Deferred variable compensation	Not applicable	Not applicable
Pluri-annual variable compensation (*i.e.* Group performance units) (a)	545,000	Pluri-annual variable compensation consists of Group performance units paid subject to pluri-annual performance conditions over a three-year period. General principles applying to Group performance units as well as the annual objectives to be met for the granting of Group performance units are presented in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Principles of pluri-annual variable compensation* and to *Description of the Group performance units program*.
Extraordinary compensation	Not applicable	To date, the Group has not introduced a system of extraordinary compensation for executive directors and officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation (b)	Options = Not applicable	None granted. The most recent grant of stock-options to executive directors and officers occurred in November 2009 (for detailed information, see section 6.3 *Compensation and benefits for executives and governance bodies* related to *Long-term compensation in the form of stock-options* (*up to 2009*) and to *Description of stock-option programs (as of December 31, 2013)*).
	Group performance shares = 1,882,413	Long-term variable compensation takes the form of Group performance shares. Group performance shares are Company shares subject to performance conditions. General principles and performance conditions applying to Group performance shares granted in 2013 are presented in sections 6.3 *Compensation and benefits for executives and governance bodies* related to *Long-term compensation in the form of Group performance shares (program introduced in 2010)* and to *Description of the Group performance shares program*.
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or executive directors and officers do not receive attendance fees.

(a) Value of Group performance units granted in the fiscal year in question, taking into account the non-achievement of the margin objective in 2013 (see details above), *i.e.* €20 per Group performance unit.

(b) Represents the estimated value as of the grant date in accordance with IFRS 2 (see details above), after taking into account the non-achievement of the performance condition relating to the margin, *i.e.* a discount of one-third of the value of the Group performance shares granted in July 2013.

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2014**	**Presentation**
Value of benefits of any kind	4,620	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.
Components of compensation due or awarded in respect of the year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	Not applicable	In accordance with applicable law, payment of termination indemnities to executive directors and officers is subject to performance conditions. In addition, and in compliance with the AFEP-MEDEF Code, the amount of these termination indemnities is subject to a limit and they are to be paid only in certain cases. Comprehensive information concerning the severance arrangements for Mr. Franck RIBOUD is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.
Non-compete indemnities	Not applicable	Mr. Franck RIBOUD's suspended employment contract does not include a non-compete clause.
Supplementary retirement plan	Not applicable	Executive directors and officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers. This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Obligations relative to executives' retirement plans*.

Concerning the components of the compensation due or awarded in respect of the year ended December 31, 2013 to Mr. Emmanuel FABER, Deputy General Manager, submitted for review by the shareholders (16th resolution)

The shareholders are asked to issue an opinion on the following components of the compensation due or awarded to Mr. Emmanuel FABER, Deputy General Manager, for the year just ended:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2014**	**Presentation**
Components of compensation due or awarded in respect of the year just ended		
Fixed compensation	681,500	Fixed compensation is reviewed after relatively long periods in accordance with the recommendations of the AFEP-MEDEF Code and takes into account the executive's experience and level of responsibility. Fixed compensation paid to Mr. Emmanuel FABER has remained stable for the past three years.
Annual variable compensation	355,320	Short-term variable compensation is subject to performance conditions, calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of the economic, social and managerial objectives described in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Principles applicable to annual variable compensation*. It is recalled that the annual variable compensation of Mr. Emmanuel FABER in respect of 2012 was equal to €648,600.
Deferred variable compensation	Not applicable	Not applicable
Pluri-annual variable compensation (*i.e.* Group performance units) (a)	412,500	Pluri-annual variable compensation consists of Group performance units paid subject to pluri-annual performance conditions over a three-year period. General principles applying to Group performance units as well as the annual objectives to be met for the granting of Group performance units are presented in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Principles of pluri-annual variable compensation* and to *Description of the Group performance units program*.
Extraordinary compensation	Not applicable	To date, the Group has not introduced a system of extraordinary compensation for executive directors and officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation (b)	Options = Not applicable	None granted. The most recent grant of stock-options to executive directors and officers occurred in November 2009 (for detailed information, see section 6.3 *Compensation and benefits for executives and governance bodies* related to *Long-term compensation in the form of stock-options (up to 2009)* and to *Description of stock-option programs (as of December 31, 2013)*).
	Group performance shares = 1,424,775	Long-term variable compensation takes the form of Group performance shares. Group performance shares are Company's shares subject to performance conditions. General principles and performance conditions applying to Group performance shares granted in 2013 are presented in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Long-term compensation in the form of Group performance shares (program introduced in 2010)* and to *Description of the Group performance shares program*.
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or executive directors and officers do not receive attendance fees.
Value of benefits of any kind	4,620	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.

(a) Value of Group performance units granted in the fiscal year in question, taking into account the non-achievement of the margin objective in 2013 (see details above), *i.e.* €20 per Group performance unit.
(b) Represents the estimated value as of the grant date in accordance with IFRS 2 (see details above), after taking into account the non-achievement of the performance condition relating to the margin, *i.e.* a discount of one-third of the value of the Group performance shares granted in July 2013.

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2014**	**Presentation**
Components of compensation due or awarded in respect of the year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	Not applicable	In accordance with applicable law, payment of termination indemnities to executive directors and officers is subject to performance conditions. In addition, and in compliance with the AFEP-MEDEF Code, the amount of these termination indemnities is subject to a limit and they are to be paid only in certain cases. Comprehensive information concerning the severance arrangements for Mr. Emmanuel FABER is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments*.
Non-compete indemnities	Not applicable	The non-compete clause currently applicable to Mr. Emmanuel FABER provides, at Danone's discretion, either for the activation of the clause for a period of 18 months subject to a gross monthly payment equivalent to 50% of his gross average base salary and of his target bonus paid over the last 12 months, or for his release from the clause without any financial compensation. To avoid any situation of aggregation, which would not fall within the recommendations of the AFEP-MEDEF Code, the Board of Directors, in its meeting of February 10, 2010 and as recommended by the Nomination and Compensation Committee, amended Mr. Emmanuel FABER's suspended employment contract to ensure that the non-compete clause may only be activated by the Company in the event of his resignation, in respect of which neither the indemnity for the termination of his employment contract nor the indemnity due in certain cases upon the cessation of his duties would be paid.
Supplementary retirement plan	Not applicable	Executive directors and officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers. This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Obligations relative to executives' retirement plans*.

Concerning the components of the compensation due or awarded in respect of the year ended December 31, 2013 to Mr. Bernard HOURS, Deputy General Manager, submitted for review by the shareholders (17th resolution)

The shareholders are asked to issue an opinion on the following components of the compensation due or awarded to Mr. Bernard HOURS, Deputy General Manager, for the year just ended:

(in €)	**Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2014**	**Presentation**
Components of compensation due or awarded in respect of the year just ended		
Fixed compensation	681,500	Fixed compensation is reviewed after relatively long periods in accordance with the recommendations of the AFEP-MEDEF Code and takes into account the executive's experience and level of responsibility. Fixed compensation paid to Mr. Bernard HOURS has remained stable for the past three years.
Annual variable compensation	355,320	Short-term variable compensation is subject to performance conditions, calculated on the basis of objective, specific quantitative and qualitative criteria and determined on the basis of the economic, social and managerial objectives described in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Principles applicable to annual variable compensation*. It is recalled that the annual variable compensation of Mr. Bernard HOURS in respect of 2012 was equal to €648,600.
Deferred variable compensation	Not applicable	Not applicable
Pluri-annual variable compensation (*i.e.* Group performance units) (a)	412,500	Pluri-annual variable compensation consists of Group performance units paid subject to pluri-annual performance conditions over a three-year period. General principles applying to Group performance units as well as the annual objectives to be met for the granting of Group performance units are presented in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Principles of pluri-annual variable compensation* and to *Description of the Group performance units program*.
Extraordinary compensation	Not applicable	To date, the Group has not introduced a system of extraordinary compensation for executive directors and officers.
Stock-options, performance shares (*i.e.* Group performance shares) and other long-term compensation (b)	Options = Not applicable	None granted. The most recent grant of stock-options to executive directors and officers occurred in November 2009 (for detailed information, see section 6.3 *Compensation and benefits for executives and governance bodies* related to *Long-term compensation in the form of stock-options (up to 2009)* and to *Description of stock-option programs (as of December 31, 2013)*).
	Group performance shares = 1,424,775	Long-term variable compensation takes the form of Group performance shares. Group performance shares are Company's shares subject to performance conditions. General principles and performance conditions applying to Group performance shares granted in 2013 are presented in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Long-term compensation in the form of Group performance shares (program introduced in 2010)* and to *Description of the Group performance shares program*.
Directors' attendance fees	Not applicable	Directors who are also members of the Executive Committee and/or executive directors and officers do not receive attendance fees.
Value of benefits of any kind	4,620	Benefits in kind correspond to the Company's car pool and drivers made available to all Executive Committee members.

(a) Value of Group performance units granted in the fiscal year in question, taking into account the non-achievement of the margin objective in 2013 (see details above), *i.e.* €20 per Group performance unit.
(b) Represents the estimated value as of the grant date in accordance with IFRS 2 (see details above), after taking into account the non-achievement of the performance condition relating to the margin, *i.e.* a discount of one-third of the value of the Group performance shares granted in July 2013.

(in €)	Amount or value for accounting purposes submitted to a vote at the Shareholders' Meeting of April 29, 2014	Presentation
Components of compensation due or awarded in respect of the year just ended and which are or were voted on by the Shareholders' Meeting under the procedure for related party agreements and commitments		
Termination indemnities	Not applicable	In accordance with applicable law, payment of termination indemnities to executive directors and officers is subject to performance conditions. In addition, and in compliance with the AFEP-MEDEF Code, the amount of these termination indemnities is subject to a limit and they are to be paid only in certain cases. Comprehensive information concerning the severance arrangements for Mr. Bernard HOURS is provided in section 6.5 *Statutory auditors' special report on related party agreements and commitments.*
Non-compete indemnities	Not applicable	The non-compete clause currently applicable to Mr. Bernard HOURS provides, at Danone's discretion, either for the activation of the clause for a period of 18 months subject to a gross monthly payment equivalent to 50% of his gross average base salary and of his target bonus paid over the last 12 months, or for his release from the clause without any financial compensation. To avoid any situation of aggregation, which would not fall within the recommendations of the AFEP-MEDEF Code, the Board of Directors, in its meeting of February 10, 2010 and as recommended by the Nomination and Compensation Committee, amended Mr. Bernard HOURS' suspended employment contract to ensure that the non-compete clause may only be activated by the Company in the event of his resignation, in respect of which neither the indemnity for the termination of his employment contract nor the indemnity due in certain cases upon the cessation of his duties would be paid.
Supplementary retirement plan	Non applicable	Executive directors and officers are covered by the defined benefit retirement plan set up for certain executives classified as Group Senior Managers. This retirement plan was closed to any new beneficiaries as of December 31, 2003. Eligibility for this plan is subject to the conditions described in section 6.3 *Compensation and benefits for executives and governance bodies* related to *Obligations relative to executives' retirement plans*.

Acquisition by the Company of its own shares (18th resolution)

The 18th resolution renews the authorization granted to the Board to repurchase or transfer Company shares.

Description of the authorization

We ask you to authorize your Board to purchase, hold or transfer Company shares within the scope of a repurchase program coming under the provisions of Article L. 225-209 *et seq.* of the French commercial code and European Regulation 2273/2003 of December 22, 2003 implementing European Directive 2003/6/EC of January 28, 2003.

A description of the share repurchase program set up in accordance with Articles 241-1 *et seq.* of the General regulations of the French Financial Markets Authority is given in section 7.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries*.

The repurchase by the Company of its own shares may be implemented for any of the following purposes:

- the allocation of shares with respect to the exercise of stock purchase options by employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the implementation of any plan for the allocation of shares subject to performance conditions to employees and/or executive directors and officers of the Company and of companies or economic interest groups related to it pursuant to applicable legal and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;
- the cancellation of shares within the maximum legal limit; 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 external growth transactions or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or instrument (including in particular any future or any option), except the sale of put options, in the conditions set out by applicable regulations.

The maximum number of shares that may be purchased would represent 10% of the share capital, or 63,102,800 shares as of February 28, 2014, at a maximum purchase price of €65 (net of acquisition costs), resulting in a maximum theoretical total purchase amount of €4,101,682,000. 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 external growth transactions and to offer shares to the Group's employees and executive directors and officers, notably as part of allocations of shares subject to performance conditions.

In 2013, therefore, the share repurchase program implemented resulted in the acquisition of 2.6 million shares, the granting of 15 million shares to the Group's executive directors and officers and to eligible employees and the transfer of 6.7 million shares as part of acquisition transactions (for more information on these transactions, see section 7.2 *Treasury shares and DANONE call options held by the Company and its subsidiaries*).

In accordance with the regulation of the French Financial Markets Authority, share repurchase transactions are disclosed in detail each week on the Company's website.

Financial authorization granted to the Board of Directors to allocate ordinary shares of the Company (19th resolution)

Context of the authorization request

In keeping with the commitment made at the Shareholders' Meeting of April 25, 2013, your Board asks you to renew the authorization granted to it in April 2013 for a period of one year, to allocate Group performance shares (GPS).

Thus, upon recommendation of the Nomination and Compensation Committee, the Board of Directors proposes a new resolution to renew that adopted by the Shareholders' Meeting of April 25, 2013, which expired on December 31, 2013.

Identical structure and dilutive effect

The new resolution is based on a structure which is identical to that adopted in 2013 and does not bring any change in terms of maximum level of dilution (0.2% of share capital).

The main characteristics of this new resolution are as follows:

(i) Authorization to allocate shares subject to performance conditions is again proposed for one year

In keeping with the commitment made by the Board of Directors in 2013, the resolution submitted to your vote would expire on December 31, 2014 and could therefore only give rise to share allocations in 2014.

A vote will thus enable shareholders to ensure that, as in 2013, based on a strict and precise definition of performance conditions, the expected level of objectives in 2014 would continue to be sufficiently ambitious and motivating, in line with the Group's performance.

(ii) Introduction of a single Reference Period of three years applicable to all performance conditions

In accordance with the Board of Directors' aim to comply with investors' expectations, it is proposed that the Reference Periods relating to two performance conditions be aligned to a single period of three years (rather than three years for the first condition and two years for the second).

(iii) Stability of performance conditions

The Board considers that a certain degree of consistency in performance conditions is an essential factor for long-term value creation. In that regard, in keeping with its 2013 commitment, the Board of Directors will propose to shareholders performance conditions that will continue to include growth in the Group's sales and trading operating margin.

(iv) Demanding performance conditions that are suited to the Group's 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 (an external performance criterion) would be based on the Group's sales growth over three years (2014, 2015 and 2016) compared to that of a panel of the group's historical peers, comprising benchmark multinational companies in the food and beverage sector; and
- the second criterion (an internal performance criterion) would be based on the arithmetic average over three years (2014, 2015 and 2016), of the change in the Group's trading operating margin.

The allocated shares would continue to be subject for two-thirds to the sales growth criterion and for one-third to the trading operating margin criterion.

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.

Moreover, the Board wishes to draw the attention of shareholders on the fact that:

- for the GPS allocated in 2012, the performance condition of a consolidated free cash-flow averaging at least €2 billion per year over 2012 and 2013 (applicable to 50% of allocations for beneficiaries who are members of the Executive Committee and one-third for those who are not members of the Executive Committee), was not achieved;
- for the GPS allocated in 2013, the performance conditions concerning the trading operating margin objectives set by the Board of Directors and announced to the market for 2013 and 2014 (applicable to one-third of all allocations), will not be met following the Group's adjustment of its 2013 objectives (including the trading operating margin) announced to the market on October 16, 2013.

The failure to meet these two criteria for the GPS allocated in 2012 and 2013 thus attests to the highly demanding performance conditions set each year by the Board.

(v) Performance conditions continuing to apply to 100% of allocated shares

In accordance with best market practices and recommendations of shareholders, since 2013, the Board of Directors has chosen to continue to require that 100% of the allocated shares be subject to performance conditions by virtue of this resolution.

The Board notes that, before the Shareholders' Meeting of April 25, 2013, 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 Board of Directors' decision thus 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.

Description of the authorization

1. Nature of the authorization

We request that you authorize the Board of Directors, until December 31, 2014, to freely allocate, subject to performance conditions, 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, 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. It should be noted that for the 2012 and 2013 fiscal years, approximately 1,500 people benefited from such share allocations.

2. Maximum amount of the authorization

These allocations may not represent a number of existing or newly issued shares exceeding 0.2% of the Company's share capital, as determined at the end of the Shareholders' Meeting of April 29, 2014, which corresponds to the same amount as that approved by the Shareholders' Meeting of April 25, 2013.

The nominal amount of the existing or newly issued shares allocated under this authorization will be included in the respective limits of €55.3 million (*i.e.* approximately 35.05% of the share capital as of December 31, 2013) and €23.6 million (*i.e.* approximately 14.96% of the share capital as of December 31, 2013) provided for in section (a) of the 12th resolution (Non-dilutive issuances with shareholders' preferential subscription rights) and 13th resolution (Dilutive issuances with cancellation of shareholders' preferential subscription rights, but with the obligation to grant priority rights) approved by the Shareholders' Meeting of April 25, 2013.

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

The existing or newly issued 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 that 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 end of the Shareholders' Meeting (subject to any adjustment mentioned in point 2 above). This limit is identical to the maximum amount authorized and approved by the Shareholders' Meeting of April 25, 2013 (also valid for less than one year).

In 2013, 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 approximately 0.02% of the Company's share capital and around 16.7% of all shares subject to performance conditions allocated in the Group in 2013. 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 Deputy General Managers in 2014.

4. Vesting period

4.1 The allocation of shares to their beneficiaries will become final after a vesting period, the duration of which will be set by the Board of Directors and shall not be less than three years. The beneficiaries must hold said shares for a duration set by the Board of Directors and the holding period may not be less than two years after the final allocation of such shares.

4.2 However, if the vesting period for all or a part of one or more allocations is a minimum of four years, the Shareholders' Meeting authorizes the Board of Directors not to impose any holding period for the shares in question.

4.3 In order to increase the duration of the vesting period, the Board of Directors decided, with effect from July 2013, to grant performance shares solely in the form of "4+0", corresponding to a vesting period of four years and no holding period (rather than granting performance shares in the form of "4+0" to non-French residents and in the form of "3+2" for individuals domiciled in France for tax purposes). Nevertheless, the Chairman and Chief Executive Officer, Deputy General Managers and the other members of the Executive Committee remain subject to the requirement that they hold a significant number of shares stemming from GPS allocations until the termination of their duties, see section 6.3 *Compensation and benefits for executives and governance bodies*.

5. Conditionality of the definitive allocation of shares

The definitive allocation of shares either in existence or to be issued will necessarily be subject to (i) the achievement of the 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 within 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.* 2014, 2015 and 2016:

- 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 applicable accounting principles);
- 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 applicable accounting principles);
- the Panel CAs refers to the CAs of all members of the Panel;
- the Median CA of the Panel refers to the value of the CA of the Panel member that divides the Panel CAs into two equal parts (*i.e.* such that there are as many Panel members with a CA exceeding or equal to the Median as Panel members with a CA being less than or equal to the Median), it being specified that if the Panel members are an even number, the Median CA of the Panel will be equal to the arithmetic average of the two central values of the Panel CAs;

- the Panel refers to eight benchmark multinational groups in the food and beverage sector, namely: Unilever N.V., Nestlé S.A., PepsiCo Inc., The Coca-Cola Company, 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 the Company over the three latest completed fiscal years for which financial statements were published by all members of the Panel and by the Company;
- the Board of Directors may, through a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, exclude a member of the Panel in the event of an acquisition, absorption, dissolution, spin-off, merger or change of activity of this member of the Panel, provided that it maintains the overall consistency of the peer group;
- the Board of Directors must state whether this first performance condition was attained, on the basis of a duly justified decision taken at a later date and mentioned in the Report of the Board of Directors to the Shareholders' Meeting, following a recommendation by the Nomination and Compensation Committee, and based on a report of a financial advisor.

(b) The arithmetic average of the change in trading operating margin over a period of three years, *i.e.* the years 2014, 2015 and 2016:

- if the arithmetic average of the change in trading operating margin calculated over the three years (2014, 2015 and 2016) is positive (*i.e.* greater than or equal to +1 basis point), the definitive allocation will be 100%;
- if the arithmetic average of the change in trading operating margin calculated over the three years (2014, 2015 and 2016) is zero or negative, the definitive allocation will be 0%;

Where:

- the arithmetic average of the change in trading operating margin means the arithmetic average of:
  - **(i)** growth in trading operating margin for 2014 compared on a like-for-like basis to 2013;
  - **(ii)** growth in trading operating margin for 2015 compared on a like-for-like basis to 2014;
  - **(iii)** growth in trading operating margin for 2016 compared on a like-for-like basis to 2015;
- 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, in accordance with Recommendation 2009-R.03 of the CNC "on the format of financial statements for entities applying international accounting standards", comprises significant items that, because of their exceptional nature, cannot be viewed as inherent to the Group's current activities. These mainly include capital gains and losses on disposals of fully consolidated companies, impairment charges on goodwill, significant costs related to strategic restructuring and major external growth transactions, and costs related to crises and major litigation. Moreover, in application of the IFRS 3 regulations (Revised) on Business combinations, the Group also presents (i) acquisition fees related to business combinations, (ii) revaluation reserves recognized following a loss of control, and (iii) changes in earn-outs following business combinations, under Other operating income (expense);
- "net sales" corresponds to the Group's consolidated net sales, as defined in the IFRS regulations;
- the change (increase or decrease) on a "like-for-like basis" in the trading operating margin essentially excludes 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 applied to both years), (ii) changes in consolidation scope, with indicators related to the fiscal year in question calculated on the basis of previous-year scope, and (iii) changes in applicable accounting principles;
- 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 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 case of legally mandated early departure (including death and disability) and, except for executive directors and officers, in exceptional cases determined by the Board of Directors.

Moreover, it should be noted that the GPS plans allocated as of July 26, 2010 provide that all GPS beneficiaries may be exempted from the conditions of continuous employment and performance in the event of the Company's change of control (see section 7.10 *Change of control*).

6. Impact in terms of dilution/ownership of the Company's share capital

The Board wishes to point out that 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, 2013 totaled 7,177,600 options or 1.14% of the share capital;
- the outstanding number of shares subject to performance conditions granted but not yet definitively vested as of December 31, 2013 totaled 2,488,418 or 0.39% of the share capital; and
- 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 1.73% 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 option 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 share allocations subject to performance conditions that have been made. These allocations will continue to comply with the principles and best practices applied by the Board (see section 6.3 *Compensation and benefits for executives and governance bodies*), which include in particular:

- involvement at every stage (allocation, evaluation of achievement of performance conditions, etc.) by the Nomination and Compensation Committee, entirely composed of independent Directors;
- compliance with best market practices concerning ceilings, applicable to GPS allocations in terms of percentage of the share capital, as well as sub-ceilings for allocations to executive directors and officers;
- continuation by the Board of its policy for the allocation of GPS under the "4+0" plan, applied since 2013 to executive directors and officers, as recommended by the Nomination and Compensation Committee, henceforth extended to all beneficiaries in order to increase the length of the vesting period, thus conforming to financial market best practices;
- setting demanding and motivating performance conditions, affecting 100% of the shares allocated;
- stability of allocation periods, with the main allocation in principle taking place yearly at the Board meeting convened to approve the semi-annual financial statements, *i.e.* at the end of July;
- adherence to stringent ethical rules, including the prohibition for beneficiaries who are members of the Executive Committee to use any hedging instrument in respect of GPS and shares stemming from GPS allocations;
- holding obligation of a significant number of shares stemming from GPS allocations until the termination of their duties within the Company.

Amendment to the Company's by-laws to determine the procedures for appointing Directors representing employees – Act of June 14, 2013 concerning job security (20th resolution)

We ask you to amend Articles 15 and 16 of the Company's by-laws to determine the procedures for appointing Directors representing employees in accordance with the mandatory provisions of the Act n° 2013-504 of June 14, 2013 concerning job security.

1. Proposed procedures for appointing Directors representing employees

First, the Board notes that the Company meets the criteria set by the Act of June 14, 2013 concerning job security: its registered office is located in France, it is required to have a works council and it employs more than 10,000 permanent employees worldwide.

For Danone and the other groups involved, it is required by law that there be at least two employee representatives in companies with more than 12 directors, and one employee representative in other cases. Considering that Danone's Board of Directors currently comprises more than 12 Directors, two Directors representing employees may be appointed and take office within six months following the Shareholders' Meeting of April 29, 2014 (*i.e.* no later than October 29, 2014). If there are 12 or fewer Directors, only one Director representing employees will be appointed (in this case, it is specified that the second Director will remain in office until the expiry of his/her term of office).

Moreover, in accordance with the new provisions of the Act of June 14, 2013, once the two Directors representing employees have been appointed, a single member of the Works Council will attend the Board meetings in an advisory capacity, compared to four at present.

The Act allows a choice between four different procedures for appointing Directors representing employees. In this regard, upon recommendation of the Nomination and Compensation Committee, the Board found it appropriate to propose to the shareholders that the first Director representing employees be appointed by the Company's Work Council, and that the second be appointed by the European Works Council, with regard to the Group's international nature (approximately 90% of its staff being based outside of France).

It is noted that, in the event of a negative vote on this resolution at the Shareholders' Meeting of April 29, 2014, two Directors representing employees on the Board of Directors shall be appointed through election by the employees of the Group's companies based in France.

Having been consulted in compliance with legal requirements, the Danone Works Council members present unanimously issued a favorable opinion on January 30, 2014 concerning the appointment procedures envisaged.

2. Status of Directors representing employees

The two new Directors representing employees will be treated in the same way as the other Directors and, subject to the specific legal provisions presented hereinafter, will have the same status, powers and responsibilities as the Directors elected at the Company's Shareholders' Meeting. In particular, they will also be required during their term of office to act in Danone's corporate interest under all circumstances and to exercise the utmost confidentiality.

Due to their unique status, the Directors representing employees are nevertheless subject to specific statutory provisions.

Accordingly:

(i) their appointment will take effect, if voted to that effect at the Shareholders' Meeting of April 29, 2014, according to the procedures described above (the first Director representing employees will be appointed by the Company's Works Council and the second by the European Works Council);

(i) the duties of Directors representing employees shall end if their employment contract is terminated, and their dismissal is subject to a special plan. Directors representing employees can only be dismissed by a court decision at the request of the majority of Directors and subject to misconduct in their duties as a Director; and

(iii) in accordance with the law, Article 17 of Danone's by-laws – which requires each Director to own 4,000 shares throughout his/her term of office – shall not apply to Directors representing employees.

In order to speed up the integration of these new Directors, the Board's internal rules were amended on December 10, 2013 to state that Directors representing employees will benefit from appropriate training. Accordingly, they will benefit from a specific integration program enabling them to perform the full extent of their duties and to actively participate in the work performed by the Board.

In accordance with the recommendations of the AFEP-MEDEF Code, the Directors representing employees will not be included, once they are appointed, in the calculation of the rate of independence for the Board of Directors. In addition, in accordance with legal provisions, these same Directors will not be taken into consideration when calculating the percentage of women on the Board.

The Board of Directors will ensure that the new Act of June 14, 2013 is implemented and applied while preserving the dynamics, team spirit and collegiality which motivate the Board, within the best interest of the Company and its shareholders.

8.4 SPECIAL REPORT OF THE STATUTORY AUDITORS PRESENTED AT THE SHAREHOLDERS' MEETING

Combined Shareholders' Meeting of April 29, 2014 (19th resolution)

Statutory auditors' report on the authorization to freely allocate 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, 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 of your company or related companies as defined by Article 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, 2014. The final, allocation of all these shares will be subject to the achievement of performance conditions determined by the Board of Directors.

The maximum number of shares that may be allocated may not exceed 0.2% of the number of shares comprising the share capital at the end of this Shareholders' Meeting, it being specified that the number of shares allocated to the Chief Executive Officer and Deputy General Managers may not represent more than 0.05% of the share capital determined at the end of this Shareholders' Meeting.

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 6, 2014

The Statutory auditors

PricewaterhouseCoopers Audit		**Ernst & Young et Autres**	
Etienne BORIS	Philippe VOGT	Jeanne BOILLET	Gilles COHEN

APPENDIX

CROSS-REFERENCE TABLES

Cross-reference table to the Annual Financial Report

In order to facilitate the reading of this Registration Document, the cross-reference table hereafter enables to identify the main information required in accordance with Article L. 451-1-2 of the French monetary and financial code and Article 222-3 of the General regulations of the French Financial Markets Authority.

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.

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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.

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.

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LIST OF SUBSIDIARIES

The following table lists by country, the companies included in the Group's scope of consolidation, whether directly, indirectly or fully consolidated and whether accounted for using the equity method as of December 31, 2013.

Name	Country
DANONE DJURDJURA	Algeria
DANONE TESSALA BOISSONS	Algeria
ADVANCED MEDICAL NUTRITION SA	Argentina
AGUAS DANONE DE ARGENTINA SA	Argentina
BAGLEY ARGENTINA SA	Argentina
DANONE ARGENTINA SA	Argentina
DAN-TRADE SA	Argentina
KASDORF SA	Argentina
LAS MAJADAS SA	Argentina
LOGISTICA LA SERENISIMA	Argentina
NUTRICIA-BAGO SA	Argentina
DANONE MURRAY GOULBURN PTY LIMITED	Australia
NUTRICIA AUSTRALIA HOLDINGS PTY LTD	Australia
NUTRICIA AUSTRALIA PTY LTD	Australia
NUMICO RESEARCH AUSTRALIA PTY LTD	Australia
DANONE GESMBH	Austria
MILUPA GMBH	Austria
NUTRICIA GMBH	Austria
GRAMEEN DANONE FOODS LIMITED	Bangladesh
DANONEBEL	Belarus
JLLC DANONE SHKLOV	Belarus
JLLC UNIMILK PRUZHANY	Belarus
LLC VYSOKVOYE	Belarus
BIALIM BELGIQUE SA	Belgium
DANONE FINANCE INTERNATIONAL	Belgium
DANONE WATERS BENELUX	Belgium
NV NUTRICIA BELGIË	Belgium
NV DANONE SA	Belgium
FAN MILK SARL	Benin
BAGLEY DO BRASIL ALIMENTOS LTDA	Brazil
DANONE LTDA	Brazil
NUTRIMED INDUSTRIAL LTDA	Brazil
SUPPORT PRODUTOS NUTRICIONAIS LTDA	Brazil
AGUAS MINERAIS BACCARELLI LTDA	Brazil
CPN MINERACAO	Brazil
MINERAÇÃO JOANA LEITE LTDA	Brazil
IBIC SDN BHD	Brunei
DANONE SERDIKA	Bulgaria
FAN MILK BURKINA FASO SARL	Burkina Faso
DANONE INC	Canada
MICROPHARMA LTD	Canada
DAIRYLICIOUS PRODUCTS INC	Canada
DANONE CHILE SA	Chile
AGUAS DANONE DE CHILE SA	Chile
BAGLEY CHILE SA	Chile
ASIA HOST INVESTMENTS LTD	China

Name	Country
DANONE ASIA HOLDINGS PTE LTD	China
DANONE ASIA PACIFIC MANAGEMENT CO LTD	China
DANONE PREMIUM BRANDS (SHANGHAI) TRADING CO LTD	China
DUMEX BABY FOOD CO LTD	China
NUTRICIA PHARMACEUTICAL (WUXI) CO LTD	China
NUTRICIA TRADING (SHANGHAI) CO LTD	China
DANONE (SHANGHAI) HOLDING CO LTD	China
DANONE DAIRY BEIJING	China
DANONE DAIRY SALES SHANGHAI CO LTD	China
DANONE DAIRY SHANGHAI CO LTD	China
DANONE YILI (HUIZHOU) BEVERAGES CO LTD	China
DANONE YILI TRADING (SHENZHEN) CO LTD	China
HUBEI ROBUST FOOD & BEVERAGE CO LTD	China
NUTRICIA EARLY LIFE NUTRITION (SHANGHAI) CO LTD	China
ROBUST (CHONGQING) FOOD & BEVERAGE CO LTD	China
ROBUST (FENGRUN) FOOD & BEVERAGE CO LTD	China
ROBUST (GUANGDONG) DRINKING WATER CO LTD	China
ROBUST (GUANGDONG) FOOD & BEVERAGE CO LTD	China
ROBUST (GUANGDONG) HOD DEVELOPMENT CO LTD	China
ROBUST (WUHAN) FOOD & BEVERAGE CO LTD	China
ROBUST (ZHENGZHOU) FOOD & BEVERAGE CO LTD	China
SHENZHEN DANONE YILI DRINKS CO LTD	China
SICHUAN ROBUST FOOD & BEVERAGE CO LTD	China
XI'AN ROBUST FOOD CO LTD	China
ROBUST (SHENYANG) F&B CO LTD	China
ROBUST (WUXI) FOOD & BEVERAGE CO LTD	China
DANONE ALQUERIA SA	Colombia
DANONE BABY NUTRITION COLOMBIA	Colombia
NUTRICIA COLOMBIA LTDA	Colombia
DANONE DOO	Croatia
NUTRICIA AMERICAS NV	Curacao
DAIRY JV (CIS) HOLDINGS (CYPRUS) LIMITED	Cyprus
DANONE AS	Czech Republic
NUTRICIA AS	Czech Republic
NUTRICIA DEVA AS	Czech Republic
AQUA D'OR MINERAL WATER AS	Denmark
DANONE AS	Denmark
DUMEX NUTRITION LTD AS	Denmark
NUTRICIA AS	Denmark
EMIDAN AS	Denmark
FAN MILK INTERNATIONAL AS	Denmark
INC SHANGHAI (HOLDING) LTD AS	Denmark
INTERNATIONAL NUTRITION CO LTD AS	Denmark
DANONE DAIRY FARM SAE	Egypt
DANONE EGYPT SAE	Egypt
NUTRICIA EGYPT SERVICES LLC	Egypt
DANONE FINLAND OY	Finland
NUTRICIA BABY OY LTD	Finland
NUTRICIA CLINICAL OY LTD	Finland
BLÉDINA	France
COMPAGNIE GERVAIS DANONE	France
DANONE BABY AND MEDICAL HOLDING	France
DANONE CHIQUITA FRUITS	France
DANONE CORPORATE FINANCE SERVICES	France

Name	Country
DANONE DAIRY ASIA	France
DANONE PRODUITS FRAIS FRANCE	France
DANONE RESEARCH	France
EVIAN RESORT	France
HOLDING INTERNATIONALE DE BOISSONS	France
NUTRICIA NUTRITION CLINIQUE SAS	France
PRODUITS LAITIERS FRAIS EST EUROPE	France
PRODUITS LAITIERS FRAIS NORD EUROPE	France
STONYFIELD FRANCE	France
DAN INVESTMENTS	France
DANONE BABY NUTRITION AFRICA & OVERSEAS	France
FERMINVEST	France
PRODUITS LAITIERS FRAIS ESPAGNE	France
PRODUITS LAITIERS FRAIS SUD EUROPE	France
SOCIÉTÉ ANONYME DES EAUX MINÉRALES D'ÉVIAN	France
SOCIÉTÉ DES EAUX DE VOLVIC	France
STEP ST JUST	France
DANONE GMBH	Germany
DANONE PENSIONS MANAGEMENT GMBH	Germany
DANONE WATERS DEUTSCHLAND GMBH	Germany
NUTRICIA DEUTSCHLAND GMBH	Germany
MILUPA GMBH	Germany
MILUPA METABOLICS GMBH	Germany
NUTRICIA GMBH	Germany
NUTRICIA GRUNDSTÜCKSVERWALTUNGS GMBH	Germany
FAN MILK LTD	Ghana
DANONE GALAKTOKOMIKA PROIONTA	Greece
NUMIL HELLAS SA	Greece
DANONE DE GUATEMALA SA	Guatemala
DANONE NUTRICIA EARLY LIFE NUTRITION (HONG KONG) LIMITED	Hong Kong
NUTRICIA CLINICAL(HONGKONG) LTD	Hong Kong
NUTRICIA (ASIA PACIFIC) LTD	Hong Kong
NUTRICIA (HONG KONG) LTD	Hong Kong
DANONE KFT	Hungary
NUMIL HUNGARY KFT	Hungary
DANONE INDIA PRIVATE LIMITED	India
DANONE NARANG BEVERAGES PRIVATE LIMITED	India
NUTRICIA INTERNATIONAL PRIVATE LTD	India
YAKULT DANONE INDIA PVT LTD	India
DANONE FOOD & BEVERAGES INDIA PRIVATE LIMITED	India
NARANG DANONE ACCESS PRIVATE LTD	India
PT DANONE DAIRY INDONESIA	Indonesia
PT NUTRICIA INDONESIA SEJAHTERA	Indonesia
PT NUTRICIA MEDICAL NUTRITION	Indonesia
PT SARIHUSADA GENERASI MAHARDHIKA	Indonesia
PT SUGIZINDO	Indonesia
PT AQUA GOLDEN MISSISSIPPI	Indonesia
PT DANONE INDONESIA	Indonesia
PT TIRTA INVESTAMA	Indonesia
PT TIRTA SIBAYAKINDO	Indonesia
PT WINDU INTI RXPO	Indonesia
AL SAFI DANONE FOR DAIRY PRODUCTION AND DISTRIBUTION LLC	Irak
DAMAVAND MINERAL WATER CO	Iran
DANONE SAHAR	Iran

Name	Country
MASHHAD MILK POWDER INDUSTRIES CO	Iran
DANONE LTD	Ireland
GLENISK	Ireland
NUTRICIA INFANT NUTRITION LTD	Ireland
NUTRICIA IRELAND LTD	Ireland
STONYFIELD EUROPE LTD	Ireland
STRAUSS HEALTH LTD	Israel
DANONE SPA	Italy
MELLIN SPA	Italy
NUTRICIA ITALIA SPA	Italy
FAN MILK CÔTE D'IVOIRE SA	Ivory Coast
DANONE JAPAN	Japan
YAKULT HONSHA CO LTD	Japan
DANONE WATERS OF JAPAN CO	Japan
DANONE	Kazakhstan
DANONE BERKUT LLP	Kazakhstan
NUTRICIA KAZAKHSTAN LLP	Kazakhstan
TOO UNIMILK KAZAKHSTAN	Kazakhstan
SIA NUTRICIA	Latvia
UAB NUTRICIA BALTICS	Lithuania
DANONE RE	Luxembourg
PLF LICENSING SARL	Luxembourg
ICE MIDCO LIMITED SA	Luxembourg
DANONE DUMEX (MALAYSIA) SDN BHD	Malaysia
DANONE INFORMATION SERVICES ASIA PACIFIC SDN BHD	Malaysia
INC CONTRACT MANUFACTURERS SDN BHD	Malaysia
BONAFONT SA DE CV	Mexico
COMPANIA GENERAL DE AGUAS S DE RL DE CV	Mexico
DANONE BABY NUTRITION MEXICO SA DE CV	Mexico
DANONE DE MEXICO	Mexico
DANONE HOLDING DE MEXICO	Mexico
DANONE MEDICAL NUTRITION MEXICO SA DE CV	Mexico
DERIVADOS LACTEOS FLN-DDM SA DE CV	Mexico
DISTRIBUIDORA SEMILLA SAPI DE CV	Mexico
ENVASABON S DE RL DE CV	Mexico
ENVASADORA AUGUABON S DERL DE CV	Mexico
ENVASADORA LA SUPREMA, SA DE CV	Mexico
AGUAS EMBOTELLADAS LOS PINOS	Mexico
AGUAS PURIFICADAS NATURALES	Mexico
BONAFONT GARRAFONES Y SERVICIOS	Mexico
BONAFONT GARRAFONES Y SERVICIOS PUEBLO	Mexico
ENVASADORA DE AGUAS EN MEXICO	Mexico
GRUPO CUZCO INTERNATIONAL S DE RL DE CV	Mexico
LIQUIMEX SA DE CV	Mexico
NOMISER SA DE CV	Mexico
ORGANIZACIÓN DE AGUAS DE MÉXICO SA DE CV	Mexico
AGRIGENE	Morocco
CENTRALE LAITIÈRE	Morocco
FROMAGERIE DES DOUKKALA	Morocco
LAITPLUS	Morocco
LES TEXTILES	Morocco
SOCIÉTÉ DU THERMALISME MAROCAIN (SOTHERMA)	Morocco
DANONE MOZAMBIQUE LIMITADA	Mozambique
DAN TRADE BV	Netherlands

Name	Country
DANONE CIS HOLDINGS BV	Netherlands
DANONE FINANCE NETHERLANDS BV	Netherlands
DANONE NEDERLAND BV	Netherlands
DANONE TRADING BV	Netherlands
NUTRICIA CUIJK BV	Netherlands
NUTRICIA EXPORT BV	Netherlands
NUTRICIA NEDERLAND BV	Netherlands
NUTRICIA POLAND BV	Netherlands
NUTRICIA RESEARCH BV	Netherlands
NV NUTRICIA	Netherlands
SORGENTE BV	Netherlands
DANONE BABY AND MEDICAL NUTRITION BV	Netherlands
DANONE BABY AND MEDICAL NUTRITION NEDERLAND BV	Netherlands
DANONE MEDICAL NUTRITION HOLDING BV	Netherlands
DANONE MEDICAL NUTRITION INTERNATIONAL BV	Netherlands
HELDINVEST BV	Netherlands
INFANT NUTRITION MANAGEMENT 1 BV	Netherlands
INFANT NUTRITION MANAGEMENT 2 BV	Netherlands
INFANT NUTRITION MANAGEMENT 3 BV	Netherlands
NUTRICIA INTERNATIONAL BV	Netherlands
NUTRICIA MEDICAL DEVICES BV	Netherlands
SORGENTE HOLDING BV	Netherlands
TOECA INTERNATIONAL COMPANY BV	Netherlands
NUTRICIA LTD	New Zealand
NUTRITIONAL PACKERS LTD	New Zealand
ABEBA ADEWARA VENTURES LTD	Nigeria
FAN MILK PLC	Nigeria
NUTRICIA NORGE AS	Norway
NUTRICIA PAKISTAN (PRIVATE) LIMITED	Pakistan
DANONE PARAGUAY SA	Paraguay
DUMEX PHILIPPINES INC	Philippines
EAC PHILIPPINES INC	Philippines
EAC DISTRIBUTORS INC	Philippines
DANONE SP ZOO	Poland
NUTRICIA POLSKA SP ZOO	Poland
NUTRICIA ZAKLADY PRODUKCYNE SP ZOO	Poland
NUTRIMED SP ZOO	Poland
WOMIR SPA	Poland
ZYWIEC ZDROJ SA	Poland
DANONE PORTUGAL SA	Portugal
NUTRICIA ADVANCED MEDICAL NUTRITION UNIPESSOAL LDA	Portugal
MILUPA COMERCIAL SA	Portugal
DANONE SRL	Romania
NDL FRIGO LOGISTICS SRL	Romania
DANONE BABY NUTRITION SRL	Romania
CJSC EDELWEISS-M	Russia
CJSC TIKHORETSKY	Russia
DANONE INDUSTRIA OOO	Russia
DANONE TRADE LLC	Russia
DANONE VOLGA	Russia
NDL HOLDING RUSSIA BV	Russia
OJSC ISTRA - NUTRICIA BABY FOODS	Russia
OJSC UNIMILK COMPANY	Russia
LLC AGROMOLRESURS	Russia

Name	Country
LLC MASLENITSA	Russia
LLC RYAZANSKAYA MOLOCHNAYA KOMPANIA	Russia
LLC UNIMILK	Russia
LLC UNIMILK INVEST	Russia
LLC UNIMILK LOGISTIC	Russia
LLC URAL BABY FOOD	Russia
LLC VERBILOVOSKOYE	Russia
NUTRICIA ADVANCED LLC	Russia
NUTRICIA LLC	Russia
OJSC EKATERINBURGSKIY GORODSKOY MOLOCHNY ZAVOD N 1	Russia
OJSC KEMEROVSKY MOLOCHNIY KOMBINAT	Russia
OJSC KINGISEPPSKIY MOLOCHNIY KOMBINAT	Russia
OJSC MASLODELNY KOMBINAT CHANOVSKY	Russia
OJSC MK SARANSKY	Russia
OJSC STARITSKY SYR	Russia
OJSC TVERMOLOKO	Russia
DANONE EL SALVADOR SA DE CV	Salvador
ALSAFI DANONE COMPANY LIMITED	Saudi Arabia
ND LOGISTICS LLC	Saudi Arabia
DANONE BABY NUTRITION OPERATIONS KSA	Saudi Arabia
DANONE ADRIATIC DOO	Serbia
CALVON PTE LTD	Singapore
DANONE ASIA PTE LTD	Singapore
DANONE DAIRY INVESTMENTS INDONESIA	Singapore
DANONE PROBIOTICS PTE LTD	Singapore
DANONE SINGAPORE HOLDINGS PTE LTD	Singapore
MYEN PTE LTD	Singapore
PTNIS HOLDING SINGAPORE PTE LTD	Singapore
DANONE ASIA PACIFIC HOLDINGS PTE LTD	Singapore
DANONE ASIA PACIFIC MANUFACTURING PTE LTD	Singapore
PTSH HOLDING SINGAPORE PTE LTD	Singapore
DANONE SPOL SRO	Slovakia
NUTRICIA SRO	Slovakia
DANONE SOUTHERN AFRICA PTY LTD	South Africa
MAYO DAIRY (PROPRIETARY) LTD	South Africa
NUTRICIA SOUTHERN AFRICA PTY LTD	South Africa
DANONE PULMUONE COMPANY LIMITED	South Korea
AGUAS FONT VELLA Y LANJARON SA	Spain
BAGLEY LATINO AMERICA SA	Spain
DAIRY LATAM SL	Spain
DANONE SA	Spain
NUMIL NUTRICIÓN SRL	Spain
NUTRICIA SRL	Spain
PRODUITS LAITIERS FRAIS IBERIA SL	Spain
WATER LATAM SL	Spain
ILTESA - INDUSTRIAS LACTEAS DE CANARIAS SA	Spain
DANONE AB	Sweden
NUTRICIA NORDICA AB	Sweden
PRO VIVA AB	Sweden
OSTERLENMEJERIET	Sweden
DANONE AG	Switzerland
DANONE FINANCIAL SERVICES SA	Switzerland
ÉVIAN-VOLVIC SUISSE SA	Switzerland
NUTRICIA SA	Switzerland

Name	Country
MILUPA SA	Switzerland
BJC DANONE DAIRY CO	Thailand
DANONE DAIRY THAILAND	Thailand
DUMEX LTD	Thailand
FAN MILK TOGO SA	Togo
SOCIÉTÉ DE COMMERCE ET DE GESTION (SOCOGES)	Tunisia
SOCIÉTÉ TUNISIENNE DES INDUSTRIES ALIMENTAIRES (STIAL)	Tunisia
DANONE HAYAT IÇECEK VE GIDA SA	Turkey
DANONE TIKVESLI GIDA VE TAS	Turkey
NUMIL GIDA ÜRÜNLERI AS	Turkey
SIRMAGRUP IÇECEK AS	Turkey
DANONE	Ukraine
DANONE DNIPRO LLC	Ukraine
LLC UNIMILK (UKRAINE)	Ukraine
LLCFI NUTRICIA UKRAINE	Ukraine
PJSC GALAKTON	Ukraine
PJSC KREMENCHUG DAIRY PLANT	Ukraine
ALC HOLDING 1 LIMITED	United Arab Emirates
DANONE BABY NUTRITION MIDDLE EAST HOLDING LIMITED	United Arab Emirates
NUTRICIA MIDDLE EAST DMCC	United Arab Emirates
COMPLAN FOODS LIMTED	United Kingdom
DANONE FINANCING UK LTD	United Kingdom
DANONE HOLDINGS (UK)	United Kingdom
DANONE HOLDINGS UK	United Kingdom
DANONE LTD	United Kingdom
DANONE WATERS (UK & IRELAND) LTD	United Kingdom
NUTRICIA (COW & GATE, MILUPA) HOLDINGS LTD	United Kingdom
NUTRICIA LTD	United Kingdom
DANONE FINANCING UK LIMITED	United Kingdom
SCIENTIFIC HOSPITAL SUPPLIES HOLDINGS LTD	United Kingdom
SHS INTERNATIONAL LTD	United Kingdom
UK HOLDINGS CAP (COMMONWEALTH, ASIA AND PACIFIC) LTD	United Kingdom
SCIENTIFIC HOSPITAL SUPPLIES (UK) LTD	United Kingdom
FORT MASIS SA	Uruguay
COMPANIA SALUS SA	Uruguay
DANNON PR INC	United States
DANONE FOODS INC	United States
DANONE WATER HOLDINGS LLC	United States
DANONE WATERS OF AMERICA INC	United States
HAPPY FAMILY HOLDING COMPANY	United States
NUTRICIA NORTH AMERICA INC	United States
STONYFIELD FARM INC	United States
SWIRL HOLDING CORPORATION	United States
THE DANNON COMPANY INC	United States
THE YOCRUNCH COMPANY LLC	United States
THE YOGURT CULTURE COMPANY LLC	United States
DANONE DAIRY HOLDINGS INC	United States
DANONE NORTH AMERICA LLC	United States
HF OFFICE LLC	United States

Name	Country
NL YOGURT INC	United States
NURTURE INC	United States
THE YOFARM COMPANY INC	United States
YOCREAM INTERNATIONAL INC	United States
YOCREAM OREGON LLC	United States
YOGURT HOLDINGS II INC	United States
YOHO II IP SUB	United States
YAKULT VIETNAM CO LTD	Vietnam
DANONE VIETNAM COMPANY LTD	Vietnam

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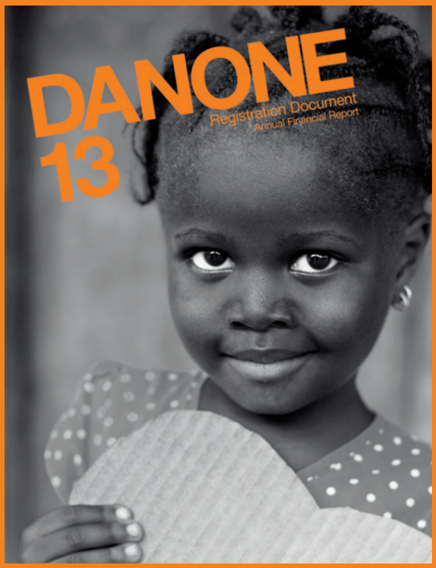

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