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7

SHARE CAPITAL AND SHARE OWNERSHIP

7.1 COMPANY'S SHARE CAPITAL

TRANSACTIONS ON THE SHARE CAPITAL IN THE LAST FIVE YEARS AND SHARE CAPITAL AS OF DECEMBER 31, 2017

Effective date of the transaction	Shares created / (cancelled) by the transaction <i>(number of shares)</i>	Type of transaction	Nominal amount of the transaction <i>(in €)</i>	Amount of share capital after the transaction <i>(in €)</i>	Shares making up the share capital after the transaction <i>(number of shares)</i>
February 18, 2013	(8,800,000)	Capital decrease by cancellation of shares	(2,200,000.00)	158,590,500.00	634,362,000
May 13, 2013	918,000	Capital increase reserved for employee members of a company savings plan	229,500.00	158,820,000.00	635,280,000
July 26, 2013	(4,252,000)	Capital decrease by cancellation of shares	(1,063,000.00)	157,757,000.00	631,028,000
June 3, 2014	11,932,014	Capital increase for the payment of the dividend in shares	2,983,003.50	160,740,003.50	642,960,014
June 5, 2014	831,986	Capital increase reserved for employee members of a company savings plan	207,996.50	160,948,000.00	643,792,000
June 11, 2015	838,052	Capital increase reserved for employee members of a company savings plan	209,513.00	161,157,513.00	644,630,052
July 23, 2015	10,321,148	Capital increase for the payment of the dividend in shares	2,580,287.00	163,737,800.00	654,951,200
May 17, 2016	940,800	Capital increase reserved for employee members of a company savings plan	235,200.00	163,973,000.00	655,892,000
June 1, 2017	13,835,487	Capital increase for the payment of the dividend in shares	3,458,871.75	167,431,871.75	669,727,487
June 8, 2017	982,913	Capital increase reserved for employee members of a company savings plan	245,728.25	167,677,600.00	670,710,400
Share capital as of December 31, 2017				167,677,600.00	670,710,400

SHARES CONSTITUTING THE SHARE CAPITAL

Shares are fully paid-up, are all of the same class and have a nominal value of €0.25. Each share gives the 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.

7.2 TREASURY SHARES AND DANONE CALL OPTIONS HELD BY THE COMPANY AND ITS SUBSIDIARIES

This section 7.2 describes the share buyback program set up in accordance with Articles 241-1 et seq. of the General Regulations of the French Financial Markets Authority.

AUTHORIZATION GRANTED TO THE COMPANY TO BUY BACK ITS OWN SHARES

Existing authorization

The Shareholders' Meeting of April 27, 2017 authorized the Board of Directors, for an 18-month period, to buy back a number of shares representing a maximum of 10% of the Company's share capital at a maximum purchase price of €75 per share. This authorization superseded the authorization previously granted by the Shareholders' Meeting of April 28, 2016.

This authorization was used during fiscal year 2017 (see section *Transactions on Company shares in 2017 and situation as of December 31, 2017* hereafter).

Authorization subject to approval by the Shareholders' Meeting

The Board of Directors will submit a new authorization, valid for 18 months, to the Shareholders' Meeting to be held on April 26, 2018 to repurchase up to 10% of the total number of shares comprising the share capital of the Company (i.e. for information purposes, 67,041,040

shares as of December 31, 2017, representing a maximum potential purchase amount – excluding transaction fees – of approximately €5.7 billion) at a maximum purchase price of €85 per share.

Subject to approval of the authorization by the Shareholders' Meeting of April 26, 2018, the buyback by the Company of its own shares may be executed for the purpose of:

- the allocation of shares with respect to the exercise of stock-options by employees and/or corporate officers of the Company and of companies or economic interest groups related to it, pursuant to applicable statutory and regulatory provisions;
- the implementation of any plan for the allocation of Group performance shares to employees and/or corporate officers of the Company and of companies or economic interest groups related to it, pursuant to applicable statutory and regulatory provisions;
- the sale of shares to employees (either directly or through an employee savings mutual fund) within the context of employee shareholding plans or company savings plans;
- the delivery of shares upon the exercise of rights attached to securities giving access to the Company's share capital;
- the later delivery of shares as payment or for exchange in the context of external growth transactions;

- the cancellation of shares within the maximum legal limit; and/or
- supporting the market for shares in connection with a liquidity contract entered into with an investment service provider, in accordance with the Ethical Charter recognized by the French Financial Markets Authority.

Share buybacks may be carried out, in whole or in part, by acquisition, sale, exchange or transfer, on one or more occasions, by any means on any stock markets, including multilateral trading facilities (MTF), through a systematic internalizer or over the counter, including by acquisition or disposal of blocks of shares (without limiting the portion of the share repurchase program that may be completed this way). These means include the use of any financial contract or derivative instrument (including in particular any future or any option), except the sale of put options, in accordance with applicable regulations.

These transactions may be carried out during an 18-month period beginning April 26, 2018 (with the exception of periods of public tender offers on the Company's shares) within the limits allowed by the applicable regulations.

AUTHORIZATION TO CANCEL SHARES AND REDUCE THE SHARE CAPITAL FOLLOWING THE BUYBACK BY THE COMPANY OF ITS OWN SHARES

The Shareholders' Meeting of April 27, 2017 authorized the Board of Directors, for a period of 24 months, to cancel shares acquired in the context of a share buyback program, within a limit of 10% of the

existing share capital as of the day of the Meeting. This authorization was not used in 2017.

DANONE CALL OPTIONS HELD BY THE COMPANY

Purchase of DANONE call options by the Company in 2011

In October 2011, as part of its share buyback program, the Company acquired DANONE call options to hedge part of the stock-options granted to some of its employees and corporate officers and still in force, as a substitute for their existing hedge by treasury shares held.

Prior to this date, in order to satisfy its legal obligations, the Company held treasury shares specifically allocated to hedge these stock-option plans. These treasury shares were earmarked for gradual release into circulation on the market as and when beneficiaries exercised stock-options until the expiry of the plans still in force, *i.e.* until October 2017. In order to limit the dilutive effect of the exercise of these options, in 2011 the Company decided to hedge part of these stock-options by the acquisition of DANONE call options, as a substitute for the treasury shares held.

A total of 6.6 million DANONE call options representing around 1.02% of the share capital were thus acquired from a financial institution. The Company's intention is to exercise these call options at any time until the expiry of the last stock-option plans still in force (*i.e.* until October 2017), in order to comply with its commitments to deliver shares to stock-option holders.

The 6.6 million treasury shares held until then to hedge the stock-options concerned were cancelled on December 13, 2011.

The 76,279 call options held by Danone as of December 31, 2016 (representing 0.01% of the company's share capital) were exercised. As of December 31, 2017, Danone no longer holds any DANONE call options or any open positions in derivative products on Company shares.

LIQUIDITY CONTRACT

On January 15, 2014 and for a period of one year with tacit renewal, the Company entered into a liquidity contract with an investment service provider, Rothschild & Cie Banque, in accordance with the Ethical Charter drawn up by the Association Française des Marchés Financiers (AMAFI) and recognized by the French Financial Markets

Authority, with a view to supporting the market for DANONE shares on Euronext Paris.

This liquidity contract was implemented in connection with the share buyback programs authorized by the Company's Shareholders' Meeting. It was cancelled by Danone with effect from March 1, 2017.

Resources related to the liquidity contract

Resources allocated	For implementation of the liquidity contract	Position as of December 31, 2017
Amount (in €)	-	-
Number of shares	120,000	-

TRANSACTIONS ON COMPANY SHARES IN 2017 AND SITUATION AS OF DECEMBER 31, 2017

	Transactions during the period						Situation as of December 31, 2017
	Situation as of December 31, 2016	Buybacks	Exercise of DANONE call options	Sales / Transfers	Delivery of shares following exercises of stock-options	Delivery of Group performance shares	
<i>(in number of shares)</i>							
External growth operations	30,769,360	-	-	-	-	-	30,769,360
Liquidity contract	-	62,628	-	(62,628)	-	-	-
Hedging of Group performance shares and stock-options	2,359,838	-	76,279	-	(293,372)	(385,113)	1,757,632
Share cancellations	-	-	-	-	-	-	-
Treasury shares	33,129,198	62,628	76,279	(62,628)	(293,372)	(385,113)	32,526,992
Shares held by Danone Spain	5,780,005	-	-	-	-	-	5,780,005
Total number of shares held by the Group	38,909,203	62,628	76,279	(62,628)	(293,372)	(385,113)	38,306,997

Treasury shares held by the Company as of December 31, 2017

<i>(in €, except percentage and number of shares)</i>	As of December 31, 2017
Number of DANONE shares	38,306,997
Percentage of share capital	5.71%
Value of DANONE treasury shares held by the Company	
Par value	9,576,749
Gross value	2,679,574,440

Average price of buybacks and sales of DANONE shares in 2017 and transaction fees

<i>(in € per share)</i>	Year ended December 31, 2017
Average price of buybacks	
Liquidity contract	59.56
Exercise of DANONE call options ^(a)	35.34
Average price of sales	
Liquidity contract	59.63
Transaction fees ^(b)	0

(a) Exercise price of DANONE call options, excluding premium paid in 2011 for their acquisition.

(b) Total amount.

Market value of DANONE shares held by Danone and its consolidated subsidiaries

<i>(in €, except share price in € per share and number of shares)</i>	As of December 31, 2017
Number of DANONE shares	38,306,997
Closing price	69.95
Value of DANONE shares held by the Group	
At closing price	2,679,574,440
At closing price +10%	2,947,531,884
At closing price -10%	2,411,616,996

7.3 AUTHORIZATIONS TO ISSUE SECURITIES GIVING ACCESS TO THE SHARE CAPITAL

SUMMARY OF FINANCIAL AUTHORIZATIONS IN EFFECT AS OF DECEMBER 31, 2017

Maximum amounts of share capital authorized	Authorization type	Individual maximum amounts authorized <i>(nominal amount or percentage)</i>	Use in 2017	Available balance as of December 31, 2017 <i>(nominal amount or percentage)</i>	
Maximum amount applicable to all dilutive and non-dilutive issuances: €57 million (approx. 34% ^(a) of the share capital)	Maximum amount applicable to non-dilutive issuances: €57 million (approx. 34% ^(a) of the share capital)	Capital increase with preferential subscription rights for shareholders	€57 million (approximately 34% ^(a) of the share capital) ^(b)	—	€57 million
	Maximum amount applicable to dilutive issuances: €16 million (or approximately 9.5% ^(a) of the share capital)	Capital increase without preferential rights but with a priority period for shareholders	€16 million (approximately 9.5% ^(a) of share capital) ^(b)	—	€16 million
		Overallotment (as a % of initial issuance)	15% ^(b)	—	—
		Public exchange offer initiated by the Company	€16 million (approximately 9.5% ^(a) of share capital) ^(b)	—	€16 million
		Contributions in kind	10% of share capital	—	10% of share capital
		Capital increase reserved for employees	€3.2 million (approximately 1.9% ^(a) of share capital)	€245,728.25	€2.95 million ^(c)
		Grants of Group performance shares (GPS)	0.2% of share capital at the close of the Shareholders' Meeting	644,420 shares granted (approximately 0.1% of share capital)	0.1% of share capital at the close of the Shareholders' Meeting
—	Incorporation of reserves, earnings, additional paid-in capital and other amounts	€41 million (approximately 24.5% ^(a) of share capital)	—	€41 million	

(a) The percentage of share capital is calculated for indicative purposes only, based on share capital as of December 31, 2017 (unless otherwise stated).

(b) All issuances of securities representing debts pursuant to these authorizations ((i) capital increase with preferential subscription right; (ii) capital increase without preferential right but with priority right for shareholders; (iii) overallotment option; and (iv) public exchange offer initiated by the Company) may not exceed a maximum principal amount of €2 billion (or equivalent value).

(c) The capital increase reserved for employees approved by the Board of Directors of February 14, 2017 and carried out in June 2017 used the authorization granted by the Shareholders' Meeting of April 29, 2015 (and not the one granted by the Shareholders' Meeting of April 27, 2017). The nominal amount of the new capital increase reserved for employees to be approved by the Board of Directors of February 15, 2018 and implemented in June 2018 will be applied to the maximum amount of €3.2 million approved by the Shareholders' Meeting of April 27, 2017.

All of these authorizations were approved by the Shareholders' Meeting of April 27, 2017, for a period of 26 months, *i.e.* until June 26, 2019, with the exception of the grant of Group performance shares approved by the Shareholders' Meeting of April 27, 2017 and expired on December 31, 2017.

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Capital increases reserved for employees

Each year, Danone carries out a capital increase reserved for Danone employees participating in a company savings plan (through a temporary fund later merged into the "Fonds Danone" company investment fund). The decision to carry out this capital increase is

made, in principle annually and under the authorization granted by the Shareholders' Meeting, by the Board of Directors at its February meeting. It is then carried out in May or June.

	Shareholders' Meeting authorization	Board of Directors' decision	Number of new shares	Price	Nominal amount of capital increase	Total amount of capital increase	Percentage of share capital
Capital increase reserved for employees carried out in 2017	April 29, 2015	February 14, 2017	982,913	€47.44	€245,728.25	€46,629,392	0.15%
Capital increase reserved for employees still in progress ^(a)	April 27, 2017	February 15, 2018	Maximum 1,467,889	€54.50	Maximum €366,972.25	Maximum €80,000,000	Maximum 0.22%

(a) Will be recognized in June 2018.

FINANCIAL AUTHORIZATIONS SUBJECT TO APPROVAL BY THE SHAREHOLDERS' MEETING

The Shareholders' Meeting of April 26, 2018 will be asked to renew the following authorization:

Authorization date	Expiration date	Authorized maximum <i>(nominal amount of ordinary shares issuance)</i>
Grant of Group performance shares (GPS)	April 26, 2018	December 31, 2018
0.2% of the share capital as determined at the close of the Shareholders' Meeting applied to the maximum amount of €16 million common to dilutive issuances to be made under the financial authorizations approved by the Shareholders' Meeting of April 27, 2017		

CHANGES IN SHARE CAPITAL AND IN THE RIGHTS ATTACHED TO THE SHARES

Any changes in the share capital or the rights attached to the shares comprising the share capital are subject to applicable legal provisions, as the by-laws do not contain any specific provisions related thereto.

7.4 FINANCIAL INSTRUMENTS NOT REPRESENTING SHARE CAPITAL

AUTHORITY OF THE BOARD OF DIRECTORS

The Combined Shareholders' Meeting of April 23, 2009 decided to delete Article 27.1.9 of the Company's by-laws, which assigned to the Shareholders' Meeting the authority to decide or authorize bond

issuances, in order to recognize the Board of Directors' fundamental authority in this area, in accordance with the first paragraph of Article L. 228-40 of the French commercial code.

DELEGATION OF AUTHORITY TO GENERAL MANAGEMENT

At its meeting of October 18, 2017, the Board of Directors decided to renew, for a period of one year, the authorization granted to General Management to issue, in France or abroad (including, in particular, in the United States of America by means of private placements to institutional investors), ordinary bonds, subordinated debt securities

or complex securities (whether fixed-term or perpetual) or any other type of negotiable debt instrument for up to a maximum outstanding principal amount at any time of €22 billion (or the equivalent amount in any other currency or unit of account).

BONDS OUTSTANDING AS OF DECEMBER 31, 2017

As of December 31, 2017, the total outstanding principal amount on bonds issued by the Company (Danone's only bond issuer) was €17,340 million (amount recognized in the consolidated financial statements).

7.5 DIVIDENDS PAID BY THE COMPANY

DIVIDEND PAY-OUT POLICY

Rules set by French law and the Company's by-laws

In accordance with law, the following amounts are withheld from earnings from which any 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 reinstated 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.

Company's pay-out policy

The dividend pay-out policy, defined by the Board of Directors, is based on an analysis that takes into account the history of dividend

payments, the Company's financial position and results, and the dividend pay-out practices of Danone's business sector.

DIVIDEND PAID IN RESPECT OF 2017 FISCAL YEAR

A dividend of €1.90 per share will be proposed to the Shareholders' Meeting of April 26, 2018 on shares eligible to receive the dividend as of January 1, 2017. If this dividend is approved, the ex-dividend date is on May 4, 2018 and the payment date is on May 31, 2018.

Also, the Shareholders' Meeting of April 26, 2018 will propose to offer each shareholder the option to receive the dividend payment in new Company shares for the full amount of the dividend associated with the shares owned.

DIVIDENDS PAID IN RESPECT OF THE PREVIOUS THREE FISCAL YEARS PRIOR TO 2017

Dividend relating to the fiscal year ^(a)	Dividend per share (in € per share)	Dividend approved (in € millions)	Dividend paid ^(b) (in € millions)
2014	1.50	966	311 ^(c)
2015	1.60	1,048	995
2016	1.70	1,115	275 ^(c)

(a) Paid the following year.

(b) Treasury shares held directly by the Company do not carry the right to receive a dividend. However, the Company's shares held by its Danone Spain subsidiary carry the right to receive a dividend.

(c) The Shareholders' Meetings of April 29, 2015 and April 27, 2017 decided that each shareholder could choose to receive payment of the dividend in cash or in DANONE shares. The amount of the dividend paid in cash corresponded to the dividend paid to those shareholders who did not opt for payment in shares.

DIVIDENDS FORFEITED TO THE FRENCH STATE

By law, dividends that have not been claimed within five years revert to the French State.

7.6 SHAREHOLDERS' MEETING, VOTING RIGHTS

PARTICIPATION IN SHAREHOLDERS' MEETINGS

The Shareholders' Meeting is convened by the Board of Directors in accordance with applicable laws.

Shareholders' Meetings are held in the city where the registered office is located or any other location, pursuant to the decision made by the convening party and at the place indicated in the Shareholders' Meeting notices.

The Shareholders' Meeting, which is convened and established on a regular basis, represents all shareholders; its decisions are binding on all shareholders, including dissidents, incapacitated persons and absentees.

The Shareholders' Meeting is composed of all shareholders, regardless of the number of shares owned, except in the case of forfeiture in accordance with applicable laws and regulations, and upon presentation of proof of identity and ownership of the shares.

Shareholders may choose one of the following three methods to participate in Shareholders' Meetings:

- attend in person by requesting an entry card;
- give a proxy to the Chairman of the Shareholders' Meeting or any individual or legal entity of their choice; or
- absentee vote by mail.

In accordance with Article R. 225-85 of the French commercial code:

- the right to participate in the Shareholders' Meeting is demonstrated through the recording of the shares in the name of the shareholder or intermediary registered on behalf of the shareholder (pursuant to the seventh paragraph of Article L. 228-1 of the French commercial code), on the second working day preceding the Shareholders' Meeting, either in the registered share accounts held by the Company (or its agent) or in the bearer share accounts held by an authorized intermediary;
- registration of the shares in the bearer share accounts held by authorized intermediaries is recognized by a statement of participation delivered by these intermediaries, where applicable using electronic means under the conditions set forth in Article R. 225-61 of the French commercial code, as an attachment to the absentee voting form, the proxy form or the request for an entry card prepared in the name of the shareholder or on behalf of the shareholder represented by the registered intermediary.

Any shareholder may give a proxy to any individual or legal entity of his choice in order to be represented at a Shareholders' Meeting. The

proxy and, where applicable, its revocation, are written and submitted to the Company or its agent (BNP Paribas Securities Services). The proxy is revocable in the same forms as those required to designate the proxy, where applicable using electronic means. The owners of the shares properly registered in the name of an intermediary under the conditions set forth in Article L. 228-1 of the French commercial code may be represented under the terms set forth in that article through a registered intermediary.

Minors and incapacitated persons are represented by their guardians and administrators, who are not required to be shareholders themselves. A legal entity is legitimately represented by any duly authorized legal representative or by a person specially authorized for that purpose.

The Company's by-laws permit shareholders to participate in Shareholders' Meetings using electronic means, and a website has been specially created to that effect for Shareholders' Meetings, thereby enabling shareholders to vote online using this dedicated site prior to the Shareholders' Meeting. The electronic signature of proxy and absentee voting forms may result from a procedure that satisfies the conditions set forth in articles R. 225-79 (for proxies) and R.225-77 (for absentee voting) of the French commercial code.

Holders of bearer shares may also use the VOTACCESS platform for Shareholders' Meetings. This option has been offered since the April 25, 2013 Shareholders' Meeting to all holders of bearer shares whose account-keeping institution has joined the VOTACCESS system and, since the April 29, 2014 Shareholders' Meeting, starting with the first share owned. This platform enables holders of bearer shares, before the Shareholders' Meeting is held, to submit their voting instructions electronically, request an entry card or designate or revoke an agent.

Lastly, the Board of Directors may decide that the vote occurring during the Shareholders' Meeting may be expressed by videoconference or any telecommunications method that makes it possible to identify the shareholders, subject to applicable statutory and regulatory conditions.

Through a decision by the Board of Directors, shareholders can watch the Shareholders' Meeting in real time or a recorded version for one year on the Danone website.

Danone also publishes on its website the voting results and a report on the Shareholders' Meeting that refers to all of the main presentations made to shareholders.

VOTING RIGHTS

Double voting rights

The Extraordinary Shareholders' Meeting of October 18, 1935 decided to include in the Company's by-laws, the grant of double voting rights, under the conditions provided by law, in relation to the portion of the share capital that they represent, to all fully paid-up shares for which evidence is provided that they have been registered in the name of the same shareholder for at least two years, as well as – in the event of a capital increase through capitalization of reserves, earnings or additional paid-in capital – to registered shares granted

free of charge to a shareholder in consideration of existing shares in respect of which he enjoys said rights. This statutory double voting right has been maintained since its creation in 1935 and coexists, in the same conditions, with the one created by the law 2014-384 of March 29, 2014, known as the "Florange law". Neither the Danone Board of Directors nor its shareholders proposed its elimination when the legal double voting right was instituted for companies whose shares are admitted for trading on a regulated market.

Double voting rights cease in the event of a transfer or conversion into bearer shares, unless otherwise provided for by law. A double voting right may moreover be terminated by an extraordinary shareholders' meeting's decision and after ratification by the special shareholders'

Limitation on voting rights at Shareholders' Meetings

Principle of limitations on voting rights

The Extraordinary Shareholders' Meeting of September 30, 1992 decided to introduce into Danone's by-laws a clause limiting the voting rights, considering the weak participation rate of shareholders at Meetings. The purpose of the clause is to avoid having a shareholder exercise undue influence or even realize a "stealth" takeover of the Company. Hence, the by-laws provide that, at Shareholders' Meetings, no shareholder may cast more than 6% of the total number of voting rights attached to the Company's shares in his or her own right or through proxy (*mandataire*), in respect of single voting rights attached to shares which he or she holds directly and indirectly and of powers which have been granted to him or her. Nevertheless, if, additionally, he or she enjoys double voting rights in a personal capacity and/or in the capacity of agent, the limit set above may be exceeded by taking into account only the extra voting rights resulting therefrom. In such a case, the total voting rights that he or she represents shall not exceed 12% of the total number of voting rights attached to the Company's shares.

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 legal 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

Reasons for the limitation of voting rights for shareholders

The Board of Directors has, on several occasions, reviewed this clause limiting voting rights at Shareholders' Meetings and, notably following discussions with its shareholders, has concluded that this voting rights limitation is in the interest of all the Company's shareholders. Thus:

- considering the effective participation rate at Shareholders' Meetings (which remains far below the average participation rate at the CAC 40's shareholders' meetings), this limitation prevents shareholders from influencing corporate decisions in a manner that would be disproportionate to the actual size of their shareholding, particularly in the event of a low quorum or when a simple majority is sufficient for the adoption of a corporate decision (with a quorum for Shareholders' Meetings of 50%, 25% of the votes could be sufficient to adopt or reject a corporate decision);

meeting gathering all double voting right beneficiaries. A merger with another company shall not affect double voting rights, which can be exercised within the absorbing company if its by-laws have instituted this procedure.

In accordance with Article 26.II of the Company's by-laws, this limitation applies when:

- the total number of voting rights taken into account is calculated as of the date of the Shareholders' Meeting and is brought to the attention of shareholders at the opening of the Shareholders' Meeting;
- the number of voting rights held directly and indirectly refers particularly to those attached to shares held personally by a shareholder, shares held by a corporation he or she controls within the meaning of Article L. 233-3 of the French commercial code and shares assimilated with shares held, as defined by the provisions of Articles L. 233-7 et seq. of the French commercial code;
- in respect of voting rights used by the Chairman of the Shareholders' Meeting, those attached to shares for which a proxy form has been returned to the Company without naming a proxy and which, individually, do not violate the applicable limitations, are not taken into account.

This limitation of voting rights at Shareholders' Meetings has been implemented by the Company in respect of the MFS group since 2013 (see section 7.8 *Share ownership structure of the Company as of December 31, 2017 and significant changes over the last three fiscal years* for more information on the interest held by MFS in the Company's share capital).

the bidder, acting alone or in concert, were to come into possession of more than two-thirds of the total shares or total voting rights of the company concerned.

Lastly, following adoption of the 16th resolution by the Shareholders' Meeting of April 22, 2010, the limitations on voting rights shall be suspended for a Shareholders' Meeting if the number of shares present or represented at such meeting reaches or exceeds 75% of the total number of shares carrying voting rights. In such event, the Chairman of the Board of Directors (or any other person who is presiding over the meeting in his absence) shall formally acknowledge the suspension of said limitation when the Shareholders' Meeting is opened.

- considering Danone's disperse shareholding, in the absence of such a limitation mechanism, a shareholder could take *de facto* control of the Company "by stealth", *i.e.* without being obliged to launch a public tender offer and offer existing shareholders the possibility of selling their shares in the Company under satisfactory conditions. The clause limiting voting rights is therefore clearly aimed at requiring any shareholder wishing to take control of the Company, at any time, to launch a takeover bid for all of the Company's shares, to offer a control premium, and, when required, to respect price conditions as set by the French Financial Markets Authority. In this regard, this provision provides protection for all the shareholders and guarantees them the best valuation for their shares;

- this clause of the by-laws does not, under any circumstances, constitute an obstacle to a takeover bid on the Company, since the clause becomes automatically null and void for the first Shareholders' Meeting held subsequent to a takeover bid resulting in one or more shareholders acting in concert owning more than two-thirds of the Company's share capital or voting rights;
- the validity of clauses limiting voting rights has been recognized by the French commercial code, and their utility is illustrated by the fact that several other CAC 40 companies with a disperse shareholding have implemented a similar mechanism in their by-laws;
- the limitation clause does not affect, in any way, the economic rights of the shareholders that would be concerned by the measure insofar as such shareholders are eligible to receive the full dividend attached to the shares they own.

Like other CAC 40 companies, in 2007 the Shareholders' Meeting rejected a resolution aimed at removing this statutory clause limiting voting rights at a Meeting.

In 2010, following discussions with its shareholders, the Board considered it would be appropriate to amend the terms of the voting

rights limitation mechanism in order to introduce the automatic suspension of the limitation process for any Shareholders' Meeting at which a sufficiently high quorum is achieved. Indeed, whereas this limitation appears appropriate and justified in the event of a low quorum, it appears superfluous in the event of a high quorum, since such a quorum would ensure all shareholders could express their opinion without the risk of distortion. For this reason, this limitation is suspended, in respect of any Meeting at which the number of shares whose shareholders are present or represented reaches or exceeds 75% of the total number of shares with voting rights. This suspension mechanism, based on the quorum, offers an additional guarantee to Danone's shareholders as it ensures that the voting rights limitation would be objectively activated.

In the event that a shareholder acquires a significant non-controlling interest in the Company's share capital, the quorum should automatically increase and would facilitate suspension of the clause, while ensuring that said shareholder was not able to influence proceedings at the Shareholders' Meeting in a manner disproportionate to his or her shareholding.

The quorum achieved at the Shareholders' Meeting of April 27, 2017 was 52.5%.

7.7 CROSSING OF THRESHOLDS, SHARES AND SHARE SALES

CROSSING OF THRESHOLDS

A shareholder is legally required to inform the Company and the French Financial Markets Authority whenever any of the following thresholds are crossed in either direction, within four trading days of when the threshold is crossed: 5%, 10%, 15%, 20%, 25%, 30%, one-third, 50%, two-thirds, 90% or 95% of the Company's share capital or voting rights (Article L. 233-7 of the French commercial code). In addition, any individual or legal 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 in the open market, the notification period of five trading days begins with the date of trade and not the date of delivery.

In the event of failure to comply with this notification requirement, at 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 reported 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.

PURCHASES AND SALES OF COMPANY SHARES

There is no clause in the Company's by-laws giving preferential rights for the purchase or sale of Company shares.

7.8 SHARE OWNERSHIP STRUCTURE OF THE COMPANY AS OF DECEMBER 31, 2017 AND SIGNIFICANT CHANGES OVER THE PAST THREE FISCAL YEARS

SHARE OWNERSHIP STRUCTURE AS OF DECEMBER 31, 2017

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 *Shareholders' Meeting, voting rights*).

As of December 31, 2017, shareholders having disclosed shareholdings exceeding 1.5% of voting rights in the Company (based on reported crossings of statutory thresholds received by the Company)

Shareholders	Number of shares held	% of share capital	Number of gross voting rights	% of gross voting rights ^(a)	Number of net voting rights	% of net voting rights ^(b)
MFS ^(c)	59,943,156	8.9%	51,918,806	7.4%	51,918,806	7.8%
BlackRock	40,773,191	6.1%	40,773,191	5.8%	40,773,191	6.1%
First Eagle Investment Management	16,296,614	2.4%	16,296,614	2.3%	16,296,614	2.4%
Amundi Asset Management	14,909,453	2.2%	13,331,003	2.1%	13,331,003	2.0%
Sofina Group	14,292,198	2.1%	28,217,945	4.0%	28,217,945	4.2%
Lyxor	12,770,814	1.9%	12,770,814	1.8%	12,770,814	1.9%
Norges Bank	11,954,907	1.8%	11,954,907	1.7%	11,954,907	1.8%
CDC Group	11,262,220	1.7%	11,262,220	1.6%	11,262,220	1.7%
Employee shareholders – “Fonds Danone” company investment fund	8,530,765	1.3%	16,462,405	2.3%	16,462,405	2.5%
Treasury shares – the Company	32,526,992	4.8%	32,526,992	4.6%	–	–
Treasury shares – Danone Spain subsidiary	5,780,005	0.9%	5,780,005	0.8%	–	–
Other	441,670,085	65.9%	464,260,614	65.8%	464,260,948	69.6%
Total	670,710,400	100.0%	705,555,516	100.0%	667,248,853	100.0%

(a) The percentage of gross voting rights is calculated taking into account the treasury 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) The voting rights of MFS group were capped at 6% at the Shareholders’ Meeting of April 27, 2017 in accordance with Article 26.II of the by-laws of the Company (see section 7.6 *Shareholders’ Meeting, voting rights* above for details on limitations on voting rights at Shareholders’ Meetings).

As of December 31, 2017, the portion of the Company’s share capital held by shareholders in registered form on the Company share register (*nominatif pur*) and in registered form on the books of a financial intermediary (*nominatif administré*) and pledged was not material.

To the Company’s knowledge, on the basis of threshold crossing disclosures made to the French Financial Markets Authority, no shareholder other than MFS and BlackRock held a stake of more than 5% in the Company’s share capital or voting rights as of December 31, 2017.

Shares held by members of the Board of Directors and Executive Committee

See section 6.5 *DANONE shares held by the Board of Directors and Executive Committee members*.

SIGNIFICANT CHANGES IN THE COMPANY'S SHARE OWNERSHIP DURING THE PAST THREE FISCAL YEARS

Year ended December 31

Shareholders	2017			2016			2015		
	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	59,943,156	8.9%	7.78%	70,545,063	10.8%	9.1%	83,804,278	12.8%	10.8%
BlackRock	40,773,191	6.1%	6.1%	34,552,051	5.3%	5.4%	34,552,051	5.3%	4.9%
First Eagle Investment Management	16,296,614	2.4%	2.4%	14,155,850	2.2%	2.2%	14,797,091	2.3%	2.3%
Amundi Asset Management	14,909,453	2.2%	2.0%	14,250,441	2.2%	3.4%	11,447,283	1.7%	1.8%
Sofina Group	14,292,198	2.1%	4.2%	14,110,330	2.2%	3.4%	14,110,330	2.2%	3.3%
Lyxor	12,770,814	1.9%	1.9%	-	-	-	-	-	-
Norges Bank	11,954,907	1.8%	1.8%	11,330,020	1.3%	1.8%	9,357,050	1.4%	1.5%
CDC Group	11,262,220	1.7%	1.7%	10,924,281	1.7%	1.7%	10,823,151	1.7%	1.7%
Employee shareholders – “Fonds Danone” company investment fund	8,530,765	1.3%	2.5%	8,343,996	1.3%	2.5%	8,190,638	1.3%	2.5%
Treasury shares – the Company	32,526,992	4.8%	-	33,129,198	5.1%	-	33,946,170	5.2%	-
Treasury shares – Danone Spain subsidiary	5,780,005	0.9%	-	5,780,005	0.9%	-	5,780,005	0.9%	-
Other	441,670,085	65.9%	69.6%	427,029,251	65.1%	67.7%	416,865,269	63.6%	69.6%
Total	670,710,400	100%	100%	655,892,000	100%	100%	654,951,200	100%	100%

(a) This percentage excludes treasury shares held by the Company and its subsidiaries, which have been stripped of voting rights.

Ownership interest held by MFS

In the fiscal years 2015 to 2017, the ownership interest held by Massachusetts Financial Services (“MFS”) group in the Company’s share capital has fallen to 8.9% of the share capital as of December 31, 2017.

MFS indicated to the Company that the number of (gross and net) voting rights that it holds in the Company is less than the number of

shares it owns, as certain of its clients retain voting rights to the shares whose management is assigned to MFS. Thus, as of December 31, 2017, MFS informed the Company that it held 59,943,156 DANONE shares (approximately 8.9% of the share capital), including 51,918,806 shares (approximately 7.7% of the share capital) for which MFS exercises voting rights and 8,024,350 shares (approximately 1.2% of the share capital) for which MFS clients have retained voting rights.

Ownership interest held by BlackRock

In the fiscal years 2015 to 2017, BlackRock increased its ownership interest in the Company’s share capital to 6.1% of the Company’s shares as of December 31, 2017.

Between January and February 2017, BlackRock made several disclosures regarding the crossing of the 5% threshold for shares capital or voting rights, in both directions (see disclosures No. 217C0121, No. 217C0153, No. 217C0225, No. 217C0452 and No. 217C0478).

Other significant changes during the past three fiscal years

With the exception of the aforementioned disclosures by BlackRock, no other disclosures regarding the crossing of statutory thresholds pertaining to the Company’s share capital or voting rights were published by the French Financial Markets Authority in fiscal year 2017.

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.

Employee shareholding

Each year, Danone carries out a capital increase reserved for Danone employees participating in a company savings plan.

As of December 31, 2017, to the Company’s knowledge, the number of the Company’s shares held directly or indirectly by employees of the Company and of companies related to it, and, in particular, those that are subject to collective management or conditions prohibiting their disposal, either within the framework of a French company savings plan (*Plan d’Épargne Entreprise*) or through French company

investment funds (*Fonds Communs de Placement Entreprise – FCPE*) [the “Fonds Danone” company investment fund and the company investment funds of other Danone subsidiaries], was 9,549,226, i.e. 1.4% of the Company’s share capital, including the 8,530,765 shares (1.3% of the share capital) held by the “Fonds Danone” FCPE.

Only the supervisory board of the “Fonds Danone” FCPE is authorized to vote on behalf of the shares held by the FCPE. As an exception to this principle, in accordance with the decisions taken by the

supervisory board, holders of shares in the *FCPE* may be consulted directly by referendum in the event that the supervisory board has a split vote. The supervisory board is currently composed of: (i) four employee members representing current and former employees,

Identifiable bearer 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 company name, nationality, and address of the holders of shares or other securities conferring immediate or future voting rights at its

who are appointed by the representatives of the various trade unions representing the Company's employees in accordance with the French labor code, and of (ii) four members representing the Company and appointed by Danone's management.

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.

Distribution of shareholders based on the Company's survey in December 2017 of identifiable bearer shareholders

	Percentage of share capital
Institutional investors	77%
Including,	
<i>United States</i>	46%
<i>France</i>	20%
<i>Rest of Europe</i>	16%
<i>United Kingdom</i>	6%
<i>Switzerland</i>	6%
<i>Rest of World</i>	6%
Individual shareholders and "Fonds Danone" FCPE	10%
Treasury shares	6%
Other	7%
Total	100%

7.9 MARKET FOR THE COMPANY'S SHARES

LISTING MARKETS AND INDEXES

Listing markets

The Company's shares are listed on Euronext Paris (Compartment A – Deferred Settlement Service; ISIN Code: FR 0000120644; ticker "BN") and also have a secondary listing on the Swiss Stock Exchange (SWX Suisse Exchange).

Danone also maintains a sponsored Level 1 program of American Depositary Receipts (ADR), which are traded over-the-counter through the OTCQX platform under the symbol DAN0Y (each ADR representing one-fifth of a DANONE share). OTCQX is an information platform representing over 300 international groups and enabling them to access U.S. investors while guaranteeing price transparency.

Indexes

DANONE shares are included in the following indexes:

- CAC 40, the principal index of Euronext Paris;
- Eurostoxx 50, which lists the 50 largest market capitalizations in the euro zone.

The Company is also included in the leading social responsibility indexes (see section 5.1 *Danone's integrated vision of social, societal and environmental responsibility*).

STOCK PRICE AND TRADING VOLUME

Year ended December 31, 2017

	Number of shares traded		Trading volume			Stock price	
	Total (in number of shares)	Daily average (in number of shares)	Total trading volume (in € billions)	Average monthly price (in € per share)	High (in € per share)	Low (in € per share)	
January	34,068,128	1,548,551	2.04	59.90	61.75	57.99	
February	38,482,844	1,924,142	2.33	60.55	63.06	58.06	
March	35,863,280	1,559,273	2.26	63.10	64.46	61.14	
April	33,439,319	1,857,740	2.13	63.76	64.49	61.87	
May	41,119,494	1,869,068	2.70	66.14	67.75	63.73	
June	39,640,324	1,801,833	2.67	67.24	69.52	65.81	
July	32,584,569	1,551,646	2.12	65.26	66.85	62.86	
August	37,469,518	1,629,109	2.47	66.15	68.40	62.52	
September	35,034,999	1,668,333	2.34	66.79	68.58	65.33	
October	32,407,762	1,473,080	2.25	69.25	72.67	66.62	
November	30,442,756	1,383,762	2.13	69.85	71.73	68.50	
December	28,120,531	1,480,028	1.98	70.66	72.13	69.28	

Source: Euronext Paris. Includes over-the-counter trading.

7.10 FACTORS THAT MIGHT HAVE AN IMPACT IN THE EVENT OF A PUBLIC TENDER OFFER

In accordance with article L. 225-37-5 of the French commercial code, factors that might have an impact in the event of a tender offer.

(i) Structure of the Company's share capital

See section 7.8 *Share ownership structure of the Company as of December 31, 2017 and significant changes over the last three fiscal years.*

(ii) Voting rights restrictions set forth in the by-laws

The Company's by-laws provide for a system of limitation of voting rights, described in section 7.6 *Shareholders' Meeting, voting rights.* The Shareholders' Meeting of April 22, 2010 decided to include a mechanism for suspending this limitation if the number of shares present or represented at a Shareholders' Meeting reaches or exceeds 75% of the total number of shares carrying voting rights.

In addition, the Company's by-laws provide for a reporting obligation for anyone who would hold or cease to hold a fraction equal to 0.5% of voting rights or a multiple thereof, beginning when one of the thresholds is crossed. This mechanism is described in section 7.7 *Crossing of thresholds, shares and share sales.*

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 disclosed may not be exercised or delegated by the non-complying shareholder at any Shareholders' Meeting held during a period of two years from the date on which the shareholder makes the corrective notification.

As of the publication date of this Registration Document, the Company is not aware of any clause of agreements providing for preferential terms of purchase or sale 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

See section 7.8 *Share ownership structure of the Company as of December 31, 2017 and significant changes over the last three fiscal years.*

(iv) Holders of securities providing special control rights on 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 has the authority to decide how to respond to a possible tender offer with respect to the DANONE shares held by the fund. As an exception to this principle, holders of shares in the company investment fund may be consulted directly by referendum if the supervisory board has a split vote.

(vi) Agreements between shareholders of which the Company is aware and that could impose restrictions on the transfer of shares and the exercise of voting rights

To the Company's knowledge, no agreement exists between shareholders that could impose restrictions on the transfer of the Company's shares and the exercise of voting rights.

(vii) Rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws

With the exception of the rules approved by the shareholders at the Shareholders' Meeting of April 29, 2014 concerning the appointment of the Directors representing employees (see section 6.1 *Governance bodies*), there are no specific rules applicable to the appointment and replacement of members of the Board of Directors or to amendments of the by-laws.

(viii) Powers of the Board of Directors in the event of a public tender offer

Pursuant to the resolution approved by shareholders at the April 27, 2017 Shareholders' Meeting, the Board of Directors is prohibited from implementing the Company share buyback program during a public tender offer involving the Company's shares. The Shareholders' Meeting of April 26, 2018 will be asked to renew this prohibition.

Moreover, in accordance with the decision of the Shareholders' Meeting of April 27, 2017, the Board of Directors cannot decide to issue shares and securities with or without preferential subscription rights (other than capital increases reserved for employees and managers and grants of Group performance shares) during periods when the Company's shares are the subject of a public tender offer.

(ix) Agreements signed by the Company that are amended or terminated in the event of a change of control of the Company

- Danone granted put options to certain non-controlling shareholders of its subsidiaries relating to their shares, which may be exercised during a public tender offer. The amount of such options is set out in Note 3.6 of the Notes to the consolidated financial statements.
- In 2005, the Company and the Arcor group signed an agreement governing relations between Danone and Arcor within the joint venture named Bagley Latino America, a Latin American leader in biscuits, 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 at its fair value.
- In 2016, Danone entered into a new shareholders' agreement with Al Faisaliah Holding that governs their relations within their jointly owned company Alsafi Danone Company Limited, a Saudi-based company selling fresh dairy products and fruit juice in the Middle East in which Danone holds an indirect 17% stake. In the event of a change of control in the Company without the consent of Al Faisaliah Holding, Al Faisaliah Holding could terminate the shareholders' agreement and exercise a call option on the shares held by Danone in Alsafi Danone Company Limited.
- Under the terms of contracts regarding the use of mineral springs, in particular Volvic and Évian in France, Danone has very longstanding and privileged relations with local municipalities in which these springs are located. It is difficult for the Company to assess with certainty the impact on these contracts of any change in its control.
- The stock-option plans, as well as Group performance units (GPU) and Group performance shares (GPS) plans, that were put in place by the Company for the benefit of certain employees and its corporate officers, include specific provisions in the event of a change of control of the Company resulting from a public tender offer on the Company's securities, described in section 6.4 *Detailed information on long-term and multi-annual compensation plans*.
- Danone's syndicated facility agreement includes a change of control provision, which offers the lending banks an early redemption right in the event of a change of control of the Company, if it is accompanied by a downgrade of its rating by the rating agencies to sub-investment grade. This syndicated facility agreement represents a principal amount of €2 billion.
- The Company's EMTN bond issuance program, its U.S. bond issuances in June 2012 and November 2016 and certain bilateral bank credit facility also include a similar mechanism in the event of a change of control of the Company (see Note 10.3 of the Notes to the consolidated financial statements).

(x) Agreements providing for indemnities to be paid to employees and corporate officers of the Company in the event that they resign, or their employment is terminated without cause or if their employment ends due to a public tender offer

See section 6.3 *Compensation and benefits of governance bodies*.

7.11 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.