Danone – Investor Relations

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Danone Capital Markets Event

Antoine de Saint-Affrique: Good morning, everyone, as we welcome all of you, present in person or following us online, and before we start the formal proceedings of this capital market event, I wantedto say a few words on the dramatic events unfolding under our eyes in Europe. There are no words to express how sad we feel, how deeply affected we are, to see so many people, so many of our colleagues, of our friends, of our partners personally impacted and drawn into something we had hoped never to see again in Europe: a full-fledged war. You will have seen the very public position we have taken on this last Sunday through our General Secretary, which I believe says it all. We had seriously contemplated, in light of current events, to scale down this event and hold it only in a virtual setting. I finally decided not to do so, for a number of reasons: there is no better way to judge the strength and the resilience of the team and the company than do it in person, especially when the sea is rough. And we thought we owed this to our colleagues directly impacted to tell the story of our company on their behalf, so we will. And on that, Mathilde, over to you.

Mathilde Rodié: Hello, everyone. So welcome to Danone capital markets event. We are very happy to have all of you today for the following speeches. You'll hear our chairman, Gilles Schnepp, on governance. Then Antoine de Saint-Affrique, our CEO, will present the strategic framework, and Juergen Esser, CFO, the value creation model. Véronique Penchienati, CEO International, will present you how Danone's fit for growth, and Vikram Agarwal, Chief Operation Officer, on operation powering growth. We'll have four breakout sessions and then a Q&A session at 12.00. And before we start, I draw your attention on the disclaimer related to forward-looking statements and definition of financial indicators we'll be referring to during the presentation. And now I leave the floor to Gilles Schnepp, Chairman of Danone.

Gilles Schnepp: Thank you, Mathilde. Good morning, everyone. Of course, the board is in full support of Antoine's comments, as you can imagine.

So, good morning. Welcome to Evian, for those who are in person, and welcome also for those who are online. It's not necessarily, you know, during a capital market day that a chairman of the board would act as a speaker, but we thought that, as governance has been a topic last year at Danone, it was good to share with you what we have done so far and what we intend to do. Before that, I would like to share on the next slide the conviction that we have that, if we put the right fundamentals in place, we're going to be a contributor – an important contributor – to write a successful new chapter of the fantastic story of Danone. And the fundamentals are, first, to be fully aligned on the vision that we have for Danone, which is really specific, having a focus on, obviously, performance – financial performance, which is driven by innovation and execution, and the very specific DNA of Danone, which is, for almost 50 years, based on its appetite for ESG. And this – the awareness that we have of this combination is very important in the vision that we have to build a sustainable growth and profitability future for Danone. Now, with this vision, we are also very conscious of the role of the board in this respect to be creating a continuous and very fluid dialogue with Antoine and the management team on all strategic topics, and this is what we have been creating, and to be support for all decisions that we will have to make. And for this, we need a strong and independent governance.

The third fundamental is to be fully conscious and aligned on the key priorities that we have. And for Danone, first of all, the board has to work on the renewal of its board. And this is in process, and I will come back to that in a minute. We should make sure that the committees are working in a proper way and, very important, not only working on the financial performance, on the governance, but also listen to outside, listen to all stakeholders, and among which of course, very importantly, shareholders. And this is what we want to do.

Now, we've been quite active last year, and you see on the slide the three main milestones that we've achieved during the period of March to July. The first event was to split the roles of chairman and CEO and to name an independent chairman – myself, so since almost a year now, to be in the search for a CEO, and we were fortunate to attract the best talent of the industry with Antoine. I want to take this opportunity to thank Veronique, Shane and Juergen, who have been driving the boat, waiting for Antoine's arrival, with great success, as you can see, as we've been delivering 2021 performance as planned, or even slightly above performance, as far as top line is concerned, so congratulations to the few of you, but more generally to the 100,000 Danoners that continued to work as we were working on this.

In July, the board collectively and unanimously decided to renew its composition. Having a new chairman, a new CEO, we thought it was appropriate to also renew the board, and this is what we have launched in July. The board that we want to build will be a compact board. We are aiming at a board of ten plus two – ten plus two workers' representative – on top of which we have representatives of the economic and social council. We would like this board to be diverse, to represent various nationalities, to be independent and to have a blend of expertise to really help the management in its mission. And for this, industry expertise is important, health and ESG aligned with our purpose is important, experience of very large listed companies as CEO or ex-CEO is also an important factor, and international successful track record is also one of the criteria that we have retained.

So this is where we will stand if you vote the resolution that we propose for the next general meeting of shoulders on 26th April. So I say – and you have the ratios that are on the right-hand side of your slide. You know, 12 members – we are coming from 16 – at 80% independence, 60% with experience of a CEO or ex-CEO, fully balanced as far as gender is concerned, and 40% international, although I'm a bit embarrassed to say that Antoine, Valérie and Michel – the three of them, having spent most of their life outside of France in their roles as CEOs or management positions, are considered as non-international, so my reading is more 70% than 40%, but formally, based on passports, it's 40%.

I want to take this opportunity to express gratitude to all existing board members. I want to testify that they've been acting in a very professional, dedicated, committed, engaged way, looking solely at the collective interests of the company, and I want to formally thank them for this. This has been a very important element of our capability to deal with the situation last year. And I want also, of course, to express my thanks to those who are going to leave the board by April of 2022. So, in six weeks' time, Franck Riboud, Clara Gaymard, Isabelle Seillier, Gaëlle Olivier, Lionel Zinsou-Derlin and Jean-Michel Severino – a special thanks to Jean-Michel Severino, because, as you know, he has been acting as lead director and chairman of the governance committee, and you can imagine that those two responsibilities during the period of last year was quite a challenge.

We are continuing to work. We have, in the coming year, four more replacement to organise, and this will be done by April of 2023. And we may even have some anticipation, as you have seen in the press release this morning. Cécile Cabanis has decided to leave the board by

30th June, at her request, and a replacement is already identified. And I want to express also to Cécile my thanks for her continuous work, of course as an executive of the company, as well as a board member and vice president of the board.

The work is not over. We're working on a number of other topics. Committees are important at Danone. We are going to have two important changes – chairs of two committees, the governance committee, which will be chaired by Valérie Chapoulaud-Floquet, and she will also take the position of lead director, so taking both responsibilities of Jean-Michel, who is leaving the board. And Gaëlle Olivier will leave her position as chair of the audit to Géraldine Picaud, and Serpil remains for another year, so she keeps her position as head of the engagement committee. So you may see that, on 8th March, which is the day of the women's rights, Danone shows up a committee organisation with three committees, all of them being chaired by women, and we're proud of this. You may ask why three committees and not four. We've decided collectively that strategic topics should be dealt with at the board instead of within the committees, so we are not pursuing the strategic committee from the date of the general meeting of shareholders.

And finally, we're working also on by-laws and board rules, and we're going to revisit – and this is more formal – the way the chairman and the lead director interact, and we're also going to work and to propose to the shareholders meeting to extend the age limits both the chairman and the CEO to allow for visibility as far as governance is concerned for Danone.

This is it. So, you know, in 20 seconds, just to share with you that we're quite proud, collectively as the board, of the progress that we have made over the last 12, 14 months, and thank you for the support of shareholders that we've been exchanging with during this difficult period. We're – and I'm quite impressed by the attractivity of Danone, having been able to attract talent such as Antoine and also great candidates for the board, and I'm looking forward to continue to exchange with you. With this, I leave the stage to Antoine. Thank you.

Antoine de Saint-Affrique: I never travel without my evian bottle. Thank you, Gilles, and, once again, a warm welcome to all of you. As I hope you will have concluded from Gilles' presentation, we are moving fast, we are going deep, we are upping our game, but we are also getting back to the fundamentals. We thought there was no better place than Evian, where it all started, to share with you more on the next chapter of our company's history. Roots are key in what we want to share today, not only because they define large parts of our company's culture, but also because those roots, once revived and expressed in our today's world, are more relevant than ever. Danone has always been a story of pioneers, a story of innovators who have been constantly reinventing their business model. People building iconic brands, inventing new categories and creating incredible products. People obsessed with consumers, with customers and with products.

When Danone yogurt was created over 100 years ago, it was all about health, naturalness and taste. Health through food has been our mission statement from the beginning. It's our DNA. Our products have given people, all over the world, access to healthy food for decades. That mission, to bring health through food to as many people as possible, has become even more relevant in today's post-COVID world. Danone is also the story of performance and social and environmental responsibility not fighting against each other but, feeding each other to the benefit of both: if you haven't done so, you should read the Marseille speech given by Antoine

Riboud in 1972. It is visionary, and it is still extraordinarily relevant. Those roots are still here, at different degrees, some hidden deeper than others.

I want to start the day sharing what I've been seeing during the last five months. I've been speaking with hundreds of Danoners. I've been visiting stores, I've been visiting factories, chatting with salespeople and shopkeepers. I met a large number of our partners, of suppliers, of customers, across the many geographies I have visited since I arrived. And of course – and, for some, before I took the job – I also met with and listened to investors and analysts. Out of all of that, I formed a view on what works, and I can tell you there are really good things, but also on what doesn't. And as I said already in the past, I will not shy away from them.

So let me start with the good, as there is, as I was saying, real good. And actually the good was so appealing to me that it led me to change all my plans, move from the other side of the lake to this side of the lake, so change country, change the place where I was living, to take the helm of a company which is a one-of-a-kind company. First, I've just spoken of the roots and how much strength there is in them, so let me not repeat. What is probably as important as the roots, are the categories in which we operate. There, after having listened to many diverse and sometimes opposing views in the market, I decided to go back to hard facts simply. Well, the first fact was striking: the categories where we play are on trend, and they are growing. The second fact, by the way, is no less interesting: we have a portfolio which is focused on healthy categories. We are the leader in the product profile of access to nutrition initiative, as 90% – let me repeat, 90% – of our volume sold are in healthy categories. I don't know many that are at that level. If, as are many others, each of our categories has its own set of sustainability challenges, we are pioneering in resolving them, as Henri will share with you later. We are on track to become the largest B Corp in the world. Evian, where we are, is carbon neutral. 84% of all our pack are already reusable, recyclable or compostable. And I could go on and on, but Henri would hate me if I was stealing his show. So I clearly see opportunities in our categories.

I also see opportunities with our brands. We have an amazing mix of iconic global brands and strong local ones which allow us to cover the entire landscape of consumer and customer demand. Besides our brands and their heritage, we have genuine capabilities and knowledge assets: around gut health, which is turning to be a very rich territory; around fermentation, which is not only relevant for dairy but also for broader proteins; around infant nutrition, allergies or food-based oncologic support.

Having said that, there are also a number of areas where we are far from where we should be. While this gives us, obviously, key opportunities, it will also require some hard work to improve our positioning.

I think, firstly, we haven't been growing at the speed of our categories. Put simply, we haven't seized their full potential, and there I will get back in details on why I believe this is, and what we intend to do about this. Secondly, we have been inconsistent in our guidance and delivery of results, and many of you told me that when we first met. Over the last years, we have changed guidance several times, with numbers that were not necessarily consistent from one year to another, and on which, anyway, we didn't deliver for any kind of good and bad reasons. In this regard, I am very happy that we are aiming for predictability, for boring consistency and openness on what works or not. I want Danone to deliver consistently over time. I see this as a condition to restore your trust, to restore Danone's sparkle and, ultimately, to restore the value of the company.

Last, but certainly not least, we have been changing our organisation too many times over the last years. This kept management and teams incredibly busy, and people are working extraordinarily hard at Danone – working extremely hard on transformation, rather than focusing on consumers, focusing on customers and focusing on competition. With people changing jobs too often, we lost continuity, we lost knowledge, often talents, but also, and more importantly, accountability.

Now, let me deep dive on the point I was making earlier on our underperformance versus category and peers, as I believe it is an important one, but it also offers real opportunities. Over the last few years, between '17 and '19, our categories have been growing between 3 and 4%. Against that backdrop, we were growing on average, during the same period, at 2.7%. Last time we were growing above 3% was in '14. We have structurally underperformed our markets, losing our shares to competition, allowing new entrants to establish and build position across categories and geographies.

The issue is not just our level of growth, but it's also the composition of our growth. We did not manage to deliver volume growth over the last years. Even in our '21, while we delivered a good mix contribution, our volumes were down again at -0.6%. Volumes and mix are key for the resilience of a value-creative FMCG model: we have to progressively improve the make-up of our growth.

Last but not least, we need Danone to become, over time, more resilient, less dependent on a few country category cells, reducing our actual over-reliance on a few categories, geographies and channels like SN, China, but also modern retail.

When you see the strengths of our brands and the underlying momentum of our categories, how do you explain our underperformance? Well, it comes from a mix of factors.

To start with, we let our core lose relevance by lessening focus behind it, but also by lack of consistent discipline on execution, from the way we look on-shelf to the quality of our service levels. In doing so, and not owning our categories' development as much as we should have as category leaders, we have created the conditions of our own decline.

On innovation, we have launched every year a large number of sub-scale and often, I must say, underperforming products. While we have also produced a number of genuine innovations – and you will see some of them later; they're really cool – and while we have real pockets of best practices, we certainly have not been fast and decisive enough in rolling them out.

We were known in the past, and hopefully will be known in the future, not only for being an innovator but also for being a fast follower. There, we have let some of our agility disappear, and we need to rebuild it. And, as said, we have been for years structurally under-investing behind our brands. The number on the charts speak by themselves.

Next to the way we drive our brands and categories, there is also a number of areas where I think we can do better.

While we have a very sound base, our data and IT tools and processes need a further upgrade, with more automation, centralisation and harmonisation to create the conditions for becoming a truly data-driven and AI-enabled company.

On the operation side – plan, source, make and deliver – there are clear improvement opportunities as well, but, rather than me talking about it, I leave this in the capable hands of Vikram, who's in the first row, and you will hear from him in a moment.

On organisation, and while we have very strong local teams, instability has taken a toll on our central brand marketing capabilities. There, we have new leadership and we are rapidly rebuilding small but senior and impactful teams.

More importantly, our performance culture is not where I want it to be. In the past, Danone always had a culture where result orientation was the norm and where our purpose and performance were going hand in hand. Some of it needs to be restored. Without a clear vision of how success is defined and rewarded, meritocracy and accountability are not at the level where they should be.

And finally – and a number of you told me this, including, by the way, yesterday night around a drink – our purpose has become somewhat disjointed from our business performance. There, let me be clear: I am convinced that our sustainability is at the very heart of who we are and should be a key driver of our performance. It is in some cases, by the way, and you'll see that later, but not always. We need to be more focused than we currently are to be able to be more impactful on the planet, on health and on the business.

So we have quite a bit we can improve to bring Danone to the next level, which is in some ways, as I said, good news, as it also means upside opportunities. But I think, very importantly as well, next to what we can and what we will improve, we also benefit from a number of distinctive strengths.

As I've already said, and you'll hear me say it again and again, we have a very strong portfolio with a strong base of powerful global brands and local brands, allowing us to play at all price points across all channels, covering a wide array of consumers and customers. We benefit from a broad geographic footprint, offering one of the most balanced exposures to developed and emerging markets in the industry. We are global number one or two in each of our categories in where we play, and we tend to command very strong market shares. And obviously it doesn't stop there.

We get consumer trends and we play at the heart of the healthy food movement, with a portfolio of categories which is smack on where those trends are going, and that's fundamentally important.

With COVID, health and immunity have never been more important, and there, more and more people realise that you are what you eat, that gut health matters, that freshness makes a difference and that small things like Actimel can bring powerful benefits.

Our categories also address the needs of a globally aging population and the increasing prevalence of more serious conditions: the rise of cancers and the support it requires, with products like Fortimel, or the many consequences of age, which we address with products ranging from calcium-rich yogurts and everyday protein shots, to the more sophisticated Souvenaid.

The same applies to our sustainability: it has now become something very concrete in the life of people. They want it with no compromise: they do not want to trade off taste for health. They want global quality delivered locally, at a competitive cost; indulgence without guilt; real options, rather than forced choices. This is where being a sustainability leader matters, and we are.

Together with aging, urbanisation in emerging countries is a long-term trend with major impact on consumer lives: access to safe water, access to affordable, healthy and fresh foods are becoming more of a challenge. Women are working, but do not benefit from the same supports than in more rural communities, needing more support to feed their infants.

And obviously digital is further accelerating, but you all understand everything about it.

So, looking at our macro trends, there is absolutely no doubt in my mind that the categories in which we play offer major opportunities for today, but also for tomorrow.

So if I put it simply, I believe the trend is our friend. Let me restate that with a few concrete examples on our categories.

With dairy, we have an essential role in people's lives. We bring health, nutrition but also indulgence. The relevance of the dairy category has clearly accelerated thanks to COVID-19, and we believe that these trends will structurally stick in the coming years: we anticipate the growth of the dairy category to remain solid as consumers' understanding that they improve their health and immunity through what they eat is here to stay.

Those trends have helped the more value-added parts of the dairy category, the brands and products that bring a specific benefit to the consumers: this is now the majority of our portfolio. More than 60% of our dairy revenues come from functional segments like immunity, gut health and performance, but also indulgence. We enjoy leading position in those areas, with a powerful mix of our global and local brands.

Moving forward, we will further fuel the momentum we see around immunity and gut health and leverage our strong portfolio of probiotic and protein products. And the same is happening around indulgence products, which are needed more than ever. And as we do this, we also need to further optimise the management of our essential and traditional portfolio, both in developed and emerging markets.

While we lead in dairy, we are also doing so in plant-based and, may I say, doing so in a sustainable and profitable way.

Plant-based is a category we see sustaining its growth momentum in the coming year. It addresses the increasing demand for alternative protein and is driven by the continued rise of flexitarian diets. Our versatile portfolio allows us to uniquely play cross categories - from our beverages to yogurts to cheese and infant formula - and across ingredients. Today, 60% of our plant-based revenues are in beverages, but we play a leading role in adjacencies such as our yogurt, ice cream or cheese. In all segments, there is still an important penetration potential, meaning high growth perspective. There, the critical mass we have built and the R&D knowledge we have, give us a solid base to build from.

In some countries where we were historically strong, we need to sharpen our mix, but also our execution. And there, may I say, local first will help us, while we further accelerate on innovation and expansion fronts. Floris, who is somewhere out there on the second row, will tell you much more about this in a moment.

Specialized Nutrition. Specialized Nutrition plays a very special role for all of us. Not only because we help mothers with their babies every day, but also because we make a real difference in the life of people at a point when they most need it.

About 40% of our revenue is in highly specialized products, going from our tube feeding to our protein shots to support cancer recovery, to our infant milks formulated to address significant allergies and other medical conditions. And there, we have deep knowledge and we have deep science.

While birth rates are slowing down in geographies like China, even if market still offers room for growth and consolidation, we see in parallel a regular increase of allergies, or simply, as a combined consequence of the urbanisation and working women, as I was mentioning earlier, with sustained need for parenting support.

So we certainly believe that our Specialised Nutrition has a strong long-term future.

On Waters – and that's why I'm never traveling without my bottle of evian – let me start with something that is obvious, but often forgotten: water is the purest and the healthiest form of hydration.

In this category, we have made clear and focused choices: we provide safe drinking water in emerging markets, and we focus on premium mineral waters in developed countries.

We benefit from a very well-balanced geographic mix between emerging markets and developed markets. We have strong and iconic brands and well-organised access to market across our geographies.

The water category is a growing category. It delivers more than 2% in developed markets and higher than 5% in emerging markets. We see sustained growth over time and believe the category offers further opportunities that we have not yet fully leveraged, like, for example, a broader channel access in developed countries or direct access to consumer in emerging markets.

And I appreciate that many of you may have concerns about sustainability issues in this category with our exposure to plastics. I got the question yesterday night as well. As you will hear from Henri later on, we are actually turning this challenge into a competitive advantage.

So I hope that, at this stage, I have convinced you with the strong potential of our categories and with my deep belief that they are uniquely geared towards our key consumer trends.

I believe that our performance challenges are therefore not so much a matter of where we play, but much more so a matter of how we play. As the title of the presentation today suggests, it is all about "Renewing Danone".

As I said, we have our solid assets, be it iconic brands, strong sustainability credentials, broad geographic exposure and deep R&D expertise. We must certainly do a better job at leveraging them. That means significantly stepping up our innovation game and the quality of execution. We're also reinvesting into our brand support and capabilities. For that, in order to achieve the renewal we are targeting, a reset is needed at all levels: at a cultural level, with a return to a genuine performance culture, at an executional level, driving obsession for perfect execution, but also at a financial level, as we need to reinvest behind our brands and capabilities. Juergen will come back later on the financial reset.

This is one of the key slides I would like you to remember from today. It is all about our fix, seed and accelerate.

The name of the game for us is, as a first step, to move over the next two to three years from underperform to perform in line with our markets. Over this period, we will basically fix what needs to be fixed, while seeding for the future of the company. This entails a strong focus on the basics of the business, all across the value chain, from the way we build our products, the way we source them and manufacture them, all the way down to the in-store execution. It is also about clear choices on where to invest or not, what needs fixing and what can be speeded up, but also active portfolio management.

I believe that only when we have delivered on this, will we be credible to talk about further acceleration. This doesn't prevent us, by the way, from seeding and preparing for the next stage already now. And there, we also have plenty of opportunities we can further address: we have a unique knowledge around gut health and fermentation, where do we leverage it? We have minimal presence in South Asia and Africa, how do we address it? We have already a pretty broad channel footprint, but how far can we take it? All valid questions we have started working on, but first things first.

So let's focus all on our plan to renew Danone. For the next few years, our ambitions is to renew Danone's momentum and, together with the 100,000 Danoners, create the conditions for a sustainable and competitive growth. One where purpose and the performance go hand in hand, and one which consistently delivers value for all.

Our plan, moving forward, is predicated on reigniting organic growth in a consistent 3 to 5% range - progressively moving from underperforming to over-performing our categories - with a better balance of volume, mix and price.

The improved quality of our growth, more focus on asset utilisation and optimisation, associated with discipline in the way we manage our fixed costs once Local First has delivered, should allow us to reinvest properly in the business and fuel sustainable growth. It should enable us, having reset our '22 margin to the appropriate level – and Juergen will also come back to it – to consistently grow our recurring operating income faster than top line through the combination of actions we are taking.

This restored financial growth algorithm is the first step towards value creation. Combined with the appropriate capital allocation discipline that Juergen will also detail, it should enable us to sequentially improve our ROIC over the period of our guidance.

And finally, from now on our dividend will be either stable or grow, as it should always have.

The point of my rather exhaustive diagnosis in the introduction was to highlight where I believe we need a rapid shift: striking the right balance between local and global, agility and leverage, as local first doesn't mean local only; reigniting the quality of execution and fostering a different sense of urgency, underpinned by a genuine performance culture; regaining innovation and marketing leadership; driving greater discipline on all accounts, to start with capital allocation.

We have translated this into a very focused strategy which you see here and this is the other key chart of my presentation. Very simple: four priorities, four key enablers.

Put simply, it is all about: *winning where we are*, as we work towards regaining competitiveness in our core categories and geographies; *expanding where we should be*, as we selectively deploy our current portfolio in the geographies and channels where we have legitimacy and a tangible ability to win; *seeding for the future*, as we explore and seed for future growth platforms; *managing our portfolio*, being more agile in rotating it through a mix of bolt-on acquisitions and targeted disposals.

These four priorities will be underpinned by four critical enablers: restoring a meritocratic and performance-driven culture, rebuilding strong functional capabilities, reuniting performance and purpose, and driving a culture of cost leverage and frugality.

Let me know briefly dive into each of our pillars, starting with winning where we are.

As I said many times, and you'll hear me say it again and again and again, so by all means please get used to it, there is nothing wrong with the categories we are playing in. They have grown historically 3 to 4%, while we have not.

So the only question is how we close that gap. And there, it is a matter of seizing opportunities and investing in them, facing the issues in order to solve them promptly, making clearer choices, but also being, as I said, obsessive with great execution.

When we think of *winning where we are*, the picture is pretty clear. More than half of our revenues are generated in core platforms that are fundamentally healthy businesses and which operate in growing categories. Roughly a quarter of our revenues are generated in challenged and underperforming platforms, which need to be addressed. And finally, about 20% of revenues are generated in areas that are growing fast and where Danone has a structural competitive advantage.

When you look at this, the choices and priorities are pretty straightforward: we will put greater focus and support on the core, with the right level of A&P and R&I investments, but also with different attention to the way we deliver on the basics; we will do our best to fix the underperformers with a clear sense of urgency and, if they cannot be fixed, we will look at different ways of creating value; we will more systematically boost the winners of our portfolio, rolling them out faster and supporting them consistently over an extended period of time.

Let me give you a few examples of each.

There is probably no better example of driving the core than what has been done in the past year with Actimel – and, by the way, this shows in the numbers. It is about taking ownership, as a category leader, of nourishing the category relevance and driving the category growth. It is about a disciplined approach to brand and portfolio management, anchored into deep consumer, customer and channel understanding. It is about tracking the right KPIs in a systematic way. It is also about striking the right balance between global leverage – the pack is everywhere the same, and so is the core technology – and local relevance: tastes are different, ingredients have different consumer meanings, competitive and legal contexts are different. It is about consistent investment behind the brand, across all consumer touch points. And, ultimately, it is all about great execution.

The acceleration of dairy in the US is another great example of that, but I'm not going to talk about it, because Shane is going to do it a bit later in one of the breakout rooms.

So let me show you our latest Actimel advertising, which I think is a good example of that and will give me the opportunity to drink a little of evian.

Advertisement [00:54:32 – 00:55:20]

Antoine de Saint-Affrique: I like it because it brings the brand and because it sells, and both at the same time.

So *winning where we are* means also fixing the underperformers. Over the last few years, and given the concentration of our portfolio, a few underperformers have had a disproportionate impact on our performance, be it in terms of growth and/or profitability.

There, we have been often too slow in facing to the reality and found it hard to uncover the real root causes, leaving space for competition to grow and making our problems bigger.

We're now in full swing, looking at every part of the mix and the execution, with a clear goal to bring them back on a value-creating trajectory. For some, like Mizone, we see some very encouraging signs, with stable shares and growth. On some others, not yet. And there, let me be clear, there will be no taboo: either we can bring them back on track in the not too distant future, or we will consider disposing them.

Finally, when we think about *win where we are*, we're also blessed with a number of clear winners, which account for about 20% of our portfolio and are far from having reached their peak potential.

When it comes to products, we see the great potential behind our high-protein ranges, of plant-based, and of our assets in medical and adult nutrition. If I take high protein, we launched only slightly over two years ago, and it already accounts for close to 400 million, of which half under YoPRO, and it's growing at very strong double digits.

On digital, few people realise that our e-commerce is now over 10% of our turnover, growing mid-teens consistently. We are doing really innovative things there as well. We have ground breaking pockets of digital excellence, as Vero but also Bruno will show later. There, we have a clear opportunity to further leverage and scale up, and we will put much more focus on it.

The same applies to our direct-to-consumer business, led by Waters in emerging markets. It is a great business model which gives us direct access to hundreds of thousands of consumers every month. It is growing, it is profitable, it contributes to our channel resilience, but can also become a formidable consumer data source.

I was talking about proteins, how it is booming as it addresses both the needs of younger people – the like of my sons – and people like me as muscular mass reduces with age. So let me show another great example of advertising and an example on how Shane and the team have hijacked the Super Bowl this year and created massive buzz. So, please roll the video.

Advertisement [00:58:52 – 00:59:21]

Antoine de Saint-Affrique: I love this subject. I think it's really good.

So to conclude on *win where we are*. Next to being clear with what has to be done by brands and categories, we will also make clearer choices on where we spend and how much we spend. In a nutshell, the key drivers will be: investing in product superiority, being clear on what really drives superiority or not, and by the way, simplify what can be simplified; focusing on the core and on key innovation, at the expense of more anecdotical activities; having a tight control of non-working costs to fuel consumer and customer facing activities - in the end everybody, and everything must sell or help sell; drive greater discipline around our ROI, from CapEx to innovation or advertising to name a few; and reinvest in core and future-looking capabilities.

The second pillar is to *expand where we should be*. Clearly, we have an opportunity to further expand in our geographies, channels, or segments where we are structurally underrepresented and where we have the ability to play and win.

We will strive to capture our growth opportunities and build structural resilience into our business by looking to expand in sensible adjacencies.

First by covering product segments we do not cover like sparking water with evian, I hope you like it, it's really good, or by opening new innovative formats, like what we do with Aptamil tablets.

Second, by entering new categories in some of our existing markets, to broaden and diversify our sources of growth and profit. For example, we will enter at some point plant-based in China with what we believe to be an exciting mix of products.

Third, by further broadening our channel footprint, lessening our dependency on retail. Local First will help us further deploy our plant-based in out-of-home, leveraging our water distribution. We will also better cover pharmacies and proximity stores. We still are underrepresented in our food service.

Last but not least, by accelerating our efforts in digital, going beyond ecommerce and quick commerce and leveraging some of the assets we have like the ones I mentioned in China.

So as you can see, there are many opportunities we can go for. We will go at them in a focused and selective way, making sure that we make the most of the one we pick and go deep, building for the long run.

Our third pillar is obviously to *seed for the future*. While we believe our first two strategic blocks offer enough opportunity for us to deliver consistent growth in the range of 3-5% over the next three years, we must start now seeding future growth platforms, for them to deliver the midterm. We will do so with our two main objectives in mind.

First, sustain our long-term growth momentum, expanding to fields (product, categories, services) which leverage some of our capabilities, are generally a natural expansion to our current business and are aligned to the company's mission.

And second, structurally improve the resilience of Danone by lessening its dependency on mass retail and by broadening its pool of growth and profit.

There are currently a few exciting seeds in our portfolio, with our successful entry into brewed coffee in the US, building on the back of our coffee creamer business, or our foray into homecare services in Poland and the UK, as a natural extension of adult hospital nutrition business. There are also more things around health and healthy aging that we certainly can do.

So when we think about *seeding for the future*, we will do this properly and we will do this in a systematic way: exploring, testing, scaling.

And we want to grab it from various angles: starting with leveraging the JV and partnerships we have for some since decades without really making the most of it; then refocusing our venture funds on what we believe is key for tomorrow; and finally, further stepping-up our partnerships with key universities, but also with our suppliers. And there, I can tell you from our first-hand experience at Barry Callebaut, we are only scratching the surface.

So the appointment of Henri, with a clear mandate on strategic business developments, and the one of Isabelle, who comes with deep experience and broad links into wide ecosystem of partners are - if it was needed - a clear indication of where we are headed to.

Last but not least, let's talk *portfolio management*, the fourth pillar in our strategy. We will actively manage our portfolio through a mix of selected disposals and bolt on acquisitions.

As earlier mentioned, and as I will keep repeating all along, we believe our category portfolio is sound and focused, and offers material growth opportunities. We remain therefore committed to all our categories.

This being said, we plan over the coming years to dispose over time of structurally value-destructive activities, as well as to drive bolt on acquisitions to strengthen some of our capabilities, fill some geographic white spots or further expand into future strategic fields. We ambition to rotate the equivalent of around 10% of sales of our overall portfolio.

We will do that with two main objectives in mind. First, having a strict control on value creation metrics, to make sure everything we do is consistent with the overall objectives of the company - increase growth, improve profitability, step-up value creation. And second, staying as objective as you would expect us to be, with no sacred cows and with the only criteria being the best interest of the company. We're also doing whatever we have to do in a way which is respectful of Danone’s values and of the Danoners themselves.

So we have covered the four pillars. Now, when it comes to enablers, things are pretty straightforward as well. By the way, it doesn't mean they are trivial to execute or unimportant.

Culture is an obvious one, and I will come back to it on the next chart. As we all know “culture eats strategy for breakfast”. So bear with me for a minute. I will also come back in more details on sustainability, so let me not dwell on it now.

Besides driving the right culture, we need to strengthen some of our capabilities, and we have started doing so. With the renewed IT and data leadership team, with the progressive build-up of our shared service centres, with the appointment of our new category leaders, and, more visible to you, with our new leadership in and greater focus on operations and R&D.

When it comes to cost leadership, the teams have done an amazing job in ’21, delivering high productivity and driving cost down with Local First, while delivering on growth. Moving forward, we need to keep our cost under control, double down on productivity - especially in an inflationary context - and improve our assets utilisation. This requires a culture of leverage and frugality, but also in some cases further transformation and simplification or technological upgrade. Juergen and Vikram will say more about it.

All this, we will do it the Danone way, which brings me back to our culture and capabilities.

Danone has always been known as a company with a unique culture, one that combines our genuine entrepreneurship with our social and environmental responsibility. A culture of brilliance at brands, brilliance at innovation, but also execution and delivery. A down to earth, can do, get go culture. Danone has always been also known for being a very special talent breeder which attracts, develops and retains the best. We still have many elements of this culture, but we want to renew all of it and more. This is something we are committed to as a team.

Speaking of the Comex team - and you've met a number of them yesterday - we have completed and strengthened it over the last months by significantly stepping up our functional capabilities. We have separated the role of General Secretary from the one of our CHRO and appointed Laurent. Where is Laurent? Laurent is at the bottom end over there. Laurent was an experienced Danoner as our General Secretary. We recruited Roberto, and Roberto is in the second row, so that you can see him as our new Chief Human Resource Officer. Roberto is, as you've all seen, a top-class professional. Another top-class professional, who's going to be soon on stage: Vikram joined Danone as our Chief Operations Officer, and will help us raise the performance of Danone's operations, but also importantly, make it future ready.

One thing that is new is we decided to bring innovation back at the core of what we do, creating a position of Chief Research Innovation, Quality, and Food Safety Officer, that Isabelle, who is not yet with us, will assume starting from April. And we also put our sustainability together with strategic business development, in the hands of a business person with a strong experience in Danone: Henri,, you have seen that hopefully for those that were around Evian in around dinner yesterday.

I believe in the power of teams. I believe this makes for a very strong team, but I'll let you judge, because you will have many opportunities to interact with them.

Making sure I don't forget everyone. Besides the one I've mentioned, I think most of them are in the room, at least those that could travel. You know Juergen who's going to speak right after me. You know, also Vero who is our CEO international; Shane, who is our CEO for Noram; Bruno who heads China and North Asia, and Floris who heads Europe. You also have in the room Nigyar, our Chief Growth Officer and Jean-Marc, our head of SN.

I show the team because as I said, I believe in teams, I believe in the power of teams. We, as a team are committed to drive genuine meritocracy and performance-based culture, one that is our rewarding strong business delivery achieved in a sustainable way and our strong leadership.

Part of this will be delivered through different long-term and short-term incentives with our simpler KPIs and more upside potential. Short term incentives are now mainly based on sales growth, level of recurring operating margin and a cash related target for the economic component, together with a set of more individual targets. As for long-term incentives, after introducing our TSR in performance metrics last year, we will recommend through the AGM to change the like-for-like sales growth for EPS, which better reflects our commitment to deliver profitable growth.

I was just mentioning our very unique culture, based on a long history of combining entrepreneurship and social and environmental responsibility, as first formalised by Antoine Riboud, and now expressed in our mission statement of "bringing health through food to as many people as possible".

Sustainability is at the heart of what we are doing. It is obviously part of our DNA. It is a key factor of attraction and retention of talent. It is a field where we are amongst the industry shapers and are the industry leaders, as you can see from all the rankings from CDP, ATNI, or the MSCI ESG index.

But it needs to be, and it can be - as I have proven in my prior life at Barry Callebaut – a strong business differentiator and a competitive advantage. Those of you who are in the room today and will visit the evian impluvium later in the day, will certainly see a glowing example of this.

This is why Henri, as Chief Sustainability Officer, has a clear mandate to unify, to streamline and to refocus our sustainability efforts with the ambition of having even more impact where it truly matters. We will remain a global ESG leader focusing disproportionately on what either makes us stronger, today and in the future, or protects our license to operate, hardwiring performance and purpose. In the end, I am convinced that our sustainability will only be sustainable over time if it is truly impactful and economically sustainable.

So with this, I hope that you have a clear understanding of where we start from and where we are heading to. I think you will be convinced, I hope you will be convinced, after the other presentations today, that team here is confident that it can renew Danone.

And on this, I will leave you in the very capable hands of my friend, Juergen. So Juergen, over to you.

Juergen Esser: Thank you, Antoine, and good morning to all of you. Also from my side a very well welcome to our Capital Market Event here in Evian. It's a great pleasure to share with you this morning how our new strategy is going to translate into concrete and tangible value creation. I will be guiding you through following sections that you can see on the screen: first, to walk you through our new profitable growth algorithm; in a second step, to explain our ambition for returns and cash generation and the way we want to enhance our financial policy; and then last but not least to conclude by giving you visibility on how our financial disclosure is going to evolve from this year onwards.

Let's start by looking into our profitable growth model.

As you have seen and heard from Antoine, our plan is about putting the consumer back at the heart of everything we do. It's about a company with passion and appetite for growth. Reconnecting with sustainable value creation must start with accelerated growth, with an organic growth model where value and volume play a balanced role in addressing consumer needs. This organic growth is what is going to build operating leverage, a key driver to improve again our gross margin. It will allow us to consistently invest behind our brands, and will enable us to play our role to grow the categories we are operating in.

And for this virtuous circle to translate into sustainable value creation, there is no secret. We need two things: consistency and discipline in the way we commit to the different strategic building blocks, as well as the true execution-oriented organisation to turn great strategies into tangible success. We will steer the company with that mind-set. And that starts by making the conscious choice of kick starting our reinvestment immediately, as early as this year 2022, to start capturing opportunities the market is offering to us.

So, 2022 will be foundational year to us. We will use the entire savings, 100% of what is generated by Local First to fuel our reinvestment, to catch up on a number of areas where we have fallen behind over the last years. We will reinvest into product superiority and differentiation. We will, of course and importantly, reinvest into our product and brand visibility, into A&P, into the expansion of our distribution reach. And finally, we will also invest into stepping up our core capabilities, like operations, R&I, global marketing and data and IT. Our decision to kick-start reinvestment will obviously have an impact on the shape of our financial equation in 2022, and this in the inflation context you know. However, we are 100% convinced that it's now to start investing into the future of our company.

There's a lot of uncertainty looking at year 2022, and visibility remains very low, with inflation trends persistingn currently accentuated by the direct and indirect consequences of the war in Ukraine. Let me try to summarize the different moving parts of the year.

Input cost inflation is expected to reach a low to mid-teens level, as we discussed two weeks ago, up from around 8% last year. Based on what we know today, we shall expect inflation to land in the upper end of that range. And of course, we need to recognise that global commodity markets are extremely volatile in this particular moment. We do not know for how long it will last and what shape it can take.

In that complex environment, we are preparing ourselves for another year of record-high delivery of COGS productivity. We did around 5% in year 2021, and we intend to further step up our game, delivering more than 5% in 2022.

We will continue to leverage pricing and revenue growth management to address the inflation. We will seize all opportunities to price, leveraging the power of our brands. But let's also be extremely clear: we will use pricing to the extent that it does not jeopardise the competitiveness of our positions. In summary, we are aiming to deliver pricing ahead of the levels achieved in Q4 2021 where we reached as much as 2.5%.

Finally, and as said, 2022 will be a foundational year for us. We have decided to reinvest the totality of the savings generated by Local First, 100% of it, to kick-start a sustainable journey of profitable growth, with maximum value creation over the mid and long term.

Our guidance for 2022 is therefore reflecting our clear commitment to reinvest consistently and intentionally, to rebuild our growth momentum, while navigating through a moment of high inflation. It's articulated around the two pillars you see on the screen: our organic growth expected to be between 3-5% versus previous year - and this growth definitely expected to be price-led; and our recurring operating income expected to be above 12%. Needless to say that this guidance is built with what we know today, especially when it comes to the direct and indirect consequences of the war in Ukraine.

Now this year 2022 is obviously only the first year of a new chapter which we are opening. And we are clearly working for the long-term here. Let me walk you through the guide through the different parts of our equation.

Let me start with organic growth. Over the last few years, we have underperformed our categories, Antoine was mentioning it. We have been growth at below 3% most of the years. We will accelerate organic growth, shifting from being a structural underperformer versus our categories, to become progressively a true performer, growing sustainably in the 3-5% range. And not only do we ambition to accelerate organic growth, but we do also strive for more balanced model where volumes, price and mix, each of them, plays a clear role.

A higher and more balanced growth means that we will be able to better utilise our assets, stopping the erosion of our gross margin - driving true profitable growth, thanks to better leverage of our fixed cost and assets.

This virtuous circle continues with investments. The balance growth model and operating leverage will let us grow again our gross margin. It will enable us to consistently invest behind our brands, behind our growth, behind our commercial plans.

And finally fixed cost and overheads: Local First will definitely allow us to adjust them down to a level that is consistent with industry standards, and this is where we want it to be for the mid and for the long term - competitive and with focus on the right capabilities.

And all of this together enables us to grow our recurring operating income faster than our top line, in a way that is sustainable, one that creates predictable long-term value.

Let's go a little bit deeper in each of those five building blocks of our financial model to give you some more perspective.

The growth bridge, which you see here, illustrates the drivers of our future organic growth. Let me just insist on the illustrative dimension of that bridge: in other words, the size of each box is not necessarily reflective of its relative contribution to our growth acceleration.

We conducted over the last few months deep and holistic review of our portfolio that allowed us to clarify the state and role of each of our portfolio cell. As explained by Antoine, a bit more than half of our portfolio is considered as core - and here the intention is very clear: we want to get more out of it. Accelerating growth in the core will be about putting greater focus, with the right level of A&P, the right level of R&I investments, but also with a different attention to the way we deliver on the basics. We've had some early successes over the last months, as you know, with brands like Oikos, Actimel, or Aptamil, but we must, and we can do much more.

Second, we are going to boost our winners, which represent around 20% of our revenues. They will benefit from a significantly higher weight of investments, to fuel faster growth and support accelerated rollout initiatives. High protein brands in dairy and our specialized paediatrics in Early Life Nutrition are very good examples of winners that we are going to boost over the next period. While we're going to push the winners of today's portfolio, we will aim also to develop or acquire others with high level of precision.

Finally, accelerating growth is about addressing the underperformers, especially considering the relatively concentrated portfolio we are having. We are going to change the gears here - Antoine mentioned it -, tackling those challenges, being much more proactively and with determination - a must as this is an important building block. We will not harvest the benefits from driving the core and boosting the winners if their growth is offset by a few dilutive underperformers. We will therefore address the underperformers with no taboos, and there will be no sacred cows, which means that for those that we cannot fix organically, we will be looking at other ways to create value. All combined, these three blocks will allow us to accelerate organic growth within the 3-5% range, bringing us from a situation of past under performance versus our markets to one of sustainable competitive growth.

Sustainable competitive growth means also a more balanced growth model. As I mentioned earlier, we have been focusing too much on the value part of our growth and have been paying too little attention to the underlying volume part of it. And as a result, our top line has been structurally declining in volumes, mostly driven, as you know, by our dairy category, but not only.

Moving forward, we will progressively restore the volume dimension of our growth model. We are, as we speak, recovering volumes in waters, and we'll focus on restoring also progressively volume growth in our largest category, as mentioned, dairy.

Mix has been over the last few quarters an important driver of our growth, with some of it thanks to the post COVID recovery. And we have definitely room here to step up the sustainable contribution by getting our innovation model right, focusing on fewer and bigger innovations that will translate into better contribution for mix, both on the top line but also on the bottom line.

And with stronger contributions from volume and mix, we can in fact rely less on pricing. Pricing will remain an important driver navigating through inflation, like the moment we are in today, but shall overall provide a much more balanced contribution than in the past.

Stronger contributions from volume and mix also mean that we will be able to grow back our gross margin. I will be brief on the chart because Vikram, our Chief Operations Officer, will dive into it in a few minutes.

Reversing the trend on volumes will make us better sweat our existing asset base, where we get significant headroom to leverage installed capacities. In parallel, we will continue to drive our efficiency agenda, confirming the productivity ambition which we revealed in November 2020. As I mentioned earlier, we are having concrete plans in place to deliver in 2022 a new record level of productivity with more than 5%, and we have the ambition to keep it at comparable high level also in the future.

Concluding, we will be obsessed and focused on operating leverage and efficiency, two key drivers of our value creation model.

Moving to fixed cost - and let me be short and to the point. The Local First transformation is enabling us to adjust our fixed costs down to a level that is consistent with industry standards. We will make frugality, cost consciousness, part of our culture and natural behaviour with the aim to preserve post Local First a competitive cost level - while of course using, Antoine mentioned it, the opportunity to rebuild key capabilities to drive profitable growth.

This is of the essence, because those savings in fixed costs, the €700 million, are the springboard for our reinvestment journey, which we are going to start as of now, as of this year. Now, where are we to invest?

It starts with the competitiveness of our portfolio and the value we bring to the consumer. Concretely, we will reinvest into the superiority and the sustainability of our products, in the formulation, in the design, in the packaging, to future-proof our core. Around €200 million will therefore be reinvested here, to ensure that we always have the best product from a taste, from a texture, as well as a look and feel perspective.

Then it's about capabilities. We will also invest here another €200 million in stepping-up core capabilities in global and local functions. Let me highlight here especially IT and data where we have the opportunity to make our business decisions truly data-enabled. What does it mean concretely? It means that we will double down on fuelling our ecommerce teams, leveraging the first and second party data which is in our hands to better understand the consumer journey. We will also digitalise our end-to-end supply chain. We are going to use artificial intelligence to further enhance our forecasting accuracy as well as to develop real time route to market capabilities.

Last but not least, we will reinvest around €300 million in brand support and go to market. I think Antoine was saying it extremely clear in his diagnosis: we have been underfunding our brands, running on two little A&P. We will make sure that our brands get at least their fair share of voice. We will create visibility our brands deserve to communicate on their superiority and differentiation. Our investments in that area will enable us to catch up, to become again competitive in the marketplace.

Again, let me be very clear: this envelope will not be sprinkled democratically across the portfolio. We'll make clear choices and allocate resources in a way that maximises value creation.

That concludes into the profitable growth model shown before, and leads to our midterm financial ambition. As, we are rebuilding a sustainable model, we need to go at the right speed and in the right order. After rebuilding the foundations in year 2022, we will focus in '23 and '24 on establishing our balanced organic growth model. That means investing significantly, not only behind the short term, but also behind the midterm plans, especially on rebuilding an impactful innovations pipeline and stepping up our excellence in execution. During this first phase, we are going to grow our margins faster than the top line, yet with a more moderate magnitude of margin expansion.

This will create the conditions, post year 2024, to start outperforming the categories. We will in this second phase materialise the benefits from the enhanced operating leverage, but also get into the P&L the results of our portfolio management. This combination would drive an accelerated margin expansion towards a mid-teens level. This overall ambition is then translated into the formal guidance for year 2023 to 2024, as already displayed by Antoine, with organic growth between 3-5% and our recurring operating income going faster than the top line. We also guide on our ROIC with sequential improvement over the period, and the dividend stable or growing year on year. Let me come back to the latter two elements in just one minute. And just let me take a sip of evian before we go to the next part.

This next session is exactly about our ambition on capital returns on the way we will drive cash generation and our financial policy.

Let me start with capital allocation priorities. We will put discipline on increasing our returns at the centre of our company. We are now since a couple of years, and you know that, traveling at the high single digit level of ROIC, ending last year with 8.7%, which we can definitely not be happy about. We have the clear ambition to sequentially improve the situation towards double-digit territory. And we are very clear on the drivers and the priorities. Priority number one, and I trust we were very clear this morning, is to significantly invest into the enablers for accelerated profitable growth. But we will also change the gears on portfolio management, the way we will intentionally, and with impact, rotate our portfolio. And last, we will restore our focus on cash generation, making a rigorous management of our CapEx and working capital a company-wide topic, rather than only a topic for the finance community.

This results into a clear financial policy, where we will deliver consistently attractive shareholder returns, with stable or growing dividends year on year.

And finally, we will maintain a healthy balance sheet, protecting our strong investment rating, to ensure value creation and financial flexibility.

When it comes to investing into profitable growth, we'll be paying strong attention on how to allocate our capital, with the right balance between boosting short-term performance and building mid-term growth avenues. Disciplined business case management and commitment to returns will be the name of the game. This is true for our P&L investments where we are going to reinvest the full €700 million arising from Local First. And it is also true for the non-recurring investments which are mainly now about executing remainder of Local First.

As you know, our categories are not very capital-intensive, and we believe that the level we have spent over the past years with the maximum of 4.5% is just right. However, we'll be much more demanding on returns and allocate higher proportions behind growth projects.

Let me be a bit more clear and concrete on the ways we will allocate our resources to maximise value creation: first, we are going to prioritise and fund sufficiently our winners, no surprise. We'll then ensure a competitive level of support for our core, while selectively investing into seeding for the future. On the other side, we will be much more demanding than in the past when allocating funds to our underperformers. Our focus here will be to fix the situation while not to burn resources.

Return on investment will become the single most important KPI, but it's not only about the way we allocate our cash. It's also about tracking the delivery on business cases and commitments. And here we will be extremely rigorous, strengthening our processes where it matters. We have, for example, just recently implemented a central control tower to validate and track all significant global and regional transformation projects. This delivers already the first results; we have decided to supercharge 25% of critical programmes, while we have deprioritised or shelfed some less impactful ones. We have also tightened the governance for CapEx authorization with a CapEx committee, allocating annual budgets according to business cases and monitoring returns at different stage gates.

This is not about over processing our company, this is just about creating discipline and focus on performance and returns.

A quick, but certainly important word on portfolio management, as a key building block of our strategy. After having completed and in-depth analysis, which confirms the relevance of our global category portfolio, we see scope for rotating around 10% of company sales. That means that we will prune our portfolio much more actively than in the past, while we will aim for selected bolt-ons and some seed investments. And here the criteria are extremely clear, and we will, with Antoine and with the board, be vigilant in their strict application.

On the disposals side, we will build on the holistic portfolio review we conducted. We will dispose of assets we believe do not fit with our strategy, assets that are dilutive to our company's growth and margin prospects, not contributing to our value creation agenda.

On the acquisitions side, the rules are also crystal clear. We are talking about primarily bolt-on acquisitions that must be value-accretive and have a clear contribution to our mid-term guidance. An acquisition must bring something to the table, tangible, strengthening market positions, bringing new access to new markets, adding new capabilities, technologies or brand assets. We will complement our activity with some selected seed investments to build progressively the foundations for few growth avenues.

We will execute this portfolio rotation over the next three years, with determination and no taboo, Antoine mentioned it, while taking the time to maximise the value creation from this stream.

And last, but definitely not least, we will manage the level of cash generation much stronger. As year 2021 has been demonstrating, a disciplined management of CapEx and working capital can enhance significantly our cash conversion. We will therefore maintain the capital expenditure level, as I said, at below 4.5%. I will make sure that we are getting more out of this spend, by focusing on projects with predictable attractive returns, supporting our growth and efficiency agenda.

At the same moment, we aim to further expand our working capital, optimising our operating cycles, aligning objectives and targets across the organisation, especially in close cooperation with Vikram. We believe we have opportunities here for sustainably higher levels of working capital.

To conclude: first, we will drive capital allocation portfolio management and cash generation with this discipline and rigor, aiming to sequentially improve our ROIC over the period towards double digit territory, starting from the 8.7% we have finished last year. Second, we are committed to sustainable and predictable shareholder returns, maintaining our dividend flat or growing year on year, while securing a healthy balance sheet with an EBITDA on Net Debt ratio of below 3x.

Before concluding, let me finish by an important element. We are obviously very conscious, with Antoine and the whole executive committee, that we need the right KPIs, not only to monitor our performance, but also to entertain the right discussions on how to improve it. And so in the spirit, we are going to adapt our financial disclosure so that we can have better discussions with you, our shareholders, and with the whole financial community in general.

Starting from our next publication, Q1 22, in just a few weeks from now, we will therefore implement several changes.

First, we will adapt our financial communication to the new geo-centric company organisation. That means that we will report our performance with granularity on four zones, which I will show you in just one second on next chart.

And while moving into a geo-led financial reporting, we will maintain the existing global category reporting, on both top line and on margin, for EDP, for Specialized Nutrition and for the Waters category.

And finally, we'll also adopt the way we report our organic growth: the mix component will be grouped with volumes, instead of with price, as up to now.

When it comes to our geographically performance, thank you for putting the slides, we will – starting from Q1 - report the performance of those four macro zones which here on the screen: Europe, North America, China with Northern Asia, as well as the Rest of the World. The Rest of the World zone comprising basically our businesses in more emerging markets across Asia, CIS, Africa, and Latin America. And you see our indicated numbers for 2021 on net sales and on margin, and Véronique will, in the next section, go a bit deeper into the characteristics of each of those zones. You will also find the matrix behind those zones and our categories, in the appendix of the documents which have been shared today.

We believe that the totality of those changes will enhance transparency, give better clarity on our performance, and will reflect the improvements we start to implement in the business, as we speak. We are very much looking forward to open this new chapter for our company, to put our new strategy into actions and create tangible financial value.

With those final remarks, I would close the financial part of the CME and hand the microphone over to Véronique. Thank you very much.

Véronique Penchienati: Hello everyone. I'm Véronique Penchienati. I am CEO international, and very happy to be with you today. You heard from Antoine and Juergen how we intend to reconnect to sustainable value creation. And I want to illustrate a bit more in detail how we will win where we are.

First, we operate as one, leveraging the benefits of our Local First transformation to deliver more growth and more efficiencies. Local First is now implemented in countries, in zones, in global functions. Teams are in place with renewed energy and eagerness to win in each market.

Our four macro zones, that Juergen just presented, are Europe, North America, Greater China, Oceania and North Asia and Rest of the World. Four Danone powerhouses, with leadership positions across categories, building on unique assets.

North America: Shane will explain later the "Transform to Win" journey started one year ago.

Europe: Our business was born in Europe more than 100 years ago, so it is natural that Europe is the most balanced zone from a category coverage point of view. With 8 billion turnover and a margin above 15%, we are profitably leading the dairy, plant-based, water and specialized nutrition categories with our iconic brands, Danone, Actimel, Activia, Alpro, Aptamil and Nutricia to name a few. In Europe, we will accelerate our profitable growth journey across categories, fully leveraging our new organisational backbone. And you will hear from Floris later in the breakouts.

Our Greater China, Oceania and North Asia region is obviously a very important one for Danone. With sales above 2.5 billion, it is our most profitable zone, building on a unique presence in infant nutrition, adult medical nutrition and functional beverages. Bruno will share with you how we intend to maintain our growth momentum and resilience in this strategic region.

Finally, our Rest of the World zone regroups activities in Asia, CIS, Africa, Middle East and Latin America. This is an important zone for Danone as well, with high growth prospects, but very high volatility as well. Leveraging our unit mix of categories, our leading local brands and the versatility of our operations across categories will allow us not only to step up growth but also improve profitability.

As we deploy Local First, we thrived to find the right balance between local centricity, which gives consumer and customer proximity, speed of execution, and cost efficiency, while at the same time leveraging global scale and expertise.

With one unified organisation in each marketplace, operating across categories and across channels, and supported by strengthened global expert functions, we benefit from scale, synergies and expertise, and therefore we are stronger, more resilient and more impactful in our execution: our products will be more widely available across channels; our innovation will have more impact on revenue and profit; and we will accelerate in digital, as a driver of growth and efficiencies.

We are seeing already very concrete proof points. Let me start by delving in two commercial executions.

First in Germany, early '21, we have decided to merge field force in retail for our dairy, plant-based and waters portfolio. This has allowed to step change our in-store execution: more stores are visited by our teams and as a result, we increase our numeric distribution in all categories, and we significantly improve the quality of our presence with, for instance, more secondary placements. This has translated into solid growth and share gains, Danone being the fastest growing FMCG Company in Germany in 2021.

Second, in the UK, we have 1 billion+ business with a balance in Specialized Nutrition, Dairy, Plant-based and Waters categories. In Waters, we have a strong distribution model in fast growing channels like convenience stores. Operating now as one team in the country for all Danone categories allow us to start using our water route to market to expand the distribution of our plant-based beverages. Indeed, our leading water references are distributed in 75% of convenience stores versus only 50% for Alpro beverages, a unique opportunity to feel numeric distribution gap. Same goes for food services and coffee chains, where Alpro will benefit from the established position of evian and Harrogate.

My last example is Mexico, where we have two strong and sizable businesses in dairy and waters. 50% of our business is sold in traditional trade with one million+ proxy outlets where we have a 50% national numeric distribution. We tested in '21 the opportunity of merging salesforce and route to market for dairy and waters in small cities. And results are extremely positive, allowing to increase the number of outlets selling two categories instead of one by 38%, delivering 10% cost efficiencies by merging our route to market and warehouses, and increasing our overall total numeric distribution by close to 20%.

Growth, competitiveness, and category expertise will guide us in the regional deployment of this approach. Merging salesforce where it adds scale and impact - mainly small cities, while keeping dedicated salesforce per categories in our stronghold regions like Mexico City, for instance.

Beside commercial execution, the second topic I want to address is innovation. Antoine mentioned it, the innovation model over the last few years has not had enough impact: we have over-innovative, launching too many innovations to enter spaces which are not sizeable enough and not being patient and consistent with our investments to grow them to scale. At the same time, in some growth spaces, we were too slow and not disciplined enough in focusing on scalable bets that can build sustainable growth momentum year on year.

As part of our new operating model, we have started to deploy a new innovation approach in all countries with enhanced discipline, aiming to: drive less but bigger project; deliver bigger, higher mix and higher profits; and balance better our innovation pipeline between short-term and mid-term horizon to expand where we are and seed for future.

And this starts in 2022: we are putting greater focus on driving competitiveness of our core business; we are reducing the number of prospects by 20%; we are focusing on scalable big bets (more than 60% of our innovation in 2022 will be multi-country platforms); and we are delivering innovation with higher mix and margin versus company average.

Let me share with you some of our 2022 big bets, fully key for value creation journey.

Not Milk plant-based beverage: it is a key innovation to continue leading and reinvented the plant-based category, moving from ingredient-based to benefit-based proposition. It was launch in Germany in '21 with strong consumers and customers' response, and it proved to be a true category builder, with no cannibalisation on our Alpro core ranges, sourcing consumers mainly from milk. It'll be rolled out across Europe and Americas in 2022.

Another trend we are capitalising on is protein. Our journey started in 2019 with the launch of YoPRO in Australia. Today, YoPRO is close to €200 million turnover, present in 17 markets, with a higher net sales/kg and margin versus dairy average. Priority is to continue increasing penetration on the core business, but also rolling out in new markets and building selected new usage occasion based food forms, like pouches for instance.

What is interesting as well is that beyond the protein for performance platform, we have as well experimented in some markets high protein for health and wellness, like the lunch of Skyr under Danone brand. This had very promising results. And here again, Skyr formats will be rolled out further in many countries under Danone, Light & Free, Activia with relevant to brands proposition.

Waters: on Waters, we will double down on sparkling. We started the journey in 2021, expanding the strong equity of our plain water brands to the fast growing and profitable sparkling segment. We will resolutely accelerate in 2022 with the extension of our premium global brand evian into sparkling, that you can test during the presentation. We will do that in the UK, in North America and key export markets. We will also continue the expansion of our local brands from plain to sparkling, in Spain and Poland notably.

Last Specialized Nutrition: in 2022, we are rolling out a new platform for our 3 billion+ worldwide brand Aptamil, combining both renovation of our core and consumer-centric innovation supported by leading science. This platform started to be deployed successfully in 2021 with Aptamil Classic Palm Oil Free renovation and Aptamil Organic launch. 2022 will be the full deployment worldwide, with new integrated communication platform, new visual identity, and two major science-based innovation to best serve the needs of our mums and babies: a unique formula for mixed feeding and a dedicated formula for babies born with C-section, having hence higher risk of allergy. This new competitive platform, executed with excellence and supported by increase A&P investments, will allow us to fully capture the post-COVID momentum regain on the infant formula category we are experiencing, notably in Europe.

We are as well preparing the innovation of tomorrow. We are testing ideas in a number of markets, in a way that allows us to nurture and prove them, against clearly defined success criteria, before we scale across geographies faster than before.

Let me take Aptamil as an illustration. We are seeding in some markets: new food form with pre measured tabs, a unique and breakthrough technology for a simpler and more convenient usage; nutritionally complete kids milk formula, great opportunity to extend Aptamil immunity franchise to preschool or school-aged kids; and for the first time, blended with the best of dairy and plant-based ingredients, a new dairy and plants formula will be launched in the Netherlands. And last but not least, beyond piloting innovation, our global scientific teams are preparing our next patented scientific innovations, supported by clinical studies, which will be shared with the scientific community mid 2022 in Espeghan. So more to come later.

Let me now spend a couple of minutes on digital. The speed of digitalisation in our industry has increased exponentially over the last ten years, COVID with no doubt being an accelerator of changes in consumer behaviours.

We have built some pockets of excellence in Specialized Nutrition around four priorities.

Number 1: consumer engagement and healthcare professional engagement. Before COVID, 95% of our contact with healthcare professional were face to face. Today, 50% of our interaction are digital, allowing to cover 50% more healthcare professionals. This was enabled by a full upskilling of our teams, supported by a strengthened data and tech backbone.

Number 2 priority: always on analytics. Tracking the ROI of our investment to make smarter data-driven resource allocation.

Number 3: direct access to consumers at scale and first party data. We collect them through our Aptaclubs in 28 countries, through our carelines fully integrated in our brands engagement ecosystem, and through personalized services we offer to consumers beyond our products, like growth and immunity digital tracker that Bruno will detail in the China presentation.

Last but not least, ecommerce acceleration which is today more than 20% of our Specialized Nutrition turnover.

The digital transformation of our Specialized Nutrition business is instrumental to our profitable growth journey and will be pursued with determination and speed. In parallel, we will leverage relevant expertise for our total Danone portfolio.

I will close the digital path with ecommerce. Our online sales are now exceeding 2 billion, accounting for more 10% of total Danone turnover growing double digits. It was achieved by a significant acceleration across all categories, making ecommerce a key contributor to the overall growth of the company.

Over the last two years, we have engaged into a deep transformation and acceleration of this business and have achieved leading positions in our categories in many markets. Beyond growth, it gives us as well more direct relationships with our consumers, understanding their needs, getting their feedbacks, and offering them as well full experiences and services.

But we can do more and we will do more. The new organisation we have put in place includes a step up in ecommerce capabilities: in all countries, we have now dedicated ecommerce teams, working for all categories and gathering multiple function (data, search, sales, content, supply chain). Since 2021, the number of Danoners dedicated to ecommerce has increased by 20%. With the support and expertise of the global ecommerce acceleration unit that is in place today, these teams will focus on two priorities: continue stepping up in execution - omni channel campaign effectiveness, performance tracking, perfect online execution - and as well steering new partnerships and new business models be it fast delivery players, acceleration of direct to consumer, or experimentation in B2B. At the same time, we will double our ecommerce media investments to continue leading in that crucial channel.

Before I close, let me say a few words on investments in general. Antoine and Juergen said it: fuelling reinvestments on our brands is an upmost priority to propel us back to the growth and share gains trajectory we want.

We will spend more, and we will do it with discipline, both at the company level, and at country level.

It's a combination of clear portfolio strategies and choices at company level, together with clear commitment to execution, and disciplined reinvestments on our core portfolio and our winners that will translate into growth and market gains.

At country level, we are also bringing a much more focused approach to resource allocation through lens of efficiency and effectiveness: allocating our investments, in each country, to brands and channels with highest potential; focusing our media investments behind more efficient integrated campaign; step changing our working/non-working A&P ratio by leveraging the scale of our global brands and our in-house digital assets production capabilities.

In 2021, despite flat A&P overall, we managed to increase media on some brands and geos, and it worked. More media behind our water brands in Europe, behind Actimel worldwide, behind Aptamil in China - all this translated into accelerated growth and significant share gains.

To conclude my part, our priorities to win are clear, starting now: we are leveraging our new organisation for growth and efficiencies; we are stepping up the quality and the impact of our commercial execution; we are driving fewer, bigger and better innovation; we are accelerating on digital and ecommerce with speed and determination. And last but not least, we are kick starting our reinvestment beyond our brands immediately.

All together, this will put us back to the virtuous circle of growth-driven value creation. Of course, our growth will be powered by strong efficiency programmes in operation. And I invite Vikram to tell you more about it.

Vikram Agarwal: Thank you. Thank you, Véronique and good morning, everyone. Speaking to you for the first time, a brief word to introduce myself: Vikram Agarwal, I took over as the Chief Operations Officer of Danone in January this year. Prior to that, I have a 30-year career with Unilever, working in various parts of the supply chain, in different parts of the world, and then Avon cosmetics, Dole Foods company, and private equity funds Cinven and Clayton Dubilier and Rice. In this role, I carry direct responsibility for all operations - plan, source, make, deliver - and I also manage the end-to-end design to deliver coordination as we call it.

Antoine and Juergen, and Veronique, have spoken about driving sustainable, profitable superior growth. It is my role and my team's role to power this with brilliant execution, bringing more predictability, more consistency, less surprises. So in the next 15 minutes, I would just like to share with you our context and our priorities.

So I'd structure this session in four parts: the first is acknowledging the 2022 global context is particularly relevant to supply chains around the world; how is Danone uniquely poised to tackle this; what are some of the short term battles that we have in this year as we speak; and what are the foundations we are building for the future.

This is what you know already. You've seen it in media, you've seen it in other investors meeting: we are living in an age of challenged supply chains in a volatile world. We have seen our suppliers' factories and our suppliers' suppliers' factories getting disrupted from multiple shutdowns, and that of course had a whiplash effect down into our supply chains. We are aware of the global container scarcity, the seeds of which were sown in 2020, with a mismatch between new container manufacturing and scrapping, and then compounded by the bottlenecks in China. We have seen numerous bottlenecks in trucking. The chart that you see here is about Europe, about the congestion points which are existing in Europe in truck transportation. And lastly manpower shortages all around, example here is of truck drivers, particularly relevant to North America, where we find that the supply of drivers has now significantly fallen behind the new fleet acquisition by operators.

On top of that, we also live in a challenged operating environment. The food safety standards in most of the countries are being actively reviewed. We are seeing taxes, getting more into how you operate; for example, plastics, for example, CO2 emissions, and import tariffs coming out of agricultural protectionism.

And lastly, the geopolitical situation is still not uncoded completely. The world has still not uncoded the Brexit code. We are having economic meltdowns in Turkey and parts of Latin America. And lastly, and very recently, the Ukraine war.

All this has manifested itself into a highly inflationary environment. We experienced high single digit, about 8%, inflation in 2021. And this is now accelerating into low to mid-teens. And this is driven by a broad-based acceleration of inflation across our key spend categories, which are milk, packaging, ingredients, as well as manufacturing and logistics.

So what is helping Danone to uniquely mitigate this?

First, Antoine talked about the new constitution of the Comex. And you see in the picture over there my ex-colleague and friend Isabelle, who is one of the leaders in R&I in the Food industry, soon to join us. And that's me, which allowing me to single mindedly focus in my core area of operations. We have got a very clear role defined of the various sub-functions of design to delivery: *Design* is our powerhouse of science and innovations; *Plan* is our big integrator; *Source* is our competitive edge; *Make* is our efficiency machine; and *Deliver* is our customer response.

But beyond the organisation, let's get into some specifics. Danone has benefited by having a very widely distributed manufacturing network. 80% of what we sell in the countries is produced in the country. This insulates us from foreign exchange fluctuations because we earn in the same currency as we spent. It insulates us from import tariffs. It insulates us from high volatility in sea freight, because we don't move materials long distance.

The second is our deep distribution network, which is designed in a way that we can reach in most places our customers in a maximum of two days. We serve over a million outlets. And you see in that example the map of Mexico, which is a direct to store model, where alone we serve 600,000 outlets. So it's a huge number of customers which we have the ability to serve. And this allows us to respond to them with much create much greater agility than many others will.

We have got dedicated R&I centres, located around the world. They've all become centres of excellence in their particular categories, in Shanghai, in Singapore, in Europe and in North America. Not only can they deliver innovations with agility to the local markets, but they also have the ability to translate these innovations across these centres into another region, where relevant. I talked about 80% being local for local, but here's the balanced 20%, which is our global sourcing hubs: wherever we can achieve upstream scale, or we have a story around the region, like in this place with evian water, or we have a high technology product which we would want to centralise and contain in one hub, particularly some which are particularly subject to regulatory changes, for example, Early Life Nutrition, there, we have been able to create global sourcing hubs and manage the products for all over the world from there.

All of the above give us multiple points of control to uniquely manage the volatility that I spoke about earlier. Here's a short one-minute video of one of our factories in Haps, the newest and the largest factory that we have in Holland, which makes Early Life Nutrition.

[Video]

Vikram Agarwal: Okay. So, what are the short-term battles that we have as we speak this year? The first priority is to secure supply and to deliver excellent customer service. We have seen that it became necessary for us to get more directly involved in having control on the upstream feedstock for our suppliers, wherever we could have significant scale, and we could create a better control on the supply than what our converters could. And this is seen as leveraging to go directly into feedstocks like paper, like plastic resins, fruits, palm oil, besides milk, where we have always been significantly upward integrated.

Secondly, it's about robust contingent sourcing. So, we have tested multiple lanes to act as contingent sources in the event that we have a disruption in the primary source. And we have had quite a bit of success in it, but this success is now being accelerated by our drive for simplification, which sees much more uniformity in product design so that these switches become smoother.

I talked about reaching deeper and reaching wider with our vendor base. Now I will talk about reaching wider as well. We are reaching out and creating more multi-sourcing options behind our key materials. We are also making our formulations more flexible so that a material if challenged can be substituted by another equivalent material quite quickly. This also applies to the way that we are looking at transportation, from a scenario where we would be depending on very few transporters, as contracted providers, we are now enlarging the universe to get a better hold on the truck availability market.

Secondly, our cost productivity. As inflation has risen, so as our cost productivity. Last year against an inflation of 8%, we delivered a productivity in the region of 5%. This year with inflation going up, we will certainly do much more than last year. All of this is aided by the strong funnel that we have built over the past few years. And that funnel has created a sort of a blue funnel for us for 2022 and 2023, which enables us to populate these programmes. So the task now is more about accelerating these programmes and getting the best out of it during the course of the year, than really us needing to go back to the white paper and finding new ideas.

Our relaunch programme is called Horizon. And as part of this, we are looking at it much more structurally at four blocks: specification management, formulations and packaging, sourcing and manufacturing, and the route to market. And within these four blocks, we are picking and identifying opportunities and accelerating them.

Thirdly, Juergen talked about it, but a much more disciplined process around how we deploy CapEx to maximise our return on assets, putting CapEx behind our growth categories with precision; at the same time ensuring that there is a discipline on the financial metrics around it, ensuring that execution is flawless once we get into the project execution stage. Besides this, operationally, what we are bringing into it is frugality of CapEx, with maximum performance. More from less. This has enabled us to divert more of our CapEx to efficiency and to capacity creation, even while we have reduced the overall envelope of capital investments.

So I now come to the last section as to how we are building up capabilities for the future, how we are making Danone's operations fit for the future.

First, and I have talked about it earlier also, it is imperative to build a resilient and a strategic supply base. Call it resilient, which means about going wider, but I also call it strategic because while we do this, we have to be sure that the strategic relationships with our key suppliers who are providers of technology and the forward thinking to us is protected. And we become the preferred customers of choice for them.

Secondly, an efficient yet flexible manufacturing footprint. I take this in two parts. The first part is what I call the four-wall efficiency: doing better within the four walls of our factory and stretching our assets to the maximum, improving our operating efficiencies, improving our factory yields. And secondly, looking at how our footprint is placed and whether that is still in tune with the growth mix that we have between our categories: for example, plant-based, certainly investing in more capacities behind it.

Third, consolidated and E-enable logistics. Why do I call it that? We come from a history where we had four supply chains operating in a market, and with Local First, we are now being able to consolidate it into one route to market. Véronique spoke about what is happening on this in the sales side, but then supporting this is the same effort on the distribution side. This helps us harness the synergies, and this also allows us to invest some of these synergies into investing in capabilities in a logistic system which are suitable for the ecommerce age, being much more responsive and being much more granular in the way we deliver our products to our customers.

Lastly, none of this can happen without an end-to-end digitalisation of our operations. This is the turbine which will power everything which I have said. As a part of this, we are looking at powering our factories with digital manufacturing, bringing in new capabilities over there to make our assets perform more optimally. We are now setting up control towers for integrated, end-to-end planning, not just within our own operations but linking back to our suppliers and linking forward to our customers.

We are also applying digitalisation in the way that we innovate and the way we manage our innovation funnel, and we take it forward and bring it to deployment. All this will help us manage our S&OE processes much more optimally with much more dynamic trade-offs. It will enable us to reduce our working capital and it'll enable us to do real-time tracking of our logistics, leading to higher customer service.

So, I'll conclude over here with a note that, coming into Danone, I see a very rich and a very high-quality asset base. The task is now to accelerate it, to turbocharge it into great performance. Thank you.

Advertisement [02:26:41 – 02:39:36]

Shane Grant: Good morning, everyone. My name is Shane Grant, and I'm pleased to be here with you today. And I hope, first and foremost, that you are all safe and well, I have the pleasure today to talk to you about our North America business, specifically, the work we've been doing to redefine our growth strategy, to reignite our market-centric culture, to reattach, Danone's largest market to growth. I plan to share this with a specific look at a key, as Antoine described, win where we are example and the number one country category sale on Danone yogurt in North America.

First, some brief context on the North America business. Noram represents approximately 20% of group revenues. From Yogurt to Creamers, to Coffee, to Plant Based, the portfolio is balanced across scaled, growth segments. It has quality leadership in key categories and is a strong challenger in others.

Our footprint is geared to growth. From gut health, to protein, to permissible indulgence, to flexitarian scale, to the rediscovery of at home, underneath the categories are positive structural drivers. Many of these trends have become amplified and we believe will continue to power more occasions with more US consumers. These trends, together with a strategy for growth, for new competitiveness, gives us humble confidence in the sustaining potential in North America.

A business with a powerful footprint, strong assets, uniquely geared to consumer trends, but also a business that had a clear case for change. The business was underperforming. Underperforming our categories, underperforming our peers, underperforming our own expectations. Until 2019, the North America, the business delivered low growth led by slow or declining performance in core categories. The business had eroded competitiveness across key segments. The business had underinvested in brands, the culture through a hard fought WhiteWave integration was too inward looking. Our goal was to reignite the potential of a powerful Danone North America platform against this diagnosis. To do that, our focus has been, and is, four things. First, a simple, but not simplistic growth strategy. Consumer centric, geared to the right revenue pools with clear portfolio choices. Second, a determination of growth opportunities in channels, in customer leadership and in ramped commercial execution, third a reinvestment and growth in our brands and in sustaining capabilities. And finally, repowering our culture towards the market, towards empowerment, towards local accountability, towards purpose as a fuel for our performance.

Those imperatives for change led us to four growth strategies, four areas of focus that frame our actions across all that we are doing. First, growing leading, consumer-centric brands, brands with purpose as a source of competitive advantage. Second, serving the food revolution with customers, driving commercial excellence with our partners. Third, investing in targeted capabilities to sustain and repeat and fourth, unlocking the power of our people and empowering them to co-own our future.

Next to our growth levers, we're also clear on the definitions of winning for different parts of our portfolio, driving for outsized growth and renewed competitiveness on plant-based beverages. Focus, the sustained winning levels of growth led by our two biggest segments, yogurt and creamers with scale up potential and specialized nutrition and sustaining market leadership with disproportionate margin progression in organic milk. Finally, "transform to win", an organization-wide initiative to power strategy to execution.

Let me talk briefly about "transform to win". A program that for North America encapsulated the principles of Local First in bringing our businesses together. Also, a program that was executed earlier: April 1st of last year, but foremost, a program to enable our strategy and create a market centric culture, several focus areas. First, a market centric organization, one where we aligned category teams to segments: Greek, Wellness, Plant-Based, for example. We were realigned customer teams from regions to channels and where we de-layered the business. One where we integrated businesses in a fit for purpose manner, Water joining a beverage business unit for scale, Nutricia as a connected, but not integrated business to respect our unique model and unique expertise.

Second, investing in new growth capabilities, digital and ecommerce, revenue growth management, and a multi-year plan to modernize our supply chain. Third, dedicated emphasis to simplify the business, fewer routines, 20% fewer projects, a more focused pipeline, a multi-month pull forward of our planning cadence, the fundamentals of ready to sell and ready to execute for co-creation with our customers and better execution outcomes.

Fourth, revitalization of our leadership behaviours. Being clear on the behaviours of our market orientated culture for our incredible team. Last, a multiyear cost rebase for reinvestment in our business.

The first outcomes in North America, the signs of market grip for our strategy and our transformation are encouraging. We have today, the strongest levels of both growth and competitiveness since Danone and White Wave came together in 2017. A few specifics. Undoubtedly, a COVID boost in 2020, and a business that adapted to compete in that moment, category package and supply chain adaptations, channel and customer shifts. A business that's been able to accelerate again in 2021 in growth and in competitiveness, a focus on the core, our two biggest and margin accretive categories, yogurt and creamers has driven solid outcomes. Acceleration from newly integrated SN and Water. It's really important for us in the change year. Also, an unfinished business, all segments growing again, but still a key competitive challenge and plant-based to address. And finally, our core yogurt category. Dairy has been our number one, strategic focus. Number one in the sequence of a North America reset. It's back to growth, accelerated in 2021 and winning share. It's this business that I would like to focus on for the balance of our time together.

Yogurt is an $8 billion segment in the US, the largest revenue pool in our business, the largest profit pool, our yogurt business was not growing, not winning, as a category was not vibrant. In 2020, we got clear on the focus areas to shift this result. Our diagnosis showed clear strengths, but also, some clear opportunities.

First, with a unique portfolio, we had leadership and probiotics, kids and plant-based, but we were slow and not sufficiently challenging in Greek. While we had market leading channel reach, we had commercial execution gaps on pricing on pack formats on core availability on channel segmentation and on customer leadership.

While there were multiple trend tailwinds, gut health, low sugar, high protein, these trends were not fully harnessed in our brands or indeed in the category. While yogurt sustained deep and loyal user base category recruitment had stalled with key occasion losses to convenience or health focused alternatives. We've spent the last 18 months deploying a new strategy, leveraging our portfolio with more precision, modernizing key brands, launching more scaled innovation, targeting new commercial growth levers, and addressing execution gaps, reinvesting in key capabilities for product differentiation, for efficiency, for selling and mobilizing a newly focused organization with the will to grow the category and win. Early results are strong.

The category has accelerated towards highest growth since 2015 and our business has accelerated further shifting from declining sales and share loss, to mid-single digit growth and share gains. It's our conviction that yogurt is a growth category and that this is repeatable. Let me share a bit of detail of what we've done, but also what's next.

Our strategy reboot was, and is, founded in the consumer. We understand the drivers of yogurt consumption for specific functional needs, for a balance of taste and health, for fuel or for reward. We know the detailed profiles and consumer segments. We have rebuilt this consumer closeness in line with our category leadership and in line with a consumer centric culture. Danone has a unique portfolio and one that reaches all major segments in yogurt.

With this, we establish clear multiyear portfolio roles. First, challenge and redefine Greek. Challenge because the segment is clearly the biggest today and redefine because of the imperative for us to be more competitive. Our actions here and have been to compete, head-to-head, with newly differentiated offers, but also, shift the segment, redefine it with more contemporary benefits, simple ingredients, lower sugar, higher protein and contemporized brands.

Second, strengthen, clear leadership and wellness from nutrition for growing kids to gut health for adults. This is a Danone stronghold and a focus for us to drive new relevance. Third, lead the next category growth engine in plant based. Easily the fastest growing segment in yogurt. On track to be a billion dollars, a segment that has grown at 10 X, the category and where we have 10 X share of the next player and where we can absolutely lead growth.

As Antoine described, this is a place to seed the future. Finally, everyday basics. The original yogurt, the original brand Danone with significant latent equity. A segment we think has the opportunity for rejuvenation as a category entry point. So, a strategy that starts with deep consumer understanding and a unique portfolio to leverage.

Let's look first at Greek and two strategies to action examples. First, Oikos. Our strategy here. Compete head to head on core Greek and shift the segment, shift it towards lower sugar, higher protein.

We've executed three things. First, launched a newly restaged differentiated core Oikos, a lower sugar, superior taste, creamy texture, 50% more fruit, co-developed with our biggest customers. Second, a restaged Oikos triple zero, a 15g protein, zero added sugar, zero artificial sweetener, 0% fat proposition, new packaging, accelerated investment vertical screen to shelf commercial pressure. Third, the launch of Oikos pro, perhaps our most assertive segment shift in action. A category redefining 20g proteins with zero added sugar and the lead for a stronger makes everything better positioning.

The results to date have been strong. For the trademark, a double-digit shift in growth and winning share. Early for Oikos core, but trial above Two Good at the same time in its launch.

For Triple Zero, high single digit retail sales growth and for Pro category, leading trial and repeat, with 60% of that growth incremental to the brand.

Next, three things. Continue to invest, equity and awareness building. Second, broaden reach, expanding formats: Core from 0% to 2% to 3%, new varieties Pro with new flavours and package diversification, new entry and upsize formats, and third, Grow Occasions: Pro with drinks with potential beyond yogurt.

Antoine shared already the Oikos Pro work. Let's look at some Triple Zero work from 2020 and 2021, when Oikos was an NFL sponsor.

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Shane Grant: Second, Two Good, a brand created and launched only three years ago. And one that has established a 2X leadership position in the low sugar segment. Two Good over the last two years has become the fastest growing major Greek yogurt brand in the US. It is the single largest core Greek category growth driver. The category reframe here is great taste with only 2g of sugar. Our strategy boost the winner, invest and expand, invest behind a compelling proposition, expand with more customers, more channels.

The availability runway alone can double the business, expand with new package formats and expand the product. The product you see here. Good save is a customer specific extension. It's the Two Good promise but made with verified rescued fruit at a key customer target in the US, this became the number one SKU in the segment accelerated total brand velocity. And as a proposition, we will expand nationally in 2022. This is our model for the integration of purpose and performance. From Greek to Wellness, a segment where we have clear leadership. Number one in kids led by Danimals, number one in adults led by Activia.

With an objective of kids' recruitment and adult retention, we have and are focused on three areas. First, strengthening Danone's Danimals leadership. Here, we're executing fundamental strengthening, a winning proposition, mom accepted and kids loved scaling key retail events and extending strength in drinkables with new formats.

Second, extending the number one organic milk brand in the US Horizon into our white space for our yogurt business, organic kids. And third, restaging our number one yogurt brand globally, Activia. The re-emergence of probiotics is clear and we've modernized the brand with contemporary gut health positioning. We have just launched new equity enhancing innovation with a specific focus on immunity and Activia plus, and we're building occasion reach in on the go with Activia Dailies. Results are strong with more runway ahead, Danimals have accelerated leadership in kids with consistent mid-single digit retail growth. Horizon is early but has velocities approaching that of the segment leader, with much more scale potential. Activia growth is robust, consistently high single digits since the restage led importantly by our new younger users and is on track to become our number one US yogurt brand again, in 2022, let's take a quick look at Activia.

Advertisement [02:55:45 – 02:56:17]

Shane Grant: Finally, on brand segments, plant-based. Behind a scaling flexitarian movement, continued product upgrades in what we call plant-based 2.0, this is a category that reaches more than one in 10 US households and has doubled penetration in the last four years. This is a category in strong double-digit growth. Our strategy here is to first, own the development of the category. We have the top two brands: Silk to drive mainstream trial and So Delicious for plant based committed. That strategy flows through to the price tiering and channel availability.

Second, dairy like. Dairy like product solutions, both in segments where we have dairy opportunity and in the fastest growing dairy segments, two examples, Silk Greek and So Delicious, low sugar, both reaching into key dairy growth opportunities, but with plant based. Then, dairy like execution scale and share a voice and in-store here, our dual scale in dairy in plant based provides advantage. Practically. When we co merchandize our dairy yogurt with plant-based yogurt, we see velocity lifts in both.

Beyond the specifics of the brand segments, we're very focused on upgrading execution fundamentals. We've made real improvements and there remains material growth opportunity with customers. And in our commercial execution. We have growth opportunity on core availability, not one of our top five yogurt SKUs is yet at 95% availability. That same opportunity exists across our top 25 packages in North America. We're executing assertively to change this.

We have growth opportunity on shelf space. We are accelerating again, our quantity of space. We're also unlocking the quality of our space. We're substituting smaller subscale innovation for scaled BETS. We're pruning our portfolio rotating more than 20% of our SKU in the last 18 months to create the space for core. With these actions, we are using space more efficiently, driving velocity per SKU to growth again for the first time, since 2016.We have growth opportunity and optimizing and innovating our package formats. We're optimizing pricing strategy on our single cut portfolio. We're expanding against the growing tubs at home occasion. We're also preparing innovation to enter entirely new package segments.

Our commercial push is enterprise wide. We are segmenting the market with more precision by category by channel by customer. Our growth algorithm is becoming much more focused. From this is coming more execution precision. Today, for example, to drive outlet level growth, we are tailoring our brand and package offerings to specific shoppers in 13 specific channel typologies we're building revenue growth management capability.

We have proven in 2021 that we can drive volume and price mix. Our next evolution is innovating on packaging with the same intensity that we do on product. We have clear growth user base margin opportunity and new packages that drive both new brand entry and premiumization. We're making progress towards our top tier customer leadership ambition. We're partnering in line with our customers' priorities, our new scale and competitiveness and ecommerce and Omni channel being just one example. And our customers are seeing progress and the advantage group rankings we've moved from bottom 10% of all CPG to the top 30% and the top 5% in key attributes like strategic alignment. These commercial and customer capabilities are and will be key to our growth.

Let me conclude by proudly stating that North America remains absolutely work in progress. To address our final two strategies, we have progressed growth capabilities like digital, like revenue growth management, and we have supply chain and customer service volatility to navigate, a supply chain to upgrade, a next wave of productivity to deliver on our people agenda with Local First, executed globally. We will now leverage a greater networked organization pulling on new capabilities and operations in R&I and then category expertise.

In our brand and commercial actions, plant-based beverages are growing, but not winning. We have plans to take on that challenge. We've yet to modernize some core brands, Light&Fit is not but can be a growth engine. And we've got significant commercial execution runway. We absolutely in North America remained constructively discontent. North America has new growth, new competitiveness. I'm confident that our growth story is unfinished. The team is focused on the market, capable, hungry, and together for Danone.

Thank you for being part of the session. And I look forward later in our time together for any questions you may have, and I hope you enjoy your other rotations with my colleagues.

Flores Wesseling: Good morning, everyone. I'm Flores Wesseling. I'm president of the European zone. And I'm here to tell you about the huge growth engine we have across Europe in plant-based. A category in which we have been a pioneer, but one that hasn't touched the limits of its potential by far.

In the next 20 minutes, I'll be taking you through the opportunity we see in the plant-based phase. But before going into that, I would like to share with you in a glance, how the newly established European zone is positioned for strong growth. We have strong historical roots in Europe with leading positions in all our main categories and have a strong geographical coverage throughout all European countries, as laid out by Veronique. Europe is also the largest region for Danone, with around 8 billion Euro in revenues combined with the healthy profitability. The transformation we have gone through under Local First has created a unique model in the way we operate and organize ourselves through a balance between autonomous business units in the countries combined with highly integrated support structure to drive scale and efficiencies.

For example, we have built a strong European D2D organization to fully leverage our skill in manufacturing. Besides that, we have pulled the majority of our R&D resources, allowing our expertise to serve all the markets. The new organization has also allowed us to move our field sales forces from a category-based organization to a channel-based setup. We are well positioned on high growth categories. We own iconic brands and our teams are ready to deliver solid growth.

A few words on our performance in the different categories, firstly, Dairy and Plant Based. It remains to be our largest category. It represents about half of our European revenues. It consists of roughly 3 billion Euro in Dairy and 1 billion Euro in Plant-Based. In Dairy, we have brought the business back to growth over the recent years, after a decade of decline. This has been done through a stronger collective focus on our three key growth platforms, such as immunity with Actimel and high protein, with YoPro. In the majority of our markets Activia is now contributing to our growth.

We continue to fix some of the underperformance in our portfolio, and we are making good progress on that. We therefore see potential for continued growth in Dairy, based on our leading position in most markets and continued acceleration on key growth spaces. In Specialized Nutrition, we have a leading position in Infant Milk formula and Adult Nutrition. On IMF, we have a positive outlook on the back of improved birth rates and stronger category momentum. We are also well positioned on our value creation journey through our strong innovation pipeline that we are deploying in the markets as we speak. Our unique paediatric portfolio with a leading allergy brand like Neocate also allows for continued growth. Adult

Nutrition remains to be a very strong asset with steady growth. And in aging societies, it will play an even more critical role in the future. In Waters, where we are effectively in five European markets, five major European markets, we are winning share and capitalizing on a positive post-COVID market recovery.

We see potential to continue to lead the category fully embedding sustainability for performance, capturing accelerated growth opportunities in small formats and sparkling on all our leading brands.

Finally, plant-based. We've doubled our plant-based business since the White Wave acquisition through strong growth in our historical core markets: the UK, the Netherlands and Germany, while rolling out Alpro throughout the European continent. We have grown the category that Alpro has invented in the eighties, unlocking plant-based out of the vegan niche into a booming flexitarian lifestyle, driven especially by younger generations.

We are now on a truly pan-European skill and operate profitably well above industry standards. We see continued double-digit growth potential, building on the heritage of the Alpro brand and the power and scale of Danone in the new organizational setup.

We will deep dive now to share how we intend to continue to capture this growth opportunity. As you can see from this chart, the plant-based category in Europe has tremendous potential for continued growth. There is a momentum to seize with a very visible acceleration of the penetration in recent years. See here, the example of Germany, where category penetration has gone from 20 to 35% in the last three years, while it took 30 years to grow from 0% to 10%. Yet, despite the acceleration, the category remains largely immature with significant headroom for growth in our core markets, but also, in the markets where we expanded to more recently. Actually, we do not consider any country to be mature yet, with the penetration of around 30%. It means we still have 2/3 of the population that's not yet buying this category.

Besides that, if we look at frequency of buying, it's clear that there's an opportunity to better route plant-based products in the daily habits. As we say internally, we are not looking for a few perfect vegans. We are after many non-perfect ones, and those are the vast majority of our consumers. Thanks to our leadership in this category, our pan-European presence and the new organization, we are best positioned to capture this growth and outperform the market.

The category is dynamic and it has been evolving to a new phase of growth. We see two main changes in the market recently. On the one hand, we've seen the rapid emergence of oat as an ingredient. This has resulted in oat becoming the number one ingredient in beverages in only two years. Although we are leader in the overall plant-based category, we are not yet leader in the oat segment, and this is being addressed.

On the other hand, the competition has intensified with many newcomers attracted by the growth potential. This will help to build and develop the category further. We classify different types of contenders, as you see here. However, the private labels which have become the number two on the beverage market requires our strongest attention.

Just as oat, this is being addressed now. And I will come back to that later. In short, these new dynamics are impacting the category and the role we play, there are areas where we need to adapt. However, none of these new players is anywhere close to our skill, geographic coverage and portfolio.

Acknowledging the changes in the category dynamics, we are and remain to be the undisputed profitable leader in this category.

We have been maintaining our market share of around 40% over the recent years. However, we also realize that we have missed some opportunities lately, with four main challenges to act upon.

First on our Alpro brand, we've been challenged by the new entrants on brand differentiation and in the new competitive environment, we will need to increase our investment levels to maintain our leadership. Secondly, we have not been leading the recent evolutions of the category. The proliferation of our innovations led us to defocus from the core and we need to catch up. Third, we are not at the leadership level we used to be in commercial execution. We are facing challenges on our in-market executions, such as the distribution of our core ranges. We need to catch up in revenue growth management to master price tiers and formats, as we do not yet leverage the full spectrum.

Lastly, as Vikram mentioned, we have recently faced challenges in our operations caused by several disruptions in supply chain, leading to service level issues. However, we sustain our strong share leadership, thanks to gains in rollout markets, which has been a priority while stabilizing our share in core markets.

As Antoine described as our priority here, we clearly have to fix a few things. Therefore, we have defined a clear action plan to step up our game with five key levers to optimize our business model. This will allow us to drive profitable growth and securing our leadership going forward. It's about brand leadership, innovation and renovation of our portfolio. Stepping up the quality of our commercial execution, excellence in operations while continuing the rollout to all European markets through a bespoke model.

I will elaborate on all five leverage mentioned here, but before we go into more details of the five levers, I want to emphasize the importance of the powerful and unique assets we have, that are the foundations of our success. We will capitalize on these assets to continue to lead. We are the inventors of the category. And over the years, we have built a uniquely integrated model to operate this category profitably at skill.

We have a very strong brand. It's one of our jewels, Alpro is the reference of the category and is by far the best known by the consumers. The Alpro brand has very strong resonance and heritage, and is well positioned to serve existing and new consumers, looking for a superior product with high nutritional value and a great taste. An offer that is appealing for the whole family. For example, our growing up milk for toddlers in the UK, has one of the fastest rate of sales on the shelf, we are by design fully in tune with the sustainability developments. And this belongs to the roots of the brand. We are the only player with true vertical integration of the value chain from upstream expertise and downstream skill, allowing us to have control agility and efficiency to operate this business above margin standards in the industry.

Finally, we are the only truly multi-play company in the category. We operate multi-ingredients, multi categories with beverages, yogurts, and desserts. We operate multichannel and we're the only player with a full pan-European presence.

Now, I would like to take you through the concrete actions we are taking on our five levers. As mentioned, we're stepping up on our communication to drive brand preference and differentiation. Let me show you one of our latest advertising to show you what I mean.

Advertisement [03:14:27 – 03:15:00]

Flores Wesseling: In our communication, we are also able to leverage the strong link we have between our brand equity and our sustainability purpose. Alpro is good for you, but also, good for the planet. Sustainability is an intrinsic element of the brand mix and has been like that consistently for a long time. Our products are good for your health, but also, good for the planet. This goes hand in hand in everything we do. On our product and portfolio, we will regain leadership in the mind of our consumers through better, bigger, and more focused innovations and renovations execution.

First, on our existing ingredient-led proposition, which we continue to renovate and innovate, we are catching up on oat. We have improved our relative market share by 10 points in the last year and steadily growing across markets. Another recognition of the strong impact of our oat renovation initiatives is our oat barista formula. That is ranked number one in blind taste test in the UK. We are constantly renovating our core. See here also the new look of the fresh beverages range that has just been brought to the market in the UK. Meanwhile, we are exploring new distinctive ingredients for the future. See the example of creamy rye that we will be launching in our Scandinavian market soon, creating uniqueness through a new locally relevant ingredient.

Beyond that, we see a clear strategic opportunity to move from simple ingredient based value propositions to benefit-lead ones that are more ownable and able to drive more uniqueness and superiority. We believe that benefit led propositions will allow us to continue to drive value up for the category and differentiate versus competition. We show here our two recent examples, one on Protein and the other, which we call Not Milk. As mentioned by Veronique, we have launched the Not Milk proposition in a few markets at the end of last year with very promising results and impact on penetration. For example, Not Milk in Germany, sourced over 50% of consumers from conventional milk. And 20% of the consumers are new to the category. As we are not present in milk in Europe, this provides an enormous growth potential without any cannibalization on our business.

We're leveraging our European presence and skill to deploy a full rollout throughout Europe in the first half of this year. Meanwhile, we are also preparing the future and continue to lead the way and build the future of the category. We see the opportunity to leverage our expertise, to deliver plant-based alternatives to our consumers and patients in our Infant and Medical Nutrition categories. These propositions are being rolled out in the second half of 2022.

The other area we need to fix some things, is the quality of our commercial execution in all our channels. On our way to commercial excellence, we have opportunities to close distribution gaps, drive perfect execution in retail and expand in other relevant channels. E-Commerce is a key opportunity. As most of our portfolio is ambient we can fully exploit the growth of the online channels. Revenue growth management is another area where we'll step up. We will do this by playing with the full pack price architecture, launching formats to drive penetration and frequency. We still have remaining geographies where we can enhance our go to market model. For example, Spain, where we are transitioning from a distributor model to our own managed route to market.

In the first quarter of this year, we will capture the benefit of the power of our Spanish organization while removing the cost of the value chain by eliminating the distributor. And lastly, and as already mentioned by Veronique, thanks to our new organizational setup, we are better equipped to expand channel coverage through our field sales forces, by leveraging existing Waters and Dairy route to markets, in core markets like Germany, UK, and Spain. It will be important to capture the bounce back of the away from home channels that we expect to see soon.

As Vikram mentioned, we are collectively strengthening our end-to-end operations as a company. This will certainly also play out in our plant-based business. What remains to be a key differentiator versus our competitors is our vertical integration. Thanks to our unique soy process, we win on taste and have the most integrated process from farm to pack. Enabling the most competitive cost. We are currently expanding similar expertise in oat, which will allow us to optimize cost, while ensuring consumer preference. We will optimize our manufacturing through leveraging our total European network while building flexibility with a mix of in-house and co-manufacturers. This allows us to continue to efficiently build capacity, to support the growth and fix our service level issues.

As a result of our new European organization, we are also optimizing the European logistics network. Our ambient beverages can benefit from the skill we have in waters and our chilled products are able to fully benefit from our vast chilled logistic network, thanks to Dairy. This way, we can better utilize our trucks and drive further efficiencies in our value chain.

Considering the maturity level of our markets in plant-based, we have developed differentiating strategies by clusters of markets, as you can see here. In our core markets, we will continue to capitalize on our broad portfolio, brand equity and investments and drive leadership. In our accelerate clusters, we have opportunities to gain share through our core portfolio, stronger execution, and over investing behind our brands. For the emerging market cluster, we will focus more on establishing the category relevance and instilling our brand.

I started sharing with you the strong position we have in Europe throughout our different categories and the opportunities that provides for Danone. It's clear that plant-based continues to provide tremendous growth opportunities for the future. We know this business best. We are the inventors of the category. We are the undisputed leader. We have built a model to operate it profitably at scale, in a changing world with new competitors and many new opportunities, we are clear on what needs to be fixed. And we are doing that now through our five steps action plan, we will capture the growth opportunity that plant-based provides in Europe. Thank you.

Bruno Chevot: Good morning. My name is Bruno Chevot. I'm in charge of the China North Asia zone. Today, I will walk you through the progress we have made and the reasons we remain very confident on China potential for Danone. One of the main objectives of this presentation is to share how we have spared no effort to shape a resilient Danone, ready to capture growth opportunities in China. You will see that we have built three solid business platforms with distinctive assets. And now, that we are pivoting to Local First, we are creating even better condition to leverage our cross-category strengths, to innovate, generate demand,

and go to market. In this presentation, we'll allocate a fair amount of time to share our perspective on the formula category dynamics in China, because we all know how important it is to our success. With China concentrating 20% of the world population, more or less the same in GDP terms, we will all agree that being at scale in China is critical to sustain global leadership. China is not only large but continues to premiumize as urbanization keeps on boosting middle class goals. It's a marketplace where we can bring added value proposition. Consumers are hungry for innovation, ready to pay more for healthier food and beverages. We have a strong presence on highly vitalized, large categories. The Infant Formula, of course, which is half of the world consumption, taking place in China, but also, the very large and growing beverage category.

The medical nutrition, which may look smaller in comparison, but growing fast and expected to accelerate further with the growing of the population. When putting this in perspective, it's certainly not a surprise that Danone China makes a material contribution to the company top and bottom line.

As hinted before, we have built three solid business platforms with unique assets and we operate at scale in China with a very compact tight brand portfolio. The Early Life Nutrition is our largest platform, the Aptamil mega brand used by millions of Chinese babies. Aptamil is the second largest brand overall and the most successful global Infant Formula brand in China.

We are a digital native business. One of the few sizable businesses, which started as a pure ecommerce model 10 years ago. It certainly explained why we can count on leading digital assets to better engage with consumer, to generate local, real world scientific evidence. And to do that fast.

Our second platform, the beverage China, is hyper efficient model. The Mizone brand is consumed by more than 350 million urban Chinese. It's the number one brand in vitamins water and occupies the fifth position within the very large beverage category. With a massive manufacturing footprint, delivering industry-leading productivity and cost-efficient route to market serving convenience stores, traditional tread. We have a platform which is ready to be stretched into multi-category health portfolio.

And finally, our Medical Nutrition business is the undisputable leader on two very targeted and highly relevant therapeutic areas. The adult tube feeling in hospital and the paediatric allergy. Present in 90% of top tier hospitals, we serve more than half of total China hospital patients with a strong reputation among authorities and scientific experts.

Let's take a closer look at our beverage platform. We have heard some of your concerns about Mizone. And let me tell you something first, Mizone is back to growth in 2021. The market share has been stabilized. The brand is extremely resilient. It's consumed by more than 40% of urban adults who are enjoying the unique sensory profile of Mizone. The brand renovation, the very discipline in-store execution combined with a relentless focus on limited skews is allowing Mizone to punch with the major players in China and hold the respectable fifth position in this highly competitive market.

Our well control and efficient food to market is securing Mizone's presence in more than 3.6 million points of sales. Our industry leading manufacturing productivity is creating the room to invest behind the brand. We are now ready to stretch Mizone franchise and will invest, starting

2022, beyond zero sugar and sparkling value proposition to recruit new users, tap into a new occasion and to put Mizone on the sustainable growth trajectory.

I should not forget at this point to mention that we are investing to future proof the model, driving carbon neutrality of our six factories and being at the forefront of PET recyclability in China.

Let's now take a look at the Medical Nutrition platform, which is well positioned to address prevalent health issues in China. The team has gained respect of healthcare professionals, thanks to our leading brands with authoritative expertise in adult tube feeding and paediatric allergy management. Nutrison is the leader of the enteral tube feeding and the brand is present in most of the top tier hospitals.

This part of the business belongs to drug very specific category. It is produced locally, ready to harvest the demographic dividends from an ageing population. More predictable than fast moving consumer goods (FMCG), it has delivered consistently double-digit growth over the past years and has potential to expand further, reaching out to more patients in smaller hospitals and to create a post-discharge self-care adjacent category.

Neocate is the leading brand in paediatric allergy. Doctor recommendation is the first point of entry in the category and then, parents are self-purchasing the brand in mother and baby store for the rest of the journey. With allergy becoming a growing concern in urban China, we have a unique opportunity to expand our portfolio into weaning and older babies to holistically support kids' allergy management journey.

I will spend now more time to expose to discuss Danone Early Life Nutrition in China, which has evolved from a pure ecommerce start-up 10 years ago, to being the first multinational player. Aptamil, with 9% market share is our mega brand asset. Aptamil's commitments to global science made relevance to local evidence and roven track record to support babies’ immunity is leading to significant share gain, in both China labels and international labels segments.

As you can see here on the left part of the screen with 25% share, we are very dominant in e-com and social commerce. Our strong grasp of China digital ecosystem has helped us to disrupt the offline route to market using data and machine learning for cost efficient solution to lower tier cities expansion. As an example, we have designed our own business to business digital ecosystem, enabling independent retailers to transact directly with us and supporting our distribution drive in lower tier cities to become quickly and cost efficiently, present in more than 2000 cities. Reaching now 60% weighted distribution, we put all our focus on vertical growth and we have improved in-store productivity by 21% last year.

Another point of competitiveness comes from our marketing team capability to leverage data, to precisely reach consumers at lower cost versus competition. We keep on investing in new capabilities, such as content factory, grassroots influences academy, first party consumer data, to enhance the relevance of our brands to Chinese consumers. This has helped our brands to enter into a virtuous circle, creating the right conditions to dramatically premiumize Aptamil and better meet expectation of Chinese mums.

As you can see in the top right of the slide, the sales contribution of our premium ranges is now at 72% and has more than double in three years. Creating conditions for being trusted by customers and independent retailers at the same time is at the heart of our commercial plans to unlock well balanced growth across channels. Probably one of the things we do better than most, is to balance carefully trade inventory and to protect profitability of our customers.

We all know how volatile and fast changing China can be. To deal with such a challenging business environment, I believe there is no other option than patiently building strong, resilient, and stable organization, capable of anticipating and quickly adapting to fast changing market conditions. Our China Early Life Nutrition business in its current scope is born only 10 years ago and I had the privilege to be part of that journey since the beginning, but more importantly, our local management team has been more than stable and has collectively accumulated more than 70 years of Early Life Nutrition business experience in China.

Looking back, we can find several proof points of our team ability to anticipate, to be quite fast at pivoting ahead of the pack and absorb external shocks. We anticipated the demand for imported products at the early stage being the first to ride the wave of e-com platform, fast development. We embraced offline opportunity in the step by step-controlled manner, carefully managing our cost base. We anticipated the rise of China pride and the importance of reshoring production to China.

You see on the right-hand side of the barcart, COVID indeed created hick-ups for international labels business, and that slowed down our performance recently, but we pivoted to "designed in China" propositions and at the same time, we launched our first made in China label, less than a year ago.

In our experience, anticipating future trends is as important as understanding underlying drivers of performance. We have leveraged our capabilities in data and digital to create a unique, ownable algorithm to forecast category shifts.

We start by understanding and predicting China new-borns, deep diving into female cohort, marriage rate, uptake of 2+ children. Then we project the Per Capita consumption. So, the assessment of the category penetration, which is linked to organization lengths, the consumption journey, and finally, forecasting the pricing and the mix shifts to project value goals.

The model is now delivering up to 98% accuracy, six months ahead, including at China and international label granular level. This is a true competitive advantage, critical to our ability to manage demand cycle, strengthen control of the trade flow, improve inventory freshness and adjust the production planning for maximum efficiency.

Much has been mentioned about category headwinds, collapse in birth rate and the lack of attractiveness of the IMF category in the future. We don't fully share that view. Despite the double-digit newborn decline over the past two years, the urbanization and the increased penetration have helped the category to stay flat in volume and slightly positive in value.

We expect a challenging two years in 2022 and 2023. With the recent birth rate fall and fully impacting the zero to 3 years child population, the category will turn negative in volume and stay flattish in value. However, by 2024, with a fertile woman cohort that is stabilizing, multiple birth incentive, continuous penetration gains, we expect the category to stabilize in volume and come back to modest growth in value.

We have heard many questions on pricing. Whilst we do believe that like-for-like pricing should not increase much with the continuous appetite of Chinese parents for added value innovation, we expect premiumization mix effect to continue. This is even more true for lower tier cities parents who traditionally choose more premium formula and will drive the category future goals. That's why we are ready to act.

There are two horizons, and that's why we are ready to act. In the first one, the 22-23, to defend our share, investing now to amplify our existing momentum and to emerge stronger postnew China regulation. We will keep on driving superiority and relevance of our mega brand, Aptamil.

We will turn international labels into an asset with "designed for China" innovations when pending new GB regulations is hindering most channel label innovations. We will leverage digital and data for highly efficient consumer engagement and vertical growth in lower tier cities while defending our position in E-comm and China Mother and Baby stores. In parallel, we go full steam on renovating our recipes and securing China label innovations compliant with the new GB regulation, which is coming and which has been announced in February last year.

By 2024, we believe that the category will enter in the new cycle and experience on significant consolidation. We are preparing ourselves to emerge as one of the most China relevant players and accelerate growth, thanks to an outstanding portfolio and money-can't-buy teams.

The time to invest is now, and we have built the hard-to-replicate data and digital capabilities to strengthen our positions. We're investing in Aptamil mega brand superiority, leveraging our Shanghai Open Science and Research Centre. We're investing in Aptamil's superior portfolio, harvesting the innovation we seeded in the past two years, such as Profutura and Essensis. We are investing in driving Share of Mind and physical availability of Aptamil to become brand of first choice of more mums across China.

Let me share some concrete examples. As you know, we succeeded to open the Science Research Centre in Shanghai in summer 2020. This has been instrumental to our ability to "glocalize" mega brand, Aptamil, and in a short two years, we have already issued 15 publications, filed two patents, and organized six evidence studies. Our rapid prototyping Digital lab has enabled us to innovate in digital services. More than 1 million Chinese mums are using our health tech tool from analyzing their baby's nappies to measure Immune strength, to coaching breastfeeding by optimizing lactating position. And we are using a technology, which is normally use in gaming to leverage DNA and machine learning, to optimize pregnancy diet for baby's future health.

All of this to strengthen Aptamil superiority, to ensure that the brand is seen as the most scientifically advanced with proven health impact on millions of Chinese babies. Probably more than words, let's watch a short video on Aptamil in China. There are a few challenges ahead. Complying to new GB regulation with only two years' grace period, is a complex exercise for any players. We have fully mobilized our global and local cross-functional teams to make it happen. We believe that early submission and meaningful innovation supported by science is key in the process.

Having supply points fit for China regulatory requirements is essential. We have taken all the steps to ensure our manufacturing footprint is following the China GMP standard, which is now considered as the most demanding in the world. Local production is becoming critical to increase innovation speed to market. And we have taken an accelerated path to build a local supply network.

You are probably aware that we have already acquired one local site, which started production less than a year ago. And today, I'm glad to confirm the recent acquisition of a new one in Changsha within the Hunan province that will accelerate our ability to bring to Chinese consumers an outstanding channel label assortment in full GB compliance.

Talking about international labels now. The foreign labels had been a key success factor for Danone, allowing us to bring the best the world can offer to Chinese parents. We have worked relentlessly to create conditions for sustainable performance and take direct control of international labels while accelerated the channel label's business. As you can see from the bar chart, we have now more than 80% of our China business on direct channels from only 36%, five years ago. We are now well equipped with a unique launchpad to introduce global innovations designed with Chinese consumers in mind. The recent renovation of the full overseas Aptamil ProFutura range and the recent launch of the Ultra-Premium Aptamil Essensis, means our international labels premium lines can dramatically gain share in that segment. Demonstrating Chinese parents are recognizing the superiority of our Aptamil innovation, no matter the label.

The awareness and equity we are building will contribute to seed the launch of our future expanded label portfolio. And finally, I would like you to take away a couple of things. The first one, our leading position, the complement of our platforms across Early Life Nutrition, Beverages and Medical Nutrition are providing unique opportunity to expand into new promising categories at scale.

Most importantly, it's the quality, the experience, the resilience of our 8,000 Danoners in China that will enable us to accelerate and bring value to Chinese families, to Chinese society and to investors all over the world. That journey has already started. I will close the session with a short video to share our first move into Healthy Ageing as a market test. Video. Thank you very much for your attention. I'm very much looking forward to discussing further with you later today. See you. Thank you.

Henri Bruxelles: Good morning. I'm Henri Bruxelles, chief Sustainability and Strategy Business Development Officer. I've been serving Danone for the last 35 years. During that time, I've operated businesses in different geographies around the world and in different categories. I led the Waters division between 2017 and 2020, and more recently, operations, procurement and R&D before handing over to two seasoned experts, Isabelle and Vikram.

The Danone I joined 35 years ago, was built on the pioneering vision that economic performance and social impact go hand in hand serve each other. Antoine Riboud always said that in the dual economic and social project, the most important word is actually the "and". Danone's uniqueness relies in the deep belief that the social and environmental performance is tied with the economic one, one serving the other and vice versa. Danone as a company has gone through several transformations from glass manufacturer to healthy categories, with an ambition to make our business always stronger and more robust.

But very importantly, all these transformations have been connected with sustainability at the core. This is the Danone way. Three sustainability pillars have been underlying our short term and long term performance. First, the health impact. Designing an always healthier category portfolio. Second, the people impact, with a leading way to run open dialogue and support value creation in our ecosystems. And finally, nature impact where Danone initiated decades ago, programs together with partners like the collection of our packaging and the carbon accounting and reduction. In a way, Danone was pioneer in applying the double materiality concept way before it even existed. In recent years, as Antoine de Saint-Affrique was sharing, sustainability became somehow disjointed from the performance.

And today, I want to show you how Danone is the leader on each of these dimensions with tangible achievement, but above all, how we will reunite sustainability and performance, leveraging our pockets of excellence.

Let's start with Health. Today, the food industry is often questioned on its contribution to the growing nutrition-related human health issue worldwide. In Danone's case, our portfolio positions our company as part of the solution to these issues rather than part of the problem. In 2021, we have continued to improve our health positive impact. Our portfolio is unique with 90% of volume of product sold in healthy categories. 89% of volume of product sold are achieving Nutriscore A or B and 83% of volume of products sold are without any added sugar. This enables Danone to be ranked number one in ATNI’s product profile assessment.

While we have relentlessly improved the nutritional superiority of our portfolio, doing it always superior sensory experience, we are actually intentional in making health impact a differentiation driver, and we have some good examples. In Germany, Mexico, and the Netherlands, the sugar reduction in our Danonino range enabled us to outperform competition on Nutriscore and achieve superior endorsement like Stiftung Warentest, the golden standard in Germany. This drove competitive growth and market share gains, both through additional shelf space granted by our customers, but also, through the nutritional superiority recognized by mothers.

In Indonesia, where around one third of Indonesian children are suffering from stunting and anaemia, we renovated our full SGM range to increase iron absorption with iron C, this superior and improved nutritional profile enabled market share growth around 290 BPS in 2021 vs2020.

In 2021, we have also continued to improve our environmental footprint. In December 2021, CDP confirmed our triple A score, and we are one of the 14 companies out of the 12,000 scored being recognized for our combined effort to fight climate change to secure water and to preserve forest.

Behind this score, is our performance. We are continuing our carbon intensity reduction journey with 27% reduction of full scope emissions like-for-like since 2015 and reaching 2.4% reduction in 2021. We have also reduced by 50%, our water consumption in operations vs 2000. Finally, 84% of the packaging used is already recyclable, reusable, or compostable, progressing 3 points vs 2020, and paving the way to reach the 100% ambition.

While we actually display a very pragmatic approach on what is the best solution to reach it in each category and geography. As for Health, we are intentional in making environmental performance a differentiation driver for our brands, and we have also good examples to further scale up. In the UK, we switched some of our Activia lines to 100% recyclable pots with an exclusivity at Tesco.

This helped deliver superior high double-digit net sales growth at Tesco while growing middle single digit nationally. In the United States, the unique Bee Better certified almond origin helped our Silk brand to grow thanks to unique Costco partnership, driving exclusivity of our brand on almond beverages, leading to a superior growth and record net sales last year.

And finally, on the pillar relative to people. Through these years of pandemic, we are convinced that our longstanding convictions of addressing people engagement and social impact in the most responsible way, is an incredible retention driver, but also helps the resilience of the ecosystem around which we are building our business.

Internally, we keep improving our track record on health and safety. Workplace accident frequency rate is reaching lowest ever with one point frequency rate. We also accelerated our full commitment to Inclusive Diversity, being part of the Bloomberg Gender Equality Index for the fourth time in a row and ranking number one in France, in the Equileap continuing to deploy our parental policy in all subsidiaries, improving again, our gender pay and inclusive diversity ratio. This is enabling superior engagement and higher employee experience. On the external ecosystem, we continue to deploy responsible sourcing policies on our key ingredients. Through the Danone Ecosystem fund, we reinforce the resilience of our supply chains with90 projects deployed and more than 73,000 people empowered. Across countries, this is again materialized through solid business strengthening examples.

Let's take the example of Mexico. We achieve 24% of milk supply diversified to local small-scale producers at competitive price and improved quality, ensuring more resilient, local farming systems. 3,600 farmers family membered positively impacted by revenue increase and we made it a differentiation driver for our core Danone yogurt line in Mexico. In Egypt, we developed a local soybean supply, increasing yield, revenue and working conditions of almost 3000 farmers. Through this, we ensured reduction of carbon emissions, prevent deforestation, protect from price volatility and make it again a consumer driver.

All these illustrations on Health, People and Nature have one thing in common. They have a measurable impact, both in terms of sustainability, but also, on our business performance. Be it in terms of securing the long-term resilience of our model or accelerating our growth. And this is what we want to systematize.

Let me now walk you through the most striking examples of sustainability driving performance in actually the most challenging context that we consider our benchmarks.

With Evian and Volvic, we could humbly say that we are best in class in sustainability. As we are the only two leading FMCG global brands to have achieved carbon neutrality, full scope. In our biggest and most competitive markets in Europe, we have leveraged that excellence in sustainability as a key differentiating point with consumer and in both markets, we have achieved significant economic performance.

Starting with Germany, the second largest mineral water market, and actually a very competitive one with many local and global players and a very, very high consumption per capita. German consumers are expert on water taste, their highest in eco-consciousness and having very high expectations on recyclability. We are therefore embedded strong sustainability action into our Volvic nature strengths value proposition, adapting it fully to the German markets. At the core, claiming unique raw fresh test volcanic minerality and leveraging watershed protection as a key element of uniqueness.

We move to 100% recyclability and 100% recycled material in a country with well-established Deposit Return Schemes, claiming full scope carbon neutrality, namely with 100% renewable energy. In parallel, we restaged our portfolio, deploying environmental and health-conscious aquadrinks with lower sugar, but also launching a returnable glass range through local sources with the minerality and the taste align with Volvic profile. All this, while Danone Germany reach B-Corp certification. Let me show you Volvic German communication. Video, please.

Video: [Foreign language]

Henri Bruxelles: Embedding sustainability at the very core of the brand led to very solid growth in 2020 and in 2021, Volvic is reaching its highest ever volume and net sales in Germany, gaining 130 basis point of market share with significant brand power increase, especially reconnecting with younger targets. Also, Volvic improved profitability as sustainability action went along efficient cost management.

We adapted the approach to the UK. UK is a younger, middle sized market for water, where consumers value purity and origin with high eco-consciousness, especially with sensitivity to plastic topics while recycling infrastructure is still to be improved. We have adapted the sustainability actions embedding into our Evian brand proposition, claiming the purity of the French Alps origin, highlighting first, the Evian unique carbon neutrality achievement, while implementing 100% recycled material on single formats. Leading together with local NGOs, visible recycling initiatives, culminating at the Wimbledon tournament.

Also, restaging our portfolio with a launch of Evian sparkling in can and 100% recycled material, future proofing our business. All this while certifying the entire company B Corp. That led to very strong results in 2021 with high double digit net sales growth and 120 basis point market share, again, reaching highest market share level over the last five years, and also, with significant increase in brand power.

For the last 50 years, we have been acting as leader and pioneering transformation for a more sustainable business. We have done a lot of progress and concrete actions that now need to be better leveraged in our brands for our consumers and customers. Now, we want to focus and accelerate with a key objective to maximize impact and make it more tangible within our brands.

Actually, a strategic imperative that will contribute to our performance that will drive in our categories, the market norms and practices upwards, and that will ensure our categories and supply chain resilience. It's also a competitive imperative. As we saw through these examples, sustainability well executed can be a powerful differentiation driver for our brands and the performance driver for Danone. We will leverage it for unique opportunity of partnerships with our customers, enabling competitive presence and visibility. We will drive innovation opportunities as we saw in Germany to evolve our business model. And finally, we will strive to make it a positive cost impact being more efficient and future proofing, there's extra financial materiality impact.

Finally, I believe it's a true people imperative, inspiring purposeful brands and internal engagement. We are convinced that concrete action at local level built with our stakeholders is a very strong asset to keep making Danone one of the best places to work. We have a solid framework with our Entreprise à Mission status and with our B Corp ambition, we stand by our ambitions of maximizing health impact, of reaching net 0 carbon of packaging circularity, and of social responsibility across our value chain. There are areas where we need scaling and acceleration. There are areas where we need to be more focused in order to reunite sustainability and performance. We are working on the most material, sustainability drivers for impact for each of our categories. We are worldwide leader in plant-based and plant-based is seen by young generation as a sustainability spread, both in health and environment.

So, we will continue promoting flexitarian behaviour alternative protein consumption. And we are prioritizing further work on the sustainable and local sourcing of plant-based.

Dairy is an incredible health and nutrition provider for all generations with a unique profile in terms of protein and fermentation and Dairy is deeply rooted in local agriculture. We continue to work systematically on the resilience of local farming system on promoting regenerative agriculture and reducing the methane footprint of dairy farms.

Waters. We saw it. We have four work streams. Promotion of superior healthy hydration at a moment where consumer sugar and sweetener sensitive, superior packaging recyclability, watershed protection, taking care together with local communities of our 74 impluviums and access to safe drinking water.

Finally, in Specialized Nutrition, we are pioneering the healthy topics with parenting support, packaging recyclability, innovation, and ageing well. To conclude, we learn through Evian and Volvic how to ensure sustainability meet with performance, leveraging all internal and external resources. We will deploy that way of working with a newly appointed organization, acting as an accelerator of sustainability and performance for each category and geography working between the global expertise centers on Health, Nature and People. The categories and brands identifying Sword and Shield topics with local and global value chain, but also, with partners to help us frame the most impactful action. All this with teams in charge of measuring, modelling and reporting with integrated extra financial performance, materiality and risk analysis, systematic data auditing, competitive benchmarking of impact. Improving our impact will require a precise category and geographical adapted approach to identify the best action for impact.

With a systematic and data-based approach, being truly intentional to ensure impact both on economic and extra financial performance in a precise and financially disciplined way with both a macro and local micro approach and with local collective engagement of all relevant stakeholders. With this, we will ensure sustainability as a positive impact on our growth, on our cash and we'll future proof our business. In order, actually, to reconnect with this virtuous circle where sustainability is at the service of our business performance and where our business performance is also at the service of sustainability.

We will come back to you in October, 2022 for the 50th anniversary of the Marseille speech with more details on our major programs and priorities globally by category and by geography. With this, thank you for your attention.

Advertisement [04:08:01 – end]

[END OF TRANSCRIPT]

Questions and Answers

Mathilde Rodié: Welcome back in the Plenary room. Sorry for the delay first. I hope all of you learned a lot during the breakout sessions. We'll start now the Q&A session. So you have the COMEX members on-stage and some of them also in the room, available for all the questions you may have. We are taking questions in the room and on the phone. For people in the room, if you can just stand up and present yourself before raising a question, and people on the phone, if you can press star one on your keypad if you want to raise a question also. So now, Bruno.

Bruno Monteyne (Bernstein): Good morning, Bruno Monteyne from Bernstein. It sounds very reassuring and sensible the strategy, but I'd love to play devil's advocate to some of the claims you make, and also your CFO, if I may. The first one is in terms of your strengths, you said you had brands that could cater for all your consumer needs. Now, one of those consumer needs, I think that is there is premiumization and premiumization, you're not talking about your protein with sort of new functionality, but being reassuringly expensive, the best ingredient, the best taste, whatever you like. And I don't really see that in your brand. I mean, there was a bit of a mention in the US one, is it Horizon, but it looked distinctly in 1990's kind of brand rather than reassuring the expensive. So can you really claim to cater for premium consumers wanting to pay a lot more for the best product? And a similar claim you made on localization, you sort of say it's a trend and you have great trends for it. And you mentioned some local varieties, but for most consumers, localization living in the UK would be some Welsh cows providing the milk, the berries and the apples from Kent, and that's genuinely localization with premiumization. I don't see that. So on your claims, I would argue localization and premiumization, if you've had little evidence in your current capability and brands to be able to execute that.

To the CFO, playing devil's advocate, a question would be you're aiming for below three times net Debt-to-EBITDA. I mean, all the high-quality compounding names you're competing with have net cash positions, if you obviously adjust with their financial stakes. I mean, that gives them true predictability and resilience. Are you really aiming high enough or low enough with the three times? It really doesn't seem like pretty predictable resilient target to have. Thank you.

Antoine de Saint-Affrique: So I'll take the first one as the second one is to my friend. On premiumization, I mean, I can give you a number of examples. The first one is just before our eyes and it's Evian, which is an absolute premium brand, which you find in the best tables of restaurants, or you find examples of premiumization, although it's not necessarily consumer premiumization, but you find it in what we do in our Specialized Nutrition, where you have products that are extraordinarily high value, extraordinarily scientific. When you tackle issues that are allergic issues or severe diseases with infants, you talk of products that are extremely high added value, so that we certainly have at many places in our portfolio.

When it comes to localization. No, it's not the apple from a barrel of Kent, for sure. We have some examples of that, I mean, you should take, and I think you've seen it in the US presentation when you see Too Good, it is something that is by the way, both premium and at the same time, very local. And we are talking of something that is organic, that is sexy, that speaks to the local consumer. The other way of doing localization is relevance on your global platform. So, I was talking about Actimel. When you talk about Actimel, I mean, it's a shot for immunity. The way you perceive immunity is driven also not only by the reality of it, so by the formulation, but also by some of the ingredients that you're putting in there. In some countries, it might be vitamin D because vitamin D is a symbol of this. In the same way taste localization, we think that are specific to given countries, are a way to customize.

So indeed, it's not the apple coming from a barrel of Kent, although we have some of them, Les 2 Vaches in France, but more finding the way to leverage global platforms in a way that is extraordinarily locally relevant, trying to reach the best of both worlds. Juergen?

Juergen Esser: Good morning, Bruno. I believe that the financial policy we have been describing this morning is very much in sync with the overall value creation frame we have been describing. We have seen that we have been de leveraging quite a bit 2021, again, €1.5 billion. So, we are today, in fact, at the three times multiple already, but if we want to be serious about value creation, we want to be serious about driving our ROIC and our EPS, we believe that the first and foremost priority is really to reinvest into organic growth for our business. And this means reinvesting into our brands. Everything that has been describing this morning, reinvestment means also to complete the Local First program, which is part of the next 12 months where we are going to spend another €700 million. And so rather than being obsessive about deleveraging further, be that investing into the different components, organic growth, Local First into CAPEX as we have been describing, but getting the best out of it. And combining that with a level of debt, which should stay more or less, where we are today, is the best way for the equation. So, I would not look at our policy isolated from our value creation framework.

Mathilde Rodié: Next question from Laurent Grandet, Guggenheim.

Laurent Grandet (Guggenheim): Thank you, Laurent Grandet, Guggenheim. Thanks first for having us here. It's always good to touch on the few products and see you in person. Two questions. The first one is about the global growth. I mean, you say your categories you are playing in are growing 3 to 4%. You are aiming for 3 to 5%. So could look at this. I mean, it's not overly aggressive or based on the past, it's kept reassuring. Now I'd like to understand maybe by segments of the business, you are playing, or regions where you see the regions or segments you got the most upside to category growth, and that's where there is a bit more risk. That's my first question. The second one is about margins, more on the Plant-Based versus Dairy. Still about similar, but gross margins in Dairy is a bit lower. Now that the household penetration in Plant-Based is getting higher, so maybe you would have a less A&P to spend to drive that household penetration. When do you think you will get kind of switch and more margins coming from Plant-Based and Dairy, if it comes?

Antoine de Saint-Affrique: So, I mean, let me start with the growth question. I think Juergen will address the margin question. I think you may recall one of the slides I said is one of the two most important slides, and it was about our fix and seed, and then accelerate, and moving fundamentally from underperform, to perform, to overperform. If you look at, and I said it, if you look at the last couple of years, our categories were growing 3 to 4%. We were growing on average 2.7%. So, we have been losing consistently shares, not everywhere, not to the same tune but we haven't performing to the tune of our categories. So first, getting back into the game, into performance, is what we are aiming at in the coming years, then, as we are seeding, we will strive to overperform.

I think the growth, without being specific by segment or by country, the growth can be driven in different buckets. You've seen that about 55% of our business, we're growing at the speed of the category. So, there, the nameof the game is: 1/ is to keep the momentum; 2/is making sure that as in most of those cases, we are category leader, we keep driving the category rules, which is something that we haven't done. We said about 20% of the business, and we talked about Protein, we talked about our Medical Nutrition, just to give you a bit more specifics, we were growing there much faster, but there is still acceleration to be seen. I'm sure that you've seen with Bruno, that in Medical Nutrition, we are doing great things, but we can do more there. There, we would accelerate. There's 25% of our business, which frankly speaking, we're not doing job. So there, that's why we said we fix or we sell.

So, I would look at the lens through the core, how do we drive the core, and make sure that we fuel our categories: the fast growing and how do we accelerate those, and the fix. And then we need to fix or dispose.

Juergen Esser: When it comes to margins and let me start maybe with Dairy. I mean, Antoine have been showing today this chart, which was about volume decline over the last five to six years. And everybody of us knows that this is mostly talking about Dairy, right? So when we talk about margins and profitability of Dairy, the name of the game is to fill back our capacities and to get operating leverage into our P&L, and this is exactly the name of the game which we are going for over the next couple of years. This will be combined with two elements. It will be combined with investments into A&P because Antoine also showed this morning that we have been defunding, especially our star brands in Dairy, and we need to get back to invest into them, in order to drive what we have been seeing, for example on HiPro, but it means also investments into R&I, in order to develop the heroes SKUs of tomorrow.

And so, yes, we will go back into margin growth for Dairy, as soon as we are getting volumes back in our factories. Plant-based is a different bargain, definitely yes. I think we are very proud of the fact that we have built a Plant-based business which has a sustainable P&L, with a gross margin which in fact is relatively close to our Dairy gross margins. And we want to nurture that we build, because we truly believe in the power of this model because it will give us the ability to deliver sustainably into Plant-based. Here, we will invest intoR&I, and I think everything we have been showing on driving now a more benefit-based innovations, rather than ingredient-based innovations, is of the essence, but we also need to invest into capacity, which is to the contrary of what we are having in Dairy, right?

And so, we are investing into capacity in Europe, we are investing into capacity into the US, and I think, here, we are in the mid-term really investment journey. And so in that sense, I think the next three to four years, they look slightly different for Dairy versus Plant-based. But ultimately, I see margin expansion potential for both of them.

Antoine de Saint-Affrique: By the way, a good example of what we are doing is we've just converted, or we are in the process of converting a Dairy plants in the Southwest of France, into a Plant-based, which is a great way of using your assets, using the knowledge of the people, but turning towards our markets and rebalancing your assets.

Warren Ackerman (Barclays): It’s Warren Ackerman from Barclays. Our first one's on Plant-based; in the old regime, there was a target of €5 billion revenues by 2025. There's no mention of that €5 billion number today, so I assume it's no longer a target. And if it isn't a target, can you maybe outline what you think the Plant-based portfolio can do by 2025 and how quickly can you move the portfolio away from soy and nut-based towards oat? Does it need inorganic growth to do that? Just trying to get a sense of what's happening on Plant-based because the growth has massively slowed down over the last two quarters, after seven quarters of double-digit growth. If you can outline that would be great.

And then the other one is on the kind of brand marketing support point. You put the slide up pretty quickly, but I thought I saw a number minus 20% on brand marketing between 2017 and 2020. You talk about €300 million going back into brand marketing. How do we know that's the right number? That's 500 million or 700 million, that's just a number for 2022. But beyond 2022, you haven't given us what the baseline of advertising is to be able to assess whether that is the right level of reinvestment spend to be really helpful to get your thinking around the benchmark, what you've done around advertising. Thank you.

Antoine de Saint-Affrique: So we do probably a duet with Juergen on the second question. On the first question, I mean, currently our Plant-based business is about 2.3 billion. So, it is unlikely we will get to the 5 billion number, and while we will drive the category as hard as we possibly can, we will not get after a number for the sake of getting after a number. Winning in Plant-based, and we've seen that, is not only a matter of moving from soy to oat, but doing what we are starting to do, which is moving from ingredients to benefits, and moving also from beverage into other agencies you've seen, I mean, yogurt, I mean, offering plant-based alternatives, you've seen proteins offering plant-based alternatives. So, it is about moving into an approach which is answering the needs of the flexitarians.

We still see lots of potential. The penetration is very low. The markets keep growing. We do believe that being flexitarian will become the norm and that offering the balance will be a key growth driver. So, and by the way, we have the critical mass and the R&I to do that. On the question on brand marketing support, it brings us back into the game, but that's the start. But Juergen, maybe you want to add something?

Juergen Esser: Just to complement on what Antoine said: basically, the exercise we did is we looked at our winners, which you saw on the clusterization, and we looked at our core. And what is very clear is that for the winners we need to over proportionally invest, and for our core, we want to be at least with our share of voice at the level of the share of market, if not going beyond that. The way we have been coming to the €300 million of recurring investments, which we are going to put in place over the next 24 months. And we believe, as Antoine said, that's a good first step in order to become, again, competitive in the market. First, what is very important is to make sure that we are getting returns also on these €300 million. I think Vero showed quite good results from the reinvestments we did very selectively and very targeted, over the last six months. And so, we want to execute as reinvestment with the level of would say rigor and discipline, to make sure that we are getting the benefits from this investment before going to the next level.

Mathilde Rodié: Just maybe one question online from Jon Cox, Kepler Cheuvreux.

Jon Cox (Kepler Cheuvreux): Questions for you, just the back to this benchmarking on your overheads and sort of cost structure against peers. I want to even just give a bit more sort of like thought and discussion on that because if you look at, say, I don't know, groups of peers, your SG&A costs look like 10 points higher than some of your other peers in the food and FMCG space. Also within the COGS as well, you mentioned gross profit has been under pressure. It's really a question about feeding the machine going forward. And what sort of levers do you think you have? Is it a couple of points that you could get out of these lines to put into A&P and investments in the future?

And then just on the sort of like longer term margin guidance, and I suspected you wouldn't give any margin guidance today, Antoine. I thought you would do an EBIT growth ahead of sales type target, but you say by 2025, you'll be approaching mid teen, which would be 14, I would guess. And then just looking at it mathematically from 2020 to 2022 to get to 2025, it looks like you're implying 50 basis points per year, from the reset this year. Is that a correct way to look at that? Thanks very much.

Antoine de Saint-Affrique: Well, I think Juergen will take both actually. Thank you. But no, on the longer-term guidance, I can tell you, Jon, well, first you know me well, so you could predict, thanks. We didn't say we would be at mid-teens by 2025. We said as of 2025, we would progress towards mid-teens, which is a different thing. And there you can relook at the presentation. So I took that one away from you. Juergen, the other one is for you.

Juergen Esser: Maybe just to complement on what Antoine is just saying. I think when you are looking at our portfolio of today, Waters, Dairy, and Plant-based, each of those have the ability to expand the margins for, with all the conditions we have been discussing on the question of Laurent, and this is really about our operating leverage. Specialized Nutrition, as you know, we have a pretty good margin, and this is not only about our Early Life Nutrition business, this is also about our business in Adult and special paeds, each of them in an environment, which offers very nice profitability levels well in the twenties. And so what we are doing is to invest into our level of competitiveness to make those margins resilient. What is important for us when we look in the midterm and when you talk about mid-teens levels is that we want to go at the right speed and in the right order, and not rushing just in order to make a certain target happen by 2024, 2025. We believe that would be the wrong element to do. We want really to go first and invest into the foundations of our business into boosting short-term performance, but also into building what we need to build in order to accelerate growth in 2024 and 2025, because we believe that this will give us a much more solid foundation to really sustainably deliver mid-teens margins.

When it comes to the second question, which is about fixed cost management, I think we did a very conscious choice some 18 months ago when we launched Local First. It's true that our SG&A- and we look at it at the level of 2020 and 2021 - is not competitive. Local First is giving us something like 200-250 bps of extra margin, which we are going to reinvest as we speak. I believe that it brings us back into a field where we are more or less at par with our peers. There's no meaning, and there's no reason for us to cut more down to the bone. I think we have been busy and occupying the organization enough now with restructuring. Now the name of the game is to go for growth and to go for profitable growth. And this is what we want to do.

Antoine de Saint-Affrique: Thank you. You've heard probably a number of times, but we talked about leverage and frugality. So don't let it go back, make sure you start feeding your goals so that you can move in increments because you grow.

John Ennis (Goldman Sachs): Thank you very much. John Ennis, from Goldman. I wanted to ask about portfolio review and how you think about managing these synergies because you referenced a few Dairy brands within the underperforming list. Can you just talk me through how practically it would work to plausibly carve those assets out, how you would manage the synergies? How can you actually separate those assets from the broader Dairy portfolio? Thank you.

Antoine de Saint-Affrique: So John, I'm not going to comment on this asset or this asset, and how you untangle it. What we said very clearly this morning is either we fix the underperformers, or they will go out. We said we expect a rotation about 10% of our sales, and what we said also is we want to do it in a value in a way that is value-creating, which means that if you need to disentangle something, in whichever category, you want to do it in a way that doesn't throw the rest of the category in chaos, but in a way that is properly thought of. So that are the dysynergies you are getting, the unsheddable, they are being compensated by something else, which is why when we do those kinds of things, it's not fire sale, but it's not in a very methodical way. Otherwise you destroy value rather than create value.

Celine Pannuti (JP Morgan): Celine Pannuti, JP Morgan. So, my first question is on Dairy. What is the growth of the category? And I think the category as a bit of a renewal or rejuvenation under COVID, how is that going to stay, or stick, as people are going to be a bit less home and tempted to attend the fridge area? Well, and like if I do get you and the category, I mean, you have a big competition from private labels, how you feel that being one investing more in this category will maybe shade you away from the competition on private labels on those innovations? That's my first question.

My second question is on the guidance. So first of all, I think on the 3 to 5% top line for this year, it sounds a bit low in A/ the event of recovery in your Waters business, mix and volume, and B/s as well in inflation, so how should we look at that? And the second one is on the margin for 2022: if I compare to 2021, there's a gap, do I think that all that gap is from gross margin? Because you said that the reinvestments would, I mean, all the Local First savings are in reinvestments, or is there more investment beyond Local First? Is it all gross margin or beyond Local First, the SG&A will be under pressure? Thank you.

Antoine de Saint-Affrique: Thank you. So, we'll do a trio on the first question with Vero and Shane, and then Juergen will take the second one. I think Vero can take about the overall category growth. I think Shane has a glowing example, and you might have seen that, on how actually we regain momentum in Dairy, and you beat actually everybody including the private labels to the mark. So maybe Vero and Shane?

Veronique Penchienati-Bosetta: Yeah, so I will start, I think the first thing is that the turnaround of our Dairy portfolio started even before COVID, because remember the last quarter of 2019, our Dairy portfolio started to be back to growth. And that's very important because it shows as well that many of our brands fond a way to reconnect with our consumer base and as well attract new users, that the example of YoPro, that I explained - really able to attract new users into the categories. Now it's clear that COVID triggered several shifts in consumers, that were tailwinds for our categories: around immunity, home consumption and all that. But we believe that these trends will structurally stick, because it's really about people believing that what they eat has an impact on health. And that's what Dairy is about.

So on that, our strategy is very clear. We have 60% today of our portfolio, which is positioned on health or indulgent products, where we see strong growth potential around gut health, immunity, protein, and indulgence as well. Then on the more traditional, and I will let Shane explains, because I think what we've done in the US is a fantastic example on how we take the core business, were able to rejuvenate it and put it back to growth.

Shane Grant: Thanks, Veronique. Yes, Celine, I think firstly, we've got really strong convictions that Dairy's a growth business and I hope you saw some of that in action specifically in the yogurt business in the US. I think at least the way we've approached that as the market leader is that we have to lead the development of the category. So yes, we want to be competitive and we always hold ourselves accountable to that competitiveness, but we can, and we should, lead the category development and underneath rejunevation of the segment at least in the US has been for sure some good structural momentum pieces around yes, at home, but way beyond that: gut health immunity, low sugar, high protein, being able to harness those benefits, attach them to the category and then the portfolio in a very meaningful way, we think real stick with the category momentum.

And I think specifically on your private labels question, as the category has rebounded and our competitiveness has accelerated, we really have not seen private labels emerged as a driver of that in any kind of down trade way. In fact, we we've seen up trading based on injecting more meaning into the brand. So we do think that's repeatable. Of course, it's going to be mixed with good commercial leaders too, and good commercial discipline, but I think we've got very good conviction around the sustaining potential of Dairy.

Juergen Esser: And then when it comes to 2022 guidance, the 3 to5%, starting at the top line.2022 was the first year where we delivered more than 3% since 2015. And I think we all know that this has been done with a great dynamic, but also on the base, which has been beneficial in some parts of our categories. So in the way, 2022 is the real first year where we are going to deliver more than 3% in a corridor between 3 and 5%. And what we are going to see is that all our categories are going to contribute to this growth, which I think is a very important factor. Second element, which is important is that we need to expect that this is price driven. There's all what we are doing today. The fact that we are pricing across all geographies, it just means that we cannot expect volumes to grow. We need even to be prepared for volumes to short-term at least react negatively from our price increases. And I think that we can expect the top line to be in that bracket between 3 and 5%.

When it comes to the margin guidance, when we were discussing two weeks ago our 2022 margin development, you saw that our growth margin has been suffering in 2021 and have been suffering as the inflation on our COGS was not completely offset by the price/ mix and productivity we put in front of it. We have been able to mitigate part of it in 2021 because of a relatively low level of investment and the savings of Local First. Looking at 2022, I absolutely confirm what you would say Céline, which is that yes, we are going to reinvest 100% of what we are getting from overheads savings. And at the same moment, we know also that the inflation pressure will be fierce. I mean you have heard me talking about low to mid-teens on inflation. So we will put in front of that aggressive pricing, we put in front of that a new record of productivity, but we need to get prepared for gross margin decline in 2022, very clearly.

Mathilde Rodié: We'll take a question on the phone from Guillaume Delmas, UBS.

Guillaume Delmas (UBS): Thank you for taking my question. Hello to everyone. Two questions for me, the first one, it's more a point of clarification on margin. Juergen, when you talk about recurring operating margin growing faster than sales in 2023, 2024, are you effectively signaling not margin expansion for two years? So, in other words, priority will remain on reinvestment until you get to 2025? So, any hypothetical benefit from deflation or incremental savings would be first and foremost reinvested as opposed to flowing to the EBIT line? And then my second question is on digital and your digital effort: in your presentation you refer to e-commerce being more than 20% of Specialized Nutrition self. So, basically that would mean that online is slightly less than 6% of your turnover for EDP and Waters? My question on this is: are physically the EDP and Waters categories not lending themselves well for online, and as a result, how should we think about the first party data opportunity for these two categories? Thank you.

Antoine de Saint-Affrique: Let me take the second one probably together with Vero and I'm sure Juergen will provide clarification on the first one. On digital, we are playing on the full keyboard, so obviously our Specialized Nutrition business is very prone to digital, but e-commerce doesn't stop there, and Vero will illustrate, but in all categories, be it through our big customers, be it through our quick commerce, but also I'm sure, Vero will talk to it with our direct consumer. We have plenty of opportunities. Vero, I don't want to steal your thunder.

Veronique Penchienati-Bosetta: Okay. So yes, definitely e-commerce is super strong in Specialized Nutrition: 20%. It's strong as well in Waters because as well of the carry of the water pack and the fact that buying it online makes sense. And we have been lagging on Dairy for years, but we are catching up and that everything that we said, that's in Dairy, that's where we have seen over 2020 and 2021, the fastest growth acceleration on eBusiness across geographies, in the US, in Europe, everywhere. So we were late, we are catching up, still a lot of potential to grasp, but definitely everything that we have said that in the fact now that we're organized as one team, in each country, with dedicated e-commerce team, working across all categories, using as well the expertise that we have built over the past, some categories - Plant-based and Specialized Nutrition - to the benefit of larger portfolio is really an asset that we will continue leverage and accelerate.

Shane Grant: Maybe just a quick build on that and experience from the US, which is clearly a large EDP dominated business. The e-commerce's component of the EDP business in the US is now 10% of the mix, and that was 3% 18 months ago. So it's really ramped, and that's been obviously a deliberate effort to grow it, but also become more competitive. I would add one other nuance just to build on Veronique's point on Local First. One of the experiences given Transform to Win was executed in April, first was how we use digital expertise in different parts of the business to average up our capability. And I would point to a small bit of very special business in the US called Happy Family, where half of that business is digital. And that capability, we have very quickly exported from Happy Family to the big EDP business to really build the capability. So just to build on Veronique's point.

Antoine de Saint-Affrique: So, the start of the journey, but we are going to keep accelerating.

Juergen Esser: And the start of the journey is also in terms of margin year 2022. So, we talked about the margin reset - being above 12%. In the way 2023 and 2024 is really the phase one of going back into true organic growth model. So yes, you will have margin expansion, but also yes, we believe that this will give a more limited magnitude for a simple reason, is that we really want to invest not for the only for the short term, but really also for the midterm. We want to implement very robust and solid foundations. That's very important for us. We don't know what inflation is going to bring 2023 and 2024, let's be very clear, and we do not want to commit to a given number for this first phase of rebuilding and renewing Danone.

Jeremy Fialko (HSBC): Jeremy Fialko, HSBC. I've got a follow up question on portfolio change. From the way that you are describing, it sounds like portfolio change is mainly a way for you to exit some of your underperforming businesses, but I think there are also other drivers of portfolio change, which would be say to simplify your business and just make it more streamlined and easy to manage. And then, also portfolio change in terms of getting out of businesses where actually there's another owner that would be able to create more value or have certain synergies from that asset that you might not be able to get. So, what I wanted you to talk about is those other drivers of portfolio change, and whether you think those are kind of relevant to the business, at the moment, or whether it's strictly a case of managing out some of the underperformers? And then just also to clarify, this 10% figure that would imply selling 10% of your turnover and then acquiring circa 10% of your turnover?

Antoine de Saint-Affrique: So it's the rotation of a percentage of our sales, in rotation, which is a mix of acquisition and disposals.

Jeremy Fialko: So, it could be five and five?

Antoine de Saint-Affrique: I don't give a specific number if you allow me not to. I mean, obviously there is a dimension of managing the underperformers. There is a dimension of managing the footprints. And let me give you a very concrete with a small example: we sold recently Aqua d'Or in Denmark, fantastic brand, actually quite profitable, but we didn't have a critical mass, it didn't make sense, so we found a better owner for it. So it is not, mono-dimensional, but as we said, I mean, the core of one of the problems we are facing in terms of competitiveness is underperformance of some assets, which have been underperforming for a long time. So, we will be very determined: if we cannot fix them, we will sell them. And then we have no taboo, we have no sacred cow. So, once again, not monolithic, we have proven it and we'll keep doing it. So, a mix of both, but certainly a focus on underperformers.

Martin Deboo (Jefferies): Hi, thank you. Martin Deboo, Jefferies, two questions. One again on margins, I'm afraid, one on countries. The big revelation, the new disclosures this morning is you're making 31% margins in your new super China region, which to me strongly implies you're making in excess of that out of China infant formula. And that region is contributing a third of group profit. What is assumed in the margin guidance about the trajectory of margins in that region? That would seem to me to be the critical risk to the guidance. And the other question is Argentina was up for sale: is it still? And what are you going to do about Morocco, where even though the crisis is over, you must be constrained in your ability to take price in that market? Thank you.

Antoine de Saint-Affrique: So let me take the second question and Juergen will take the first one. We had put Argentina under strategy review, which doesn't mean by the way it was up for sale, but which meant that we were looking at all the options. We keep looking diligently at them with what we said earlier, which is with a discipline, which is what is going to be the best value creating option for the company. So that's the lens at which we will look at strategic review. Moroccan business used to be a large problem, is coming back on stream, but we do look at it in quite a bit of details to make sure as part of fixing things that are underperforming that are whatever thing we see is a lasting one and not something that will vanish again.

Juergen Esser: When it comes to China, I think it's not a surprise that is as far as a very important business in terms of size of net sales, but also in terms of contribution on profitability. When you look at it, all three businesses we are having in China, I think if Bruno was able, I hope, to convey that earlier today. We have three very strong businesses. Each of those three businesses operating in a field with a very nice margin profile. Each of them in the recent past are either holding their market share or even growing their market share, and so far obviously the name of the game is not to reinvest in order to grow our positions in China, very clearly.

If I make the bridge to our overall IMF level of profitability, you have seen that in 2021, we have been closing our IMF profitability at 23.5%. Very resilient despite all what we are discussing about inflation, despite all what we are discussing about competitive pressure, especially in China. And the thing is just very good proof point that we have the right assets, the right teams and the right plans in order to maintain a good level of profitability in this very important region for us, but it is a region for reinvestment clearly.

James Targett (Berenberg): Hi, there. It's James Targett from Berenberg. Two questions, firstly, just on these 25% of the portfolio where you think it's underperforming, maybe you could give us some of the brands or areas where you think that you have the easiest wins to turnaround in that 25%. But then secondly, just on your comments on restoring a meritocratic and performance-based culture, I just wondered if you could maybe talk about what the culture is right now if it's not meritocratic and performance-based?

Antoine de Saint-Affrique: That's a good question. So let me start with the underperforming and probably do a duet with Bruno on that. I mean, we have a number of different assets that are not performing at the level. I mean, I mentioned, or you could see on the chart some of our assets in Russia with Tema, which hasn't been doing well. Some of our traditional Dairy, Mizone had been mentioned. I also mentioned that Mizone recently had stabilized the shares and was moving forward, so back to growth. The name of the game for us in each of the cases, and it will, by the way, bridge later on to meritocratic culture, is to really have a hard look at things, go to put all the issues on the table, do a deep root cause analysis, so go to the bottom of it, and then see whether we can really fix it or not. And that's the name of the game.

So it's being much more methodical. It's making sure that we capture the issues as they arise and not much later, not shy away from calling a spade a spade. And that's what Bruno and teams have been doing on Mizone. And when you do that, you can see the results. Maybe you want to say a word on Mizone, Bruno.

Bruno Chevot: Yeah. Thank you, Antoine. Actually, we shared that earlier that Mizone is a very good example of initiatives to focus on basics and fix before we see it further. We have been able to bring Mizone back to growth, through renovation of the proposition, to make it more relevant, especially to the young urban adults in China. And then we focus all on our energy in order to drive a very efficient model, be it in route to market, delayeringthe organization, so we can be more efficient at reaching more than 3.6 million outlets in China and reinvesting behind the brand. We are not yet saying that we are the end of the fixing period but we can really see some light and which allows us as well to contemplate some new initiatives to expand the franchise of Mizone, going into new territory: I mentioned sparkling, I mentioned zero sugar. So we can really put the brand back on the sustainable growth trajectory, but at the end of the day, it's about renovation being relevant to consumers, leveraging a mega brand that was already preexisting and focusing ourself on brilliant basics execution.

Antoine de Saint-Affrique: So when it comes to the culture, let me come back to things I said at the beginning. I mean, there is, I mean, there are extraordinary, James, in Danone's culture. I mean, you have the heritage of being a brand company, an innovation company, it's a company with a very, very strong purpose, I mean, anchored into the history of the Marseille speech, "Entreprise à Mission" is something that is very important for us. So, you have things that are right below the surface in the roots that are extremely strong, I think. And the number of you ask me the question, what surprised me the most when I joined Danone was, well, you get into a company that has been in some ways battered, with a very public governance crisis, with a CEO leaving, with a massive restructuring, and you find people in the organization everywhere with a fire in their belly and a passion that is limitless for the company. And that's really what the culture is about.

The reason why I was saying the meritocracy and the performance culture is not where I want it to be is because when you have a company that is changing organization regularly over a reduced value of time, when everybody is changing, boss is changing,job is changing, you lose continuity, you lose accountability, you lose focus on what really matters, which is the consumer, the customers, so the external market, which is why really focusing on execution, refocusing on the consumer, refocusing on the shelf, is the name of the game, and then you measure the outcome of that. And the outcome of that is called brand equity, it's called market share, and ultimately, it's called profitable growth. So that's what I mean.

Mathilde Rodié: So we'll take the next question from David Hayes, Société Générale, on the phone.

David Hayes (Société Générale): Thank you, good afternoon. Two for me, one on China, and then one on the crisis in Ukraine and Russia. So just on the China side, I think, Bruno, you mentioned earlier that the regulatory change when you talked about it all started, like it's a positive change of events, but I just wonder if I could press you to go through what the extreme scenarios might be in terms of being a positive, or I guess a slight negative, depending on the process and the outcomes beginning of next year. And then on the recurring Ukraine-Russia situation I mean, can you just give us an update on where you are with that? And I guess thinking forward, is there a risk you continue to incur fixed costs in that market but suspend selling product in that market, and that becomes a profit headwind through the rest of the year at some point? Thanks so much.

Antoine de Saint-Affrique: So maybe, Juergen, you want to take the Ukraine-Russia, and then Bruno will take the China one? On the China one, things are very clear, I mean, we have been moving from day one and the process is pretty much in the control, but I'm sure Bruno can say a bit more. But maybe Ukraine-Russia to start with?

Juergen Esser: Maybe about the very tragic situation we have in Ukraine and in Russia. We have a pretty big business in Russia, it's around 5% of our net sales. Having said that, it's running at a profitability, which is below company average. So, we talk about the profit contribution, which is below 3% of company profitability. I think we had been describing at the last occasion that this is a business which is pretty local, so 90% of our sourcing is local, we produce locally, we ship locally with our own distribution arm. So we have a business which is really cash generative in rubles, in local currency, which is also self-financing itself.

The way we are looking at it is obviously we are monitoring very closely the evolution of the consumer demand to anticipate any signs of down-trading. As of today, demand is very strong. In fact, you know that we are offering very essential food - Dairy, Early Life Nutrition - to the population. We are working obviously on mitigation plans for the sanctions which are implemented. This is of course on supply, together with Vikram, to make sure that we find always the right level of supplier for ingredients and packaging, but also to make sure that we are managing our limited foreign currency exposure. Here, we are fortunate that we have been hedging a vast majority of the 2022 exposure when it comes to the US dollar, which on one side gives us the ability to access dollars because we have been forward buying, but it gives us, secondly, also the access at the very beneficial rate.

Third point probably to mention is that we are obviously very consciously managing our P&L. We did this statement on Sunday, we were very clear: we are ring-fencing all investments to protect the P&L, so we are stopping any non-essential cash outs basically, and last but not least, ensuring really access to liquidity in rubles. So again, we are cash generative in rubles. We are self-sufficient, and we are doing everything to make sure that we have a very fluent exchange with our suppliers and with our customers.

Antoine de Saint-Affrique: So, I mean, we are obviously managing the situation extremely closely. You have all the details on what's the financial impact is limited. All the options are on the table, so we keep the flexibility and we do that in very close cooperation and alignment with the French government.

Bruno Chevot: So the point on China, it's the new regulatory change with two years grace period, given to all industry players is putting pressure in the system, I think I explained that in the breakout session. And at the same time, I believe that we have taken all the necessary steps in order to be successful in that process, and also to create our room to maneuver for ourselves, be it around upgrading the capabilities and the compliance of our manufacturing footprint overseas and investing recently in having room for maneuvering in local manufacturing. I believe that we have putted in the right amount of science behind our brands in order to be seen by the SAAMR, which is the authorities regulating the market, to be seen as a very critical player. So, we are taking all the necessary steps, in an environment which as usual in context of China create some elements of risk, but also opportunities to be among the ones we're going to be successful in managing that hurdle.

Tom Sykes (Deutsche Bank): Thank you. Hi, Tom Sykes from Deutsche Bank. Just firstly on the at least 5% productivity: I know it was a topic of discussion at the full year, and you said that you know what those are now rather than having to find them, but could you maybe give a bit more detail on where those productivity gains going to come from, please? And then just to be clear on the 700 million and maybe the middle part of the 700 million you were saying you're going to invest in, partly IT and operational efficiencies. Is every part of the 700 million fixed into the P&L now going forward in 2023 and 2024, are you expecting any of that? And perhaps the 200 million in the middle to come out in 2023 and 2024, please? Thanks.

Antoine de Saint-Affrique: I think it's going to be a bit of Juergen and Vikram.

Juergen Esser: Yeah, maybe I'm going to start. So, when we talk about COGS productivity, in this last year, we did 5%, I think it's important we put it a little bit in perspective: when you look at our average GOGsS productivity between 2018 and 2020, we delivered every single year around 4.5%. This is why in 2021, we talked about the record delivery of 5%. Now, 2022, we are going to deliver more than 2021, so more than 5% of productivity, which is important in the context we are in, and this is not only an ambition, but they're also very tangible drivers behind, and maybe, Vikram, you can take that.

Vikram Agarwal: Yeah, I think so, first of all, as I said, if we are not starting this year from scratch, we build a healthy funnel in 2021, so it is more a question of accelerating what we already have in the funnel, rather than trying to look for something new. So, we are not in a situation where we are just hunting to find what are the projects and how do we deliver this year's productivity. Besides acceleration, what we are doing is a much more structured approach to how we look at the opportunities. I describe those four blocks, which line the area of simplification, which is a big driver in terms of simplification, not in terms of SKU, that's a different discussion, but simplification on the variety of the ingredients and the packaging components that we use, in trying to consolidate them, and therefore getting more buying leverage and getting more manufacturing efficiencies out of it.

The second one is in formulation on packaging, but before I going into that, I think for us, for an absolute sacred cow is a product superiority, that is something which is an uncompromisable. But if there is something which is in our product, which the consumer doesn't care for, and for example, putting more plastic than necessary in a bottle, then that is something indeed, which we will go after in terms of optimizing our packaging. Same thing for equivalent examples in packaging, maybe too much sugar, and that's what we will go after. The third area is around manufacturing. I already spoke at length about manufacturing efficiencies, and we see the four-wall improvement using techniques, such as world class manufacturing to be a structured mechanism for loss reduction in our factories and thereby get to reduce our conversion costs in the factories. And the last one also I referred to, which is about logistics: and there, the big opportunity is about synergizing the different supply chains we have, which are evolved historically with four divisions into one, and actually using that as a platform to be more value added in our logistic distribution, rather than just operating parallel chains.

Mathilde Rodié: So we'll take one last question, on the phone, from Pierre Tegner, from Oddo.

Pierre Tegner (Oddo & Cie): Hello, everyone. I have two questions, one on operating margin guidance for this year and another one on the brand portfolio. So, first on the guidance, what's the risk today to have inflation going beyond 15%? And my question on this is what's the mindset for this year: if we are going beyond the 15%, will you keep the investment in capabilities and then accept to land towards below 12% operating margin, because there is a kind of urgency to reignite the business? So, that's the first question. And the second question on the broad portfolio - it's more a question for Antoine: do you think that it's key to be focused on the biggest brands and to reignite the strategy of umbrella brands as it was 20 years ago, or do you think that you need to have a better balance brand portfolio in order to address the very different consumer needs in every division where you operate? Thank you.

Antoine de Saint-Affrique: So, Pierre, I'll take, as you suggest, the second question. When it comes to portfolio, I think, and I said it, the chance where we are blessed is we have a fantastic mix of actually very, very strong global brands and very, very relevant local brands. And the name of the game when you play in categories is to play a portfolio game. So, it helps you segment: it helps you segment from a pricing standpoint, it helps you segment from a consumer segment standpoint. And there, I think it's it is a big asset that we have. So, are we going only into umbrella brand? No actually, we have fantastic local brands which play a very important role in in our portfolio. That's why we keep looking at categories, that's why we do category management, and we do believe that winning in categories entails having a mix of offering, from very global to very local covering consumer needs and covering different price points. On the inflation, you want to?

Juergen Esser: Yes. On the margin guidance, I would say, as any margin guidance, this guidance is built on several assumptions. And we were together two weeks ago for the full year publication, you heard me talking about low to mid-teens in terms of inflation. In that moment, internally, rather the mid points when it comes to that corridor, today, we see it rather trading at the upper side of the corridor, we also see that things are evolving very fast, up and down, and so we know what we know and we don't know what we don’t know. But the important point is that this is not only about inflation, this is not the only variable in our P&L. We talked about productivity and the new record level we are going to deliver in 2022, but it's also about pricing mix and volume. And obviously our level of pricing will in one way or the other also depends on the level of inflation we are having. And so the level of aggressivity of us putting pricing in place will depend on how inflation is going to go as we travel through this year.

Mix is an important element, and I don't want us to underestimate it because you saw delivering pretty solid mix, quarter by quarter, throughout 2021. We have an ambition to deliver again solid mix contribution also in 2022. Volume is of course, one of the elements where today we have a little bit less visibility, just because in many geographies we are putting pricing in place, as we speak. And what, yes, is important for us is that we are going for reinvestment, I think we took the conscious choice to make 2020 a year of reinvestment and a year of rebuilding our foundation.

Antoine de Saint-Affrique: Good. I'm afraid it's time for us to conclude if some of you that are here wants to have a half of lunch before you catch your plane. So first, I really want to thank all of you online or here for taking the time to listen to our story and for the many questions, also for the many interactions for the people that are around, we learnt a lot from them, and it helps us hopefully improve and get better. So, we will keep interacting either directly on one-on-one, as we organize other events, because it is for us very important in terms of feedback, in terms of learning, but also, hopefully in terms of conveying the strengths of the team and the mood of the company.

Secondly, I hope we have been clear on how our plan is and how we plan to renew Danone, based on the four pillars we set out earlier. If anything, I hope that also, as I said, beyond the strategy and the numbers, you've seen a real team in action and you've seen people that are passionate. We are opening a new area for Danone, we are determined to make this journey a success. The plan presented today will be delivered by us around, but also by a very large crowd, and I said it many times, of our very passionate Danoners. We will be also, and Gilles talked about it, be supported, challenged, and ultimately held accountable by what is a very strong and profoundly refreshed board, under the leadership of Gilles. So let me end, just to say that I've no doubt that with this, all the hundred thousand Danoners are united behind that single ambition, which is to bring Danone where it belongs and do it for good. Thank you.

[END OF TRANSCRIPT]