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PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by, and welcome to the Danone Full Year 2020 Results Conference Call. (Operator Instructions) I must also advise you that this conference is being recorded today.

I would now like to hand the conference over to your first speaker today, Mathilde Rodié., Head of Investor Relations. Please go ahead.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Good morning, everyone. Mathilde Rodié speaking, Head of Investor Relations at Danone. I'm very pleased to have the opportunity to meet you through this call today, and I hope to have soon the opportunity to meet you for real. Thanks for being with us this morning for Danone full year results. I'm here with Emmanuel Faber and Juergen Esser, who will first go through the presentation before taking your questions in the second step.

Before we start, I draw your attention to the disclaimer on Page 2 related to forward-looking statements and the definition of financial indicators that we'll refer to during the presentation. And with that, let me hand over to Emmanuel.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Mathilde. Good morning, everyone. Thanks for your interest in being with us today. Today is an important milestone in what we have started already in terms of dialogue with you. You should not expect everything to be discussed today in particular, as you know, we have a very important event on the 25th of March, which we'll catch up a number of aspects of the reinvention of Danone and how we are going to be on track with our profitable growth agenda.

Today is an important milestone in this journey, and we are really happy to be able to resume our dialogue with you as of this morning. For this discussion about the reinvention of Danone, I have with me, as Mathilde said, what is actually a new team. So my friends, Juergen, Mathilde, welcome. Cecile is on the call in a completely different way. So Cecile, I just want to say a big thank you for having made all these calls with me for the last 5 years. Thanks for being with us. And the same for Nadia, whom I know is also on the webcast. Thank you for both of you to your contribution and Cecile, in particular, in what you have been doing and continue to do with us.

Before we go into the meat of that discussion, let me turn to page 5. To put it this way, the long-term performance of our company has been a topic in the press and elsewhere. We've not been able to discuss that with you. And we felt that it was important that given this exercise, we should state a few facts and figures so that we all use the same.

So just 2 pages before we move on, on the agenda. One is about the fact that on a long-term basis, on Page 5, as you can see, Danone has been delivering on sales growth, both as a total company compared to a peer group of the largest food and beverage companies listed in your universal investment. But also, if you look at it, category by category, in essential dairy and plant-based, we've been significantly doing better than our biggest global competitor.

In Specialized Nutrition, we grew 2x faster. In Waters, we grew 30% faster. And if you look at the recurring operating margins and EPS, we are 50 bps above the average in terms of recurring margin improvement. And EPS has actually been growing 60% faster than this universe.

I know some of you have been exposed to more granular visions in terms of our peers. So if you look also to Page 6, that's also a few numbers that you might want to use as the real one, which basically says something nothing new for anyone, I think, on the recurring EPS compared to our big friends, N,U and M, very successful competitors, obviously, on the peer group of investment.

We've been growing 8% CAGR the EPS over 2015 to 2019. Average growth refers to the 50% EPS growth recurring that we've been sharing with you on the total for the period. Interestingly, it's been made by a like-for-like sales growth that is really in line with this group of a -- smaller group of peers of investments. And interestingly, in terms of recurring operating margin, although this 260 bps is the fastest-growing period for margin at Danone, we can see that people that have gone actually through significant reorganization and restructuring, sinking or investing billions of euros or dollars in their transformation have actually been growing their margin faster than us.

So, with that and this brief history, let me turn now directly to Page 8 to speak about 2020. In essence, what Page 8 says is that 2020 has been for us a mix of the execution of the acceleration plan that we announced exactly 1 year ago for the year 2020 and the COVID execution at the same time. I won't spend any time on this chart, you can read the words themselves, all of them are relevant to both what Danone is truly -- what our acceleration plan is about and what is relevant in this COVID crisis.

Interestingly, on Page 9, as we do every year, but I think particularly this year, we've had significant ESG discussions with you, both in the PM meetings and in the governance meetings. And we felt it was important that we continue these sort of updates regularly with you on where we are. So on our business model, as you know, we have 3 big pillars. One is to focus on sustainable profitable growth. A few numbers to say that our plant-based business has grown 15% and that on the same business model topic, 50% of our sales are now covered by the B Corp certification.

In the middle, environmental performance. AAA, we are the only food company out of actually nearly 7,000 companies that registered to the climate disclosure, the Carbon Disclosure Project, the only AAA, which means carbon, water and deforestation, probably the only company that actually met its objectives on deforestation for 2020. And consistent with that and continuing the conversation we started with you last year, on the bottom part of the green block, we continue to decrease our total carbon emissions full cycle, including agriculture, with a cost of carbon per share that has decreased by an additional 4%.

On the yellow box, very importantly for us, the engagement of people at Danone continues to be extremely high. 90% of our employees would recommend Danone as a great place to work. This is more than 10 points above the norm for this industry, and we continue to work on diversity with now parity of directors from underrepresented nationalities within the company.

Turning to numbers now in terms of financials, Page 10. Nothing new, I guess, except simply to say that we met our guidance for last year, which we reinstated at the Q3 with a 14% recurring operating margin, slightly over-delivered on free cash flow, strong free cash flow, in particular, at the back end of the year. And like-for-like sales with the sequential improvement that lasted with or finished with 0% volume, so flat volumes in Q4, and Juergen will come back to that in a minute.

Page 11 is an illustration of what the year has been for us. When we couldn't fight against category declines and volatility and channels, we fought for market share. And you can see in different ways on this page that in the very sort of make or break blocks of our businesses around the world, on the left, like Infant Milk Formula in China, which is nearly $2 billion business; Dairy and Water, which is in Europe, which is $4 billion; Essential Dairy in North America, another $4 billion, that's $10 billion in total increased market share. Each of them increased individually market share.

The same for all the slate of brands that you can see on the right, which increased their market share anywhere between 20 bps and 200 bps for the best of them. We can come back to that. But market share trends has really been, as you have seen and heard me say all along the year, a very important parameter for us to be prepared for the rebound and the recovery this year.

On Page 12, now a bit of focus on EDP. Just to share a very important news. Of course, Plant-based in EDP is the bright spot. We'll come back to that. But dairy itself is fighting back. And as you can see, for the first time for a very, very, very, very long time, we had positive sales in Europe in dairy in the Q4. In North America, essential dairy in total also was positive. And in CIS, which obviously these 3 blocks are the super big building blocks of dairy, the same with our modern and traditional dairy portfolio that have been fueling the growth recovery.

Looking in a little bit more granularity in a couple of examples, Page 13. You can see brands like Actimel, in which we've been very agile to, for instance, put in 99% of our SKUs of Actimel last year, vitamin D. We got that brand to grow more than 10% and growing market share by 20 bps. On the right side, importantly as well, indulgence will continue to be part and probably is going to be a big part of the future as well for people in these difficult moments. And you can see that our good old brand, Danette, has also been growing, 5% growth last year and again, increase in market share.

Of course, Page 14, all of this has been fueled, and you know that for a long time already, by the fact that we have accelerated our ability and our time to market for product development. And this Page 14 shows that even further in 2020, we've actually increased the ratio of our innovation as part of total sales, more than doubled in about 4 years' time. You heard me say already that I felt in a way we were over innovating. So we can't push everything that we innovate for and that doesn't always stick on the shelves. So we took a big lesson from that, and we have already started to be more disciplined now that we have all the creativity that we need to do this.

So on Page 15 is a good example that we already shared on the left of how in the U.S. with Horizon Organic, the leading brand in the organic milk business, we've been able, by rationalizing SKUs to really push on the innovation that work. That created double-digit growth for the brand, freeing 10% of volume output for assets and 200 bps share gain. So that lesson is going to be and is actually applied everywhere now by the teams in 2020. We started already.

On the right side, you can see that we will cut, by the end of this year, up to 20% of SKUs to make sure that we actually focus on either the existing or the new innovations that are going to be here on the biggest of our brands.

Page 16. Another element for us of satisfaction for 2020 was the last year of the WhiteWave integration. Very successful value creation here. On the left block, you can see that on a CAGR since the acquisition, WhiteWave in the U.S. have grown 6%, Alpro has grown 13% on a like-for-like basis. Both of them are still improving in certain cases in their category leadership in Europe and in the U.S. In the middle, a number that we haven't shared with you, but we thought it was important given the 3-year program that we finished and completed in 2020, the legacy WhiteWave business has actually been growing 11% last year. So it's the fastest-growing business within the Danone portfolio, which basically contributed 160 bps to the growth of Danone. You remember that our estimate was that it was going to contribute anywhere between 50 and 100 bps. So we are beyond that last year.

On the right side of things, when it comes to the profitability and the operating efficiency, we've actually over-delivered on our plan of $300 million of synergies by 2020. And as a result of that, the EBITDA has grown by 40% under our management since we acquired the company.

So, turning now to immediately, Page 18. Let me briefly go with you through what's currently underway, as I started to say, which is the Danone reinvention. It's 4 building blocks, and I will go directly to Page 20, with the first building block, which is about investing for the portfolio superiority and the differentiation. Portfolio superiority versus our peers, our competitors and our peers in investment for you is plant-based, first of all. So plant-based is now representing 20% of EDP revenues, which is absolutely reaching scale. You can see that on the left. It's 10% of total sales now for Danone, unparalleled in your portfolio of investment.

Second, in the middle, we have done an incredible work to sustain and support the category penetration with, as you can see, major penetration gains in both North America and Europe since we acquired the business for the whole category. And then on the right side, we have continued to expand outside the U.S. with Alpro, now a 750 million brand. It's as big as Actimel, 60% growth since 2015 and we have doubled the number of countries in which that brand is present. In a number of those countries, it's still very small, and it paves well the way to our overall acceleration plan, as you know, and I'll come back to that for our 5 billion ambition and objective for '25.

Portfolio superiority is also about focusing on Protein. You heard me say that in the past. Still absolutely true. 2 examples here: one, globally on YoPRO, our performing sports nutrition high pro business. 3 years after launch, is EUR 130 million brand in 4 countries. Even bigger, as we've shared with you, the Two Good, which is only 2 grams of sugar, high pro, low fat yogurt in the U.S., non-GMO verified. A EUR 100 million brand after only 2 years after the launch.

Still about acceleration, e-commerce on Page 22, where it's now about 10% of our total sales. It's been growing 40% last year despite the fact that in China, obviously, as you know, with all the international labels, channels, complexities and challenges last year, this business has been declining, this particular business. And despite that, we had a 40% growth.

Interestingly, we gained market share in the most competitive markets, and in particular, here, we are sharing some EDP numbers in Europe. So if you take a couple of our largest EDP markets like France, like Spain, like the U.K., here are the kind of market share growth that we've taken on the e-commerce.

The next chapter of the reinvention is about the optimization of our execution across the value chain, which allows us to focus the way we invest. Page 24, a good example. So how science and technology in plant based, probiotics and proteins create an opportunity for us. Those of you who were with us at CAGNY, 2 years ago, would remember the left part of the chart. I shared with you that this magic triangle of plant-based, proteins and probiotics was growing 8% per annum as categories. Well, that's exactly what it did for us last year, for Danone, 8% growth. So it's one of the core engines of the reinvention of Danone in the COVID world, and as a result of that, all the brands that you see on the right here will have a clear investment support to continue to grow throughout this year immediately.

The next page on Page 25 is a brief illustration of how technology and proprietary knowledge on supply chains and delivery can help. You heard me say a lot of time how Alpro is totally unique in the way they are integrated from the research and development, their ingredient data set, their direct farmer relationship, their proprietary processes and capabilities and technologies. Well, the result is directly on the right side. Not only it's 4x bigger than the #2 in Europe, but it's also the first brand of choice for twice more consumers than its next biggest competitor. And that's really because of the organoleptics and the technology that we are able to develop.

The third part of the chapter is about reshaping the organization. As I said earlier, you won't listen much from us. You may have questions this morning, but most of it will be updated with you during the CME in a few weeks' time. So be patient with us here. If you want to have a flavor of what it means on Page 27, I would simply encourage you, instead of reading this chart, that we already shared with you in November. It's just add up the numbers in terms of layers and number of units that you have at the bottom of this page, the 3, 13 and 61 is 77. That's the existing model. And the 6 and 22 is 28, that's the future model that we're putting in place. When we speak about making things simpler, leaner and more cost effective.

On Page 28, the reason we believe that we can do that is also something that we shared with you. We have an organization from the history of Danone that is about 250 bps higher than the average of our peers when it comes to SG&A. We identified that, share that with you. We believe we need to address that to reinvest both in the margin and in the support of our brands. And so on the right side, nothing new for you. EUR 700 million will be generated in terms of efficiencies and savings from this organization, which will be added to another EUR 300 million through our design to delivery end-to-end function that we have created back in October. So we intend to reduce by 20% our SG&A through the transformation program that's happening right now.

Before I turn to Juergen, the last chapter that starts on Page 29 for our reinvention is, as we discussed, reviewing our portfolio and making selective divestiture, bolt-on acquisitions. I'm thrilled to start with that latter with the acquisition of Follow Your Heart in the U.S., which is a pioneer in the plant-based cheese and mayonnaise segments in the U.S. The cheese market is bigger in the U.S. than the dairy market. The penetration of plant-based in the dairy market is 15%. It's only 2% in the cheese market. That's how big the potential is. And you can double that when you think about the food service space, where shredded and sliced plant-based cheese are poised for huge growth in whatever is pizzas and burgers and many more, macaroni and cheese, typical American dishes. So I'm thrilled to announce that. It's a typical case for us where the strength of the channels, the know-how, the knowledge of Danone will be put to continue to develop this gem of a company. A wonderful story, cultural story, founders, bright people that I would really like to welcome as part of the Danone family right now.

The other part of the chapter about portfolio review is one that is known to you on Page 31. We've started and the strategic review of both Argentina and Vega are well on track. We will update you when we have concrete news to share with you. But that's absolutely fundamental to what we want to do to drive shareholder returns through very disciplined capital allocation. That's also why there is a reminder on the bottom left part of the chart of Page 31, about Yakult, which is an example, and there could be others, of minority stakes where we exited with a significant capital gain, freeing cash to basically serve our priorities, which I would like to restate on the right side of this page.

The objective is at the core of this blue circle that you have, how to generate total shareholder returns. I'm clear on that, and we are all clear on that. So it starts with investing in profitable, sustainable growth, then making sure that we do the bolt-on acquisitions we need for the continued portfolio superiority management of Danone, coupled with a sustainable and resilient balance sheet, but also an efficient balance sheet. And therefore, the fourth driver is about dividend and share buybacks. We may have a conversation about that. We've already been very active in the past in certain period of the corporate history of Danone about share buybacks and we are completely open to that, in particular, in the current context.

The last thing I'd like to share is a news, which is that we have decided that total shareholder return is going to be part not only of my compensation, but also my full Executive Committee team as of this year for our long-term incentive plans.

Now I will skip, I think, Page 32, which basically summarizes what I just said. I will finish with 1 chart about our governance on Page 34, which basically tells you that we are very pleased that we have strengthened our governance with the decisions that were made, in particular, obviously, last year in 2020. At the back end of the year, we decided that we would welcome a new lead independent director with Gilles Schnepp, who will take his role starting next AGM, subject to your approval. We are also going to welcome 2 new members, ladies bringing additional very important expertise around our Board with Ariane Gorin in the digital space and Dr. Susan Roberts, who is a very respected scientist in the field of nutrition in the U.S.

You also know, in the middle, that we created a specific committee at the Board to monitor the transformation plan that I described and the strategic review of our portfolio which is going to be and is chaired by Benoit Potier today. And we created with your approval, 99% of our shareholders' approval in June, back in June, the creation of a Mission Committee as part of the new Danone status as an Entreprise à Mission, which monitors our progress on our social and environmental goals globally, which is currently chaired by Pascal Lamy and supported by a number of very high level global experts in their fields.

So it was a bit of a long introduction. But as you know, the last few weeks have been eventful. We were not able to speak to you. I'm super happy that we resume our ability to do so. And with no further ado, I'll turn it over to Juergen to take us through our financials for the year. Thank you.

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

Thank you, Emmanuel, and good morning to everyone. I hope you're all safe and healthy. And I'm extremely delighted to discuss with you this morning, the financial results of Danone. Let's start with the full year net sales on the next page.

We closed year 2020 with EUR 23.6 billion of net sales, declining by -6.6% on a reported basis. This decline is mostly driven by ForEx that has a -5% effect mainly due to the depreciation of the U.S. dollar, the Mexican peso, the Indonesian rupiah and the Russian ruble against the euro. Argentina, which is not accounted for in our like-for-like, added 0.3%, while scope had an impact of -0.4%, lapping the effect of the disposal of Earthbound Farm in April 2019.

On a like-for-like basis, sales declined by -1.5%. Emmanuel was mentioning that already, volumes closing almost flat at -0.1%, sequentially improving since Q2. They are flat in the fourth quarter after declines of -2.6% in Q2 and -0.4% in Q3. Value is negative at -1.5% over the year, mostly driven by negative category and country mix. Product mix was mostly negative for our Waters business due to the sharp decline of the out-of-home formats. Looking at the quarterly like-for-like evolution, sales declined by -1.4% in Q4, showing, as we expected, a sequential improvement from Q2 and Q3.

Moving to the next page to discuss our Specialized Nutrition business. On a full year basis, Specialized Nutrition declined by -0.9%, driven by COVID-related headwinds in Early Life Nutrition and notably in China, while our Medical Nutrition continued to grow despite some pressure on hospital and prescription activity. Specialized Nutrition margin declined by -74 bps, reflecting the negative country mix from China and COVID-related costs incurred this year, while product mix had a positive contribution this year, reflecting the resilience of our portfolio and strength of our innovation.

Looking more precisely into Q4, Specialized Nutrition declined by -3.1%, sequentially improving from Q3, where it declined minus 5.7%, a trend observed across all geographies. Zooming into China: China sequentially improved compared to Q3, declining at a mid-teens rate in Q4, again on a high base. Domestic channels showed improvement in Q4. Sales in Mum & Baby stores, modern trade and direct e-commerce grew low single-digit in the quarter and closed the year with the growth rate well within the category algorithm. Notably, Aptamil achieved really an excellent performance in the quarter, ranking as #1 brand in 11 11.

On the other hand, cross-border channels, which include indirect channels and the Hong Kong platform, continued to contract sharply, driven by sustained border closure and travel limitations. In Q4, these channels contracted by -45% compared to -60% in Q3.

Looking at sell-out, it's probably worth noting that we are the #1 multinational player in the overall Chinese IMF category and a close #2 in the total market. Our brands, Aptamil, Nutrilon and Karicare are gaining market share on both platforms, Chinese labels and international labels, and this throughout all year 2020. Having been able to sustain our position across channels despite all the volatility and the disruptions experienced in 2020 is an important indication for the resilience of our brands and our competitiveness in China. And finally, our Advanced Medical Nutrition portfolio posted another quarter of strong growth, contributing to the sequential improvement of the China SN platform.

Moving to Europe, performance sequentially improved from last quarter, yet remained negative with low-single digit. Infant Milk and First Diet remained negative this quarter, declining at the mid-single digit rate, driven by improving yet soft category dynamics. On the other hand, Adult Nutrition accelerated in Q4, thanks to the beginning of normalization of our hospital and prescription activity. And in rest of the world, our sizable platforms in Southeast Asia and Latin America delivered another quarter of strong growth, supported by market share gains.

Let's now move to the next page to discuss the Essential Dairy and Plant-based performance. EDP delivered a very solid and consistent performance this year, growing +3.4% in 2020. Margin held well at 10.2% despite COVID related costs. Before delving into the performance of the year, I would like to start by commenting the excellent work done over the last few years in rejuvenating and repurposing our Essential Dairy portfolio. Emmanuel mentioned it earlier already. In 2020, Essential Dairy grew low-single digit, supported by Europe back to growth and CIS recovery and Noram continued delivery.

Next to Essential Dairy, Plant-based delivered in 2020 really a stellar performance. Overall, Plant-based portfolio closed 2020 at +15% growth rate with a significant acceleration of growth in the second half of the year. Plant-based reached EUR 2.2 billion of revenues in 2020, up from EUR 1.9 billion in 2019 and is now representing around 20% of sales of our EDP division. This has been achieved thanks to the contribution of all platforms and notably Alpro, reaching around EUR 750 million of revenues and delivering high-teens growth in 2020.

Focus on Q4 developments by geography, Europe and North America sustaining their mid-single digit growth rate in Q4. In Europe, Essential Dairy delivered low-single digit growth in the quarter with a broad-based contribution from all key brands. Actimel is delivering a really exceptional growth at high-teens level, while Activia grew low-single digit with great performances in Spain, U.K., Germany and Benelux. Both brands benefited from their unique positioning on health and immunity.

Danette, also to mention, grew mid-to-high single digit and continued to gain share in the quarter. And finally, Plant-based. Plant-based delivered another exceptional performance, growing high-teens in the quarter with a contribution from all geos. In Noram, Essential Dairy posted low-single digit growth, driven by continued performance of Premium Dairy. Yogurt and Coffee Creamers were both still exposed to negatively performing away-from-home channels. However, I think important to mention that in retail channels, Coffee Creamers grew double-digit in the quarter, while Yogurt grew low-single digit with a strong contribution from probiotics and functional brands such as Activia and Two Good that reached $100 million net sales only 2 years after its launch.

In the Rest of the World, CIS delivered another quarter of growth with a balanced contribution from traditional and modern dairy brands. And finally, Latin America and Africa continued to experience pressure from COVID related restrictions.

Let's move on to the next slide and conclude the business review with Waters. For Waters, 2020 has really been a year of profound disruption. It closed the year down by -16.8%, with a margin at 7%. Volume, product mix and format mix have been significantly impaired by the COVID related disruption of our out-of-home and impulse channels. As a consequence, sales of small format declined by 30% in Q4, severely impacting the average price per liter of our Waters division.

Diving into Q4, the last quarter of the year has seen very volatile conditions, in Europe notably. Mobility indexes were relatively positively oriented in the beginning of the quarter, before a new wave of restrictions limited again out-of-home consumption, which led to strongly unbalanced dynamics during the quarter. In this context, it is worth noting that at-home consumption resisted well with revenues for large formats growing low-single digit. This resilient performance of at-home formats, combined with gains of market shares in the second half of the year, bodes well for the strength of our brands like evian or Volvic.

Latin America and Indonesia sales continued to decline steep double-digit. Both platforms remain significantly impacted by ongoing restrictions. And finally, Mizone. Mizone closed Q4 in positive territory on a traditionally small quarter. We continue to receive positive feedback on the new Mizone mix, which makes us cautiously confident in its future. Yet, we remain obviously vigilant, especially with the volatile mobility indexes, which are in China still below pre COVID levels.

Moving to the next slide on the margin bridge. Full year margin stood at 14%, down 117 bps compared to last year, which means a decrease on a like-for-like basis of 150 bps. Margin from operations down 102 bps, reflecting the headwinds related to COVID that affected our performance this year. Volumes held well, as we discussed, while mix was heavily negative, around minus 100 bps, mostly driven by negative category mix with lower sales from Specialized Nutrition, our most profitable business, and from negative country mix, reflecting the slowdown of China in 2020. We managed to pass some price, especially in the second half of the year when inflation accelerated.

Direct cost related to COVID have amounted to slightly more than EUR 150 million in 2020, representing a 62 bps negative impact on full year margin. The relative impact of those costs has decreased from the first semester to the second semester, as we have been able to better anticipate some of our needs, notably on logistics and inventories. On the other hand, we continue to incur costs related to the sanitary measures, which we put in place to protect the safety of our employees around the world.

To mitigate these headwinds, the teams did a great job and stepped up productivity efforts and we continue to manage our expenses with discipline and agility, especially in the second half of the year. This allowed us to deliver over 350 bps of productivity for 2020, unlocking close to EUR 850 million of savings. And finally, scope, currencies and Argentina had a combined positive impact of 34 bps.

Moving to the next chart on the EPS. Recurring EPS closed at EUR 3.34, down 13.2% from last year. This decrease is almost entirely driven by the decreasing operational performance. It's worth noting here the positive contribution of the financing box, reflecting the continued decrease of our net debt position. Our reported EPS stood at EUR 2.99, up 1.2% from last year. While we have been investing into the transformation of our operations and businesses, especially in EDP and SN, we benefited from the capital gain of the sale of Yakult, as Emmanuel mentioned before.

Then I think it's worth spending a minute on our carbon adjusted EPS. We brought this indicator forward last year to provide visibility into the cost of carbon emissions. In 2020, we can see that the cost of carbon per share has decreased by -4%. This has been achieved, thanks to the reduction of our carbon emissions full scope which decreased by as much as 1 million tons in 2020 and which amounts in 2020 to a total of 26 million tons. Calculated by difference, our carbon adjusted EPS stands, therefore, at EUR 1.94.

Moving to the next slide. As you know, one of our focus areas in this unprecedented year has been to deliver solid free cash flow. It stood at EUR 2.1 billion, implying a cash conversion rate of 8.7%. Working capital remained well negative at -3.1% on sales. However, this ratio deteriorated by around 100 bps, mainly due to negative channel mix, as our exposure to traditional channels in emerging markets is highly cash generative. We can expect to sequentially recover that working capital over the next quarters, contributing positively to our cash conversion moving forward.

CapEx stood at EUR 960 million, broadly in line with last year, and represented 4.1% of 2020 net sales. This stability reflects our disciplined capital allocation in a context where we accelerated investments in line with our strategic priorities, such as the digitalization of our operations.

And finally, you can see that we managed to maintain our Net Debt/EBITDA ratio stable, thanks to a net debt which stood at EUR 11.9 billion at the end of 2020, down from EUR 12.8 billion 1 year earlier.

Moving to the next page on dividend. We proposed a dividend of EUR 1.94 per share in cash. This proposition reflects 2 elements. On one hand, our consistent and balanced dividend policy, strongly pegging the dividend to operational performance and recurring EPS evolution, which is indeed decreasing in 2020. On the other hand, our proposed dividend reflects the confidence we have in our company's resilience. Our strong cash generation and balance sheet, combined with our confidence in reconnecting ASAP with profitable growth, giving us confidence for the future. This is why we intend to increase the payout ratio to 58% on recurring EPS. This dividend will be proposed at the next AGM on April 29.

And then coming to outlook on the next page. Looking at year 2021, we expect this year to be a year of recovery. Yet visibility remains limited, especially on the duration of mobility and travel restrictions that currently affect some of our platforms. On the other hand, our assumption today is that economies will progressively reopen, starting from the second semester, driven by the deployment of vaccination programs across the world. This progressive return of mobility will allow the platforms and channels that have been mostly affected in 2020 to start recovering.

Given the uncertainties, we will, therefore, not give a formal guidance for 2021 at that moment. But based on current newsflow, we continue to see 2021 as a year of 2 phases: a first semester and especially Q1 that will still be affected by mobility restrictions and a muted out-of-home consumption, where Specialized Nutrition will be exposed to the double burden of continued headwinds from its cross-border business, but also lapping of last year's high base of comps. We expect to be back to net sales growth in Q2. And then as of the second semester, we are confident in our ability to reconnect with profitable growth, thanks to easing bases of comps.

Our full year margin is expected broadly in line with that of year 2020, which leads me to my almost last page, which is about our financial targets. And just to remind what we already said in last November, our journey of reinventing Danone starts with the first milestone in targets in 2022, where we target to reconnect with pre-COVID margin levels of more than 15%, confirming our midterm target which is to deliver profitable growth in the range of 3% to 5% together with mid to high teens recurring operating margin, which is in line with our long-term goal to deliver superior sustainable profitable growth.

And then moving to the last slide before closing this financial review. I just wanted to come back to one essential component for our finance community, because we are conscious of the challenge for the investor community to connect short-term financial performance with long-term sustainable value creation of businesses. That's why we joined the UN Global Compact, SDGs CFO Task Force, and is also why we decided to map our current sustainability reporting with the TCFD. In addition, we will map our reporting against the SASB framework, and we are also working with academics to test and pilot the future of nonfinancial reporting standards.

Having said that, that concludes the financial review for 2020, and I hand it over to Emmanuel for conclusion.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Juergen. In conclusion, I will actually be very short to make sure we have time for questions. I hope you get from this conversation with us this morning that never have we felt that our One Planet. One Health framework of action is more relevant than today. Everything that we have been preparing for the last several years, that is grounded in long-term practices for Danone, but even accelerating in this moment is now in one way or the other, either copied, improved. But one way or the other, many of our competitors are doing and starting to do the same. So we really believe that it's a huge tailwind that we have to continue to sustain the superiority of our brands, consumers' preference and the overall business model.

The second is, when we're talking about portfolio superiority, we are very clear on the choices that we have made. We will prune that portfolio further, as we already said, to make sure that every business has a role in the company's equation towards the 3% to 5% mid to high-teen margins that Juergen alluded to for our midterm ambition. But we are there. We are moving there, and we continue to be.

The third is we are all hands on deck on the delivery of an agenda, which is very simple for this year, which is we are only 1 quarter away of growth. We are only 2 quarters away of profitable growth. This is what Danone's commitment is in a situation where we fully recognize, acknowledge that there are uncertainties, but we are absolutely clear that what I just said is under our control, and that is what we will deliver.

We won't be more granular today. We may be more granular when we speak about the CME, depending on many topics, but I just wanted to conclude this to say, again, that for us, this conversation today with you, which will be followed by a number of follow-up conversations, one-to-ones in the coming hours and days, is a great opportunity for us to resume our dialogue towards the reinvention of Danone and making sure the share price is where, I think, all would like it to be, which is not where it is today. Thank you.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Thank you very much. Now we're ready to open to the Q&A. I kindly ask you to limit yourself to 2 questions in order to give a chance to everyone to ask a question.

QUESTIONS AND ANSWERS

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

So first question coming from Warren Ackerman from Barclays.

Warren Ackerman - *Barclays Bank PLC, Research Division - Head of European Consumer Equity Research*

Emmanuel, Juergen. It's Warren here from Barclays. I've got 2. The first one is on margin. You said margin will be flat at 14% this year, 15% in 2022 and then mid- to high teens beyond that. To get there, you're assuming the vast majority of the new savings will drop-through to the margin. I'm just interested. Do you think that's the right thing to be doing? Should you not be fueling the business more with advertising? I'm just trying to square the overhead has been 250 bps above peers, but advertising below peers. And how do you actually get that top line margin balance right, I guess that's the big challenge.

And then the second one for Emmanuel is just around changes. I've heard a lot today around being open-minded on buybacks, changing executive compensation. You talked about being dogmatic about splitting the Chairman and CEO role. Could you touch on those 3 elements, buybacks, compensation and the CEO Chairman roles? And give us a bit more detail on your plans for each of those.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Warren. Actually, I'll also take the first question, and then Juergen may comment. We are very clear that we are not assuming that all of the EUR 1 billion of savings are going to flow directly in the margin. 100% clear that it's not the plan. We won't go into any more detail right now because, as we said, the growth event and conversation we want to have is in a few weeks' time with you guys. So you'll have to be more patient before we come to this algorithm. But let me just give you a couple of building blocks to build on the reasoning here.

So one, there will be significant reinvestments on the brands, on research, but the right approach to it on brand support in terms of efficiency of working versus nonworking, for instance, on digital versus nondigital, but also in terms of support that we bring, as I just said, the right innovations, not all kinds of innovations. So focus really. And we gave a simple idea of that when I mentioned that magic triangle, which is a huge part of the business, growing 8%, which will definitely have more support this year than it had last year. So that's one thing.

The second is if you assume that the Water margin is going to stay at 7%, that's not my assumption. The Water margin has gone down to 7% because and only because of the COVID and the way it's been operating. So if we assume in the midterm that it will stay there, it means the world is certainly not going to operate the same way it is today. We don't know. And certainly, if there is one element on which we feel that is certainly not in our own control in terms of agenda, is how fast the bars, the cafés, the restaurants, the railways, the tourism, the Chinese in Paris and all the rest will get back to normal.

But even if you say that's going to take 3 years, with a decline of 15% we had last year, that's another 3 years of 5% growth for our Water business. So between the huge efficiency platforms that we are running now on Water as on the rest to get the costs down, plus the fact that the volume uplift will create mechanically over the next several years an improvement in the margin, that big drop will not be there.

The third aspect is the portfolio. We said that portfolio management is going to be precisely fit, precisely fit, I can't be more clear, precisely fit to make sure that whatever is not having a role that will build the profitable growth agenda will not stay as part of our business. We started with a couple of 2 examples. We shared already what it means in terms of bps. So that is the way we will balance the thing and why we feel we are absolutely confident on that path. Sorry, I've been a bit long, but I felt it probably was useful for you to hear it directly from me.

On the second question, there are very different nature. There is one thing that has an evidence in the past. When 20 years ago a few of us joined the company, and we sold about 30% of the business that Danone had prior to year 2000, we engaged in a total shareholder return program that was above EUR 10 billion of cash that has been returned through share buybacks. We were among the first companies in France to go for share buybacks, on top of what we reinvested actually in emerging countries to build Eastern Europe and Russia to build Latin America to build, of course, Asia at that point in time.

So share buybacks have been there, has always been there, as a balancing element. And as we are ahead of our schedule in terms of deleverage, it would be natural for us if there was excess cash coming from the portfolio review that is underway that we would consider share buybacks as a part of the balancing element. So that's evidence from the past. So it's no change. It's simply this is a balancing element, and we may approach conditions under which that may make sense.

The second is a certainty. So it's about the present and that's what I shared about the long-term incentives on TSR. So 30% of the long-term incentives of my team and myself will be related to a TSR condition, which will be measured against the set of peers that we have been using on other metrics than TSR. So it's not a question. It's not my position. It's a decision. We recommended that, the Board has agreed to that, I can announce that today. And it's, as you know, it's been a deeper conversation for a number of years that we've had with a number of our investors, and we are pleased that we are there.

You mentioned that on the split, I was not dogmatic. So that's my position. It's not a topic for today. It might be a topic for the future because I'm not dogmatic, as I just said. But you can't expect from me any more comment on that topic today. So thank you, Warren, for your questions.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Next question is from Guillame Delmas from UBS.

Guillaume Delmas - *UBS Investment Bank, Research Division - Analyst*

Good morning, Emmanuel and Juergen, and best wishes to Cecile and Nadia. Two questions for me, please. The first one, it's really about Danone's employees and the morale right now inside the company. Because it's been undoubtedly a tough 12 months with COVID, new organizational structure, a plan that includes some significant redundancies. And now I think, for pretty much the past 4 weeks, almost on a daily basis, some newsflow about the company, which I guess must add some anxiety, uncertainty among your employees. So simply wondering how disruptive all of this has been and still is for your employees around the world? And at what point does it start having an impact on your operational performance?

And then my second question is on margins in the second half for Specialized Nutrition. So I think they came in at 22.5%. Wondering is 22% to 23% the new range for this division?

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Guillaume. I'll take the first question, let Juergen, the second one. So it's interesting, again, that what you're saying here. And I guess the 3 topics are actually very different one from another. The COVID situation is affecting all of us very clearly. Whether we work on our job in logistics bases, factories and the sales force, the merchandisers in the shops or in the headquarters or offices, one way or the other. We have been monitoring as we are every year and now every quarter with pulse reviews the morale of our team across the globe, and it is absolutely striking to see that their level of engagement has actually raised quarter-by-quarter in 2020.

Their level of conviction that our platform is the right one has increased. By platform, I mean, the business model that we've developed including the focus on sustainability, innovation, consumer preference of our brands is core to their morale. Profitable growth and the way we reconnect with that is core.

So the one thing that we want to follow very carefully, and frankly, it's something that I'm -- we are sharing as CEOs of this industry across many companies, is the fatigue. Because there is a fatigue. And it's very important that we find ways where that balance between the commitment and the engagement, and the ability to have the energy to deliver is very, very much one that, with the HR community of Danone we are working in proximity with our teams to make sure it stays in the right range.

On the redundancies that you're talking about, we are talking about here is 2,000 jobs in headquarters. This is obviously something very important for all these people. And I've put very clear words that everyone at Danone is important, everyone deserves to be dealt with in a manner that respects in managing their future career plans and potential wherever they are. It's quite natural that in the headquarters, the global headquarters of Danone, there is more emotion and uncertainty than in the 100,000 other jobs that are not in headquarters.

In particular, in France, of course, where our global headquarter is, there is more emotion among my colleagues here in this building. And we have to manage that. And we are managing that day by day. Well, among the noises that has been made over the last several weeks, if there is one that you can simply refer to, and it's not me talking, just look at the social media and the press: there is a huge support by the unions, the employee representatives to the balanced model of management of Danone. And I think this is going to stay here. The employees are clear on that.

It will not last forever and I think it needs to be clear for our people. But I can assure you that they're all working hard, and they all know that the best for the future of the company is just to deliver what each of us have to do every day in our job. And that's what our people are doing right now. Maybe I will turn to Juergen for the next question.

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

Yes. Thank you, and good morning, Guillaume. To come back to your question on Specialized Nutrition margin 2020, 2021. A few elements of reflection. Element #1, it's true that 2020 already has been, for us, in that sense, also a year of 2 phases. We have started the year with a very strong performance in China in 2020. And you know China being one of our most profitable geographies within the Specialized Nutrition portfolio. And then we expected exactly the reverse dynamics in the second half of 2020.

Now going into 2021. As we know, Q1 will still be very tough in China because of the base of comps from last year because of cross border, which probably still for a number of weeks will be disrupted. But then we see that this will stabilize and we should see a more balanced growth in between the geographies in our portfolios in Specialized Nutrition. So we will have, in the end, exactly the opposite effect of 2020, in 2021. This is one element which will help us. The other element is clearly that COVID related costs are going to carve out over the course of the year, which is an important element.

And thirdly, and most importantly, probably, I want to come back to what I said before, which is about market shares. I mean, we have been extremely successful in protecting and gaining our market share on both platforms, Chinese label and International label, which makes us also very confident for year 2021. And so to conclude, I do not expect the reset of SN margins, vis-à-vis what we have seen in 2020.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

So next question is from Celine Pannuti from JPMorgan.

Celine Pannuti - *JPMorgan Chase & Co, Research Division - Head of European Food, Home, Personal Care & Tobacco and Senior Analyst*

Yes. My first question is on reinvestment. Can you share with us how your A&P spend has been progressing over the past couple of years, let's say, 2016-2020, given that to try to understand how you will manage to reinvigorate growth going forward? If I look at 2016-2020 or exclude 2020, growth rate was never in the 3% to 5% range that you had hoped for. So last time, I think you said that out of the EUR 1 billion, you will reinvest EUR 300 million into the business. I wonder whether would that be enough. And so yes, a bit more discussion on that would be appreciated.

And my second question, maybe coming back on Specialized Nutrition. Can you talk about what is your outlook for the Chinese market cross-border channel? Will it recover, and under which horizon? And I understand that you did grow in Mainland China in the second half of last year. But how do you see local competition progressing?

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

Good morning, Celine. First, a few quick comments on A&P, which I understood has been a conversation of the past days. I will exclude for one moment 2020 which, by all means, has been a very special year. But when you look at our selling expenses, A&P and distribution costs, they have definitely been increasing over the period, as you were mentioning, '16 to '19, reflecting our focus on investing behind our brands, and which, obviously, as we know, can take very different forms depending on category and geographies. For example, in emerging markets where trade is still very traditional and extremely fragmented, it makes very often more sense to invest into salesforce and distribution gains rather than pure media.

2020 was an unprecedented year. What we have been doing is we have been managing our investment with discipline. And we have been adapting investments for all those businesses and channels, which we were the most impacted by COVID, namely in the Waters division and also the away-from-home channels across the divisions. And then looking forward, and I think you said it, we definitely intend to accelerate investments in the quarters and years to come. Big chunk of it coming from the OpEx investments related to our EUR 2 billion plan. We speak about EUR 600 million over the next 3 years, which will be dedicated to investments to support brands and innovations. And then another 20 to 30%, so the EUR 300 million you were quoting coming from the EUR 1 billion savings plan we just talked about.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Juergen. Maybe Celine, hello, your point is an important one because it looks like it's been contentious for a few of our stakeholders. And what we really want to do is to make sure that during the next CME in a few weeks' time, we will dedicate a very clear session on this algorithm and where and how we want to put additional support behind the brands. So bear with us for a moment.

On your question on SN in China. When it comes to local competition, the one thing we can say is that, as you know, there is one competitor which so far has increased market share and taken market share mostly from the domestic players. There are 2,000 brands on the Chinese market. In any mature market in early life nutrition or baby food, you'll find a maximum of, let's say, a dozen and quite often 3 or 4. So 2,000. So that's really where that competitor has actually been taking share.

Also taking share from a few international brands, obviously, not ours, as we said, as on the domestic channels, we have both grown and increased our market share, especially with our flagship brand Aptamil on Chinese labels.

When it comes to the outlook, it's much more difficult for me to share at this stage. We believe that with the gradual fade away of the pandemic, the vaccines all over the place, that travel, logistics, borders will reopen in a way that will allow flow to come back. We continue to see fundamental attractions and actually, as Juergen said, market share gains also on this channel. So we are really getting prepared for that. And in the meantime, we are developing fastly, our ability to even produce locally in China. As you know, we just acquired a factory. We are actually starting that factory in a couple of months now to start producing locally, and we continue our work of registering new recipes, going stage by stage and making progress on those stages that will unlock the full potential of the innovation range that we've prepared for China this year and probably even more than this year, next year.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Okay. Next question coming from Morgan Stanley, Richard Taylor.

Richard Taylor - *Morgan Stanley, Research Division - Equity Analyst*

2 for me. You previously had a target for ROIC to be 12%. I think you're currently at around 8% and has been below 10% for quite a long time. So do you have a target for ROIC? And will it explicitly become part of the Executive Committee's long-term incentive plan?

And then secondly, how much contribution from new business acquisitions should we expect for Danone to reach its EUR 5 billion plant-based target by 2025? And how much will that impact ROIC?

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

It's true that we finished 2019 with a ROIC which was close to 10%. And it's also true that 2020 has been severely impacting our ROIC. By the operational performance, but also by the strong negative impact from currency. It's true that we are very, very closely monitoring this indicator and are very committed to sequentially improve this, starting from 2022, driven by the return of profitable growth while being 2020 really the low point.

And I think our capital allocation priorities, as Emmanuel was mentioning them, play an absolutely key role, especially when it comes to the allocation of capital between bolt-on acquisitions and investing into profitable business.

When it comes to incentive plan, look, I mean, we have been discussing that already. We have now taken the decision to implement TSR as part of our long-term incentive plan, which in the end is closely connected to our ROIC. And so I believe that also will allow us to have the right conversations on ROIC in the Executive Committee with the Board and with our teams.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

And to your next question, Richard, about acquisitions to sustain the EUR 5 billion plan. You remember probably that last time we spoke about this, we said that from the EUR 2billion-ish or the EUR 1.7 billion previously of plant based, to the EUR 5 billion, there were 3 building blocks. One was obviously growing the core of what we have, and that's the 15% growth that we've seen - in H2 that 15% is actually even higher for plant-based across the globe. So we are really thrilled to see this acceleration, and that's absolutely part of the brands and the businesses that will get additional and focused A&P support going forward. So that's one.

The second, we said is going to be cross-categories. And just a quick update on that. But again, we'll discuss that more. We've recently introduced in Thailand, where we've based our global healthy aging acceleration unit that we spoke about on the 23rd of November. We just launched a vegetal non-dairy protein brand that has taken already in a few months' time, a 20% market share against the leader there. So that is typically the sort of things that will go cross-categories now that we have geographic-led P&Ls in a way that's much easier than in the siloed organizations that we were operating before, where people would look as consumers, as yogurt eaters on one side, or parents of babies on the other, but not connecting the dots between the two.

And the third block is, as we said, adjacencies. Some of these adjacencies we can address on a greenfield basis. Some will be addressed by brands and maybe companies that are being grown in our Danone Manifesto Ventures business, a brand like Harmless Harvest, which is a coconut water business in the U.S., they do yogurt with coconut pulp, for instance. This can be a place where we're growing the future of Danone with these incredible brands and entrepreneurs of the food revolution. And there will be more classical kind of bolt-on acquisitions as the one that we have just done, which is, frankly, not a big acquisition. It's a pioneer, iconic brand that we buy now and that maybe in 5 or 10 years' time, it will be too late or much too expensive.

So don't expect any significant dilution on the ROIC from our strategy to get from, again, the EUR 1.7 billion where we were when we first talk about the EUR 5 billion plan, the EUR 2.2 billion where we are right now at the end of 2020 to go to the EUR 5 billion in '25.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Okay. Thank you. Next question is from Jon Cox, Kepler Cheuvreux.

Jon Cox - *Kepler Cheuvreux, Research Division - Head of Swiss Equities and Head of European Consumer Equities*

Jon Cox, Kepler Cheuvreux. Just a couple of questions. When I look at the whole algorithm and looking at the dairy business specifically, you obviously had very good growth last year. And there are some COVID costs in there. I'm just wondering what is going on because the margin is sort of similar. To get to an algorithm, holding all other things equal, you need to get the water and dairy margin up to maybe 12% combined if you would imagine that nutrition will still be around 25% and around 1/3 of the business. I'm just wondering what's going on with dairy, specifically, plant-based, does that sort of dilute the profitability there, even though when you get the growth, that's actually having a bit of a negative impact there?

And within dairy, do you think there's some commoditized parts of the business which may be a weighing down on you, whether that's just liquid milk. And to add on to that, what are your thoughts on liquid milk and whether you see that as an entry into more value down the road. And I think you turned around your Russian business a few years ago, moving the mix from liquid to more interesting products. So that's a sort of first question.

Second one, I'm sorry to keep coming back to this EUR 1 billion of savings. I seem to remember at the last sort of mini Capital Markets Day, you were talking about 3/4 flowing to bottom line. And I know there's a lot of debate going on about what you should spend on A&P and the rest. So basically, today, you're saying that 3/4 level is off the agenda, and we'll get more detail on this when you have your next Capital Markets Day in March.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Maybe I can let Juergen comment on the margin for dairy.

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

Yes. So Jon, on the dairy margin, just one point, which is important to understand, which is that we are saying, indeed, we closed the year of EDP at 10.2% margin, it was unchanged vs a year ago. When we talk about COVID related costs of 62 bps across the year, you can understand that supply chain making up for a big part of the cost, especially of our EDP division, EDP division has been over-proportionally taking those costs. And so posting a margin broadly flat versus year ago, in the end, is hiding an underlying improvement of margin. I think that's the first element of importance.

Second element of importance, and Emmanuel touched that quickly in the presentation. Yes, we have been investing into growth. We have been investing into growth in Plant-based, in Actimel, in Danette and into Activia, and we see that we are earning the fruits out of that.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Yes. And again, if I may build on what Juergen just said, a combined 12% margin for dairy and water. I mean it's absolutely where we will be in the midterm equation. There is just not even a debate about this. And again, I'm back to the previous questions on the water margin and how we go, as Warren was asking, from where we are to the 15% and beyond the mid to high teen margin. Waters is not going to stay where it is in terms of margin. We halved the margin in 1 year, which is entirely due to COVID last year.

Again, water will be back. The portfolio will support, and dairy is going to be back through both what we discussed about efficiencies, the mix, of course. And I don't know if in your question there was a question also about butter. Apparently, that's something which looks like a topical issue. I am not dogmatic about butter. Let's put it this way.

Then when it comes to the EUR 1 billion savings that you're talking about, I will refer back to Juergen. Thank you, Jon.

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

Yes, yes. Probably 2 elements of reflection on this, Jon. So indeed, we said in the CME that out of the EUR 1 billion of savings, we are going to reinvest 20% to 30% into our brands and commercial plans. And this is precisely what we are going to discuss in the CME in a couple of weeks from now how we are setting the focus areas. I want just to add the second point, which is on our EUR 2 billion reinvestment program. Because at that moment, what we said is that we want to invest into the transformation of our business models as well as on the digitalization of our supply chain. It happens that we are going to adapt the pace and the agenda, especially for our packaging investment to the new reality. So the supply chain issues on recycled PET, the fact that we are pruning our SKU portfolio and so on.

This will free up in short term some funds, some resources, which we'll be able to re-divert into immediately supporting our brands and commercial plans of year 2021. And again, the CME is the perfect occasion to talk more about that in more detail.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Okay. Thank you, Jon. And now last question will be from John Ennis from Goldman Sachs.

John Ennis - *Goldman Sachs Group, Inc., Research Division - Equity Analyst*

I'll stick to one in the interest of time. And it's a follow-up on your Plant-based business. I just wondered to what degree do you think the strong Plant-based growth you've seen this year was facilitated by, I guess, a general shift to in-home food consumption, which has benefited a number of food categories this year versus a sustainable uplift in terms of household penetration. And therefore, what level of growth do you think can persist into FY '21, excluding any M&A contribution? I'll leave it with just that one.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, John. I'll probably take it. And sorry, I'll be quite qualitative, again, back to a discussion on firmer numbers in a few weeks' time for the CME. There is definitely a mix of both. The away-from-home channel, both in the U.S. and in Europe, are significant for our Plant-based business with the baristas and others. All of that has been closed. As well as ingredients in restaurants and others for dairy alternative ingredients. Although still now, the majority of the consumption is at-home. So yes, we benefited from that.

It has also installed further frequency and penetration gains. That's very clear. And our experience in the past with Plant-based is that when it's there, it stays. So the people that have started to be flexible, as we shared, and this is why we shared these penetration gains of more than 5 points in the U.S., more than 8 points in Europe over the last 5 years. This has actually been accelerated and it may be taken away back by changes of channels, et cetera, but there will definitely be a remanent impact, positive impact, of the adoption of these flexitarian behaviors for consumers that have been under confinement last year.

And again, to be more specific and bring more color to that, we will discuss those growth topics in a few weeks' time.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

So maybe last question from Jeremy Fialko from HSBC.

Jeremy Fialko - *HSBC, Research Division - Head of Consumer Staples Research of Europe*

Jeremy Fialko, HSBC, here. So just a couple of things from me. First of all, just a continuation on the previous question, which was on Plant-based, but just wonder if you could talk about what your market shares have done in plant-based because obviously, the category itself has been sort of super dynamic over the last year, lots of people have grown very quickly. So maybe if you could run through some of the main buckets and geographies there?

And then secondly, on IMF within Europe. If you could talk about the dynamics of that category. So it was pretty soft in 2020. What the outlook for that is, whether it's sort of a birth rate issue, whether it's a sort of penetration issue. Maybe what the path to growth in that area is?

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

Thank you, Jeremy. Thanks for the questions. So plant-based. As you know, the way we manage or we show up on Silk in the U.S. mostly, which is our biggest brand there, on market share is a function of the 3 big subsegments of the category. We have an absolutely dominant share in the soy segment, which you heard me say is going to be back, not the share, but the segment itself. It has absolutely unique nutritional and environmental capabilities. So we know that we are right now reinventing soy to make it shine again. The ULTRA protein soy product that we have launched recently is getting huge customer traction. And we see the market shares, not only the market shares, but actually the category back to much better shape than it used to be for the last several years. It's been declining in the U.S., as you know, way before we acquired WhiteWave, but we were confident that at certain point in time, it would come back.

I'm not saying this is the tipping point. But I was confident when we spoke 12 months ago about it. I'm even more confident now, looking at the first results of only 1 of the revolutions that we are bringing into this segment. So again, 70% market share, declining in the past. Now market share is growing on a segment that is not declining as much as it did, first of all.

Second, the almond segment. We are basically at par with Almond Breeze, Blue Diamond, in the U.S., so no big change there. We believe that we have everything it takes to continue to compete and win market share this year, in particular, when we see the traction that we get with the new Silk range and rejuvenation of its semiotics packaging and brands in the U.S. last year. So again, more to come in the CME.

And then there is oat. Oat is a very fast-growing segment on which a few other competitors started before WhiteWave did. So we are catching up. But obviously, we're starting from a more, I would say, level playing field basis versus those competitors. So not with the immediate dominance that we had in other segments. And the fact that this category is growing faster than the rest and we have a lower market share is weighing on our total market share. So that's what is the dynamic right now. And we will provide updates on how we are actually right now investing in the capabilities to make sure that we obtain organoleptic and technology in the oat field that will allow us to be completely at par or better than some of the new competitors in that space.

So that's for the U.S., but what I just said at the end is also true for Alpro. If you look at Alpro, in some markets, we have 70%-80% market share. So obviously, the story there is not to gain market share, it's to continue the growth. And if there is one thing I'm really happy about to see is that in the historical 4-5 key markets of Alpro, the growth has resumed. So our work and our competitors' work has continued to animate and grow the category. So the market shares of Alpro are growing everywhere outside of the EU 4 markets, basically. It's absolutely stable in all segments in the EU 4 market, except for oat for the same reason, as I just described, and again, we have a plan on oat that we will discuss a little bit later with you.

That's what I can share at this stage on our market shares in Plant-based. Everywhere else outside of Europe and the U.S., we are both growing the category and growing our market share. You can think about Russia, Latin America. Mexico is flying, for instance, also with market shares. And one day, we will speak about Asia. On your question about IMF in Europe, maybe I'll turn to Juergen.

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

Yes. Jeremy, a quick point on that question. It's true what I said before is that in Europe, Infant Milk and First Diet remained negative in the quarter, declining mid-single digit rate and particularly coming from First Diet. And unfortunately, there's a very simple reason for that, which is that people are staying more at home, and hence, they are more cooking and they are more cooking for their kids and babies, too. And this is unfortunately also impacting the sell-out of our First Diet ranges.

Now what we are clearly going for is that this category would come back in the way mobility is coming back over the next couple of quarters. And hence, where we are really focusing on is on market shares. And market shares are extremely well oriented over the last quarters, and this gives us confidence also in our ability to return to growth at the right moment when the category comes back to growth.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Okay. So this was the last question.

Emmanuel Faber - *Danone S.A. - Chairman & CEO*

All right. So thank you, everyone, for your interest. Let me very briefly conclude in saying that the team is here to continue the dialogue with you. Juergen, myself will meet starting after this meeting a number of our large shareholders. Super happy to resume the dialogue over these exciting developments. We convey all of you and invite all of you to join us for our CME in a few weeks' time.

Maybe my last word about this is that when we will meet, we will be only 1 week away from the first quarter where Danone will be back to growth. So I'll meet you there. Thank you.

Juergen Esser - *Danone S.A. - Chief Financial, Technology and Data Officer*

Thank you, guys.

Mathilde Rodié - *Danone S.A. - Head of IR and Financial Communication*

Thank you. Bye.
