# DANONE CME 2024 TRANSCRIPT

**June 20, 2024**

## DANONE SPEAKERS

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Juergen Esser – *Group Deputy CEO & CFO*
Isabelle Esser – *Chief R&I, Quality and Food Safety Officer*
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Pablo Perversi – *President Europe*
Jean-Marc Magnaudet – *President Specialized Nutrition*
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## INTRODUCTION

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*

Good morning, everyone, and a warm welcome. We are very pleased to welcome you here today in Danone Place, Amsterdam, for our Capital Market Event.

First a quick overview of what we'll share with you today. We'll start in a few minutes with a webcasted presentation from our CEO, Antoine de Saint-Affrique, and our CFO Juergen Esser. Marketplace is on the first floor, so obviously for in-person attendees, and then lunch here again. And we'll be back here for a webcasted plenary session at 1 p.m. with deep-dive sessions presented by Comex members.

Before we start the presentation, I have the privilege to share with you some important safety information. You have a security exit to the left here and to the right near the main entrance. In case of an emergency, the fire alarm will sound, and we have first emergency responders that are here ready to give you directions. And the gathering point is on the street level near to our building. And of course, when you go to the first floor using the stairs, please hold the handrail. Also, as always, I need to share with you the fact that we have a disclaimer in the presentation related to financial definition that we will refer to during the presentation. And without any further ado, I leave the floor to our CEO, Antoine de Saint-Affrique.

## CEO PRESENTATION

Antoine de Saint-Affrique, *Chief Executive Officer*

Thank you, Mathilde, and good morning, everyone. I think, as you may know, yesterday night Mathilde told me, by all means you need to stop at 9:30. I didn't listen; I kept answering your questions until late and as a result my voice is gone. So apologies for that.

Back to the business. Our chairman Gilles, the Danone Executive Committee and I are delighted to welcome you to Danone's home in Amsterdam for what I'm sure will be an exciting day, a day where you will hopefully get a better sense of the journey we have been on over the last two years, but also get an understanding on how we intend to project Danone forward. More importantly, I hope that this day will allow you to feel as confident as I am and as confident as we are about Danone's future.

### SLIDE 2 – OBJECTIVES OF THE DAY

In the coming 45 minutes, I intend to do three things: reflect with you on the radical transformation Danone has undergone over the last two years; take stock of how different, and in my view, how much stronger Danone is today compared to the company that you used to know; and then tell you more about how we project ourselves into the next four years and beyond, at a moment in time when the food industry is at a tipping point.

### SLIDE 3 – REFLECTING ON THE RADICAL TRANSFORMATION OF THE LAST TWO YEARS

So let's start by first reflecting on the journey of the last two years. We didn't make too much noise about it, but we have undertaken a radical transformation of the company.

### SLIDE 4 – OUR STARTING POINT TWO YEARS AGO

You will remember these charts from our CME in 2022. Back then, I shared with you an assessment that was both transparent and uncompromising. We started our Renew journey as Danone was just coming out of a deep and very public governance crisis, when it was in the midst of a significant restructuring and was seen by a number of you as underperforming and unreliable. And the fact is that despite the quality of our assets, the company was simply not delivering and had accumulated a number of gaps. Against this backdrop, we defined an ambitious plan to bring back Danone where it belonged.

Our plan, Renew Danone, was underpinned by three resets: a cultural reset aimed at restoring a culture of performance and meritocracy; an executional reset to step-change the quality and the impact of everything we do, from the labs and the shop floor and the shelf. This came with one clear ambition: reclaiming category leadership and driving competitive growth. A financial business model reset refocusing on long term value creation, creating the space to reinvest competitively in what matters. Brands, product superiority and key capabilities with a particular focus – and you've seen some of it yesterday – on science and data. And the rule of the game was clear: leaving no stone unturned and consistently doing the difficult right rather than the easy wrong. So we went broad and we went deep.

## SLIDE 5 – TWO YEARS OF RADICAL TRANSFORMATION – STARTING WITH OUR GOVERNANCE

Starting with the governance of the company. In the last two years, we have renewed the totality of the Board, bringing in a combination of industry knowledge and seniority, complemented with unique expertise in health, in nutrition and sustainability. And as I'm sure you can imagine, having a strong Board also means having a very active Board. Active on remuneration where they helped us make our incentive schemes more performance oriented, better aligned with the interests of our shareholders. This proved to be instrumental in the cultural shift we have undertaken. Active on portfolio and strategy, where the seniority and the diversity of the Board has been incredibly helpful.

## SLIDE 6 – TWO YEARS OF RADICAL TRANSFORMATION – DRIVING A MAJOR CULTURAL SHIFT, SHAPING A PERFORMANCE-ORIENTED, PROBLEM-SOLVING ORIENTATION

In the same way as for the Board, we went deep and broad on culture and capabilities, upgrading our leadership team, putting the right talents in the right spots.

Over the last two years, we changed half of the Executive Committee, bringing top talents from both inside and outside Danone. The same happened, by the way, on levels below the Executive Committee. From local first we moved to Danone first, driving a culture where teams are at the same time accountable and interdependent, where constructive dissatisfaction is becoming the norm and where the focus is on the outside world. And while this journey is not over, we have already come a long way.

Last but not least, we gave a different rhythm to the company, being much more disciplined and much more intense in the way we run it. Every 90 days we are back in every region to discuss performance, to solve issues, to seize opportunities. We are now running the ship with better visibility, with better control, also with better clarity on the role and contribution of each country and each function.

## SLIDE 7 – TWO YEARS OF RADICAL TRANSFORMATION – DRIVING A MAJOR CULTURAL SHIFT, RECONNECTING PURPOSE WITH PERFORMANCE

In the same way as we have refocused our strategy and sharpened its execution, we have also refocused our sustainability agenda for greater impact and for better alignment to our business strategy.

We have reconnected purpose with performance through a sharp set of commitments articulated around health, nature and people. We are now treating sustainability as a strategic business take, a key enabler to our current and future performance and to the resilience of our business. This is true for dairy, where we are leading the industry on methane reduction. It is true on regenerative agriculture, which is key to making our ecosystem resilient, or on water preservation, where we have been pioneering for decades. And it starts yielding tangible results across the company from marketing, operations or financing, as you will see throughout the day.

## SLIDE 8 – TWO YEARS OF RADICAL TRANSFORMATION – REBUILDING DISTINCTIVE CAPABILITIES

The last two years have seen us also methodically rebuild distinctive capabilities. In Operations and R&I we have been bridging some gaps, but are also projecting ourselves forward, as some of you have seen yesterday in Utrecht, and as you will hear from Isabelle and Vikram later on.

We now fully leverage our ecosystem. You may have heard of our Partner for Growth programme, and I do certainly hope that you have heard of the joint venture with Michelin, which we announced last week. We have also rebuilt our real category expertise, taking back responsibility for market growth, better leveraging our distinctive brand assets. We are stepping up our marketing and sales capabilities, upping our game on communication, on consumer insights and revenue growth management, to name a few. Danone used to be a marketing and sales reference, and we intend to go back to it sooner rather than later.

Finally, we have been moving extremely fast on data and digital, closing critical gaps. We are also positioning Danone at the forefront of some key spaces. We are up and running with several Gen AI-enabled initiatives like consumer segmentation in China, customer care in Europe and factory digitalisation across the globe. Stronger capabilities, greater focus and discipline, the right investment, but also it is critical the commitment of the Danoners, have helped us to make significant progress in making Danone a much more consumer-centric and a much more competitive company.

## SLIDE 9 – TWO YEARS OF MATERIAL PROGRESS

And this shows in the way we have been managing our portfolio, driving our core, fixing our underperformers when it could be done in a value-creative way and boosting our Winners.

The “Core Underperformer Winner” framework allowed us to give clear roles to each business cell and have the team focusing on precise jobs to be done. It ultimately translated into improved level of growth and/or margin, and definitely into better returns. There is probably no better example of it than what we did in dairy, notably in North America and Europe.

We prioritised the platforms where we wanted to play. We clarified the streamline of our brands and started to implement a renovated portfolio strategy, and it shows in the numbers. EDP volume/mix is now back to positive territory after years of structural erosion.

Speaking of underperformance, we took decisive action to fix Mizone and after a number of challenging years brought the brand back to competitive growth. I do not want to steal the thunder of Miranda who will tell you more about this later.

And last but not least, we have been very intentional in boosting our Winners. High Protein, Medical Nutrition, Coffee Creations, just to name a few, have received a disproportionate amount of focus of resource and investment. We have more than doubled the like-for-like sales growth of our Winners.

## SLIDE 10 – WHILE REMAINING CONSTRUCTIVELY DISSATISFIED

This being said, the job is far from fully done, nor will it ever be. I was speaking about constructive dissatisfaction earlier. This is the exact mindset we keep while looking at our portfolio and its performance. There are still parts of our business which are not where we want them to be, and we are proactively taking action to fix them. This is obviously the case with our plant-based beverage portfolio, and although we are making good progress with our dairy business model in Emerging Markets, we are also far from being done.

While we keep raising the bar on business performance, we also do the same on key strategic capabilities. We have come a long way in bridging the gaps in Research, Innovation and Operations, but there are still opportunities there and in marketing and sales. We also raised the bar on leadership culture. Our culture has been changing. Keeping what makes Danone unique while giving it a sharper edge. Still, we can make Danone a faster, more efficient and simpler organisation.

## SLIDE 11 – WE PROVED OUR MODEL UNDER PRESSURE - DELIVERING ON OUR TARGET BUSINESS MODEL TO RECONNECT WITH TRUE PERFORMANCE

Looking back at the last two years, one of the things we are the proudest of is that we have managed to prove our model under significant external pressure. We didn't only consistently deliver on our targets; how we delivered is of much greater quality. Our growth has become competitive. We now grow in line or slightly above our markets. Our growth is of better quality with positive volume/mix for several quarters in a row. Our growth is structurally more profitable with our gross margin expanding again after several years of erosion. Vikram will give you later some insights on how this is done and what we do structurally differently.

And this shows in our results. Our like-for-like sales grew at a rate of +7.1% over the last two years, and our Free Cash Flow reached the record high level of 2.6 billion at the end of last year.

## SLIDE 12 – WE PROVED OUR MODEL UNDER PRESSURE – WHILE DEEPLY TRANSFORMING THE COMPANY

Doing the right thing and being true to our strategy despite external pressure is also the approach we took on portfolio management. Two years ago, we took an uncompromising look at our portfolio, assessing the state and the contribution of each part of it, making a call on the most strategic and value-creating way forward for Danone. In slightly over 24 months, you have seen us rotate out the equivalent of roughly 9% of company revenues with the disposal or deconsolidation of some iconic assets such as Horizon Organic in the US, EDP in Russia, Michel et Augustin in France, or Villavicencio in Argentina.

You have also seen us address some of the long-term structural challenges Danone was facing. In our Research and Innovation, we broke the category silos that used to slow our ability to leverage science across the company. In Operations, we shifted from historically category-led verticals to one operation backbone, a key enabler to the strong performance delivered over the last years. And silently, in a Danone way, we started transforming what needed to be transformed.

## SLIDE 14 – WE ARE A STRONG COMPANY – READY FOR MORE

I hope that by now you can see how much the Danone of today is different from the Danone of two years ago. The work of the last two years allowed us to turn Danone into an inherently stronger business. While our geographic footprint hasn't structurally changed, the way we manage it has materially. Each zone has a clear role and strategic mandate. We allocate resources intentionally planning for resilience and long-term evolution in a context of relative deglobalization.

Another important change, as significant, if not more, is the way we now drive our channel footprint. In 2023, more than 50% of Danone’s revenue stemmed from channels such as out-of-home, pharmacies and hospitals. These channels are not only growing faster, they are also more valorised than modern trade. They also represent a significant pool of untapped opportunity, as in some cases we do not have our fair share. Thereto, it is about growth and resilience.

Third, we have made significant progress in optimising our ranges, refocusing where we can differentiate through brands, benefits and science. Over the last two years, we disposed of more than 1 billion of revenue in milk brands. At the same time, we more than doubled the size of our Performance Protein business, reaching almost 1 billion revenue in 2023. We are rapidly moving away from commoditized, low-value categories while increasing our exposure to faster growing and more valorised segments. Being now stronger gives us the appetite but also the muscle to project ourselves forward. And the context is helping as the market is coming to a tipping point where the relationship between Food and Health is becoming a central stake at all levels in the society.

## SLIDE 15 – MARKET PLAYS TO WHAT MAKES US UNIQUE

This plays to what makes us unique: our focus on Health, our unique Science, and our Categories and Brands.

## SLIDE 16 – WE HAVE THE HEALTHIEST PORTFOLIO OF THE SECTOR

Let me tell you a bit more about it. Health through Food has been at the very heart of what Danone is since we started in 1919. It is obviously the mission of the company, but it is much more than that. At a time when the Food and Beverage industry is coming under growing scrutiny, our focus on health is our greatest assets. We have the healthiest portfolio of the Foods and Beverage sector, with 89% of our volumes being sold from products scoring 3.5 stars or more in HSR and this positions us uniquely for growth.

Delivering Health through Food is not only the right thing to do, it is actually good business as consumers, patients and society are increasingly coming our way.

## SLIDE 17 – WHILE HEALTH AND NUTRITION ARE MORE INTERTWINED THAN EVER

And here the facts speak for themselves. The world is growing older without getting any healthier. By 2040, there will be an additional 550 million people aged 65 or more. The prevalence of non-communicable disease keeps increasing. Every year, there are 20 million people newly diagnosed with cancer. The combination of both factors puts health care systems under economic pressure, bringing the topic of health economics to the forefront. And there, food can make a real difference. Foods for special medical purposes – Bruno and Jean-Marc will come back to it – but also the right kind of everyday food.

There is an increasing body of work supporting that nutrition can have a positive impact on health, including by preventing the occurrence of some diseases. I'm sure that you have seen the recent publication of the US FDA agency indicating that eating yogurt twice a week may reduce the risk of Type 2 diabetes. That's a great illustration of it. And when it comes to health and foods, gut is very much at the centre of it. Gut is increasingly recognised as the place where current and future health is being defined; the place where it all starts. Isabelle and Véronique will tell you much more about how we leverage our science of Gut and Microbiome. But let me be clear: we have the expertise and thereto, the market is coming our way. This is good news for Danone.

## SLIDE 18 – AND WE HAVE A COMPETITIVE ADVANTAGE ON KEY EXTERNALITIES

In addition to playing at the heart of some of the key structural trends of the future, Danone is also benefiting from very clear, competitive advantages on some of the major externalities impacting our sector. In a world becoming much more multipolar, we have a unique combination of global muscle and local relevance. Our science, some of our brands, most of our know-how are now leveraged globally. But we execute very close to the field, as in many cases we source and produce locally and as in all cases, we understand the local consumer habits, their tastes, their shopping habits, the price structure of our markets.

In a world where climate change is starting to have a real impact, translating into cost and regulation, having a well-established and broadly-recognised expertise on critical topics is not only key for the resilience of our business, it is becoming a genuine competitive advantage. In a world where the population will continue to grow and where we will need to find sustainable and protein efficient solutions to feed everyone, being able to efficiently deliver nutritious and tasty products, both animal and plant protein will become ever more critical. This is where our knowledge of protein and of fermentation and the science behind it will play a critical role. As the foods markets are entering a new era, we are ready for it.

## SLIDE 19 – OUR CUTTING-EDGE SCIENCE IS A UNIQUE ASSET

Key to this readiness is our core Research and Development expertise, and it is therefore no coincidence that we host this Capital Market Event in Utrecht and in Amsterdam. As you will hear later today, Danone was born in science and has become the leader it is by leveraging this science to the service of consumers and patients in its products. We have over the last two years put science back at the heart of what we do and of who we are. Deep science, as you've seen yesterday in Utrecht, but at the same time, consumer and patient-centric science. So not abstract science, although we do heavy fundamental research, but a consumer- and patient-centric one.

The seven benefit platforms you see here summarise the consumer and patient spaces where Danone has not only the right to play given our history, our assets, our knowledge, but we believe also the ability to win in a consistent and sustainable way across our categories.

## SLIDE 20 – AND WE ARE INCREASINGLY LEVERAGING IT ACROSS CATEGORIES

And our science is travelling across, from what looks like very simple consumer goods like a Danone yogurt or an evian water. By the way, they are not simple at all. Danone yogurt is not a yogurt; it's a Danone. To the very, very sophisticated Medical Nutrition or to some of our more advanced Infant Milk Formulas. We have become fundamentally a science-based and consumer-centric company, and we are also, above all, a brand and categories company.

## SLIDE 21 – LET'S DISPEL A MYTH: OUR CATEGORIES ARE ATTRACTIVE

And here, let me start with dispelling a myth. Our categories are growing and our categories are resilient. The facts are clear. They are actually recovering in line or above other Foods and Beverage categories. I remember that two years ago, I had shared with you my conviction that Danone operates in healthy, attractive, and growing categories. Well, we now have data that actually back this up.

## SLIDE 22 – YOGURT IS PROVING TO BE A GROWTH CATEGORY

This is particularly true for the Yogurt category, which is proving to be a growth category, progressing now in volume and value. In Europe, the Dairy, Yogurt and Desserts category is growing at almost +3%, while it is growing in excess of +5% in the US. In both cases, most of this growth is volume led, which speaks to the resilience and solid fundamentals of the category. That speaks also to us taking back ownership of the category growth. In the US, Oikos is the number one contributor to category growth. In the UK, the work done in redesigning the shelves has proven beneficial for the category overall, but also for our market shares. And it doesn't only translate in shares; we see the quarterly penetration of the category on the rise in the US, in Canada, in Italy and in Brazil, while well-penetrated countries like Poland and Portugal show an increase in frequency and basket size.

Obviously, our turnaround is far from complete, but this is encouraging progress.

## SLIDE 23 – WHILE MEDICAL NUTRITION OFFERS SIGNIFICANT GROWTH POTENTIAL - IN CATEGORIES WHERE DANONE HOLDS #1 or #2 POSITIONS

And while we see renewed dynamics in Yogurt, some of our other categories have been growing consistently for a long time, and this is the case of Medical Nutrition. Medical Nutrition is certainly one of the biggest long-term growth opportunities for Danone. Thereto, the numbers speak for themselves. The future growth of this category is supported by the structural tailwind I described earlier. Sadly, cancer, frailty, but also acute allergies amongst infants are on a continuous rise. The addressable market is today of about 1.5 billion patients, which represents a potential market of about €20 billion. And importantly, penetration remains very low, at about 20%.

This addressable market is not only very large and poorly penetrated, it is also poised to grow by roughly 50% over the next few years, driven by the ageing of the global population I mentioned by improved diagnosis routines, but also by the realisation that Medical Nutrition can have a major positive impact on health economics as health systems come under financial pressure. This obviously offers a major long-term opportunity, and the good news for us is we already play there with differentiated science-based assets, and we are very successful in the places where we play.

So thereto, there is a major opportunity, there is profitable growth, and we are uniquely positioned to benefit from it.

## SLIDE 25 – LEVERAGING POTENTIAL OF OUR CATEGORIES WITH DIFFERENTIATED ASSETS

I could, I think, say the same talking of opportunity of each and every of our categories. Being the number one flexitarian company, with now over 70% of our portfolio in truly value-adding segments offers a wealth of opportunity. Having very differentiated premium brands in water and a broad and resilient distribution footprint ranging from direct delivery to retail and away from home, gives us a distinctive edge. And the leadership we have where we play in Medical Nutrition combined with proprietary science there and in early-life nutrition is obviously a clear strength.

## SLIDE 26 – WE NOW RUN A TRULY GLOCAL MODEL

So being science-based and consumer-centric, we are also first and foremost a branded-goods company. With our brands, we create a unique bond with consumers, one which is made of trust, of differentiation and of familiarity. And thereto we have a unique set of assets with a rather unique blend of truly global brands like evian, Aptamil or Activia, and strong local jewels like SGM, Aqua or International Delight. They allow us to own a truly glocal model, leveraging the might of global innovation platforms, global science, global tools and assets while executing very close to the ground. We have become better at rolling out globally much faster while adapting when needed to local circumstances. It is true, by the way, across all our categories. Our mix of local and global brands allows us, in most countries, to cover efficiently all consumer needs, preferences and price points, allowing us to be seen as a local player where localness matters.

And besides our global categories and mixes, we also have in a number of countries very strong local jewels with unique equities growing competitively and profitably. Our coffee and coffee creamer business in the US is a great example of that, and you'll hear more about it today.

**SLIDE 27 – OPENING THE NEXT CHAPTER OF OUR VALUE CREATION JOURNEY**

So as we open the next chapter of Renew, I want to leave you with three messages. I think the first one is Renew is bearing fruits. Although the journey is not over and there remains things to be done, what we deliver and how we deliver it has changed. We have become, in many ways, a different company. Second, the Food and Beverage market is at a tipping point where Health and the role Food plays in Health will become more critical than ever. There has never been a better moment to play in Health through Food, which is what Danone does for a living. So there the trend is playing to our strengths. And third, the transformation we have undertaken doesn't only bring us back into the game; it is giving us a head start in what is going to be the future in what is going to be a different game. And it is really by building on those three points that we want to open the next chapter of Danone's value-creation journey, a chapter which used to be written over the next four years.

**SLIDE 29 – IT STARTS BY DOUBLING DOWN ON RENEW DANONE FUNDAMENTALS**

And here, let me be very clear. It all starts with doubling down on the fundamentals we re-established with Renew Danone. In that spirit, everything we have built over the last few years is here to stay and be further amplified, be it the clear focus around jobs to be done in each of our cells, our commitment to fully play our role as category leaders, our continued investment in differentiating capabilities, our discipline around returns. In the end, it is about further embedding and leveraging a genuine winning culture.

**SLIDE 30 – AND BY DRIVING CONTINUOUS IMPROVEMENT ON CAPABILITIES, CULTURE AND TALENT**

And speaking of it, let me spend a minute on where we next intend to take culture and capabilities. On our capabilities, and you might have heard it when we announced our DanSkills programs, we have committed to make Danone and our workforce future-ready. Besides driving continuous improvement, we are going to equip all Danoners for the discontinuities to come, making them AI-ready so that they can be AI-enabled. This applies throughout the organisation, but in particular to Operations.

Vikram will talk about it later in the afternoon, but the fast evolution in our data and artificial intelligence offer us the opportunity to leapfrog, make better use of our existing assets and to drive incremental efficacy across our supply chain. We will also bring our focus on return to the next level across the company, keeping strong investment discipline, better leveraging AI to the service of Marketing Mix Modelling, driving returns on sustainability.

Here what we do with Refuel, our Global Energy Excellence program, is a great example of sustainability at the service of performance with tangible, immediate payback. Last but not least, as we win in the marketplace and become again a thought leader, proving over time that you can combine purpose, performance and cutting-edge capabilities, it will make us very attractive to top talents of all generation. We will and we are starting to regain our stature of talent magnet.

**SLIDE 31 – WE START TO TRANSFORM WHILE WE DRIVE PERFORMANCE**

Renew Next Chapter is everything you knew about Renew, delivering consistent, quality performance over time, but also much more. It is about our projecting Danone in the future, seizing the moment of market disruption to lead and create new opportunities, new profitable growth spaces. To do this, we have started looking at our business through a different lens, pivoting the way we look at our categories, broadening the way we envision our business model, thinking on how to further expand our geographic footprint.

## SLIDE 32 – PIVOTING THE WAY WE LOOK AT OUR CATEGORIES

Let me start with how we can pivot the way we look at our categories. When you look at our markets in a consumer and patient-centric way, and when you free yourself from the burden of current wisdom to focus on growth spaces and on what makes us unique, you start unearthing significant opportunities. The water opportunities turn into a healthy beverages one. You start thinking plant-powered instead of plant-based. And this is especially true of Specialized Nutrition. You just have to look at demographics, confront the long-term trends through the proprietary science and the strong shares that we have where we play and you immediately see the opportunity.

As a result, you will see us in the coming years, resolutely accelerate in Medical Nutrition, organically and inorganically, progressively rebalancing our SN business while we evolve infant milk into a more differentiated, more value-added, early-life nutrition business.

In Medical nutrition, our objective is clearly to scale our franchise further and capture a disproportionate share of the growth in a 20 billion market, which is set to expand very fast. We actually already started over the last couple of years. We have built significant and made significant capacity investment at the service of strong organic growth. We have also been on the acquisition path. The two bolt-on acquisitions we have made since 2022 were in Medical Nutrition and there should hopefully be more going forward.

Importantly, growing faster in Medical Nutrition doesn't mean going backwards in Early Life Nutrition. Thereto we see significant opportunities. Geographic expansion in large or growing markets, as you will see later, but also opportunities anchored in differentiated science, advanced technology and data leverage. This is the model proven again and again in China, where we keep growing consistently. This model obviously applies beyond China. In the same way as we now see ourselves as an Early Life and Medical Nutrition company, we also see ourselves as a Gut Health and Protein company, not simply as a yogurt and plant-based company.

Over the last two years, I was telling you, we drastically refocused our Yogurt portfolio on selected spaces with a clear role assigned to each brand, each of them much more focussed on their respective demand spaces, turning them gradually into champion of one benefit: Activia on gut health, Danacol on cholesterol, Oikos on proteins. That is obviously a good start and one that helps us win again in our categories as we look at them today. But then look at the market through the lens of gut health and protein, and your perspective opens radically. The total market for products addressing gut health and microbiome is estimated at around 120 billion. The total market for protein-rich dairy products is estimated at around 60 billion. These are massive markets growing rapidly where we have clear right to play with our science and our brands.

You can start tapping into new areas like muscle recovery as we are just doing in France. You can start expanding into different food forms, as we just did in pharmacy in Italy with Danacol cholesterol-lowering. And you can become relevant in large parts of Africa, unleashing new ways of tackling iron deficiencies as we start experiencing. You can support healthy ageing as we just started in China. And in this broad field of gut health and protein, we are only at the start of the journey.

## SLIDE 33 – BROADENING OUR REACH AND BUSINESS MODELS

We are not only relooking at the way we define our categories; we are also challenging the way we serve our customers, going beyond our self-imposed boundaries to take a real consumer and patient-centric approach to our distribution channels. We can become even more than today, a truly multi-channels company. A great example of this is what we have undertaken in Medical Nutrition. In a context where demand for Medical Nutrition – I said it is poised to grow – and where time spent on treatment outside the hospital we keep increasing. We have started working on extending our patient journey by developing our present post-discharge in institutions, but also at home with home care services.

In Homecare, we already have a sizeable business, around €0.5 billion, mostly in Europe, but also in some parts of LatAm. It is growing fast; it is highly profitable and there also we are only at the start of the journey.

In the same way as we are following our patients in institutions and through homecare, we are also increasing our focus on away-from-home. Away-from-home consumption keeps increasing across geographies and we have the perfect portfolio to tap into that opportunity, from Waters to Dairy products and to Coffee creation. Here, the opportunity is one of growth – on a starting base, which is already sizeable, at 1.5 billion. It is one of brand visibility, being everywhere the consumer is, but also one of resilience, driving mix and decreasing our reliance on Modern Trade in developed countries.

## SLIDE 35 – EXPANDING OUR GEOGRAPHIC FOOTPRINT

Those of you that will be in Paris for the Olympics should, by the way, get a taste of what we can do and what we should do in away-from-home. So we are pivoting the way we look at our categories. We are broadening our channel footprint, but we need also to further expand our geographic footprint. And here there are three simple messages I would like to share. First, we must keep winning in geographies where we are already at scale and strong, namely Europe. There we have a relatively balanced footprint with our three categories playing and winning at scale. So obviously, as well true for China, where Mizone, Medical Nutrition and Early Life are incredibly strong and competitive. Then there are still some key geographies where Danone's presence is still too narrow and not at the scale of the country opportunity. This is the case, for example, in the US where we see numerous opportunities around Gut, Proteins, Early life and Medical Nutrition. In this context, by the way, the acquisition of Functional Formularies shouldn't be a surprise. And last, there are still some geographies where Danone is simply not present or where our presence is subscale. This is the case of India and Southeast Asia, where we have significant room to grow and scale our presence. So pivoting, broadening and expanding, but also keeping working on our portfolio.

## SLIDE 36 – MOVING TO THE FRONT FOOT ON PORTFOLIO MANAGEMENT

After two years where we were mostly focussed on rotating assets out and pruning our portfolio, now is the time we take a more balanced approach to portfolio management. You will therefore see us more active on the acquisition side with very clear criteria. We will focus on targets that fit our strategy and bring synergy to our existing portfolio or complement our capabilities and footprint. Targets that should be over time contributive to a value-compounding ambition and therefore have an accretive contribution to growth and margin. And while we are more active on acquisitions, we will continue optimising our portfolio.

In the end, it is all about strengthening the company long term while keeping a strong hand on critical value-creation drivers.

## SLIDE 37 – BECOMING A VALUE COMPOUNDER

So we believe that we are now in a position to become a true value compounder, building long-term, long-lasting value. This is the principle of the long-term business model we set as an ambition at the very beginning of the journey, a bit over two years ago. A model where everything starts with quality growth and where margins, earnings and cash are an output rather than an end. A model where earnings are quality earnings, a model where consistent delivery and continuous improvement drive significant long-term value creation. Our commitment to such a model leads to issue what we see as an ambitious financial guidance for the 2025–2028 period with like-for-like sales growth expected between +3% and +5% over the period, while recurring operating income will grow faster than net sales. The financial guidance should allow Danone to deliver a structurally double-digit ROIC and progress towards its long-term ambition of 3 billion Free Cash Flow.

## SLIDE 39 – TO CONCLUDE

So to conclude, the Food and Beverage market is at a tipping point where Health and the role food plays in Health will become more critical than ever for individuals, for the civil society, for the regulators. In that context, we have not only started fixing our company, as proven by the consistency and the quality of our results, we have made choices to make the company future-ready. We are turning our Danone into a truly science-based and consumer-centric company with an even stronger focus on our health-focused mission. I believe this gives us a head start in what will be a different food world, in which we can play a leading role. This also opens a whole new field of growth opportunities, from the broader Gut Health and Protein space to Medical Nutrition and its ecosystem. These are places where our science and our brands have a unique relevance. So it is clear that the Danone of today is very different from the Danone of two years ago but we certainly do not stop there. We have started building the Danone of tomorrow. And on this, let me hand over to my partner in crime, Juergen. Juergen, over to you.

## CFO PRESENTATION

Juergen Esser, *Danone Group Deputy CEO & CFO*

Thank you, Antoine. Good morning, everybody. And also a very warm welcome from my side to our Amsterdam offices. I suggest we go straight into the financial section to discuss how this next chapter of our Renew Danone strategy will translate into significant value creation. Before projecting us into the future, I would like to just spend a few minutes to reflect together on how much our company has actually changed since the last Capital Market Event in Evian as the Danone of today is definitely not the Danone of two years ago.

We have not only radically transformed our company, but also set the foundations for strong, profitable growth and superior cash flows in the years to come.

### SLIDE 3 – OUR VALUE CREATION MODEL IS IN MOTION

We started two years ago a journey, and at the heart of this journey was a fundamental change of business model. I'm sure you will remember the visual here on the screen. After years of underinvestment, it was for us a priority to reconnect to a model that creates value through competitive growth with a contribution from all parameters, including volume/mix. Growth that drives operating leverage and allows us to reinvest into our brands and products. Growth that allows us to step up the attractiveness of our categories and get our market shares where they should be.

### SLIDE 4 – FLYWHEEL STARTING TO SPIN

When you look at our results, since we laid out this vision, we have been walking the talk in a very consistent manner. We have not only delivered nine consecutive quarters of growth in line or above expectations; we have even more importantly, being quarter by quarter improving the quality of our performance, returning to positive volume/mix growth since Q4 of last year after some ten years of volume decline. And we are confident that we are on the right track to make this dynamic sustainable.

These results are obviously the consequence of a lot of hard work from our teams who have transformed our portfolio within a record period of time, significantly increasing the level of segmentation and differentiation. The results are speaking for themselves with our reported performance. However, very important that this translates also into an improving competitive performance.

### SLIDE 5 – REGAINING COMPETITIVENESS

So let me propose to look at it also through the eyes of relative growth versus the market. And here we can confirm that the turnaround is absolutely in motion. We have started over the last quarters to perform in line or slightly above the growth rates of the market. In other words, we are starting to win where we play after many years of structural underperformance.

The turnaround in market shares in our dairy platform worldwide, and particularly in Europe, is in progress, with many of our brands now gaining market shares. We know that this is not a straight line but are very confident that we have everything it takes to strengthen this positive dynamic in a very sustainable manner.

### SLIDE 6 – REINVESTMENTS KEY ENABLER FOR TURNAROUND

This step-up in performance was supported by significant reinvestments over the last two years. We have been reinvesting along the lines we shared with you in the last CME in Evian. We have been doing this with a return-oriented mindset, reinvesting in fewer, better-focused initiatives, already delivering higher returns. The majority of reinvestment went into A&P and go-to-market, and you have just seen that this is driving tangible results. Our market shares are reacting positively, and we are becoming again competitive with many of our top brands now winning over competition. At the same time, we also assertively reinvested into our core capabilities, especially within Operations. Vikram will later demonstrate that over the past two years, we have radically stepped up our operational performance, with record productivity above industry standards being only one of many proof points.

Lastly, we have reinvested into innovation and product superiority, building a stronger innovation pipeline for the future. As I already said, our strategy is focused on fewer but more impactful projects, with science travelling across our categories, making our portfolio increasingly competitive and differentiated.

## SLIDE 7 – CONNECTING TO DESIRED FINANCIAL MODEL

I hope those examples give you an idea on how much we have transformed within just two years; the way we operate, the way we innovate, the way we sell, source, produce. And it's great to see that all of this is paying off. It increasingly shows in our P&L, which is reconnecting to our desired financial model. With volume/mix back to our factories, we are starting to benefit from operating leverage, and this, enhanced by record productivity, is driving our gross margins up for the first time after many years.

It allows us to reinvest into our business in a self-financing manner to further gain competitiveness within our categories, while improving our operating margins in a very natural, in a very consistent way. This is what we mean when we talk about creating value with a growth-led business model.

## SLIDE 8– ADRESSING OUR UNDERPERFORMERS

While putting this financial model into motion, we have also been very disciplined and intentional in the way we manage our portfolio. We have been driving hard our Winners and the core of our portfolio, and executed our plans with discipline when it comes to our underperformers. This is already translating into accretive impacts on both growth and margins at company level.

We successfully exited underperforming assets representing around 9% of our net sales, as Antoine mentioned earlier. We did this either through straight sale or value-creative partnerships, structurally improving the quality of our portfolio. In parallel, we have been moving fast and with determination and turning around our underperformance where and when we had a strong business case. We have already significantly stepped up the performance of Mizone in China, Dairy in Europe and Dairy in Emerging Markets, and we will continue to raise the bar to unleash their full potential.

## SLIDE 9 – INSTALLED FINANCIAL DISCIPLINE

Our improved operational performance and the first results of our portfolio rotation really come together when looking at our recent financial results. Beyond like-for-like sales growth and margin increase, it's about holistic value creation, which is probably best illustrated by our record delivery of free cash flow, as well as the progress we made on both EPS and ROIC levels.

Antoine talked about the change in performance culture, talked about a totally different level of ownership and accountability in our company compared to two years ago. As a CFO, I'm happy to report that this is truly visible every single day and in each of our businesses. This is supported by a very consistent incentive system aligned with our value-creation objectives.

## SLIDE 10 – WE ARE A STRONGER COMPANY TODAY, READY FOR MORE

Overall, we as a team are very proud of the results achieved after only two years of radical transformation. We are certainly a much stronger company today ready for more, ready for the next chapter.

## SLIDE 11 – RENEW DANONE NEXT CHAPTER

Opening this next chapter, our ambition is to make it even more exciting than the first one, while staying consistent where it matters. This starts with our desired business model and the way we will create value. It's still all about competitive growth. But Health, Health will be much more prominent and our unique differentiator. Growing and expanding even more into the Health territory will be a game changer to create more value. This value-creation engine will translate into tangible increases of our earnings, tangible increases of our cash flows.

## SLIDE 12 – STEPPING UP THE AMBITION

With that ambition, we need first to acknowledge that in the past the direction of travel for our company was not always clear, that the most fundamental indicators of value creation proved to be somewhat volatile and unpredictable. We have over the last two years not only successfully stabilised the company but also put back discipline and financial rigour. We have been executing consistently on our strategy and as a consequence, reported progress on all key financial metrics. Moving forward, we will create maximum impact in a sustainable way by compounding year on year absolute value while increasing our relative returns.

What it takes to make this happen is also very clear. It is about consistent execution. It's about stepping up our competitive game and about raising our level of ambition.

## SLIDE 13 – MAXIMISING PORTFOLIO POTENTIAL

And here we are very confident as we have everything it takes in our hands to succeed. The way we will maximise the potential of our portfolio is by applying our successful methodology with Winners, Core, and Underperformers; we will double down on driving our Winners, representing today already more than €8 billion of net sales growing at double-digit pace, namely through our High-Protein, Medical Nutrition, Coffee Creations and Away-from-home platforms. Those businesses will receive a disproportionate share of our investments to accelerate the current dynamic and make it as solid as possible.

In parallel, we will continue to make our core assets more competitive, more attractive to consumers, offering even more differentiated products across our categories. The recent results demonstrate that we are on the right path towards this ambition.

And finally, our underperformance, which still represents an important opportunity for us. As I mentioned before, we are happy with the progress we have made. We have significantly reduced the weight of our underperforming portfolio compared to two years ago, and we have a very clear plan to address the remaining parts and capture the value-creation potential it represents.

## SLIDE 14 – CHANGING THE NATURE OF INVESTMENTS

Reinvestment has been the kick-starter of our journey and moving forward, investments will change their nature and objective. Over the last two years, our focus was to become competitive again, to catch up with our peers after many years of underinvestment. We have therefore been significantly increasing our investment levels to reach our fair share of voice, while building the capabilities to become again an innovator in our markets with a clear category vision. We can now gradually enter into the next phase, the phase where we will still need some incremental investments which will serve to drive true category leadership, differentiating ourselves further from our competitors. This spans from leveraging science-based innovations across our categories to pioneering on advanced technologies to better understand and address consumers' needs.

## SLIDE 15 – QUALITY GROWTH DRIVING MARGIN

That's important because the quality of our growth will be the driver of our operating margin, as demonstrated last year. It will be about seizing the significant opportunity we have in terms of operating leverage, the embedded upside we have by bringing volumes back into our factories in EDP and waters.

As you can see on the chart, we still have a 10-to-20-point upside potential in utilisation rate compared to the industry benchmark. This, coupled with a consistent delivery of industry-leading productivity levels, will bring our EDP and Waters margins back to sustainable double-digit territory.

The agenda on our Specialised Nutrition business is in a way very complementary. The focus here will be to support our growth momentum by expanding our production and supply chain capacities with a similar attention to cost discipline and productivity. Our focus on profitable growth will enable us to sustain the operating margin of this category at current levels. Overall, we are confident that this approach will confirm the mid-teens margin potential of our portfolio. What remains important for us is to make the margin-expansion journey a sustainable one, with all categories contributing to it in a very mechanical way.

## SLIDE 16 – TURNING SUSTAINABILITY INTO COMPETITIVE EDGE

Talking about a sustainable development of our margin, let me share with you our value-creation approach to sustainability. Sustainability is for us a source of real competitive advantage, a source of growth, resilience and efficiency, and not just a cost linked to an ESG commitment. You will remember that we launched some time ago our Danone Impact Journey, which summarises our sustainability ambition around three pillars; pillars which are the most relevant, pillars which are the most impactful for our company.

First, with Health, as our business is about providing Health through food. Second, with Nature, which is embracing the fight against climate change and protecting our planet. And third, with People taking care of our teams, our ecosystem, our communities at large to make them future fit. Our strategy is to make investing into those sustainability elements a true Danone competitive edge, driving either accelerated growth or efficiencies. This is making it just obvious for us to allocate adequate capital to it.

Equally important, this strategy is led by our business leaders. It creates accountability and ownership, ensuring returns are delivered.

## SLIDE 17 – STEP-CHANGING CASH GENERATION LEVELS

We have been discussing by now how we will drive competitive and quality growth. We have been discussing the way we will expand our operating margins. Where it all comes together is in our ambition to step up the cash generation of our business, the ultimate indicator of compounding value over time. Our company has been for many years structurally delivering around €2 billion of annual Free Cash Flow with very little focus on this parameter. You have seen us changing that narrative as soon as we launched the Renew Danone strategy two years ago, and it has started to pay off. By more intentionally driving the way we manage our business model, we increased our underlying cash generation to around €2.5 billion last year, a level which will set the reference for the years to come.

With our intention to drive our earnings up in the future, we want to further enhance cash generation, bringing our Free Cash Flow structurally towards a level of €3 billion, a very different level of ambition compared to the past, an ambition which is at the center of our value-creation model. What is important is that we will do this without compromising on investing into our future. We anticipate that our CapEx needs will increase compared to the last years, while staying below the threshold of 4.5% of net sales. The incremental investment will go into capacity extension for our Winners and in the acceleration of our digital journey to further enhance our cash flows of the future.

## SLIDE 18 – RETURN-ORIENTED CAPITAL ALLOCATION

With stronger cash flows in the future, capital allocation will become even more critical. And here, our priority remains to invest into growth, into competitive growth, as well as operating leverage, as this offers the greatest and most promising returns. In parallel, we will enhance the quality of our portfolio through accretive M&A by becoming more active on the acquisition front when we identify the right opportunities. That is obviously an important evolution so let me come back to it in a minute.

While investing into growth and M&A, we will stay disciplined on leverage, ensuring we keep a healthy balance sheet. We engaged two years ago into a deleveraging journey and intend to stay disciplined on leverage, staying in the usual industry corridor of 2 to 3 times EBITDA, a good place to ensure financial flexibility while optimising our cost of debt.

Last but definitely not least, is our commitment to attractive shareholder returns. It all starts with us thriving to deliver an exciting, profitable growth trajectory, which will translate into solid dividend increases over time. We are therefore sticking to the progressive dividend policy we put in place some two years ago.

Our North star for capital allocation is and will remain our ROIC. We made important progress but still consider its level today as not satisfactory, so our ambition remains unchanged. It's about bringing our ROIC structurally into double-digit territory, as we believe that this is the most effective way to create value driven by increasing earnings and cash flows.

## SLIDE 19 – MOVING TO THE FRONT FOOT

As we are changing the narrative on M&A compared to the previous period, let me quickly come back to it. Antoine said it earlier. We will start to actively look for assets that can accelerate our value-creation journey, assets that are consistent with our Renew Danone strategy. It means assets that can support pivoting our categories. It means assets that can help broadening our business models or expanding our footprint. And let me be very clear here: we will apply strict financial criteria when making M&A investment decisions, making sure they are consistent with our ROIC ambition and compatible with our commitment to sustainable leverage.

What goes without saying is that we will, in parallel, continue to optimise our portfolio. While pruning is no longer our number one priority, we will apply the same financial discipline for our underperforming businesses as during the last two years, always making sure that we take the most value creative decisions for our assets.

## SLIDE 20 – RENEW DANONE NEXT CHAPTER

We are committed to making this next chapter of Renew Danone a successful one, and we continue to deliver attractive earnings growth and returns, consistent with our growth-led business model. In the market, which is clearly shifting from price-driven growth to volume-mix-led growth, we are keeping up the pace and setting our net sales guidance as like-for-like net sales growth between +3% and +5%, with recurring operating income growing faster than net sales.

Leveraging all the pillars of our value-creation model, our ambition is to make our Free Cash Flow generation progress towards €3 billion in the future. And at the same time, we remain committed to bringing our ROIC structurally into double-digit territory applying strict financial discipline in the way we allocate capital. We, the management team, are extremely excited by the journey ahead of us and committed to make it happen, building on the very sound foundation of what is the Danone of today.

## DEEP-DIVE #1 – LEVERAGING DANONE'S SCIENCE FOR INNOVATION AND SUPERIORITY

Véronique Penchienati-Bosetta, *Group Deputy CEO*

Good afternoon. Isabelle and myself are very pleased to share with you how we are leveraging our unique science and technology to drive superiority across our portfolio and geographies at the service of our consumer and patients, and how it translates into sustainable growth and value creation.

Let's start with what makes us Danone and what makes Danone unique: Health through food. Bringing health through food to as many people as possible has been framing our past, is framing our present, and will frame our future. It's our responsibility, our focus, our expertise and our passion. Not only Isabelle and myself, but the passion as well of all Danoners.

### SLIDE 2: IT ALL STARTS WITH WHAT MAKES US DANONE

Science is our power engine to deliver this mission every day to millions of consumers and patients through our unique portfolio of categories and brands.

Isabelle Esser, *Chief R&I, Quality and Safety Officer*

Indeed, Science, research and innovation are in the DNA of our company. Danone's futures like its roots, is based on differentiation through science. Rooted in health and science since 1919, the year of the launch of the first Danone yogurt in Barcelona, we have continued to build a unique and leading expertise in ferments, gut health and biotics. Our expertise in immunity and medical nutrition spans more than a century, when two brothers founded Nutricia and began developing infant formulas.

### SLIDE 3: DANONE'S ROOTS AND FUTURE ARE BASED ON DIFFERENTIATION THROUGH SCIENCE

Our expertise in hydration and water science started when the therapeutic benefits of Evian mineral water were recognized by the National Academy of Medicine. Since then, we continuously protected our source and its purity through actions that have now become a 21st century sustainability commitments on water.

In each area of expertise, we continuously explore new horizons. In Biotics and ferments, we partnered in the private-public partnership les Ferments du Futur, with the INRAE, the French National Institute of Agriculture, Food and Environment, to accelerate research in fermentation and biopreservation for the future of food.

Only last week, we actually announced the creation of a cutting-edge, open biotechnology platform with Michelin to bolster the development of advanced fermentation processes, and in particular, precision fermentation at a much larger scale. Our science is demonstrated and published in high impact peer reviewed journals and international congresses. Digital services and data play an essential role in bringing our expertise to the fingertips of our consumers and patients.

We continue to push the boundaries. We are the first company to implement a plan to reduce by 30% the methane linked to milk production by 2030, and the only one to invest in enteric fermentation together with the Global Methane Hub.

### SLIDE 4: DELIVERING THROUGH BRANDS IN THE CATEGORIES WHERE WE PLAY

Veronique Penchienati-Bosetta, *Group Deputy CEO*

We deliver our mission and our science through our unique portfolio of categories and brands.

The combination of iconic global brands and strong local or regional brands allow us to cover the entire landscape of consumers and customers demands, across all price points and all distribution channels, as you've seen this morning, the different marketplaces.

## SLIDE 5: AT ALL LIFE STAGES

We impact health across all life stages, from early life development with Aptamil to everyday nutrition for families with kids with Danone, to cancer care with Fortimel, or functional hydration with Mizone. We impact Health for all, across all price points, from Aqua in Indonesia to evian worldwide, from Danone to Actimel, from SGM or Dumex to our global premium Aptamil portfolio.

What unites our portfolio is our unique position on health. As Antoine said, our portfolio is the healthiest of our industry.

## SLIDE 6: HEALTHIEST PORTFOLIO OF THE SECTOR

This means that the more we grow, the more we can have a positive impact on the health of our consumers and patients. And our brands are recognized as such. Two thirds of our top 20 brands are highly associated with health, an attribute which is a key differentiator versus competition.

This is an incredible asset that we are continuously nurturing. We harness the power of our science and technology to enhance the performance and the superiority of our products and deliver value-adding innovation. And innovation is at the heart of our Renew journey.

## SLIDE 7: 2 YEARS AGO, WE SET OUT THE JOB TO BE DONE ON INNOVATION

A critical compounder to lead and grow our categories, to strengthen our brand's equity and superiority and deliver competitive growth.

2 years ago, I shared with you that we had to truly step up on innovation. We had too many projects, subscales, underperforming. Since then, we have fully deployed a new innovation model with 3 clear objectives.

The first one: bring back superiority in our core portfolio.

The second: deliver fewer, at scale and accretive innovations.

And the third: rebalance our innovation and renovation pipeline towards mid-term horizon to fuel the growth of tomorrow. And we are delivering against these 3 objectives.

## SLIDE 8: WE HAVE MADE PROGRESS

Whilst we have significantly reduced the number of projects, our total innovation pipeline is not only accretive, but its value has increased by 35%. We have majorly improved our scalability, with over 60% of our projects being multi-country launches and 80% of the pipeline focused on our top 20 brands.

Last, we have a pipeline much better balanced towards the mid-to-long term horizon. Net, net: good progress, to be continued with the same discipline.

## SLIDE 9: WE INVESTED AT SCALE IN OUR BRANDS

Isabelle Esser, *Chief R&I, Quality and Safety Officer*

We not only reset our innovation model and innovation pipeline, but also implemented a very disciplined superiority program, putting back the consumers and the patients at the heart of everything we do.

We invested significantly in understanding the product journey at every touch point for the consumer, determining what are the drivers of liking, or lead to patient adhering to the diet. We then systematically innovated new products or renovated existing offerings of the market. And it resulted in really superior products such as some of the ones that you see here: Too Good in the US, Activia Fibre in France, Mizone in China or Fortimel Oncosensation, to just name but a few.

## SLIDE 10: ENDURING CONSUMER AND PATIENT BENEFIT PLATFORMS THAT OFFEER COMPELLING FUTURE GROWTH PROSPECTS

So we design superior products and solutions with the consumers and the patient needs in mind, and these needs are enduring. They were there yesterday, they are here today and they will be there tomorrow, and we have articulated them across defined consumer and patient health benefits platforms such as everyday nutrition, hydration, children's growth, immunity, gut health, or brain and mental health.

These health benefits platforms are underpinned by our world class capabilities in chosen scientific and technological fields such as biotechnology and Biotics fermentation, cognitive science or artificial intelligence. The execution to this benefit platform is category agnostic. So for example, we are delivering immunity through Dairy, Plant-Based or Specialized Nutrition products. So science and technology travel across categories and geographies at Danone.

So let's now zoom on gut health, in a sense, the foundational platform of Danone.

## SLIDE 12: IT ALL STARTED WITH...

It actually all started with Isaac Carasso, the founder of Danone. He was struck by the level of malnutrition and diseases among the children in Barcelona, and inspired by the research of Ilya Mechnnikov, the father of immunology and Nobel Prize winner in medicine, he mixed fresh milk with ferments and created what became the first Danone yogurt, and then sold it in pharmacies for many years across the city. And the rest is history.

## SLIDE 13: OUR INTEREST IN THE GUT AND THE GUT MICROBIOME NEVER FALTERED IN THE LAST DECADE

Since then, our interest in gut and the microbiome has never faltered.

We continuously explored new horizons in nutrition, invested in understanding the gut and the relationship between the gut microbiome, nutrition and health. In fact, the existence of the link between gut and health is not new, but the incredible advances in biology, microbiology, genome sequencing and the scientific analytical tools has revolutionized the field.

In the last decade, the science around the gut microbiome, those thousands of microorganisms living in your gut, has exploded and so has the interest to the consumer and people. In fact, we see the number of searches on Internet exploding. The blue line on this graph. But also is surpassing the explosion on the number of searches on immunity during COVID-19, the red line.

## SLIDE 14: THE GUT,AS A SECOND BRAIN, IS ONE'S HIDDEN HEALTH CAPITAL

Health through gut is a field full of opportunities and in constant growth. And really, this is not surprising, as there is a growing evidence that health status and the gut are inextricably linked to our overall health status.

Have you ever wonder if expressions like 'gut feeling' or 'I have butterfly in my stomach' were accurate? In fact, they are. Today we know that the brain and gut are connected by hundreds of millions of neurons, or cells of the enteric nervous system, which communicates with the central nervous system and influences, for example, our mood.

Yes, the gut is our second brain. It communicates with our brain constantly and plays an important role in immunity, metabolic health and mental health. And what is absolutely fascinating is our gut is unique like our fingerprint.

## SLIDE 15: OUR GUT IS UNIQUE, IT HAS A UNIQUE LIFE

In fact, we have all, each of us, a personal history, and so has our gut microbiome. The gut microbiome is born, develops, matures, grows and ages, and sometimes it gets unbalanced.

## SLIDE 16: …WHICH CAN BE PERTURBED

It is impacted by our diet, but also events in life like stress, antibiotic use or illnesses, which leads to various health conditions from decreased immune function, inflammatory bowel syndrome, Alzheimer's.

## SLIDE 17: WE INVEST IN UNDERSTANDING THE GUT AND ITS RICH DIVERSITY

To influence and rebalance, restore and maintain our gut microbiome in a healthy state, we invest in understanding this fabulous organ, this incredible, rich, complex, ever evolving ecosystem: the gut, its properties, the billions of microorganisms that compose, both in health and disease to develop bespoke solutions impacting health.

## SLIDE 18: FROM OUR ORIGINS, WE PIONEERED SCIENCE-BASED INNOVATIONS IN BIOTICS

For decades and starting from the very humble, but significant and pioneering beginning of 1919, we continue to strengthen our expertise and pioneer science-based innovation in biotics, launching many first very successful products over the years.

Our science underpinning health to gut is built around 4 dimensions. First, establish a microbiome. Through our early life portfolio, we know that the microbiome matures in early life, and so the importance of the first thousand days to establish and develop a healthy gut microbiome.

Then we endeavor to provide products that maintain it, every day, through ferments and biotics in everyday nutrition. We go then one step further, looking at delivering specific benefit when the microbiome is disturbed, for example by allergy, which is an inflammation, and we develop advanced biotics to rebalance and restore it.

As the gut microbiome is unique to each individual, it will then therefore not be a surprise that our ultimate objective is to tailor highly personalized nutritional biotics solutions through the analysis of the gut microbiome and its diagnostic. An absolutely fascinating journey that we have just started.

## SLIDE 19: WE SUPPORT THE DEVELOPMENT OF THE GUT MICROBIOME

So let's look at a couple of examples, starting with how we support and contribute to establish and develop the microbiome in early life.

## SLIDE 20: STRONG PROPRIETARY SCIENCE ON HEALTH THROUGH GUT – IMMUNITY – LEAN GROWTH

And let me start with Aptamil, our 3 billion plus global brand for Early Life Nutrition. At that life stage, as I said earlier, it is really important to stimulate the development of the good bacteria in the gut, as the nutrition in the first thousand days has both immediate and long-term consequences on health. We have built, over many years, superior, proprietary, patented health engines and demonstrated through clinical studies their health benefit, like reduction of infection, reduction in medication use, microbiota restoration, for example, in vulnerable children, to name but a few.

This gives us a clear point of differentiation and superiority. But science is not enough. It must be combined with deep consumer understanding and the ability to translate our science into relevant and differentiated propositions for parents across the world.

## SLIDE 21: APTAMIL LEADERSHIP THROUGH CONSUMER CENTRIC AND VALUE-ADDED PORTFOLIO

Veronique Penchienati-Bosetta, *Group Deputy CEO*

And that's what we've done on the Aptamil portfolio. Starting with supplement for lactating women with unique probiotic strains.

Then a complete renovation of our core business, with a unique mix of prebiotics, postbiotics, HMO's for superior immunity to answer the number one expectation of parents and then global innovation platforms to answer unmet consumers needs, such as the best formula adapted for mixed feeding using postbiotics for the first time, and for the 20% of the babies born by C-section worldwide, we have the first and only formula on the market with clinical proof in C-section born babies.

This portfolio, both science-based and consumer-centric, is a game changing and winning one. It allows valorization through substantial differentiation, driving higher pricing power. It drives growth. Over the past 2 years, Aptamil delivered €600 million incremental net sales. 60% driven by innovation, 40% driven by the core. It will drive growth tomorrow. We are not at scale yet on the rollout of our major innovations, highlighting the opportunity still to come.

## SLIDE 22: MAKING OUR LEADING HEALTH VISIBLE

But innovation on Aptamil goes far beyond our products. It embraces as well health technology to make our science visible, both for Healthcare professionals and consumers. We leverage our consumer data platform around the world AptaClubto provide services to parents: education, coaching and as well digital health services tools, like our growth tracker to monitor the lean development of the babies and our stool tracker to monitor the development of their microbiome.

And what is interesting as well is that locally, the collected data points through these tools allow healthcare professionals to access large data sets and generate real-world evidence of the impact of our science locally. An asset we can valorize into superior claims for our products, making the benefits tangible for parents and healthcare professionals.

## SLIDE 23: A GAME CHANGING MODEL TO GROW AND WIN IN A DECLINING CATEGORY

This powerful model, both science-based and consumer-centric, is what has made Aptamil the biggest brand of Danone, with a turnover above €3 billion across the world.

The roll out of our new portfolio at scale over the last 2 years, supported by increased A&P, has allowed Aptamil to consistently deliver high single-digit growth and strong market share gains.

We are proving that despite declining birth rates, hence declining category overall, we can grow and win through a unique model based on superior science, translated into relevant and differentiated solutions for parents and executed with excellence at scale.

## SLIDE 24: OUR NEXT GENERATION

And in some months, we will be launching our next generation innovation and we'll start the deployment first in China. Combining breakthrough and proprietary science, unique packaging for superior user experience and distinctive benefits, this innovation will for sure continue to fuel our Aptamil growth story.

## SLIDE 25: WE INVEST IN LIFE SCIENCE AND BIOTICS TO DELIVER HEALTH THROUGH GUT

Isabelle Esser, *Chief R&I, Quality and Safety Officer*

Once the gut microbiome is established, it is key for health and for a healthy life to maintain it every day. So therefore, we provide everyday nutrition through fermentation, ferments, biotics: key core assets to contributing to maintain a healthy microbiome. TRANSFORMING ACTIVIA

## SLIDES 26-29: TRANSFORMING ACTIVIA

Veronique Penchienati-Bosetta, *Group Deputy CEO*

Activia is one of Danone's most iconic gems, with almost 40 years' history, and as well a close relationship with many generations of consumers. But we had to face the harsh reality: its unique brand proposition had eroded over the years into an ordinary commoditised yogurt, impacting the performance of the brand negatively.

A major transformation was needed to recover growth, to recover competitiveness and position Activia as the unique yogurt brand that leads gut health. Our first priority for the turnaround was to regain functional and product superiority on the core. We moved away from descriptive and generic claims to 3 clear benefits, proven through consumer research to drive gut health superiority and recruit new users.

On product recipe, we renovated our core range into an unbeaten value proposition. And this product superiority reboot was truly anchored in deep consumer understanding. We conducted a large program with more than 250,000 consumers data points, to truly understand the drivers of preference for Activia yogurt and renovate our recipe accordingly with a unique product profile, both tasty, but as well conveying our good health benefit.

Our second priority was to simplify our portfolio and innovate at scale. We stopped the too many local subscale, out of equity hence rather underperforming innovation, like the Activia Cremoso or Super Creamy, and we implemented our new innovation model with fewer, better and bolder projects. We developed 2 multi-country innovation platforms, Activia Fibers and Activia Kefir, pushing our gut expertise into new consumption occasions like breakfast.

We paid specific attention to the execution fundamentals. Starting here from clear product superiority, both on taste but as well on health profile, to dedicated A&P support and strong in-store visibility. And ensuring fast rollout across market.

Last priority was to build an effective and distinctive engagement model with consumers. Moving from a top down communication with rather low differentiation of all, we are saying 'it has probiotics and it tastes good', to a holistic communication ecosystem, taking ownership of leading the gut health category relevance with consumers and influencers across many touchpoints, starting with a new online and offline campaign 1-2-3, that you've seen, proven to own gut health benefits and setting it apart from competition.

But as well taking it a step further with advocacy and influence programme: like the Gut Museum in London and in Brussels, the support of influencers and credible opinion leaders on gut and coming up soon as well an Activia Brand boards which will bring together nutritionists and key opinion leaders to shape the future of the brand.

## SLIDE 30: DRIVING BACK ACTIVIA TO SUSTAINABLE GROWTH

As I told you, a major transformation is being rolled out on Activia, to recover growth and competitiveness. From regaining superiority on the core, to few yet superior innovation fuelling the equity. Supported by excellence in execution, increase A&P support. This transformation is starting to deliver promising results.

For the first time since more than 13 years, Activia is back to positive volume growth in Q1. We are winning back shares in some of our key markets. France, our biggest European Activia market, is back to share gains, but as well Germany, Japan, Canada to name a few.

The brand power is strengthening, driven by more differentiation and more visibility. These results, together with our clear strategy for new competitiveness, give us confidence in the sustaining potential of Activia.

## SLIDE 31: NEXT GENERATION PROBIOTICS

Isabelle Esser, *Chief R&I, Quality and Safety Officer*

So next we will continue investing in equity and owning gut health. We will roll out our innovation everywhere and expanding occasions.

We are preparing our next generation probiotics to move our gut platform to the next level, leveraging our expertise in fermentation and our science of biotics.

## SLIDE 32: TO CONCLUDE: LEVERAGING SCIENCE FOR INNOVATION & SUPERIORITY

So to conclude, we leverage our science for innovation and superiority, building upon decades of expertise to develop unique and differentiated products across our category, from Danone and Activia to Aptamil and Fortimel, always keeping the consumer and the patient at the heart of our innovation. In fact, as the ultimate purpose of our science.

The future will be as much about what Danone knows and masters, like gut health, as it will be about exploring new frontiers to remain at the forefront of chosen science and technology fields, to develop solutions that consumers and patients need and want. Delivering holistic superiority through our brands, flawlessly executed in market at scale.

This is a repeatable model across categories and brand platforms around the world. Protein actually is a good example, which will then be presented by Shane and Pablo next.

We truly drive consumer-centric, science-based innovation model. And now I leave the floor to Shane and Pablo.

# DEEP-DIVE #2 – THE PROTEIN OPPORTUNITY: LEADING AND SHAPING

Shane Grant, *Group Deputy CEO*

Good afternoon. My name is Shane Grant and I'm pleased to be here with you this afternoon with my colleague, Pablo Perversi. We have the pleasure to talk to you about what Antoine described as indeed one of the key pivots in our business, one of the most compelling growth opportunities: the opportunity in protein. What we plan to share is the growing and broadening consumer drivers behind the protein opportunity, our strength in what is already a scaled market today and most importantly, the work we are doing to lead and shape future growth, future leadership.

But first, the opportunity and our business of today. So let's start with the consumer.

## SLIDE 2: GROWING PROTEIN RELEVANCE

Pablo Perversi, *President Europe*

The protein opportunity has been magnified by rising health, nutritional awareness, the intrinsic benefits of protein and a fundamental consumer shift. Today, more than 8 health-conscious consumers out of 10 declare their interest in the quantity and the quality of proteins in their diets, and 2 out of 3 are today intentionally adding protein into their diets. And this marks a 10% increase compared to 2021.

This increase is because protein is catering to a wide array of needs, from proactive health like fitness and performance, to reactive health like weight management and wellness. And these needs are not only relevant across all life-stages, from childhood development to active adults and healthy aging, but also across multiple types of lifestyles. Simply put, we see the protein relevance and potential as one of the largest, most durable growth opportunities in the food and beverage landscape.

These consumers, or consumer fundamentals, are turbocharging the growth opportunity across protein and different staples.

## SLIDE 3: GROWING PROTEIN ALREADY AT SCALE

Across all the protein segments, protein-rich dairy is the number1segment, a €60 billion opportunity growing at high single-digit with a large category expression, ranging from convenient nutrition to added value dairy. But it is protein rich yogurts and desserts that are disproportionately outpacing the broader protein-rich dairy segment.

Protein-rich yogurt and desserts, which is where we operate in Danone, is a €9 billion space delivering double-digit growth. On top, it offers a significant valorization potential resulting from a price index that is two times the rest of the yogurt category.

## SLIDE 4: ADDRESSING PROTEIN FROM A POSITION OF STRENGTH

Our ambition to lead and shape the protein opportunity begins from a position of strength. Danone has been at the forefront of proteins for many years. We have built a scaled protein business platform which has more than doubled since 2021. We are or we have the number1performance brand platform in dairy and we have intentionally rolled this platform to more than 30 countries, showing our true global presence.

Our leadership is anchored on delivering a superior product experience across a portfolio of distinctive brands, which allows us to segment these opportunities and scale our presence across different geographies.

The preference of our brands comes from the superiority of the mix and the relevance to consumers. It starts with a superior product experience that sets a new expectation, a packaging that fits the usage and a claim that reinforces the benefits. It is also fair to say that we have found an unrivalled brand coverage across the world and that allows us to have access points to all consumer segments of protein in the opportunity ranging from skyr to Greek or to performance.

The discipline in executing our plans has been instrumental in building our franchise, and this franchise is also strong with customers that have seen the value through the generation of what we do and through their banners worldwide and are asking for more.

## SLIDE 5: ROADMAP TO LEAD & SHAPE PROTEIN GROWTH

Shane Grant*, Group Deputy CEO*

So growing protein relevance, a business with scale today and one where we have a strong foundation. We feel a business that is still early-stage, with significant runway ahead. Our roadmap to deliver on the growth ambition we have for protein, the full market potential, has got 3 areas of focus. First, we are grounded in deeply understanding the consumer, the protein benefits of today, but also the protein benefits of tomorrow and the science to serve those needs.

Second, winning through brands, investing in our protein portfolio, building better, special, different brands. Launching differentiated product innovation and innovating on format and occasion with the same intensity that we do on product.

And third, we are and we will drive scale. Executing the business of today, the full commercial opportunity, the geographic opportunity. And, beyond the business of today, expanding into new benefits and segments, into new protein revenue pools.

## SLIDE 7: CONSUMER CENTRIC YOGURT STRATEGY

So to the first focus area starting of course with the consumer. Yogurt is a €50 billion segment globally, the largest revenue pool in our business. We understand the drivers of consumption. We know the consumer segments.

We talked to you 2 years ago about a commitment to manage the portfolio with precision and to lead and grow the category.

We have deployed globally 4 key growth strategies. First, leading category recruitment. From nutrition for growing kids to 100 years of Danone nutrition, driving clear category on-ramps.

Second, functional re-ignition led by renewed modern gut health relevance, supported as you heard from Veronique and Isabelle, with clear science application. This is about renovating our core and innovating again on Activia, on Actimel and beyond.

Third, re-staging, redefining indulgence with reach outside of yogurt.

And finally, our protein strategy. To lead and to shape growth. Lead because the segment is easily the highest growth driver of yogurt today, accelerating at nearly 2X the category. And shape, because we have clear quality leadership with the consumer, with science, with end-to-end execution capability.

## SLIDE 8: STRATEGY DRIVING RESULTS

We are translating consumer segmentation and understanding into action. We're driving consumer-centric brands, driving the quality and the quantity of our marketing. Our working brand investment is up 10 points in the last 2 years and we are deploying only qualified work: 70th percentile or better advertising or we don't air it.

We are driving fewer, bolder, better innovation. Innovation into scaled revenue pools, serving scaled consumer insights. And executing with new intensity, outlet segmentation, RGM at the core and deeper customer partnerships. Today in the Advantage Group survey, 4 of our 10 ten markets are rated by our customers as top tier. In the United States, we are now the number1ranked food and beverage supplier to our customers.

The business results have changed. As Antoine shared, a yogurt category that has accelerated in Europe and in the US. In the US today, yogurt is the second fastest growing category across all top 10 food and beverage segments.

For our business, global EDP volume/mix is back to growth, and we have renewed competitiveness. Central to this, brands that are re-gaining power and regaining relevance. It's our strong conviction that yogurt is a growth category and that this growth model is repeatable.

## SLIDE 9: ACCELERATING & BROADENING PROTEIN OPPORTUNITY

Deeply understanding protein is at the core, of course, of our yogurt growth strategy. The demand, the benefits sought by consumers through protein is accelerating and indeed it's broadening. We see a specific benefit space with consumers looking for satiety and increasingly with simple, clean ingredients.

Specific consumer demand for optimized solutions, for balanced nutrition and taste experiences for wellness, for next generation weight management solutions. And a specific opportunity, and perhaps the most well associated high protein space, physical performance and recovery.

Our protein strategy is to deepen and expand, to target these benefits spaces with consumer centric solutions.

## SLIDE 10: UNDERPINNED BY SCIENCE

Our work is led by the consumer and underpinned by science.

From muscle growth, immunity, energy and more, we understand, and increasingly, the consumer understands the power of protein. We know proteins cannot be stored, they need to be accessed via daily consumption. So frequency matters.

That, of course, creates a growth opportunity. Most powerfully, there is compelling differentiation potential. Capability matters. The specific treatment, the processing of protein drives functionality. We have, of course, 100 years of that capability at the core of our company. And dairy is a unique protein. Because dairy is complete, because it is the most easily absorbed, it is the superior source. As the global leader, we are uniquely positioned to leverage that superiority.

Against clear consumer benefits, we have a uniquely broad and targeted portfolio.

## SLIDE 11: DIFFERENTIATED PROTEIN PORTFOLIO

We are addressing demand for satiety and simplicity with propositions like Too Good in the US and Danone in Europe, balancing health, taste and enjoyment with Danone Skyr in Europe and Oikos Triple Zero in the United States. And serving specific performance needs as we expand the Pro platform across Europe, Australia, the US, Japan and beyond.

And critically, these platforms are powered by underlying science capability. Capability where Danone has differentiated know how, our banks of ferments, proprietary strains and capability where we truly have proprietary science. Concentration technology to drive unique filtration for Too Good, for Danone Skyr. Compacting technology to maximise protein structures for Yo-Pro and Oikos. And with protein tailoring and biotech, we have cutting edge science for the future. More on that to come.

## SLIDE 13: WINNING THROUGH DIFFERENTIATED BRANDS

Pablo Perversi, *President Europe*

So let us walk you now through the second block of our presentation, ‘Winning through Differentiated Brands’.

Using the segmentation that Shane has presented to you, let's take a look at some concrete examples of how we deploy strategy into action to address the distinct protein spaces with our brand portfolio. Let's now look at the first example coming from North America.

## SLIDE 14: TOO GOOD & CO

Shane Grant, *Group Deputy CEO*

For the first of our brand examples, Too Good: the high protein, low sugar pioneer, a brand that launched only 5 years ago, the most successful new brand in US yogurt in the last decade.

We see clear and growing demand for high protein with low sugar, for simple, clean, natural expressions of protein with great taste.

To capture the opportunity, we are launching a new differentiated expanded Too Good. A brand that will expand into high protein, lower sugar offerings where low sugar does not exist today. From mix-ins for snacking to guilt-free fruit indulgence to kids. And a brand that will drive a new best-in-market, zero sugar flagship that has product superiority versus all players.

This product innovation will be complemented by sustained commercial expansion on the core, with new formats to reach new occasions.

## SLIDE 15: SUPERIOR PRODUCTS AND OCCASIONS COVERAGE

Pablo Perversi, *President Europe*

The second example is our ancestral Skyr recipe under the Danone brand. By adapting this traditional Icelandic recipe to the taste of modern consumers, we have positioned it as a fat free, protein rich product for everyday nutrition. It is being deployed as we speak through diverse portfolios playing on spoonable, drinkable flavours and formats.

And we're leveraging the upcoming Olympic Games in Paris to scale it in France where we have seen Skyr develop to be the fastest growing consumer proposition under the Danone brand, which itself reinforces our nutritional wellbeing credentials.

We also harnessed the Olympic spirit in France to execution, bringing to bear a 360 degree campaign that brings awareness across the product touchpoints and associates itself with the wellness, vigor and modernness that athletes and new generations project. So, let's have a look at the advertising, also tested for superiority that is helping us drive some sales. Today, most of our global protein portfolio sits within performance.

## SLIDE 16: > EUR 1BN

Our starting point in 2021 was a platform that realized approximately 400 million in net sales. 3 years later today, this platform has more than doubled, reaching almost 1 billion through the different brands across the world that not just help us support the lifestyle, but also inspire aspiring athletes to perform at their best. This growth is a testament to mixes and products that are clearly superior to those of our competitors. A more natural source of protein, delivering a more pleasant mouthfeel and a better taste for every intake, and this is the reason why yogurts are winning over other protein formats.

Most importantly, this growth is the testament of how consistent and disciplined we have been at rolling out our winning platform across the geographies.

## SLIDE 17: YoPRO

In Europe, we have been rolling out the performance platform by leveraging the same brand platform and portfolio structure with discipline and rigor across geographies and also across many channels. And this shows in the numbers. Our HiPRO, GetPRO and YoPRO Black platform has grown 9x since 2019 and has become the number 1 growth driver in the yogurt category, showing our commitment to generate value for all stakeholders.

Success is also linked to a change in the way of working in Europe. A more leveraged and structured approach of scaling innovation and renovations across the region. Shifting from country-led initiatives, often ill-timed or suboptimal, to a regional approach that allowed us to scale our initiatives and leverage our efforts to deploy harmonized mixes.

More importantly, as Isabelle and Veronique mentioned, our portfolio development radically shifted to a centralized, platform-based approach for all of Europe, lifting and scaling our innovation potential. Leveraging Europe has also allowed us to simplify our portfolios on the back of common architectures, which facilitates our renovation efforts and give us much better speed to market.

Project Bolt, as you see, is a great example or ambassador of this new approach. Co-developed with Olympic athletes, nutritionists and with strong science at its core, this innovation will complement our already differentiated value proposition, with muscle recovery as an extra key benefit, while improving our product attributes to make it even more creamy and tasty. This is a great example of Danone leveraging science to make a difference to consumers while further raising the bar against the market. By the way, the execution of this will enable our channel expansion, making these products more readily available to consumers. Let's have a look at the new campaign.

## SLIDE 18: OIKOS

Shane Grant, *Group Deputy CEO*

The second block of the performance platform is Oikos in the US: A brand that since 2019 has doubled, the driver of Danone's winning Greek portfolio for the 2nd year in succession. For Oikos Triple Zero, sustained double digit growth for Pro, a brand on track to double this year, the fastest growing Greek yogurt in the United States.

We're committing to this platform, and we are driving against 3 areas of focus. First, consistently differentiating and broadening the brand. Differentiating via our brand grounded in high protein, low sugar, but a brand that stands for strength.

Broadening with two access points, a restaged and accelerating Triple Zero, and in Pro, the pinnacle of our protein offerings with more recipe advances and differentiation to come.

Second, maximising the full occasion potential of the platform. For on the go, the just launched drinks and entry into the snacking occasion with the Remix platform.

And on the core, Tubs as just one example of fundamentals for occasion frequency and development. Third, executional scale. For those of you in person today, you may have seen just one example of this, with Big Game now in its 3rd year, driving expanded consumer, shopper and customer grip every year.

As important everyday discipline, around driving shopper execution around awareness, consideration, conversion, shoppers buying into the brand and buying the brand. Let's look at one example of the brand building work from this year in February.

Perhaps a uniquely Super Bowl execution.

## SLIDE 19: ROADMAP TO LEAD & SHAPE PROTEIN GROWTH

Focus area three of our protein road map. This is about execution fundamentals. But it's also about broadening the reach of our protein platform. New segments, new propositions to grow the footprint of our protein business.

## SLIDE 20: SCALED EXECUTION

This starts with the runway we have on the business of today. We have clear growth opportunities on core availability in the US and right across Europe.

We have opportunity to drive quality and quantity of space, package diversification, channel diversification. A fast growth platform creates these opportunities and we're executing across all of these dimensions. We are investing against winning protein propositions at or above market thresholds with top tier advertising building brands.

Lastly, we are becoming a company that lifts and shifts winners faster. As both Antoine and Pablo described, leveraging global assets, doing that in ways that in locally relevant way. In the last 18 months alone on the PRO platform, we have added 13 new countries. This model will drive new protein platforms to scale faster and with more impact.

Beyond our current business, we intend to lead and shape the future of the protein opportunity. So to close, let's just have a brief look at some of that potential.

### SLIDE 21: SHAPING THE FUTURE

Pablo Perversi, *President Europe*

I hope that by now, you have been convinced that we are only witnessing the early state of development of the protein opportunity and that the potential for Danone is significant.

The combination of our consumer understanding in market, demonstrated performance and the science combined with the expertise to cater for the specific health needs, but also the strong brand portfolio, are unique in the sector. And it allows us to see our protein business spanning far beyond its current demand spaces, addressing new, specific and growing protein needs.

So let me and Shane conclude this presentation by confirming that we are maximizing the protein opportunity space of today and leading and shaping the protein opportunity into the future. Exciting times ahead. Thank you. And now may I leave you with Bruno and Jean-Marc, which will talk to you about medical nutrition.

## DEEP-DIVE #3 – ADULT MEDICAL NUTRITION: UNLOCKING POTENTIAL OPPORTUNITIES

Jean-Marc Magnaudet, *President Specialized Nutrition*

Good afternoon. Welcome to the home of Danone Specialized Nutrition. I'm pleased to share with you the adult medical nutrition category dynamics, the Danone business and assets, how we want to lead the category and catch this big opportunity. And Bruno will illustrate how China will win and expand in adult medical nutrition.

Firstly, what is medical nutrition? What it does?

### SLIDE 3: MEDICAL NUTRITION HELPS PATIENTS OF ALL AGES ADRESS NUTRITIONAL INSUFFIENCIES, UNDER MEDICAL SUPERVISION WITH A NUTRITIONAL THERAPY

Medical nutrition addresses nutritional deficiencies of patients of all ages. From babies and kids with faltering growth, cow’s milk allergy or other metabolics disorders to adults, elderlies with diseases related malnutrition, like cancer patients or patients with specific conditions like diabetes.

Medical nutrition solutions are nutritionally complete. Oral nutrition supplements, enteral tube feeding administered via the nose or the gastrointestinal track, parenteral nutrition (with intravenous feeding). Medical nutrition is to be used under medical supervision for short and long-term treatment in diverse healthcare settings. Therefore, medical nutrition is a regulated category.

Now let me talk more specifically about adult medical nutrition.

### SLIDE 4: ~1 BILLION PEOPLE ARE LIVING WITH CONDITIONS

It is a large category with already more than 1 billion people with health conditions worldwide. 350 million in geographies where Danone operates.

## SLIDE 5: GROWING ADULT POPULATION, INCREASE OF CHRONIC DISEASES AND LOW MEDICAL NUTRITION PENETRATION

3 category dynamics will drive future growth. Ageing population will increase, with more than 100 million additional people above 65 in the next 3 years. Second, rise of chronic diseases. Today, we record 20 million new cancer cases per year. There will be 30 million per year in 15 years from now.

And third, very important: today, category penetration is still low. In the top 5 European markets, out of 10 patients with cancer who should receive medical nutrition, only two patients are under nutritional therapy. This is an opportunity to unlock through broad-based education.

In adult medical nutrition, Danone starts from a position of strength. A very focused footprint playing in large markets in Europe and China where we are market leader, with a double-digit CAGR in net sales in the last 3 years and positive volume/mix growth.

## SLIDE 7: PIONEERING A DISTINCTIVE PORTFOLIO OF SOLUTIONS

How do we play? We have chosen to operate in Enteral Nutrition, with oral and tube nutrition in liquid and powder formats. Why enteral nutrition? We want to promote the gut integrity. Enteral nutrition helps maintain the structure and the function of the gut, with lower risk of complications to drive adherence to treatment.

We are building global brands, with consistent visual identity. Fortimel in Oral Nutrition and Nutrison in tube feeding, with a well-balanced portfolio.

Our portfolio addresses 3 main patient groups and therapeutic areas: cancer care, frail and elderly care and ICU, stroke, neurology.

## SLIDE 8: DANONE IS WELL POSITIONED TO TAKE ADVANTAGE OF THE HUGE ADULT MEDICAL NUTRITION POTENTIAL

Danone will lead the adult medical nutrition category and have a positive impact on patients' quality of life, as well as a positive impact on country health economics.

To achieve this, we are levering leveraging 4 distinctive assets.

First, a competitive business model with our unique science, technology assets and evidence generation. Second, our access, credibility and education to healthcare professionals. Third, a superior patient centric, need-based portfolio and innovations and fourth, our very well-balanced channel footprint to maximise patients' value along the patient journey.

A key enabler is our continuous investment in operations to build capacity, as already said by Juergen and Vikram will come back on that. A continuous investment in R&I and in digital capabilities for digital health.

Now, let me take you through each of our four assets. Our unique science is our number one asset.

## SLIDE 9: OUR SCIENCE AND ENGINES DEVELOPMENT ARE ANCHORED IN OUR BENEFIT PLATFORMS, WHILE MOVING TO SUSTAINABLE SOLUTIONS

How do we make it visible? From the Danone benefit platforms, as highlighted by Isabelle, we design superior engines, like ActiSyn for muscle development. This is supported by clinical and observational studies. In cancer care, for example, we have 30 studies running. Also, this is supported by health economic data. For example, we can prove that using oral nutrition generates 12% cost savings to hospitals versus patients not on oral nutritional therapy.

We are developing unique digital health tools to show the medical nutrition impact for muscles, for cognition, for gut microbiota. In parallel, we are going towards hybrid source of protein. We are the 1st to launch Plant-Based oral nutrition, now launching Plant-Based tube feed portfolio, which drives affordability, new usage and tolerance and a more sustainable footprint.

## SLIDE 10: WE HAVE UNIQUE CAPABILITIES TO EDUCATE AND DEMONSTRATE THE POSITIVE HEALTH IMPACT OF OUR SOLUTIONS TO PATIENTS, CARE GIVERS, HCPS & PAYERS

Our second asset, our credibility or access, and healthcare professionals' education is a distinctive edge. In collaboration with academics, scientists and KOLs, we demonstrate the positive health and health economics impact of our solutions. Currently, worldwide, we have more than 90 studies running in adult patients. We have access to HCPs through omnichannel engagement capabilities; more than 1 million engagements per year, face to face or digitally, which is a 42% increase versus last year, thanks to all digital engagement. An outstanding presence in congresses like ESPEN, the largest European Congress. We are running webinars and providing open information on our digital platform, Danone Nutricia Campus. This enables us to get HCP recommendation, increase our reach and drive penetration.

## SLIDE 11: PATIENT-CENTRIC NEED BASED PORTFOLIO & INNOVATIONS TO DRIVE PREFERENCE AND MAXIMISE SUPERIORITY

Third, our superior portfolio and innovations are competitive assets to bring our science to life. We provide solutions for specific patients' needs, as you've seen yesterday in your tract. We build brands to drive preference and lead the category with innovation breakthrough. For example, we were the 1st to launch compact technology and we lead the market in the high protein segment. The 1st to move to Plant-Based successfully, and the 1st with Savory flavour, cooling and warming tastes to help cancer patients with taste alteration, leveraging the Danone user experience, expertise and more to come.

## SLIDE 12: OUR BALANCED CHANNEL FOOTPRINT ALLOWS US TO BE PRESENT WHERE PATIENTS ARE, ACROSS JOURNEYS

Fourth asset, our balanced channel footprint. It's a competitive advantage to win at each step of the patient journey, from hospital initiation and in-hospital usage, winning the discharge moment to leading pharmacy and home care, where we over-index in growth and market share.

Having a versatile homecare footprint, with operations we own in the UK, in Poland, in Germany, in the Netherlands, we serve more than 200,000 patients at home. This enables us to maximize treatment adherence and patient value.

## SLIDE 13: WE WILL ACCELERATE CATEGORY PENTRATION AND USAGE IN CANCER CARE

Now, let's come back on the low penetration level of the adult medical nutrition category. As category leader with our distinctive assets, we want to step change adult medical nutrition penetration with 3 levers. Number one, we want to launch general awareness campaign to general public, health care professionals and direct to patients, to increase relevance and recommendation. Number two lever, we want to activate access and education with healthcare professionals to create guidelines, treatment protocols and prescriptions, leveraging our evidence and health economics data. Number three lever, we want to drive adherence and usage with our superior portfolio, Hero SKUsuse and innovations.

Poland has been a successful pilot market and a proof point for category growth acceleration, with general awareness campaign, distinctive portfolio strategy, with compact becoming the market reference, HCP activation and home care focus with our own home care capabilities. Poland achieved 20% net sales CAGR in the past 5 years, with 80% market share. Now we will roll out this business model in Europe to accelerate category growth.

In parallel, Bruno will show how we want to drive a very ambitious agenda in China.

## SLIDE 16: LEVERAGING OUR GLOBAL & LOCAL ASSETS TO WIN SHARE AND EXPAND

Bruno Chevot, *President Greater China, North Asia and Oceania*

Thank you, Jean-Marc. Good afternoon, everyone. I will spend the next 10 minutes to illustrate how we bring to life our global strategy in China, which is one of our top priority markets, as mentioned by Jean-Marc earlier. I'll walk you through how we plan to leverage our global and local assets to unlock growth opportunities in China, starting first with a brief reminder of the category dynamics, before unpacking the key assets we've built overtime and the strategic choices that make us confident in our ability to gain share in this promising market.

But let's begin with a quick peek at some of the market dynamics, and you'll see that China is no exception to the global trends we saw earlier in Jean-Marc's presentation.

## SLIDE 17: AN AGEING SOCIETY WITH RIDING HEALTH NEEDS

China will face an ageing society with increasing health needs and expenditure. By 2030, there will be 260 million people aged 65 and above, more than the US and Europe combined.

It means more patients with chronic diseases would require medical nutrition solutions to enhance their health outcome and quality of life.

And in contrast, China per capita health spending remains very low compared to Europe or the US, and it's expected to double by 2035, creating additional room for growth.

## SLIDE 18: PUBLIC HEALTH IS A KEY PRORITY FOR THE GOVERNMENT

Preparing for an ageing society is top priority for the central government, which is putting in motion a series of unprecedented efforts to further strengthen the healthcare system in China, such as setting up geriatric departments in more than 60% of hospitals, improving chronic disease management and strengthening community health services.

More specifically to our category, the adult nutrition products, which are included in the Essential Drug List, are now also reimbursable for chronic diseases since last year. The Enteral Nutrition also became recently reimbursable in outpatients' department. All these very important decisions are signalling very clearly that Medical Nutrition is and will play a critical role in managing the condition of ageing within the context of our market in China.

## SLIDE 19: PRECISING ADULT NUTRITION CATEGORY LANDSCAPE

At this stage of our discussion, I believe it's important that we precise a bit further the Adult Medical Nutrition landscape in the country, so we have all in mind the same concepts and the same definition.

Inside hospital for patients facing severe therapeutic conditions, there are actually 2 types of solution used by healthcare professionals: the Parenteral nutrition, delivered through IV, and the Enteral nutrition which is directly delivered through a tube in the stomach or given as an oral Nutrition. Given the reimbursement policy, in-hospital is expected to remain a pharma product market and will continue to be dominated by parenteral and enteral drugs regulated solution.

In contrast, the adult foods for Special Medical Purpose products are mostly for out-of-hospital usage, and they are the very early stage of adoption by patients because they are self-paid and because they are competing with traditional food.

The aFSMP products are also competing with more consumerized propositions, such as protein and senior milk powders, which play a critical role when patients aspire to go back to a more normal life after recovery.

## SLIDE 20: HIGH GROWTH POTENTIAL ENTERAL NUTRITION BEING THE MAIN DRIVER

With all this in mind, we expect the market potential to double by 2030. In hospital, Enteral Nutrition will drive the category growth, gaining share from Parenteral with a medical consensus acknowledging, more and more the Enteral superiority over parenteral when the gut is functioning properly.

The usage of Enteral Nutrition products accredited with a Drug license will also grow outside of hospitals, supporting patients' recovery post-discharge.

We do believe in the potential of aFSMP, but it will require long-term efforts in educating HCPs, patients to realize it. Because it's self-paid, it means that both patients and HCP will need to be further convinced of its efficacy. There is another similar opportunity to differentiate and value up the protein and senior milk powder segment, position it in the post-recovery or prevention needs space.

## SLIDE 21: LEVERAGING OUR GLOBAL & LOCAL ASSETS TO WIN SHARE AND EXPAND IN A GROWING MARKET

And we believe as Danone that we are well equipped with strong assets to win and gain share in this fast-growing segments and categories.

## SLIDE 22: WE HAVE A PROVEN TRACK RECORD AND ARE ACTIVELY CONTRIBUTING TO THE CHINA HEALTHCARE ECOSYSTEM

We do indeed start from a position of strengths, with over a decade of consistent double-digit growth every year. It's fair to say that Danone Medical Nutrition has a proven track record in China and has built, over time, key assets that allows us to look confidently into the future.

Starting with a very well-trained field force, covering more than 5,000 hospitals, capable of engaging directly with 500,000 healthcare professionals, but also innovating to improve the patient's management journey and collaborating with top digital health platform for easier access to our solutions, or finally generating science to lead and shape the category, with over 1,000 publications in the past decade contributing to the category health guideline.

Our team in China has not only delivered strong business results but is also recognized as a key contributor to China's healthcare ecosystem, which makes us more resilient.

## SLIDE 23: WE HAVE UNIQUE ASSETS TO WIN IN CHINA: DRUG LICENSED REGISTERED PORTFOLIO, STRONG SCIENCE & LOCAL CAPACITY

To keep on delivering strong growth, we can count on the comprehensive portfolio of enteral solution, all drug licence, all manufactured locally in our state-of-the-art factory in Wuxi.With our recent introduction of locally designed, powered by global science aFSMP range and our international products which are available in cross-border e-commerce, we are preparing to expand outside of hospital, nutritionally supporting patients when facing specific conditions such as Malnutrition, Muscle loss, Cognitive impairment.

## SLIDE 24: ESTABLISHED STRONG LEADERSHIP IN ENTERAL NUTRITION

The combination of strong organizational capabilities and highly competitive portfolio has not only allowed Danone to secure a leading, pivotal position in the fast growing Enteral Nutrition segment, but also makes us ready to unlock new growth opportunities outside of hospitals.

## SLIDE 26: 3 PILLARS TO GROWTH IN-HOSPITAL AND EXPAND TO ATTRACTIVE NEW SPACES

Leveraging our unique strengths, we are making clear strategic choices to gain share and expand in new spaces. We have a very straight-forward battle plan: “win where we are”, continuing to gain share in hospitals within the growing enteral nutrition segment, expand “where we should be” by extending our leadership into community and “seed the future” with leading HCP and consumer education on the importance of medical nutrition in managing broader condition of ageing.

## SLIDE 27: DRIVING ENTERAL NUTRITION SHARE AND EXPANDING DANONE PRESENCE

With at least 50% headroom, our number 1priority is to drive further Enteral Nutrition in the in-hospital treatment segment where there is still potential to grow significantly. Our strategy is to “go wider”, reach more hospitals, especially smaller ones, which are today 85% of them not covered by us, and go deeper, continue to promote the Enteral Health Guideline within covered hospital where the enteral share is only 25% compared to the 80% in leading hospital.

We will increase Enteral Nutrition share by educating healthcare professionals on the advantages of it, standardizing protocols for better screening and investing more behind our highly trained medical field force.

## SLIDE 28: LEVERAGE IN HOSPITAL LEADERSHIP TO INCREASE OUT-OF-HOSPITAL PENETRATION AND USAGE

Second pillar of our strategy is to expand the post-discharge and community segment, a segment that should triple in value size by 2030.

This is a large and under-served market, with less than 10% of patients continuing to use medical nutrition after being discharged or more than 10 million of them with ongoing issues who could benefit from a longer term treatment.

Following our strategy of “go longer”, we’ll proactively work with HCPS to serve the two patient groups: those who need post-discharge recovery and those who need to manage their medical conditions in the long term. For both groups, medical nutrition will improve their health outcome and overtime, will demonstrate that we impact health economics.

Building on our assets, we plan to leverage our in-hospital leadership to initiate out-of-hospital oral nutrition usage to build on our core capabilities to activate the golden triangle linking healthcare professionals, patients and our brands, and educating them on the importance of medical nutrition for better recovery. We can count on the superior offer with winning localized taste and well established Route To Market to lift the usage and the access barriers.

## SLIDE 29: SEED ATTRACTIVE NEW CONSUMER SPACES USING WIDER DANONE ASSETS

With our third strategic pillar, we aim at unlocking value from prevention segment, leveraging our global science and engines to design the highly differentiated value propositions, fulfilling the needs of Recovery and Physical performance, Brain health, Gut Health as an example.

Our proven local capabilities in building powerful brands, designing advanced tech tools and our omnichannel presence will make the difference when it comes to educate consumers on the importance of specialized adult nutrition for managing the conditions of ageing.

I'd like to leave you with a few thoughts.

## SLIDE 30: DANONE CHINA WELL POSITIONED TO SUCCEED IN AN ADDRESSABLE MARKET THAT WILL GROW 2 TIMES IN VALUE BY 2030

Adult medical nutrition is a sustainable growth journey for Danone in China.

We are well positioned to succeed in an addressable market that will double in value by 2030.

We have a proven track record and we are actively contributing to the China healthcare ecosystem. We've made clear strategic choices to win share in nutrition and carefully expand in new spaces. We have the global and the local assets to deliver superior value propositions to our patients and consumers. On that note, thank you for your attention and I'm handing over to Jean-Marc to wrap up this deep dive. Thank you very much.

## SLIDE 31: LEADING ADULT MEDICAL NUTRITION A MASSIVE VALUE CREATION OPPORTUNITY FOR DANONE

Jean-Marc Magnaudet, *President Specialized Nutrition*

Thank you, Bruno. In summary, adult medical nutrition is a huge opportunity for Danone. Today, we operate in three therapeutical areas, two main geographies, with strong positions and performance. We have the opportunity to achieve much more as we pivot the category, as we broaden our reach and category penetration, as we expand into new benefits and new geographies.

Thank you. And now I will leave the floor to Vikram and Christian to talk about operations. Thank you.

# DEEP-DIVE #4 – OPERATIONS FOR VALUE CREATION

Vikram Agrawal, *Chief Operations Officer*

Thank you, Jean-Marc. And we come to the last of the deep dives into the exciting world of Danone own operations. Christian and I will be taking you through how we are leveraging excellence in operations to successfully create even greater business value for Danone. We will cover this in three parts: the journey so far, how we have successfully deployed it in Africa and the journey ahead.

## SLIDE 3: OPERATIONS: OUR JOURNEY SO FAR

We will cover this in three parts: the journey so far, how we have successfully deployed it in Africa and the journey ahead.

## SLIDE 4: DANONE OPERATIONS FOOTPRINT

Just for context, our operations footprint: it is one of the largest food supply chains in the world, a huge ship. I showed you this chart two years ago. The difference is we have learned now how to operate with agility and speed.

**SLIDE 5: BUILDING CAPABILITIES & STEPPING-UP PERFORMANCE**

If I reflect back on the last few years, 2021: supply chains competing against supply chain, causing everybody to be in a reactive mode. Danone was no exception. 2022, on top of that came the war in Europe and runaway inflation reaching 18 to 20% levels in Europe particularly, but even beyond. We put our head to the ground, and we focused on just two things: Let's meet the customer service, let's meet the customers' orders and let's deliver productivity at an even higher level to mitigate the inflation. We did this, but more importantly, we grew up that year. We learnt how to be resilient in a volatile situation.

This maturity benefited us as inflation started to ease off in 2023. We could now build us, build new capabilities, deploying initiatives such as partner for growth, digitalization, milk valorization, decarbonization, integrated work systems. I can go on and on, but all those programmes were brought to bear in 2023. At the end of it, on the back of very strong business plans, powered by a record high productivity and the highest ever customer service, we saw the volumes and the margins coming back. Into 2024, we continue to build on our strengths and link ourselves up even more closely with the business for greater impact.

**SLIDE 6: ACTIVATING OUR INTERNCONNECTED '4C' FRAMEWORK FOR VALUE CREATION**

What I've just described can be articulated in what we would call our 4Cs framework for value creation and operations.

Customer service: sense the demand accurately and supply with agility.

Cost: competitiveness in the market, especially on our fixed supply costs.

Cash: higher return on assets with lower working capital and sharper capex choices.

And carbon: driving decarbonization as committed in the Danone impact journey.

I'll talk about the customer first and I'll spend some time over here. We started with the very basics.

**SLIDE 7: CUSTOMER SERVICE AS A SOURCE OF COMPETITVE ADVANTAGE**

Let's start meeting our customer orders accurately. We have been able to enhance, over the past two years, our customer fill rate from a lagging 91% to an industry-leading 96%, a 500-bps improvement in two years' time to support our volume growth and share gains. Even more so, we achieved this consistently, hitting a minimum CFR every week in every market and in every product category.

Then we stack responsiveness on top of this. Responding to demand faster than anybody else helps us to secure shelf presence and gain shares. The customer satisfaction that this generates has contributed to us being ranked number1 in the Advantage survey with the US retailers, for example.

Superior customer service also needs to be supported by responsive manufacturing and quick distribution. For this, we have a twin approach: release existing capacity through manufacturing excellence programme, such as the Dan integrated work systems, and digital manufacturing to maximise our asset utilization Juergen talked about this on the need for taking up our asset utilisation by 10 to 20%.

Creating new capacity by investing behind a strategic growth choice. I will come back to this in a minute. Isabelle and Veronique talked about fewer, bigger, bolder innovations, but the last leg of this is flawless execution. Right first time in our factories, right first time in our distribution, right first time with our suppliers so that we land what has been promised to the customers in time.

Secondly, in the same area, through our Partner for Growth programme, bringing the best of our ecosystem to our consumers by leveraging our top 50 suppliers who represent 15% of our spend and bring €57 billion of their combined R&I investment into play for us. We launched this programme last year. It's running hard: already 6 joint business development plans and 14 partnership agreements, which are well entrenched into our innovation funnel.

Now lastly, as we become more and more sophisticated, our systems need to start dealing with millions of data points instead of thousands. This is where the role of artificial intelligence and machine learning comes in. We have rolled out concurrent planning in multiple geographies and we have seen the benefits already. The pilot in Spain, for example, has increased our processing speed for business planning 40 times – not 40%, 40 times – demonstrating what you can do by real-time decision making. And similarly, in the US, we are seeing a 10% step up in our demand forecast accuracy.

With this world class customer service, we are poised to leverage this with our customers as an added value proposition.

## SLIDE 8: SCALING CAPACITY IN LINE WITH CATEGORY STRATEGY

Out of the 8 major investments which are underway around the world, 5 are in adult medical nutrition and two are in high protein yogurts. As you heard, this is a physical testament to a category strategy coming to life in hard assets on the ground. Our approach, wherever feasible, has been to re-industrialize our existing manufacturing assets for the new growth categories. Example: Steenvoorde factory in France switching from infant milk formula powders to adult nutrition. Villecomtal factory, also in France, shifting from dairy to Plant Based. And the West Jordan factory in the US moving from traditional yogurts to high protein yogurts.

Creating factory capacity on its own is not enough. We have to accompany that together with creating greater distribution capacity, greater distribution capillarity and greater distribution efficiency, and that is what’s happening as we speak in the US and in Europe.

Apart from this, we also need to invest and get our suppliers to invest in creating more capacity for supply of materials near our factories.

Over 100 new supply sources have been identified and activated through our X-Pand programme in bringing more vendors into play nearer to our factories, making us more resilient and quicker to respond.

## SLIDE 9: COMPETITIVE COST

I come now to the next C of cost. There are four pillars to drive cost competitiveness for us in Danone. First is our flagship programme HORiZON, which is on cost productivity. This is integrated across all businesses, all functions and right down to the shop floor, cut up in 8 pillars which encompass all of our major COGS elements, the logistics, manufacturing, material procurement, etc.

With this stepping up this programme in the last two years, we have been able to step up in our productivity as a percentage of our COGS, from being in the bottom 50 percentile of the industry to now the top 10 percentile; indeed a top class position, giving to the business what the best in the world is able to give.

Moving to the next one, it is not always sufficient to just drive supply chain efficiency. We also need product efficiency, and this we achieve through our design to superior value programme, where we are delivering the products, superior products at the least possible cost to our consumers. Both go together: superior product in the least possible COGS, by having the right consumer insights to focus our investments in the product on the areas which the consumers really want. We do this in a campaign style. So far, 12 such campaigns or sprints having run around the world, covering over €6billions of our net sales and we continue rolling this out.

The next one is about extracting more value from the raw materials, most notably milk. This is where we have developed the expertise and, in some cases, even proprietary technology to process the fractions of milk into value-added ingredients. Whey, lactose, casein and the fat all being separately split up and processed into dairy ingredients which go back into our products. This programme is already rolling in multiple countries around the world and a large percentage of our milk purchases will be passing through this.

Lastly, in order to land all of this into the business for effective pricing and promotion decisions, we need more dynamic COGs forecasting. We have developed over 500 material cost models and are able to also deploy artificial intelligence to continuously iterate them with commodity movements now doing in days what used to take months, so that the business planning can be as quick, as fast as we can generate the COGs forecast.

## SLIDE 10: RELEASE CASH FROM OPERATIONS & MAXIMIZE ROA

I come now to the next one, which is around cash. First contributor is inventory. We believe that inventory is value adding when used for servicing our customer shipments accurately and non-value adding when used for compensating for inconsistent production. Moving from a hold mindset to a serve mindset, moving from more inventory to the right inventory. Contrary to common belief, we have been able to reduce inventories, improved our customer service and reduce our distribution cost at the same time. Usually, you would hear one comes at the expense of the other.

Next to inventories, we have been normalizing our suppliers' payment terms in line with the rest of the industry, releasing more cash into our business. On CapEx, while we are investing more in capacity and behind new manufacturing technology on innovations as the volumes come back, we still stay below the threshold of 4.5% of net sales. We achieve this by maintaining a much more disciplined approach on CapEx efficiency, efficiently engineered plants and efficiently bought equipment, which has already improved our capital intensity by over 10%.

## SLIDE 11: SUSTAINABILITY FOR PERFORMANCE & EFFICIENCY

I come to the last of the 4CS, which is on carbon. Embedded in our Danone impact journey, first of all, scope one and two emissions which come from our own factories. This is where our focus has been because, by the way, this also has the largest payback on what you do by decarbonising and economising at the same time.

Our flagship programme ReFuel has been able to cut our factory emissions by 21% over the 2020 base. 72% of our electricity now comes from renewable sources. All of this accompanied, as we would expect, by a strong cost savings pipeline.

Next we come to the scope 3 carbon footprint, where our agricultural supply partners constitute about 50% of a total carbon footprint. I'll talk about this a bit more in the next slide. Next, the scope 3 non-flag, non-forest land and agriculture carbon, where packaging dominates. While we continue making our packaging recyclable and with higher recycled content, we have also enhanced the circularity by enabling recovery of 58% of our plastics from post use. Similarly, we have very strong programs on water conservation and reducing waste, especially food waste in our value chains from the farm to the shelf.

## SLIDE 12: DOUBLING DOWN ON OUR STRENGTH: REGENERATIVE AGRICULTURE

Danone was the first company last year to announce a 30% reduction in methane from dairy from fresh dairy by 2030. Our unique understanding of the carbon breakdown in milk farming operations has enabled us to deploy large scale flagship programs, for example in the US, in Belgium, in Spain and in Morocco, achieving both carbon reduction and more importantly, improving the farmer incomes at the same time. The programme has already delivered a 17% carbon reduction versus that 2020 base.

By now I hope I've given you a fair idea of our value creation framework in operations, and in the next slides Christian will show you how they have successfully applied in Africa.

## SLIDE 14: OVERVIEW OF DANONE AFRICA

Christian Stammkoetter, *President Asia, Africa and Middle-East*

Thank you, Vikram, and good afternoon everyone. During the next 10 minutes, I would like to share some very concrete examples how the operation strategy that Vikram just shared is impacting the business, and where else could we better show it than in Dairy Africa, a business that has been in need for deep business transformation.

Let me first share with you some facts about our dairy business in Africa. We are one of the leading players in the category, with a widespread presence across the continent, with direct operations in key markets in north, west and southern Africa, with joint ventures in Kenya, Tunisia and Senegal and with a presence in many countries through export.

Our operations footprint is hyper local and we operate with a focused portfolio that consists of selected global brands like Danone, Activia or Danette and a large share of local heritage brands such as Ultramel in South Africa or Salim in Morocco.

With this footprint, we're proud to serve approximately 500 million consumers in over 25 countries. Now Africa is a continent of opportunity. The region is experiencing a rapid demographic and socioeconomic development. Already today, Africa hosts a third of the world's youth and a third of the life force on this planet.

In sub-Saharan Africa only, 100 million additional middle-class households will be created by 2035. And with this, experts are expecting the protein intake to grow 7-fold by 2050. All this represents a massive opportunity for growth and development for Dairy in Africa.

This being said, when it comes to operating in Africa, it is important to keep in mind that we're facing a very volatile and challenging environment. From forex scarcity and currency devaluations to persistent high inflation. From constantly changing import regulations to supply and payment disruptions.

With this backdrop in mind, it is also fair to say that our starting point three years ago was a fragile one. On the one hand, Danone had always enjoyed a deep and granular presence across the continent, with strong brands and leading market shares. On the other hand, our approach to the continent was not the most efficient.

Our portfolios were too wide, our volumes structurally eroding, which led our gross margin and bottom line to decline and our cash generation to weaken over time.

## SLIDE 15: ACTIVATING OUR '4C' FRAMEWORK FOR VALUE CREATION IN AFRICA

With these opportunities and challenges in mind, we defined a holistic turnaround plan in which the 4Cs that Vikram described play an essential part -with a strong focus of course, on mastering executional excellence.

So let me walk you through the key pillars of this transformation, and here I want to start with customer service.

## SLIDE 16: SIGNIFICANTLY IMPROVING CUSTOMER SERVICE

We have stepped up our planning capabilities through system and people capabilities. We have improved our supply chain resilience through increasing local sourcing and dual sourcing option. We have unlocked capacity through sweating the acid approach behind portfolio rationalization, process optimization and by innovating towards existing and underutilized assets. And we redesigned our route-to-market in the key countries.

A great example for the work on route-to-market is the work the teams have done in South Africa, where we have reset the approach by creating a dedicated stream for the sizable ambient range we offer by optimizing delivery days and improving stock holidays with a new 3PL contract agreed. This allowed us to drive triple-digit improvement in both customer service and cost to serve. By deploying this approach consistently across the region, we have been able to secure the same triple-digit improvement level in customer service

Now coming to the second C, cost. Needless to say, that this is very critical lever given the deep business transformation needed. Here, we have worked strongly on the localization of raw materials that has not just strengthened our resilience, but also reduced our costs and hard currency dependency.

## SLIDE 17: COST EFFICIENCY AT THE HEART OF THE TRANSFORMATION

We have declared the 'battle against waste', which was significant in the system, often coming from poor planning capabilities and at too large portfolio with too many low rotating SKUs.

We have put a deliberate focus on non-material supply chain costs, for example, investing into end of the line automation to gain efficiencies and we have deployed the design-to-superior-value methodology that Vikram mentioned.

A nice example for this is the work in Egypt. With the massive currency devaluation and hyperinflation, we saw that our current products couldn't be offered anymore at a critical entry price point. So we designed an all-new product that was simple, tasty and nutritious, filling an underutilized line and being very deliberate to offer it primarily through traditional trade in rural Egypt to reach the right target audience.

The results are very encouraging, as this range brought significant volume incrementality to our equation as well as market share gains in rural Egypt.

All the effort has allowed us to step up productivity levels from low to high-single digits and at least equally important, to protect competitiveness and scale of our business by maintaining critical entry price points in key markets.

Now let me come to the third C, cash.

## SLIDE 18: STRENGHTENING OUR CASH GENERATION CYCLE

It is obvious that cash is key in Africa. So it all starts with very disciplined cash collection. It sounds obvious, but in the cash-challenged environment it needs rigour and sometimes tough choices.

We're working on inventory reduction that is only possible thanks to a simplified portfolio, stronger planning skills and a more resilient supply chain. We revisited payment terms with key suppliers, and we have become very frugal on CapEx, reducing our invested capital to below 3% of net sales, sweating our assets to the max.

A great example here is Morocco, our single biggest market in Africa, where we worked on a complex cash cycle, overhaul delivering 300 basis points of working capital over net sales improvement and a step change in operating free cash flow.

Looking at this leverfor Total Africa, I can confirm that we have significantly improved our working capital and OFCF, as well as stepped up the Return On Asset by over 500 basis points.

## SLIDE 19: DELIVERING CARBON REDUCTION THROUGH EFFICIENCY

Now let me talk about the fourth C, carbon. Africa Dairy is one fifth of our region's net sales, more than a third of our $CO_2$ footprint, as dairy farming in Africa today is less carbon efficient compared to the global north.

So while addressing the carbon footprint, we're very clear that in Africa, cost is key and we must deliver $CO_2$ reduction with and through efficiency. For this, we are working on four big streams. Starting with stepping up our usage of green energy, leveraging solar panels at scale in our region. We are step by step transforming our packaging towards more reuse or more recyclability. We're working on significant route-to-market transformations, as I mentioned before, that drive cost efficiency and $CO_2$ reduction.

And last but not least, we're working on the transformation of the dairy farming model in Africa, with a focus on improving the yield of the cows of small hold farmers.

Here, the example of Morocco that you see on the slide is impressive. We implemented a comprehensive programme improving the yield of the cows of up to 30% and through this we increased the farmers' net income as well as improve the milk quality while reducing the $CO_2$ footprint per litre of milk by 29%.

This is a great illustration of performance and impact feeding each other and it gives us lots of confidence that by scaling those programs with partners, we're not only contributing to the resilience of small-hold farming in Africa, but we will be able to generate efficiencies and $CO_2$ reductions.

## SLIDE 20: LEVERAGING THE 4C FRAMEWORK

Now one of the learnings over the last two years is that the 4C approach is delivering strongest results when activated synergistically.

A good illustration you see here is again Morocco, where we have undertaken a large transformation of our route-to-market with such synergetic approach.

In a business where we serve directly more than 70,000 stores, we designed a programme to reset our approach completely, moving from 7 days of delivery per week to 6, reviewing the effectiveness of every route, optimizing visit frequency and transforming the team, leveraging Danone's unique future skilling programme that allowed us to get the majority of impacted people outplaced.

The results of this transformation are impressive. On a full year basis, we delivered 90 basis points customer service level improvement, 130 basis points Gross Margin improvement, 270 basis points of inventory over net sales optimization and a 3% reduction in $CO_2$ on the total Moroccan footprint. All this without compromising sales performance but strengthening our competitiveness in the market.

## SLIDE 21: MAKING GRADUAL PROGRESS ON AFRICA TRANSFORMATION

With this, I'm coming to an end of my presentation, emphasizing two key messages. One, we are convinced about the opportunity that Africa provides for our dairy business going forward. And two, that today we very much understand what it takes to succeed.

And the initial results you see highlighted here, and that we delivered in a very difficult context, are encouraging when it comes to net sales acceleration as well as step changing margin and cash improvement.

Yet we are also clear that we're only at the start of a journey with lots of work ahead. And for the transformation journey to succeed, operations, and here, executing with excellence and discipline the 4Cs, will continue to be a fundamental importance. With this, I close and I pass the mic back to you, Vikram.

## SLIDE 22: WE HAVE DELIVERED AND BUILT CAPABILITIES FOR MOVING TO THE NEXT S-CURVE

Vikram Agrawal, *Chief Operations Officer*

Thank you, Christian. So if I now sum up what we have said on the 4CS on customer service. From 91% to 96% to perfect service. This is not a pipe dream. We are already starting to hit that in a number of geographies, example Japan and China. On cost, we believe we are 200 bps ahead of our productivity over COGS. We keep it there even as others raise their game. On cash, we keep the momentum 100 bps down already on working capital and we keep it.

On carbon, we steadily, year on year, keep delivering the decarbonisation till the time we achieve the non-impact journey objectives, most of which are by 2030.

## SLIDE 23: STEPPING UP CAPABILITIES FOR 48,000 DANONERS

The most important element which I would like to spend a minute on is our people. 48,000 Danoners, which is about half of all Danone work on operations. And when we talk of skill building, this is where it hits home. This is where our DanSkills programmes course, not just in terms of managers and executives, but in terms of the shop floor workers, the technicians, the operators, the line leaders and so on. And through that programme, what we are teaching them is about how to absorb and make the best out of the AI age which is upon us, how to understand that carbon is a currency and how to understand that we need to be absolutely flawless in our food safety and our workplace safety.

The two pictures that you see below, one of them is my favourite. That is actually an operator in our factory in Opole in Poland who is operating the machine through an iPad. This is increasingly happening in 40 of our factories.

I talked a lot about our journey so far. But if I was to use one term to describe where we are headed.

## SLIDE 24: EN ROUTE TOWARDS INDUSTRY-BEATING OPERATIONS TOWARDS INDUSTRIAL REVOLUTION 5.0

From being in the catch-up mode in Industrial Revolution 4.0, I want to be leading edge in Industrial Revolution 5.0. What does that mean? It means human beings and machines working symbiotically together and intelligently together to bring the best value to our customers and our consumers, at the same time enhancing our supply resilience and enhancing our sustainable sourcing. That's where we would like to see ourselves in a few years from now.

## SLIDE 25: TANGIBLE PROGRESS SO FAR… AND WE ARE READY FOR MORE

It is heartening for us to note that our efforts have been recognised externally. Gartner, which is the leading supply chain ranking system in the world, has moved us from 32 two years ago to 22 now. Which means that we are on the map on the magic triangle of the top 25.

We have the appetite, we know what to do. We are ready, very ready for the journey ahead. Thank you.

I would now ask. OK, I have now ask Antoine to come in stage and close the session.

## CEO CONCLUSION

Antoine de Saint-Affrique, *Chief Executive Officer*

Thank you, Vikram and Christian. Before we take a break and come back for Q&A at three sharp, I wanted to leave you with a few thoughts.

The first one is, very clearly and I said it this morning, I believe that the food and beverage market is at a tipping point. In that context, it is very clear that we have not only started fixing our company, as proven by the consistency and the quality of the results.

And if you see what Vikram has just described, there is substance to the way we deliver, but we have also made choices to make our company future ready. We are turning that on into a truly science-based and consumer-centric company, as Isabelle and Vero showed. And this is giving us, I believe, a head-start in what will be a very different food world.

It is also concretely opening us a whole new field of growth opportunities from the broader gut health and protein space, to medical nutrition and its ecosystem. These are places where our science, these are places where our brands, are giving us a unique opportunity. So doubling down on the fundamentals of Renew, while creating new growth engines for the future.

It is very clear in my mind that the Danone of today is much sharper, much stronger than the Danone of two years ago. But it's very clear also in my mind that we are not going to stop there. And the Danone of tomorrow will be still stronger and different than the Danone of today.

And we talked to you about science, we talked to you about consumer centricity. We talked to you about the strength of our execution. Nothing of it would be possible without the strength of the teams. And I hope that one of the things you get out of today is the strength of the Danone team, the mindset of the Danone team, starting with the executive committee, but beyond the executive committee. And you've seen that – for those that were in Amsterdam in the market places and throughout Danone. Danone has now a winning spirit.

So enjoy the break. Recharge with Mizone and everything it brings, with the proteins that you can find in our yogurt product or our unleash the dragon in you with a stock and be back at 3:00. Thank you.

## QUESTIONS & ANSWERS SESSION

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

Welcome back for the favourite moment of the day, which is the Q&A session. And I think the first question already is coming from Guillaume Delmas, UBS.

### QUESTIONS ON MID-TERM SALES GUIDANCE; ASSET UTILIZATION

Guillaume Delmas, *Analyst at UBS*

Thank you very much Mathilde, good afternoon Antoine and Juergen. a couple of questions for me please. The first one is on your medium term like-for-like sales growth guidance of 3 to 5%, because you talked about a pruned, improved, stronger portfolio, tipping point for the food and beverage industry, which suggests improved category growth. You also have two years, if not three years, after 2024, of reinvestments, better innovation. And yet still 3 to 5%. So, is it just you being conservative and cautious or are there, you know, some potential headwinds we should be aware of?

And then my second question for Juergen and potentially Vikram. Juergen, in one of your slides you talked about an opportunity in operating leverage. You were talking about asset utilisation, a 10 to 20 percentage point upside potential. So questions are: 1/ why starting from such a low level? Do you have a very low capacity utilisation at the moment? 2/ what would be the timeline for this improvement? And 3/ how does it translate into basis points benefit to the gross margin of EDP and Waters? Thank you very much.

Antoine de Saint-Affrique, *Chief Executive Officer*

Thank you. Well, the first thing is delivering consistently 3 to 5% in an environment where inflation is relatively low and doing that for years and years and years in a row; if you look at the entire consumer goods companies, there are very, very few companies that are doing it consistently. OK. So, what we have defined is actually a model by which the consistency of our growth, the way it translates into a progressive improvement on our profit delivery and on our cash, is creating immense value.

The good news – and you've spotted it – is there are plenty of new growth engines and we are right at the heart of where we think food is going, which indeed increases the resilience of the company. So, will we be more resilient? Most likely. Will it enable us to deliver in the guidance? We believe it, which is why we give 3% to 5%.

Juergen Esser, *Group Deputy CEO & CFO*

Maybe one element on the topline aspect. Through the last two years, our topline has been mainly driven by price and you could see that volume/mix is coming back since two quarters. And we can definitely expect the pricing component to get smaller and smaller at least for the quarters to come. So, our growth momentum will be to a very large extent fuelled by volume/ mix and hence - back to your point, Guillaume – the reinvestment was important to get not only our market shares to where there should be - and I think we are getting on a good track - but also to help our categories going back to strong growth.

And we have been showing, especially what's happening on the Dairy front in the US and Europe, which looks very promising. We want to do it competitively and this is important when you have seen that we have been for very long underperforming our markets. We have been starting to perform in line and there's a few sales better than the market and this is what we want to do. We want to truly perform very competitive and when we can, win against the market.

So, your second question about operating leverage is very important and this is why I was very, very explicit about it. We want to drive our margins up through growth, because this is the only way to make it sustainable. When you see where we are today with our operating margin, particularly on the EDP front and Dairy front, it is because we have been decreasing in volume for quite some time. The way back to double-digit margin in EDP is by bringing volumes back into the factories.

There’s two ways you can address the fact that our assets are not utilised in a way they should be utilised. You can either fix the problem by getting rid of those assets. Or you can leverage that opportunity by bringing volumes back in the factories, which will get to a disproportionate effect on gross margin. Very immediate.

We have seen it in Waters over the last one year, Waters volume coming back - immediately the gross margin has been reacting. We’re going to see that for Dairy too and this is why we will catch this opportunity to bring the EDP margins overall back to double-digit territory.

Antoine de Saint-Affrique; *Chief Executive Officer*

Vikram said something that is very important, which is obviously when volume is coming back while you leverage your assets better. But what we have been doing also is repurposing some assets. So you take our Villecomtal factory in France; it was a dairy factory at a point in time where it was totally under-utilised. You turn it into a Plant-Based factory where we needed capacity. By the way, you rebalance all the volume to other factories and therefore mechanically, you increase the capacity utilisation and you have the double benefit.

What we do in Steenvoorde in France, is a different version of the same, which is you start investing in the future – Medical Nutrition - rebalancing the utilisation of the factory. So, there is a dimension of volume, which gives you operating leverage and translates into the gross margin.

There is also an active reconfiguration of your network. And we didn't make a lot of noise about it, but over the last two years we have been actively reconfiguring the network, changing the nature of some factories in some cases, and we have announced a closure in Spain, closing factories or reinvesting and repurposing the factories for the future.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So next question: Jeremy, HSBC.

## QUESTIONS ON COMPETITIVENESS; MEDICAL NUTRITION

Jeremy Fialko, *Analyst at HSBC*

Thanks for the presentations. Really a lot of questions to ask, but I'll stick with two to start with. So, the first one is the kind of competitive, levels of competitiveness, when it comes to the investments. Obviously you've put money back into your sort of marketing, you've put money back into innovation. Do you feel that the amount you have put in has kind of closed the gap versus competitors? So do you think you're kind of roughly on a par or do you think there's still some degree of kind of under-investment in the business that you need to address over the next couple of years?

And then maybe I would switch to kind of Medical Nutrition, if we could have a specific question on that one. Could you talk a bit about what the split is at the moment between the general malnutrition and the sort of specific products in that business, roughly how fast each of those are growing? And then also what the reimbursement trends are in Europe, because I'm guessing they're relatively stable, but if you could talk about that as well, just to get a bit of a sense of kind of how components of that business are growing? Thanks.

Antoine de Saint-Affrique; *Chief Executive Officer*

So, I'm afraid I'm going to take most of it. When it comes to investment, listen, two things. I think the first one is we are progressively back in the game. So, if you look through the standard metric of share of voice to share of market, although it is changing with now different ways of investing, we are progressively getting into, back into the game. We are competitive in a number of places. It comes also with doing less things, doing them better. That's step number one.

But if you are, as we are, category leaders, you invest into the growth of your category. So you don't wait for your category to grow. You reshape the category; you take the leadership of your category; you drive the penetration of your category. This is what Danone used to do extremely well. This is what other companies, I'm thinking of a French beauty company, has been doing extremely well for the last numbers of years. If you are a leader in a category, you are responsible for the category; you take ownership of the future of the category; you invest in growing your category and you benefit disproportionately.

So, the journey of investment is not over. It changes nature and it changes probably in quantum. But we will keep investing beyond driving our business, beyond driving our category, because this is what is driving both growth and differentiation.

On Medical Nutrition, we obviously don't give the micro split between what is oncology, what is Mets & Keto, what is Frailty and all the rest of it. I think the very important thing is in some ways what Jean-Marc has said earlier, which is number one: it's a market that is growing very rapidly. This year, 20 million more patients diagnosed with cancer; in the near future, about 30 million.

The second thing, and I said it this morning, the health systems, in particular in Europe, and you mentioned it, is under pressure. What does it mean under pressure? Cost of treatment is going up. Money available to sustain the system is scarce because there is debt, because of the cost of it. This is, for products like Medical Nutrition, a fantastic opportunity. For one very simple reason, which is let's assume you're in oncology care. Our products are meant to help you prior to surgery. So make sure that you can overcome the surgery better. For after the surgery, so that you can recover faster. By the way, recovering faster means faster out of the hospital. And Jean-Marc mentioned it. On some products, well -12% on cost, it is massive.

And make sure that you support the treatment over time better, with a better prognosis. On some products we get a 10 to 15% improvement of the outcome. You translate that into health economics. So you obviously have your clinicals on the one hand, but you metricate that and you measure the economic impact of it and then you go to the regulator and say, well, listen, if you invest here, you decrease your cost there. This is your ROIC.

So that's something we do in Europe. That is something that we are very, very good at. Next to that, by the way, because it's not a one horse race; next to that, you also talk to the general public on the importance of supporting the people that are under cancer treatment. And the best example of that is what we did in Poland, where we have general public advertising next to what we do in hospital and in care.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

OK. So next question Vika.

## QUESTIONS ON SPECIALIZED NUTRITION PROSPECTS; US CURRENT TRADING

Victoria Petrova, *Analyst at Bank of America*

Thank you very much. I have two questions, one very long term and one very short term. On Specialized Nutrition, which is around 33% of your sales for 2023 and you provided a lot of pockets of growth, especially within Advanced Medical Nutrition; do you think this division will grow as per cent of sales in the next five years or is it more about the split between Infant and Medical Nutrition?

And my second question is on the US EDP, around 21% of your sales, according to our estimates, come from this part of your business. Could you comment on current trading there, consumer behaviour, promotional activity, private label and anything related to first-half performance, on US consumers specifically? Thank you very much.

Antoine de Saint-Affrique; *Chief Executive Officer*

OK, I'll take the first one. I'm sure Juergen and Shane may have a view on the second one. On the first one, the answer, the very simple answer, to your question is both. Obviously, we need to have and we will see a rebalancing between Medical Nutrition, on the one hand, and Early Life Nutrition.

But what I said in my speech this morning is it doesn’t mean we want to slow down in Early Life Nutrition. There are plenty of opportunities. I mean, you saw some of them with Danish there. You see the speed at which we keep moving in places like China. And it goes back to what we are doing. It's obviously trying to grow in the places where our presence is subscale. It is making sure where we are the leaders, that we do the job of leaders. So it's segmenting the market, it's bringing innovation, it's driving penetration, it's extending the journey.

So it's not an either/or, it's an and. But if you look at the macro picture, yes, Medical Nutrition should go faster than our ELN and yes, it should lead to a form of rebalancing.

Juergen Esser, *Group Deputy CEO & CFO*

Shane, you want to comment on the US part?

Shane Grant, *Group Deputy CEO*

Yeah, yeah, happy to maybe provide a little bit of commentary on the US, maybe the consumer and then some trading commentary, I guess. Look, I think on the US consumer, fair to say that the read on the consumer is still mixed. There's still clearly very good employment levels in the United States, which is providing, I think, a floor for the consumer.

I think though on the offsets of that, there's clearly a tonne of sort of cumulative pressure. So if you look at housing costs, if you look at cumulative pricing, certainly in food and bev, if you look at the unwind of some of the government stimulus, there's clearly some pressure on the consumer. We see that playing out probably in a couple of ways. One is the disconnect between sort of the macros that are reported, which remain relatively OK and I would say consumer sentiment overall, which has probably got a number of drivers to it.

The more interesting dynamic, I think, is what we're seeing is increasingly a bifurcated consumer. So we have a top end consumer, higher socioeconomic, which tends to be doing just fine. And we see that in our business with our more premium brands where you know they continue to have good pricing power. And then a range of adaptations required for a lower socioeconomic consumer.

I think the good news in our business is that we've got a lot of levers to be able to act upon that. If you think about a portfolio that spans the full range of lower socioeconomic to higher even within a yoghurt business, for example, our brand Danone versus an Oikos Pro. Being very active on how we manage the channels. So, it's not surprising that Mass and Club are disproportionately driving growth and we have pretty good ability to be able to shift the business in those kind of dynamics. How we manage pack architectures, for example, good entry price points, good value in terms of upsides.

So we’ve got a number of dynamics we're using all the levers to manage the business in that environment. Obviously we don't provide specific Q2 trading update, but I think you've seen and you can see in the scan data the underlying volumetric performance of the business we're really, really pleased with. So more to come.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So next question: Pascal, Stifel.

**QUESTIONS ON RECURRING OPERATING MARGIN GUIDANCE; M&A TARGETS**

Pascal Boll, *Analyst at Stifel*

Yes, thank you. So my first question would be on profitability. You reset your margin target two years ago - you clearly prioritised reinvestments over margin growth. And today you presented the growth target of EBIT ahead of like-for-like growth. Now my question is: how should we think of the future path in terms of margin and cadence of this growth because it seems that you bought now even longer time to reinvest, which weighs on the margin for even longer.

That would be my first question. And then my second question on M&A: it seems that you are now more open to acquisitions, could you talk a little bit about potential fields where you're looking for targets in terms of size, geographies and maybe also categories? Thank you.

Antoine de Saint-Affrique; *Chief Executive Officer*

Thanks, Pascal. We'll do a duet I'm sure on both. On the profitability, you've heard me say it again and again and again. Just setting a number up there and reaching the number at all cost is not a sustainable business model. We've seen it. We've done absolutely the wrong thing as a company to do that. It is much more value creative to progress step by step by step by step in a regular way.

What we did two and a half years ago when we made a choice was to move from a world where the obsession of the company was get to a certain percentage by the hook or by the crook, to delivering on a business model that is a value creating business model, whereby we draw, we have a growth of quality which helps growing the profit faster than the topline, delivering cash. If you have a discounted cashflow model, it creates immense value, provided you do it regularly. So that is the philosophy and it's us two and a half years ago deciding to move to a long-term business model.

Juergen Esser, *Group Deputy CEO & CFO*

I think what we want to do is to stay very consistent with what you have seen the last year. The pace at which our gross margin is going to expand is a function of the pace of our volume/mix growth, under the assumption that pricing is here to neutralise net inflation in our COGS, which means that we will grow. The faster we grow in topline, in quality topline, through volume/mix, the faster we're going to expand in gross margin because it will drive operating leverage. And this goes across the different categories – doesn't matter if there's the fact in Specialized Nutrition, which has a very high incremental profitability per se, despite capacity investments, or if the growth comes from EDP or Waters, where we have what we discussed earlier, available capacity which will drive significant gross margin opportunities.

What we are going to see then, is that we are going to reinvest in order to, I would say solidify our category leadership. But ultimately, of course, the way we are going to expand the net margin of the company, the recurring operating margin, will also be a function of our topline growth, because everything starts with topline growth. We have implemented a model which is linked to the way we grow our company and here this will set all the rest of the algorithm.

At the same moment, we are very clear with three elements. The first element is that EDP and Waters will get into sustainable double-digit profit territory. The second one, we are very clear that our company has mid-teens margin potential and we will get there in the right way, as Antoine was saying. And the third one is that we're going to step up the cash flow generation of our company from the past of €2 billion to €3 billion in the future. And we will go there by making the right steps and the majority of this differential between where we have been and where we will be in free cash flow, will come from absolute earnings increase. And this is exactly the model we want to arrive: everything coming from growth.

Antoine de Saint-Affrique; *Chief Executive Officer*

But there on the on the latter two and that's why we said towards and we said an ambition, I don't want to put a date to it, because we want to build the company in the right way. And invest for something that is solid, that is delivering consistently and delivering on a long-term value creation model.

On M&A and so on acquisitions. Well, on acquisitions we obviously are looking at everything that can help our capabilities, everything that can help our footprints, everything that enhances our mix. So no surprise, the last three investments you see us making, two of them were in Medical Nutrition. One of them was a joint venture on advanced fermentation technology, which is absolutely where we want it to be.

Does it mean we won't invest in other parts of our business? No, but it needs to help improve our competitive position, help improve our mix and have the right kind of returns. So there we are extraordinary and we will remain extremely disciplined in the way we look at acquisitions.

We look actively, we are pretty active. We'll keep, by the way, looking in permanence at our existing portfolios. We won't get lazy there. But now it's time to be on the front foot.

Juergen Esser, *Group Deputy CEO & CFO*

And I think I was this morning repeating three times, the financial discipline element when we look at M&A. And I can just confirm because I had a question in the break, is your double-digit ROIC level before or after M&A activities? And I'm happy to confirm that it's obviously including also M&A activities. The good element being that we've been doing a good step last year on ROIC. We are still at the level which is single digit, around 9.5%.

Growth is also here the answer to the question how we do get that into double-digit territory. I mean we have a return on assets which is north of 50%. So getting volumes back into our factories within a very mechanical, and I would say, at a good paced-way, get us into double-digit territory which will allow also for acquisitions staying above deadline in a structural manner.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So next question, Celine, JP Morgan.

## QUESTION ON EDP GROWTH PROSPECTS

Céline Pannuti, *Analyst at JP Morgan*

So my first question is on EDP. I just wanted to understand, you have had a quite compelling story on protein. So how do you think about the EDP growth versus the 3 to 5% ambition, because we have had as well in the past couple of years the issue from emerging markets, where you've decided to take away some businesses. So, how does it fit in the 3-5? In my mind it's a bit at the low end of that, but given your ambitions and what you think you can do on the mix, where do you think you'll get there, and I'll ask my second question after.

Antoine de Saint-Affrique; *Chief Executive Officer*

Celine, although it's very tempting, I will not give guidance by types of products or by geographies. This being said, I can just frame the discussion a little. We've exited for about one billion of milk. OK. Milk is not super profitable. It's not very fast growing either.

So, 70% of our portfolio today in EDP is on value-added differentiated proposition, which we said as well. So, we feel very confident with the quality of our portfolio. The journey is not over, journey is not over. We made good progress in Spain, but we still have things, and Francois shared it this morning, that we need to do. Same with France where we still have things that we need to do. So the journey is ongoing. And one of the reasons why – besides the fact that I don't give guidance by divisions or by – one of the reasons I will refrain to give a guidance is because in some cases, I will go for fixing the business model; that's what we discussed in Africa, rather than for growth.

So, we will do the right thing for the business. Once you've set that, the category is going in the right direction. We are moving into a positive volume/mix territory. Our shares are heading in the right direction. So, I'm pretty optimistic on where we are going.

**QUESTION ON NEGOCIATIONS WITH RETAILERS IN EUROPE**

Céline Pannuti, *Analyst at JP Morgan*

And then my second question is a bit more short term, but a bit linked to the first one. Regarding Europe, so there's been some discussion that you had tougher discussion with retailers in the first quarter, and we have otherwise the issue in Europe about the value and whether consumers who are willing to pay a higher price and retailers are pushing for lower price. So, I would like to understand a bit where you are in these discussions with your retailers. And I think you seem confident that the momentum of the brands are doing well - we don't see that in the data. So how we reconciliate all of this?

Antoine de Saint-Affrique; *Chief Executive Officer*

Yeah, so maybe two or three, two or three things. The first one is yes, we had tough discussions and it goes back to the question which is the quantum of growth; we will do the right thing and if it means going to conflict, we will go to conflict, so that in the end we preserve the business model, which is what we have done. So, to be very transparent, during the course of May, we ended that conflict. It's looking better, but we made a choice to hold the line, which means it will show in the short-term shares and to be honest, I don't care because it is the right thing to do.

On your broader question, which is how do you remain competitive in Europe? I think the example that Francois showed this morning is a very good one. Which is, you structure your portfolio at every price point. And at every price point you offer the right value. Reclaiming the uniqueness of a Danone yoghurt and why a Danone yoghurt is a Danone, not a yoghurt, while selling it below €1.00 for a pack of four in Spain is still above private label. Extraordinarily competitive from a value standpoint. And the name of the game for us is to be able to offer superior value at every price point. It's not about offering the lower price.

I was interrogated within the frame of a very broad enquiry on the French sovereignty not long ago, on how do you compare in price with private labels? It's not the same business model. You've seen it in Utrecht. We are about science, we are about health, we are about positive benefits. That is what we do for a living, and we do it at every price point.

Juergen Esser, *Group Deputy CEO & CFO*

I think what makes us very confident overall for the dairy and EDP category is what we are seeing is those are our largest brands. You have seen Activia showing first greenshoots, our single largest brand in Dairy, €2 billion of net sales. Our second largest brand, Actimel, delivering steady growth. And you have seen how fast we are growing on our High Protein proposals with HiPRO with Oikos and what Pablo showed on Skyr. So there's a number of elements where we have truly differentiated portfolio and there's a lot to come over the quarters to come, which allows us to do this, what Antoine was describing, playing a little bit hardball when we need to play hardball, being confident on the future and what it says and offering to us.

Antoine de Saint-Affrique; *Chief Executive Officer*

In what is a very difficult market, because Europe is very difficult, Pablo and the team are doing a fantastic job. You look at the trajectory, you look at all the credibility, you look at the restructuring of the portfolio, you look at the innovation pipeline. It's finally we are doing the right job in Europe.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

Next question. Warren, Barclays.

## QUESTIONS ON MEDICAL NUTRITION IN CHINA; IMF IN CHINA

Warren Ackerman, *Analyst at Barclays*

It's Warren, Barclays. So two on China. The first one is on Medical in China. It's going to double by 2030. That's a big call. Big. Can you maybe tell us what lies behind that assumption? How big is the market for Medical in China today? And what are you assuming in terms of growth in new channels in China, such as pharmacy and home care? How many FSMP registrations are you assuming over that period of time? Just to give us some confidence that actually that number is not a finger in the air job and it's grounded in some assumptions.

And the second one is the other part of China, we haven't heard much about today, is Infant Formula in China. I was wondering whether you might be able to update us a little bit on that business, which, given it's far bigger than the Medical today. What's happening to volume and value of that market and market share and how is your entry into super premium going with your Aptamil brand in China? Thank you.

Antoine de Saint-Affrique; *Chief Executive Officer*

So we'll probably do a bit of a of a duet with Bruno on that, but let me let me start maybe on Medical in China.

On the Medical in China, well, first, we have been growing consistently year after year after year. And we have been growing consistently because we have the right kind of product, because we have a pharma licence, but also because the market is growing. And the market is growing because the population is ageing, because there is an increasing occurrence of cancers and because people do recognise the impact and the importance of Medical Nutrition.

What I think makes us quite bullish is: we moved from a place where our entire business was focused on Enteral Nutrition, so tube feeding, into a place where we now have licence for FSMP and we've put a finger or a toe into prevention. So, we are adding layer after layer on a business that has been growing very dynamically for the last couple of years. And by the way, Bruno showed it a bit earlier: the chart was written small but if you look at the statement and the position the government is taking, making sure that the ageing population is taken care of, is a fundamental stake for the Chinese state. And there we can play a role.

So the increase of our Medical Nutrition as a market in China, and the dynamic that we are, are not a pipe dream, actually, it is what we see for a couple of years. And we see no reason with an ageing population, for the thing to slow down.

On IMF, Bruno, do you want to comment? Besides the fact that the numbers are looking consistently good?

Bruno Chevot, *President China, North Asia and Oceania*

So probably one word on the Adult part. I think the category has been growing by a minimum of 10% year on year. We've been beating that category, so the trajectory of the doubling in size, both within hospital combined with outside of hospital, is coming across as, we believe, as a realistic number.

When it comes to Infant Formula, we all know that the birth rate is declining, has been declining in China for the past two or three years. We anticipate a few years to come where the decline will continue until it stabilises. In that game, we are obsessed with two dimensions: value up and market share gain, in the context where the market has yet to fully consolidate.

And so in that context, and I think I explained that – at least in the last event that we had in Saclay – we have been exiting the registration race with an enhanced portfolio that gives us opportunities to move up the premises in the ladder to expand into new channels and we have become, post registration, much more competitive.

If we add that to the organisational capabilities that we have built over time, especially around e-commerce, I think we believe that we're going to be able to unlock growth opportunities in value within the IMF in China. Not at the same pace as Adult, where we're going to rebalance our footprint and walk at the end of our strat plan with two legs.

Antoine de Saint-Affrique; *Chief Executive Officer*

By the way, on the premium, I was in China not long ago. The dark blue Essensis is just cutting across and it's doing very well. So, cannot complain.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So, next question: Sarah, Morgan Stanley.

## QUESTION ON SPECIALIZED NUTRITION MARGIN

Sarah Simon, *Analyst at Morgan Stanley*

Yeah, it was a question about the overall ambition to hold SN margins flat. I think we all know that China is more profitable than maybe the rest of the SN portfolio. So, can you talk us through how you maintain the margins? Because obviously, as we've just said, the China IMF market has lower growth potential. So, how do you see that mix evolving and how does that allow you to hold the margins in SN flat?

Juergen Esser, *Group Deputy CEO & CFO*

Yeah, there is various elements of mix which are at play. You're absolutely right that the Chinese market is more profitable than many other markets around the world. We should not underestimate the profitability of SN markets in Europe, neither in Asia, which are also, I would say, at a very decent level of profitability, especially as we are expanding also on those markets very fast in Medical Nutrition. Medical Nutrition in the vast majority of markets has either an equal or higher profitability than IMF. So, growing faster in Medical Nutrition is per se, rather a good news than bad news.

Now we need to invest for growth. This is very important. I think Veronique has been showing how much we have been reinvesting into brand, in the brand Aptamil over the last two years and we are doing the same in capacity. So, we are going to hold the level of margin, that is despite investment into these both drivers, and the overall mix is going to help us.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

Next question: Tom, Deutsche Bank.

## QUESTIONS ON PLANT-BASED BEVERAGES & EMERGING MARKET MILK; PRODUCTIVITY

Tom Sykes, *Analyst at Deutsche Bank*

Yeah, just you mentioned fixing the underperformers before. I just wonder what the upside from fixing Plant-Based Beverages and EM Milk business was please, whether that's in growth and/or margin. And just on margin, you've obviously given guidance this year for moderate margin improvement, but is it your view that in the medium term you would increase operating profit ahead of sales, does that preclude you in any one year from being more than moderate margin improvement, or would you decide to invest it back into the business to stay in that corridor? Please.

And maybe if I could do just on productivity. You've obviously generated sort of 5% or so for the last couple of years. It wasn't clear what you meant from the slides of how much per annum you thought you were generating on productivity, please.

Antoine de Saint-Affrique; *Chief Executive Officer*

So, we'll do a duet, and let me start maybe with your second before last question. We just gave a guidance. I'm not going to change the guidance. Just to be very clear. I will repeat what I said, which is: we keep investing for growth in our categories while delivering a profit that is increasing faster than the topline. That's what we said. We think it's a massively value creating model. That's what we announced this morning. I'm not going to change it this afternoon.

On your first question, we're going to make a duet. We keep raising the bar consistently. Let me start with that. So, in some cases what was a performer yesterday becomes an underperformer today because the name of the game for us is constructive dissatisfaction. That's the first thing. The second thing is, obviously, in any business, at some point in time you have something that goes well, something that goes wrong, which is why, by the way, we are building resilience. Am I happy today with Plant-Based Beverages in the US? No. I mean we are not performing to deliver where we want. It has stabilised or it is starting to stabilise. But we need to regain momentum.

And when you regain momentum, it has an impact which I will not quantify, but it has an impact obviously on turnover, obviously, because it's a sizeable business, but it has also an impact on bottom line. So, Shane and the team are diligently working on turning around that business. We have stabilised it as I was saying, but still more work to do.

Juergen Esser, *Group Deputy CEO & CFO*

The underperformers, maybe just one element which is it starts already to be impacting our growth and margin profile. You will remember that when we closed last year, we came out with a slightly higher margin than what was expected because of the deconsolidation of our Russian business. And obviously progressively, as we are fixing the underperformers by either turning around or exiting them, you will see the impact on growth and margins moving forward.

On productivity, when you see what is today industry benchmark, we talk usually about mid-single-digit number on cost of goods sold, on that part of the P&L and it's true that Vikram has been doing an exceptional job to deliver way above that number. And you can imagine as a CFO my mandate to Vikram and the team is very clear, which is to stay above that number. And you have seen that there are very strong plans to make that happen in the near future.

Antoine de Saint-Affrique; *Chief Executive Officer*

I think, and I said it in my conclusion a bit earlier: what Vikram has presented is very important. The quality of our profit delivery stemming out of a much better service, much better discipline in the way we utilise our assets and we produce, much better productivity, is absolutely fundamental, but it means that the way we deliver is a way that is anchored into something or grounded into something that is solid, that is repeatable, and gives a very strong base for the future.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So next question, David, Jefferies.

**QUESTION ON R&D INVESTMENTS; CAPEX**

David Hayes, *Analyst at Jefferies*

Hello. So, two for me. You've talked a lot about the extra investment in research and development and the efforts you're making there around probiotics and so forth. So, will we see moving forward more proprietary products and less use of partners? And does that lead to both a combination of differentiated products? Is that the aim? And also, potentially higher margin, lower cost, if you become more self-reliant?

And then the second on CapEx, just to kind of clarify, it seems like the guidance is CapEx going up towards maybe more towards that 4.5%, but you're still saying it would stay below that, but can you just allude to where that CapEx is going? I guess specifically during the sessions, there's been a lot of talk in a couple of sessions in Mizone as well as some of the others, about refrigeration rollouts out-of-home development and investment in CapEx in the field. Is that an area which you're looking to accelerate as you try and drive those new channel focuses? Thank you.

Antoine de Saint-Affrique, *Chief Executive Officer*

Thanks, David. I'll take the first one and Juergen will take the second one. Are we and will we leverage our research and development to have more proprietary products? Yes, we do. Actually, if you look – and that's something you can track – if you look at the number of publications, and quality publications in scientific journals, if you look at the number of patents we are filing - which is a good precursor to unique product that you put in the field - we are, in the last year – and since the reset we did on R&D - we are on a constant rise.

When it comes to partners, we obviously don't want to be in the hands of people for our value added, which doesn't mean we do everything by ourselves. So, if you look at what Vikram and Isabelle started with Partner for Growth, it is about leveraging the best capabilities of some of our suppliers in a way that is value creative for both, but where the IP lies is extraordinarily clear. So that's the name of the game. That's the first thing.

The second thing is there are multiple types of partnership, and that is something that we restarted doing - or we started doing - that’s something that other companies had been doing pretty well, which is: you partner with universities - and you've seen in Utrecht yesterday - a full ecosystem of absolutely brilliant people that have one foot in the university, one foot in the company. We partner with non-competing companies to create breakthroughs. You've heard about what we do with Michelin on precision fermentation. So, will we keep doing partnerships? Yes. Do we intend to capture and own the IP that relates to our markets and make sure that our products are differentiated and are unique to us? Yes.

Juergen Esser, *Group Deputy CEO & CFO*

When it comes to the CapEx element, I'm sure you have noticed that the last two years we had a relatively low spend, below €1 billion, basically for two reasons. The first reason being that we didn't grow in volumes, which means that the capacity investment need was minor. But the second element is also – and Vikram touched upon this in his presentation – that the efficiency of CapEx has been increased by up to 20%. So we're getting 20% more for the same money we spent before, which I think is a fantastic base to build upon in the future.

Now, are we going to spend likely more CapEx in the future? Yes. Why is this? Because yes, we want to grow in volume. And growing in volume in a number of areas where we will be in need of capacity. Medical Nutrition was one of the elements which was touched upon, High Protein, another one. You were talking about fridges and it's true it is a very strategic investment for us, because if and when we want to lead, in away-from-home, it means to be represented in fridges and we are saying cold is sold, which means you better have a cold product in the store.

So yes, we're going to invest into that. Is that a major part of the CapEx? No. It's not a big contributor to it. The 4.5% we have mentioned is a cap, so it does not necessarily mean we will go up to that level. You may remember that the 4.5% existed already two years ago. And so, it's just to give you visibility on what the maximum spend could be without necessarily us going there. A large part of the incremental CapEx will be compensated by working capital opportunity, finished last year at -6%. We want to go further. I think Vikram has also been very clearly demonstrating what the levers are for that. And so, we feel good about it moving forward. And this also means that we feel good about the €3 billion, the towards €3 billion, we mentioned for free cash flow, which I said will come largely from an increase of our absolute earnings in the year to come.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So next question, Emma from RBC.

## QUESTIONS ON INVESTMENTS GOING FORWARD; ADULT NUTRITION OPPORTUNITY

Emma Letheren, *Analyst at RBC*

Hi, everyone. Yeah, Emma from RBC. I had two questions. First, it would just be really interesting to hear how you would phrase the investment case going forward. It sounds like a lot of it is about continuation, but there are some categories which you feel are at a tipping point, like Chinese Medical Nutrition and so forth. So would just be good to get more colour on that.

And then secondly, how do you feel about the opportunity to bring the science you already have, into more Adult Nutrition products, so elderly adults, before going into trying to prevent going into hospital and things like that? It feels like you would have a real opportunity there. Thank you.

Antoine de Saint-Affrique, *Chief Executive Officer*

Well, in some ways the two questions are related. I think it goes back to what I try to say this morning, which is we need to do two things at the same time. One is doubling down on Renew Danone. Our categories are growth categories. We are taking care of them, so we bring them back to growth. We are competing, so just making sure that we keep clicking and don't start forgetting what is the core of our business, projecting ourselves forward.

Next to that, we do believe that there is a tipping point in industry. We do believe that there's going to be a clear separation between food that is helping health, either on prevention or in a more active way, and the other foods. And this gives us a number of opportunities which can be expressed into growth engines around gut, around proteins, around Medical Nutrition - so the first two being more about prevention, the last one being more about support - but also expressing itself in broadening our channels.

And one very important thing we said this morning is today, more than 50% of our turnover is outside mass retail. OK. And obviously opportunities in other geographies. So, it's really doing the two at the same time, which is making sure that the growth engines that we have reignited will keep them running, while creating next to it, growth engines of the future, which by the way, are totally where the society is going. Because of everything we discussed on ageing, on health and on all the rest of it.

The science you've seen applies across. And I think one of the key messages that was given by Isabelle a bit earlier, by the R&D team yesterday, is all the science of, take gut health, but I could go on protein or on allergies or et cetera, totally applies across. And gut, Isabelle said it, is the place where it all begins. OK. Gut health, when you are a baby, the nature of your microbiome is conditioning your growth mental, physical. The health of your microbiome during your life is conditioning about everything and is, by the way, the precursor of all inflammation that will lead to cancer and all kinds of other diseases.

So, take Aptamil if you don't breastfeed when you're a baby. Activia, Actimel are super good. Danacol: great to fight cholesterol. And if you really have a problem, you go there. So you go to Fortimel or all the rest of it. So it's from cradle to grave, based on fundamentally gut health science, protein science, allergy science and the science that is expressed in a very different intensity, if you will, depending on the product you apply.

So are there spaces that are exciting in prevention? Yes. That's where we are positioning Activia. This is what Bruno has been showing when we do some products on healthy ageing in China. So yes, it is a super, it is a super exciting field. It is a super exciting field. Could say the same about protein. I really encourage you, if you do sports, try the muscle recovery product we do under our YoPRO or soon to be under GetPRO. Game changer.

Mathilde Rodie (Danone): So next question, Jeff from BNP.

## QUESTION ON INNOVATION PIPELINE

Jeff Stent; *Analyst at Exane BNP Paribas*

Yes, Jeff Stent from BNP. Tipping points, I've had decades of tipping points at Danone. Five-year view: is there anything in this innovation pipeline where Jeff Stent's going to go 'it's tipped'. Thank you.

Antoine de Saint-Affrique, *Chief Executive Officer*

So I know it takes a lot to get Jeff tipping. I think the first thing about tipping point is, I think, the industry is at a tipping point. You look at all the discussions, you look in a number of cases at the pressure that the regulator is putting on the companies that don't provide healthy products. It is very clear. You see it on the packs in large parts of Latin America, you start seeing it with our taxes on sugar, you start seeing it with our taxes on fat. So, you see a movement that is happening that will accelerate, in our view, OK, that will accelerate in our view as non-communicable diseases are exploding. And if you look at what's happening with diabetes across the world, I mean type 2 diabetes, just crazy. You look at the numbers of cancer, just crazy. So there will be a very clear divide between the companies that are providing you food that either prevents or helps maintain, and the other companies.

The good news is we have a healthy portfolio. We have science that helps us take care of all of that. So that's what I mean by tipping point. If you look at exciting science and the way it translates into our product. Well, let me take three examples, which I am very excited about, not only as the CEO of Danone, but as an individual.

I was talking a minute ago about muscle repair. If you are into sports, a number of years ago you were taking big bags of whey protein that were taking dust on your counter, trying to put them into a glass of something tasting like crap. Compliance zero. Impact to be discussed. OK. You can have it in a bottle that is fresh, helps your muscles to recover. That is a game changer. And it shows, by the way, when you look at the entire protein space: we have moved from about 400 million euros two years ago to close to 1 billion. I find it very, very exciting.

What we do in oncology care. And I don't know whether it was shown in Utrecht yesterday, but with onco-sensation, where when people are under oncology treatments, you combine the power of science with the power of consumer knowledge to give them products where it changes their habit because they can eat again and they can eat again because sensation of cold, sensation of heat, sensation of savoury. If you had someone close to you treated with cancer, with taste buds that are burned, I can tell you this is really, really, really exciting.

And the thing that Vero mentioned when it comes to our next generation of early life nutrition products, what we are doing in terms of closest to breast milk, the structure of the fat, the technology behind that, the impact it has on the children's development, it is just exciting. So sorry, I am very excited. I hope that the results will get you excited.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So next question: Jon from Kepler.

**QUESTION ON FREE CASH FLOW AMBITION**

Jon Cox; *Analyst at Kepler Cheuvreux*

Thank you. Just on the long term, I wonder how you define long term when you talk about your free cash flow 3 billion figure. Certainly I have trouble getting there in my model. If I'm looking at 2028, which is the end of it, just based on your topline growth, which points to maybe more sizeable margin progression than the consensus at the moment. Maybe just to help us a little bit with our modelling to get to that magic 3 billion figure is around 2028. We're not trying to put a year on. It could be '27, it could be '29. And how to actually get there, if you're only going to grow, say, 4% on average and do 20, 30 bps per year? Thank you.

Juergen Esser, *Group Deputy CEO & CFO*

Very important: the starting point, John. Two years ago when we started the journey, we were a company of 2 billion cash flow for basically a decade – a bit up, a bit down, but never really getting away from these €2 billion – with zero focus on this parameter. But just putting the right level of incentive, but just making sure that our business leaders manage proactively cash, we came to where we came to last year, which is two and a half billion euro of cash flow, with a better management of our stocks, with a better mention of our payables and with more intentional management of our channels - because you can imagine that cash generation depends a lot on the channels where you're getting your net sales from.

And here there's one element which is very important, and this is what Antoine showed this morning, I believe, which is that we are more and more growing into what we call strategic channels. So outside of modern trade, where the cash generation usually goes faster than in the more retail channels we are knowing in Europe and in the US.

Second element, which is very important, which is that we have been doing good progress on working capital. We will still do a little bit of more progress because we see opportunities there. But you are absolutely right that the majority of the incremental cash flow from that base you have today will come through absolute earnings. Absolute earnings, which will be a combination of growth and margin, of growth and margin. And this is very important.

So we will not guide you towards the exact margin profile. But obviously, our ambition is to get to this level of 3 billion euro, because it will change everything for our company. And it's not important if that happens in '27, '28, '29. What is important is that we are getting to that level in a way that we can structurally travel beyond that line because it makes the value creation potential real and this is what we are working for.

Antoine de Saint-Affrique, *Chief Executive Officer*

Yeah, maybe let's insist on the point that Juergen has said. I think a number of people still look at our Danone as a 2 billion cash flow company. A number of people who are looking at us as a 2.5, last year we delivered 2.6. The model would be very different. Well, we have no intent to going backwards to being a 2 billion cash flow company. Juergen said it in his presentation. So, we'll keep moving step by step by step. The pace at which we'll be moving will be determined by the business, by a number of choices, by a number of things, which is why we don't put a date to the 3 billion ambition. But we are clear on the ambition.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So maybe just one last one for David, Jefferies.

**QUESTION ON ACCOUNTABILITY**

David Hayes; *Analyst at Jefferies*

Thank you Hi. So, you've talked about the changes that you've seen over the last two years. We would think it's mostly the accountability that's changed at Danone. So, I guess part of the question is, would you agree that is the one top-of-the-pile thing that's changed? And I guess taking that into account, can you give us a sort of case study of where someone's come into ex co, they've laid out the investment plan, you've got them in for a review presentation and you and Juergen have just lost it and got aggressive and said this isn't working, we're going to pull that money and we're allocating it somewhere else. We've heard lots of positive examples of these projects, but a project where it's been monitored and changed during the course of its progression. Thank you.

Antoine de Saint-Affrique, *Chief Executive Officer*

Yeah, actually your first question, I don't know whether the word is accountability or whether the word is a mix of winning spirit and constructive discontent. We as a team, and there is a real team commitment and team spirit, we as a team keep pushing the boundaries. So we start measuring everything. We started discussing everything. We started pushing the limits and the fact that each of us, every 90 days are back into the countries or in the regions to discuss performance, you get very rapidly the discussion extremely factual, and focused on improving the business and that is something that we collectively, as an Executive Committee live by.

So, I don't know whether you call it accountability, whether you call it winning spirit, whether you call it constructive dissatisfaction, whether you call it whatever, but that is the way we collectively on the business, and you've seen the teams today, not only at Comex level, but one level down. There is hunger in the company. There is hunger in the company. We don't like anymore the idea of excuses. I'm sure Juergen will give an example, I gave an example publicly this morning so I can start again. I think one of the first time I came to Spain, the leader, which is not amongst us anymore, presented me with market shares where he had excluded the largest retailers because it was inconvenient. I did lose it. I was very clear. He's not with us.

Juergen Esser, *Group Deputy CEO & CFO*

OK. So, you have an example, but maybe just to add one word of it, and I think this is very important. Allocating capital means taking risk. Today, we are more intentional in the way we allocate capital. Veronique was showing, with Isabelle, that for example, we have 30% less innovation projects, but each of them had a higher size. It means we're going to fail and that's fine. What is important is to put on the table when you fail, when you have weak signals so that you can course correct.

And when we were talking about performance culture, and Antoine was talking about it, this is exactly what we want. People who are hungry, people who show what works well, and people who raise their hand when things do not go well, because then we can collectively work to course correct things. And this is what is working today, way better than the past. It's never perfect, but I think we are in a good way for that.

Mathilde Rodie, *Head of Investor Relations and Financial Communication*

So with this, we close the Q&A. Thank you everyone for attending in Amsterdam and thank you for the one on the webcast. And with that, I leave the last word to Antoine.

Antoine de Saint-Affrique, *Chief Executive Officer*

Yeah. So first I'd like to thank those that are in Amsterdam for having made it for the two days. We try to make it worth the trip. I want to give a very, very special thanks to the team that have worked on this event because those events do not come naturally, they come on top of a very busy agenda. The team of Isabelle, not only in Utrecht, but the entire R&D team because they keep going and innovating and pushing their things and they make sure they were making space to welcome you.

Obviously the Comex team, if you haven't, if you're not convinced by them, I've got a fantastic, fantastic Comex team and all the people behind the scenes that have done the job. So, a big, big thank you to Mathilde and the team that have been the architects of that for the last couple of months. So thank you. Good trip back and see you soon.