DANONE FULL YEAR 2023 CONFERENCE CALL TRANSCRIPT

February 22, 2024 – 08:00 AM CET

COMPANY SPEAKERS

Antoine de Saint-Affrique
Danone Chief Executive Officer

Juergen Esser
Danone Group Deputy CEO in charge of Finance, Technology & Data

Mathilde Rodié
Danone Head of Investor Relations and Financial Communication

OTHER PARTICIPANTS

Bruno Monteyne
Analyst at Bernstein

Céline Pannuti
Analyst at JP Morgan

Charlie Higgs
Analyst at Redburn

David Hayes
Analyst at Jefferies

Guillaume Delmas
Analyst at UBS

Jon Cox
Analyst at Kepler Cheuvreux

Pascal Boll
Analyst at Stifel

Warren Ackerman
Analyst at Barclays

CEO INTRODUCTION

SLIDE 1 – COVER SLIDE

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Good morning, everyone. Thank you for being with us this morning for Danone's 2023 results. I'm here with our CEO, Antoine de Saint-Affrique and our CFO, Juergen Esser, who will first go through some prepared remarks before taking your questions in the second step. But before we start, I draw your attention to disclaimer on Page 41 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 Antoine.

SLIDE 2 – CEO INTRODUCTION

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Thank you, Mathilde and good morning, everyone. A warm welcome to our full year 2023 conference call. Together with Juergen, we are delighted to be with you today to share what is a strong set of results. Almost two years after the start of Renew Danone in a year once again marked by significant external challenges and volatility, we have kept transforming the company at pace and with discipline, making it step by step stronger. And for this, I want to start with a big, big thank you to all Danoners. They made it happen.
Now let's go straight into the results starting with Page 3.

SLIDE 3 – 2023 YEAR IN REVIEW: CONSISTENTLY DELIVERING ON RENEW DANONE

We closed a year of strong growth at +7.0% on a like-for-like basis. As just said, we made good progress on our strategic agenda, and it is starting to yield consistent results. Firstly, it shows with our volume/mix dynamic, which is sequentially improving and turned positive in quarter 4 at +0.8% versus last year. Importantly, improving the quality of our growth enables us to connect with a profitable growth algorithm. Better quality growth combined with record productivity on COGS, led our margin from operations to increase by +142 basis points in 2023. And as we said we would do, we kept addressing some of the competitiveness gaps we had by reinvesting back in our business, to the tune of 97 basis points. We stepped up our reinvestments in Advertising and Promotions, in Product superiority and in Capabilities as you will see later. It is better than it was, but the reinvestment journey to be truly competitive is far from over. And we made sure we do not only reinvest, but also kept improving the quality of our execution in-store, online, on-premises or wherever the consumer has an opportunity to meet our products.

We did all of that while growing our recurring EPS by +3.4%, building on a 40-basis point increase in our recurring operating margin, an increase I would certainly not qualify as moderate.
Another source of pride for the company is the EUR 2.6 billion of free cash flow we generated in 2023. Besides being a record level, it is a testimony to our renewed focus on cash and disciplined cash allocation, as a driver of long-term value creation.

Last on this page, we have just received AAA rating from CDP for the fifth year in a row. Only 10 out of 21,000 companies got a AAA this year and even fewer received AAA ratings 5 years in a row. This is a good illustration that performance and sustainability can feed one another when you treat sustainability as a strategic stake.
So, to summarize, good progress made in 2023, a consistent delivery on Renew Danone and a good set of results.

Let me now share with you some concrete examples of the progress we made, moving to Page 4.

SLIDE 4 – IMPROVING PERFORMANCE ACROSS THE PORTFOLIO

First, as you know, we have been focusing on restoring the fundamentals across the portfolio. Starting with our dairy business: here, we have deeply transformed our portfolios over the past years, first in Noram, then in Europe. We have defined clear swim lanes, we have sharpened our ranges and clarified the role of each of our brands. We have, until late last year, significantly streamlined our SKUs and refocused our innovations, and then reworked the shelves with the retailers. And once the portfolios and the shelves were ready, we started reinvesting. There we see encouraging results. In 2023, Noram posted another year of solid growth, with resilient volume/mix, led by Coffee creamers and Greek yogurts. In Europe, after years of underperformance, the performance is sequentially improving with the zone ultimately reaching a positive volume/mix in quarter 4. We are happy with the progress, but we are very clear that this is only the start of our journey towards sustained recovery.

So better and more focused portfolios as Dairy shows, but also a renewed focus on science and on leveraging science with consumers: our Infant Milk Formula range is a great illustration of that. We performed well in IMF in 2023 and importantly, we delivered competitive growth. By leveraging our science to consistently deliver superior product, and by being uncompromising on perfect execution, we posted good market share gains in IMF across the globe for the year 2023.

And last but not least, we kept broadening the way we reach out to consumers by further expanding our channel reach, in Away-from-home notably, while stepping up occasion-led marketing. Let me give you some examples. With Alpro, we now clearly focus on breakfast and coffee occasions. We partnered with leading brands in these fields like Kellogg's and Illy, and doing so, are driving category penetration. In parallel, we kept expanding, as I just said, in the Away From Home channel. Alpro is now in all the big coffee chains in the U.K. and our premium waters are growing strongly out of home as well. Away From Home was the fastest-growing channel at Danone in 2023, which reflects our focus on enlarging our footprint and strengthening our resilience.

So, restoring the fundamentals has been - and will continue to be - a clear focus, as there is more mileage we can get out of it. But next to this, we keep adding fuel to a few fires.

SLIDE 5 – DRIVING ACCELERATED GROWTH

I'm now moving to Page 5. Talking about places where we drive accelerated growth, I thought we could highlight 3 platforms: Medical Nutrition, Coffee Creations and High Protein, which are at the same time very different but also very similar in many ways: they all address long-term consumer and patient trends, they are all based on genuine consumer insights, strong product superiority and differentiating technology.

First, let me say a word on Medical Nutrition. In 2023, we grew high single digits on a like-for-like basis with both Pediatrics and Adult ranges contributing. There, we leverage strong brands, leader in their field, we are differentiated through superior science. Our claims are clear, backed by proprietary science, and at the center of how we engage with Health Care professionals.
We're also anticipating the growth of tomorrow. We invest in future science and claims, but also in capacity, like we announced recently in our Opole and Steenvoorde factories. We also invest in new business models, expanding the journey in post hospital-discharge as we do in China with

the Nutrison Powder and Oral propositions.

In Coffee Creations, we are building a sizable, profitable, and fast-growing platform in Noram. We grew strong double-digit again in 2023 and gained shares with our leading International Delight and Stok brands. Here as well, we have invested to boost capacity in Jacksonville in the U.S. And for those that - I know you are many of you, who followed the Super Bowl, we had one of the coolest advertisings out there, featuring Sir Anthony Hopkins. We are starting to do some great advertising again.

Last, our High Protein platform is a great illustration of how we become much more disciplined at rolling out and at scaling up our winning propositions. In 2023, we launched new formats, new channels, new occasions and expanded in new countries as those of you based in the U.K. could hopefully see everywhere. And the outcome is material: another year of strong double digit and highly competitive growth worldwide. And with these 3 mixes, and as with many others, there is still a lot we can improve. So, we have not yet reached our maximum potential.

SLIDE 6 – ADDRESSING UNDERPERFORMING PLATFORMS

Moving to Page 6 and speaking of work in progress, we kept methodically addressing our underperforming assets. Starting with Mizone, we are confident that we are turning around the business. We didn't only deliver in 2023 a very strong growth at +14%, but more importantly, our growth was competitive for the first time in a long time: we posted market share gains. All the work done to refocus the range, to regain control on distribution, to restage the brand, to refocus on meaningful innovations, starts paying off. Indeed, a first good year, but we obviously need to repeat it. We are looking at the 2024 high season with ambition to deliver again.

In Brazil and Africa, we are progressing on fixing the business models and transforming the portfolios in depth in a very systematic fashion. In Brazil, we discontinued our Waters business, and we licensed out our low value milk business. In parallel, we focused on value-creating proposition: for instance, we are successfully developing our High-Protein platform with YoPro. In Africa, we have been cutting dilutive SKUs, reinforcing our key brands, reshaping our business model and upgrading our execution. In both cases, the clear priority is to restore profitability step by step. We made a first good step in 2023, but we are clear that, there too, there is more to do. In Plant based in the U.S., we see the first benefits of the corrective actions we took last year to restore competitiveness, reflecting on our market shares, but we are not yet where we want to be. We have reworked our positioning and translated it into another great advertising you might have seen around the Super Bowl. We have further improved our product quality, but also the way we execute with a much clearer focus on key consumption moments and on category penetration.

So overall, good progress, some results already visible and obviously, as always, more to do. One thing is clear and probably speaks to the cultural change in the company: we will, as every company does, keep having challenges. This is normal business life. But we now face to them. We go to the bottom of them. We try to address the root causes rather than rush into quick, easy and often temporary fixes. This is key as we gradually improve the resilience of our model and the consistency of our delivery.

SLIDE 7 – INTENTIONALLY ROTATING THE PORTFOLIO

Finally, let me conclude this introduction on Page 7, on how we have been actively rotating our portfolio over the past 2 years. As you can see on the left-hand part of the chart, we have exited a meaningful part of our portfolio, which didn't fit our strategy and where we didn't see a credible path for value creation within Danone. We signed an agreement to sell Horizon Organic 2 months ago. We deconsolidated EDP Russia in July last year. We disposed of Michel & Augustin. We built a value creative partnership for Argentina Waters.

In parallel, we've made a few investments, as you can see on the right-hand part of the chart. We acquired an adult medical nutrition business in Poland, specialized in home care services, which is a very dynamic and profitable channel. We invested in several science-based startups that are developing new breakthrough technologies, be it in cell-based dairy or in precision fermentation. We are step by step improving the quality of the portfolio with a greater focus on value-adding products, products that are often differentiated through science or businesses that help us broaden our footprint, be it our geographic footprint or our channel footprint. And there too, this is only the start of the journey.

Let me now hand it over to Juergen for the financial review. Juergen, over to you.

CFO PRESENTATION

SLIDE 8 – FINANCIAL HIGHLIGHTS

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*
Thank you, Antoine, and good morning also from my side to all of you. Let's start the financial review with Page 9, looking at the sales performance of the fourth quarter.

SLIDE 9 – Q4 2023: ANOTHER QUARTER OF CONSISTENT DELIVERY

We closed the year 2023 with another quarter of solid growth, up +5.1% like-for-like, led by all our geographies and all our categories. Before delving into each geography in more detail, let me comment on the performance by category, starting with EDP.

EDP delivered +4.5% like-for-like growth in Q4, led by Europe, where the work done on the transformation of our portfolio starts bearing fruits, but also led by North America, where we posted another resilient quarter of growth. In particular, our key brands like Actimel, YoPro, Oikos and International Delight all posted double-digit growth this quarter, while Alpro delivered a good performance, up mid-single digits in Q4. We are particularly pleased with the quality of the EDP growth in this fourth quarter as not only price but also volume/mix contributed a positive +2.0% to it.

Specialized Nutrition was up +4.7%, driven by a solid performance of IMF, notably in China and Southeast Asia, while Medical Nutrition delivered another quarter of strong growth, led by both Adult Nutrition and Pediatric Specialties across all geographies.

And finally, Waters: Waters posted +8.5% like-for-like growth in the quarter, driven notably by the strong performance of the evian brand in Europe, Mizone in China, and Bonafont in Mexico to name a few.

SLIDE 10 – Q4 SALES BRIDGE: SALES UP +5.1%; VOLUME/MIX BACK TO POSITIVE TERRITORY

Let's move on to the Q4 sales bridge on Page 10. As Antoine mentioned, delivering balanced growth is at the heart of our Renew Danone business model. And for us, it was, therefore, very

important to close this last quarter of the year with positive volume/mix, concretely, up +0.8% versus a year ago. And at the same moment, the price effect continued to normalize, reaching +4.3% in Q4, down from +6.6% in Q3 2023. We are hence leaving this last quarter of 2023 with an encouraging dynamic, something we want to build on as we get into year 2024.
Outside of the like-for-like, ForEx and others had a negative effect of -4.3%, reflecting notably the depreciation of most currencies against the euro. Scope also had a negative impact at -5.8%, mainly resulting from the deconsolidation of our EDP business and Waters Argentina businesses. As a result, reported net sales at the end of the period stood at EUR 6.7 billion. And I think I said EDP business, but obviously, I spoke about EDP Russia.

SLIDE 11 – EUROPE: SOLID GROWTH WITH POSITIVE VOLUME/MIX IN Q4; EDP PORTFOLIO TRANSFORMATION IN ACTION

Let's now have a look at the performance of each zone in more details, starting with Europe on Page 11. Europe delivered a solid quarter with like-for-like sales growth at +6%. While pricing continued to normalize progressively, volume/mix was back to positive territory, up +0.3%.

This was largely driven by EDP, where we start to see the expected benefits from the transformation which we kicked-off in the second semester of year 2022. The team has made great progress in upgrading our portfolio, has been discontinuing a number of non-competitive SKUs, defined clear swim lanes for our brands, with a focus on segments like Functionality, Indulgence, Kids and Everyday Nutrition. In this fourth quarter, we are particularly pleased with the performance of a number of our key brands, including Actimel, YoPro and the Danone brand. Having said that, we are obviously just at the start of this strategic turnaround, and there remains still a lot to be done to fully leverage the power of our brands and products. Therefore, our focus will remain on executing our brand plans, reinvesting behind our initiatives to make our recent growth dynamics both stronger and sustainable.

Our Waters category in Europe delivered a strong quarter, led by our global brands evian and Volvic that registered both strong growth, coupled with further market share gains, as well as by the good performance of several of our local brands, such as Zywiec Zdroj in Poland or Harrogate in the U.K.
Finally, Specialized Nutrition that delivered a solid performance this quarter. IMF posted a resilient performance in a category that remains momentarily soft, while our Medical Nutrition portfolio posted strong growth, notably driven by Oral Nutrition and Enteral tube feeding solutions.

All in all, looking at the full year, Europe posted like-for-like sales growth of +5.9% and the recurring operating margin of 11.5%, down -75 bps versus last year. Important to note that the profit margins in the second semester were, as expected, recovering from the low point end of the first semester despite the fact that we are accelerating our reinvestment efforts.

SLIDE 12 – NORTH AMERICA: VOLUME/MIX LED GROWTH DRIVEN BY COFFEE CREATIONS AND YOGURT

Moving on to North America on Page 12. North America delivered a solid quarter, up +3.1% on a like-for-like basis, led by volume/mix, up +2.8%, while pricing remained positive at +0.3%.

Growth was led by Coffee Creations, where our flagship brands International Delight and Stok registered another quarter of stellar growth coupled with market share gains. In Yogurt, Oikos continued its strong momentum, especially for its high-protein proposition, driven by expanded shelf space and sustained high velocities. In Plant-based, we launched initiatives to restore our short-term competitiveness, with some encouraging signs over the last weeks of 2023, although we are still far from where we want to be. In parallel to those plans, we started taking action to sharpen our proposition in the category, as mentioned by Antoine, which make us confident in the future of this segment.

Looking at the full year, North America delivered +5.8% like-for-like growth with positive volume/mix at +0.2%. Recurring operating margin stood at 10.1%, flat versus last year, in a context where we accelerated the reinvestments behind our brands.

SLIDE 13 – CHINA, NORTH ASIA & OCEANIA: STRONG COMPETITVE PERFORMANCE

Moving on to China, North Asia and Oceania on Page 13. The zone posted strong like-for-like growth of +7.4% in Q4, with volume/mix up +4.8%.

In China, Specialized Nutrition pursued its competitive momentum. In IMF, Aptamil posted another quarter of solid growth and continued to gain market shares, thanks to our local team that is running a tight control of our inventory and our pricing levels, while the market is still transitioning from old to newly registered recipes. Our Medical portfolio registered double-digit growth, driven by both Adult Nutrition and Pediatric Specialties.

In Waters, Mizone delivered another quarter of double-digit growth led by volumes and market share gains, confirming the progress we are making in turning it around.

And outside China, our EDP business in Japan posted another quarter of double-digit growth, led by our functional dairy range, and in particular by our Activia and Oikos brands. Looking at the full year, 2023 was a strong year for the zone with like-for-like growth up +10.1% and a stable recurring operating margin at around 30%.

SLIDE 14 – LATIN AMERICA: CONTINUED GROWTH AMID BUSINESS MODEL TRANSFORMATION

Moving on to Latin America on the next page. The zone registered +8.1% like-for-like growth in the fourth quarter, mainly driven by price, up +9.4%. The performance of the quarter was driven by all geographies and categories.

In Mexico, our Waters brand Bonafont posted high single-digit growth. Next to that, Oikos drove the performance of our dairy portfolio in the country. In Brazil, we progressed on the transformation of our business model towards the more value-added parts of the portfolio, deprioritizing less competitive segments and ranges. Growth was driven by the more premium part of the portfolio, and here especially by the YoPro brand, which has been growing steep double digits in this quarter.

As a direct result of all the work down in this region, we strongly improved our recurring operating margin in 2023, up +247 bps, an encouraging first step towards a profitable business model in Latin America.

SLIDE 15 – REST OF THE WORLD: RESILIENT LANDING TO THE YEAR

And finally, on Page 15, the Rest of the World zone posted +3.5% like-for-like growth in Q4. The growth was led by price, up +6.4% while volume/mix decreased by -2.9%.

The zone performance was notably driven by the sustained momentum in Specialized Nutrition, especially in Asia and Middle East. In Indonesia, it's worth mentioning the continued strong performance of our SGM brand, again up double digits in Q4, with strong market share gains during the year.

And as mentioned by Antoine, we made good progress in strengthening our business model in Africa, building more structural resilience with a focus on stronger and more predictable profit and cash contributions.

The good momentum in this region in both Specialized Nutrition, but also in our dairy platform, enabled us to improve the profitability in the zone, and we closed the year 2023 with a recurring operating margin up +155 bps versus last year.

SLIDE 16 – 2023 MARGIN BRIDGE: +40 BPS IMPROVEMENT DRIVEN BY MARGIN FROM OPERATIONS, WHILE CONSISTENTLY REINVESTING

Let's now move on to the margin bridge on Page 16. Recurring operating margin stood at 12.6% in 2023, an improvement of +40 bps versus last year.

This strong improvement was firstly driven by our margin from operations, which increased by as much as +142 bps compared to 2022 after several years of erosion. It resulted from an improved quality of topline growth, as well as from the delivery of the new record levels of productivity, enabling us to offset the COGS inflation we continued to experience last year.

Leveraging the strong expansion of our margin from operations, we reinvested as much as 97 bps back into our business. We invested, for example, in product superiority and differentiation across the different categories, as we strive to offer the best value proposition, either from a quality, taste, benefits, sustainability or value for money standpoint. However, the bulk of the reinvestment went into A&P, to support our brand's visibility and distribution. The new campaigns of Oikos, Stok or Silk, which Antoine mentioned, were just launched in U.S. for the Super Bowl, which are really great illustrations of what is going on here.

SLIDE 17 – 2023 RECURRING EPS BRIDGE: STRONG OPERATIONAL PERFORMANCE PARTIALLY OFFSET BY NEGATIVE SCOPE

Moving on to the EPS bridge on Slide 17. Recurring EPS reached EUR 3.54 in 2023, which represents +3.4% increase compared to last year. The main contributor of recurring EPS growth was the operational performance we just went through at +8.3%. This strong operational performance was partially offset by a negative scope effect of -4.5%, mainly resulting from the deconsolidation of our EDP business in Russia. Currency and others had a slightly positive impact, up +0.9%, and

I'm particularly pleased that our continued progress on deleveraging allowed us to largely mitigate the impact of higher interest rates, that only had an impact of negative -0.4%.

SLIDE 18 – CAPITAL ALLOCATION: STRONG FOCUS ON VALUE CREATION

Moving on to the next page. As Antoine said previously, the focus on cash generation is starting to pay off. In 2023, we registered an all-time record of free cash flow, reaching EUR 2.6 billion. It represents more than EUR 500 million of increase compared to last year on the back of a disciplined return-oriented capital allocation, coupled with strong improvement in working capital ratios. Our ROIC stood at 9.5%, further improving from the 8.9% of last year. And while we continue to not be satisfied with that level of returns, it shows that we are moving into the right direction with commitment and financial rigor. As a result of the strong financial performance of 2023, we are proposing to our shareholders a dividend of EUR 2.10 per share, which represents a +5% increase compared to last year.

SLIDE 19: 2024 GUIDANCE IN-LINE WITH MID-TERM AMBITION

And so finally, let's now move on to the next page to discuss about this year, year 2024. The guidance for 2024 which we are issuing today is fully consistent with the mid-term ambition we shared during our CME in March 2022, and is about delivering like-for-like sales growth between +3% and +5%, while improving moderately our recurring operating margin compared to the previous year.

2024 is an important year for us, and we start it with confidence in our Renew strategy. We will continue to focus on consistent execution and delivery, in line with our mid-term ambition, and will make the next milestone to connect with our desired business model, where balanced growth between volume/mix and price, as well as disciplined capital allocation, are fundamental for long-term value creation.

And with that, let me hand it back to Antoine for the conclusion.

CEO CONCLUSION

SLIDE 21 – TWO YEARS OF SIGNIFICANT PROGRESS ON GOVERNANCE, CULTURE, CAPABILITIES AND PORTFOLIO

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Thank you, Juergen. And moving straight to Page 21 and the chart I thought would be of interest to you. It gives you a sense of the magnitude of the transformation we have been going through over the past 2 years and of the breadth of the topics we started addressing to make Danone future proofed. I won't go through each and every one of the points but let me pick a few.
On the Governance front, we now have a genuinely strong Board of Directors, truly international, with a majority of CEOs or ex-CEOs, bringing us the right balance of support, expertise and, of course, challenge.

As mentioned earlier, we have started changing some aspects of the culture of the company, appointing world leading talents at Comex, putting long-term value creation at the center of the incentive schemes, changing the ways of working for the Danoners. We are implementing a culture of performance, a culture of accountability, a culture where we put the problems on the table, and we solve them together. A culture where we consistently raise the bar and start playing to win.

As promised 2 years ago, we started reinvesting in key capabilities. In science and technology, as you could see with the opening of our Saclay Center, which a number of you have visited. In better leveraging our partners and suppliers, to co-develop breakthrough products and technologies. In the progressive upgrade of our industrial network, as you have recently seen with the opening of our plant-based facility in Villecomtal, or the investment in our medical nutrition facility in Opole. And obviously in marketing, with the rebasing of our agency network, but also the strengthening of our category capabilities.

Last, as we discussed in the introduction, we kept evolving our portfolio to make it better positioned to deliver long-term value creation. So quite a bit of progress, but obviously, still a lot to do.

SLIDE 22 – STRONG SET OF 2023 RESULTS: CONSISTENTLY DELIVERING ON THE RENEW AGENDA TO CAPITALIZE FURTHER

Moving on now to Page 22. You might remember the pages on the screen from our Capital Market Event in March 2022. At the time through these 3 pages, we did 3 things: we confronted with the reality in a transparent way, we laid out a clear strategy and we laid out our new business model. By calling out the winners, the underperformers and the core, we gave very clear and very differentiated jobs to be done to each and everyone in the organization, and we allocated targets, resources and capital more precisely and more efficiently. By calling out 4 strategic pillars and 4 capabilities, we provided clarity to everyone. And with clarity comes focus and accountability. And last but not least, we committed to a different business model, one that is conducive of long-term consistent and predictable value creation. We now look for quality growth with a volume/mix component, which allows for operating leverage and creates the space for increased investments behind our brands and our capabilities. All that while improving moderately but consistently our recurring operating margin. And we put value creation and ROIC at the heart of business decision. The strong set of results we shared today, but also the continuous progress over the last quarters, are a direct translation of us consistently delivering on Renew Danone.

SLIDE 23 – 2024 PRIORITIES

Let me now move to the final page of this presentation. While a lot has been done, and it shows in the results, there is much more we can do. The Renew Danone journey is far from over and, as said, long-term consistency is the name of the game. As Juergen just told you, we expect 2024 to be another year of progress in line with our mid-term ambition. If 2024 is about delivering on the strategic agenda, we start also projecting ourselves beyond 2024 in the next chapter of Renew. We are getting ready to share with you how we will keep progressing with the same regularity - and may I say with the same discipline - over the long run, while further strengthening and future proofing Danone. To that effect, we are happy to invite you to our next Capital Market Event in June, and we will obviously communicate all the details in our due course.
And with that, let me hand it over to Mathilde for the Q&A. Mathilde, over to you.

QUESTIONS & ANSWERS SESSION

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

Thank you very much. So we are now opening the Q&A session with a question from Guillaume Delmas, UBS.

QUESTION 1 – PRICING AND INFLATION OUTLOOK FOR 2024; REINVESTMENTS IN 2023 AND AREAS OF FOCUS FOR 2024

Guillaume Delmas, *analyst at UBS*:

The first one is on your pricing outlook because I think negotiations with retailers in Europe are now coming to a close. So I wonder if you could provide a bit of granularity on the price growth you are anticipating for 2024. And in particular, if you expect the implementation of additional price increases or conversely, if some rollback or maybe step-up in promo activities are more likely? And I guess, tied to all of this, what kind of level of inflation or potentially deflation are you expecting for your cost of goods sold in 2024? And then my second question is on your reinvestments because 2023 was the second consecutive year of a marked pickup in reinvestments. From the sound of it, the upward trend will continue in 2024. So my question is, what are the key areas where you are significantly stepping up your efforts? What returns are you already getting on these incremental investments? And I guess, which metric should we be looking at going forward to assess the degree of success of these reinvestments? So any color on that would be helpful.

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*

Guillaume, we'll do a duet with Juergen on both questions, I'm sure. On pricing, I mean, let's be clear. I mean the first thing is there is no such thing as deflation. I mean there is disinflation in the market, meaning the increase of prices have moderated, but there is still inflation. I mean there is inflation on salaries. There is inflation still on a number of raw materials. There is also quite a bit of volatility, some of it linked to geopolitical events. So we expect to have a price component into our growth. Obviously, the price component differs regions by regions because you don't have the same dynamics in each and every of the regions. But we are not in a world of deflation. We are in a world of slowing down inflation.

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:

Maybe 2 elements. First, inflation, as you saw, came down quarter-by-quarter exactly as we expected. And we expect the inflation to further normalize in 2024. But as Antoine said, there will still be inflation. What is driving inflation is a few elements like transport - and everybody talks about what's happening in terms of sea transport. You see oil prices back around $84, $85 which are to be a driver. Antoine was talking about cost of labor. But obviously, also the ForEx is playing a role, especially in emerging markets. And last but not least, let me mention the very high prices today in the market paid for sugar and fruit preps. This is driving inflation also in year 2024, which means, yes, there will be a need to do pricing. It will be much more selective pricing, depending on the category and depending on the region, but pricing will stay positive overall for year 2024.

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
On your second question on reinvestment. As we said, I mean, we are investing fundamentally in 3 buckets. We are investing behind the quality of our products, we are investing behind the visibility of our brands, and we are investing behind our capabilities. I think on the first 2, the way we look at it is obviously step by step by step in driving product superiority, which is progressively translating into the competitiveness of our mixes in the marketplace. So seeing a step by step by step progress in our market share performance, and you see some trends of it, but we are not there where I want to be. And the same applies in some ways to advertising. So advertising, we are progressively restoring our ratios of share of voice / share of market. We start much more consistently delivering or supporting our innovation in the long run. I mean we had a history of supporting with a burst of advertising when we launched and then not following up or following through in year 2 and year 3. You've seen something changing in things like Yopro. So internally, we look at our product superiority. We look at advertising superiority. We keep tracking obviously market share, we keep tracking brand equity, and we are step by step by step stepping up both the way we look at innovation, being much more selective. I mean, we've reduced our innovation by 30% this year while delivering growth and quality growth, number of launches. So being much more selective on what we launch, so that the return on investment on what we launch is much better. We do the same when it comes to advertising, better qualifying, investing for longer, changing our balance between working and non-working. The investment we are making in some capabilities you will see in the longer term. I mean, when you invest structurally into science to create long-term competitive advantage in Medical nutrition, in IMF, that's not something that you turn from one day to the other. There are signs that some may track, we publish more. We put more IP on the market, but that's harder to track, except for us. So much more discipline, less launches of better quality, rebuilding our competitiveness when it comes to the quantum of our advertising investment, building differentiating capabilities for the long term when it comes to sites.

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Thank you, Guillaume. Next question from Jon Cox, Kepler. Hi, Jon.

QUESTION 2: FREE CASH FLOW DRIVERS; MID-TERM GROWTH AND MARGIN ALGORITHM

Jon Cox, *analyst at Kepler Cheuvreux*:
Congrats on the figures. A couple of questions for you. Just on the free cash flow, obviously, we can't really parse out what the working capital movements were. Can you just talk us through the improvement and whether working capital improvements will be ongoing, i.e., you have negative working capital already, how much further that whole process can go? And maybe talk somewhat about the incentives managers have to ensure that strong cash flow generation continues. And then maybe a second question, just on the capital market event, and it's great you keep going back to some of the slides we saw a couple of years ago. But clearly, and I think you said last year at that event we had that you're now growing in line with your categories, should we expect you then to be on the next step of the staircase as it were in terms of growth dynamics and assume that all of that sort of things will be unveiled at the capital market event, namely an increase in that 3% to 5% mid-term growth goal? And also potentially, your margin improvement is going to be more lumpy going forward, given the fact of all the divestments you've done and the reshape of the portfolio.

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Let me maybe start with the CME and Juergen will take the other 2 questions. Well, first, we will reveal at the CME what we reveal at the CME. So I'm not going to anticipate on that. I think the important point, Jon, is one of consistency and discipline. So it's being able, and that's the model that we have shared with the market: you create a lot of value in the long run by being extraordinarily consistent in the delivery and the quality of your delivery, and making sure that you can repeat again and again and again over the long run, that quality and consistency of delivery. So more on that at the CME, but it's a message of consistency, solidity and predictability over time.

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
And on the cash flow, as you said, that's an element of pride going to the next level. In the end there are 3 drivers. The first driver is that the cash flow from operating activities has been nicely increasing as a result of the combination of our growth and margin improvement. But as important as that is that capital expenditure remains below EUR 1 billion, and we are allocating

that CapEx in a very disciplined return-oriented manner. A lot of it going into, by the way, capacity expansion, Antoine was mentioning before, in the U.S., in Poland, in Turkey on strategic assets. And last but not least, further expanding our working capital, which has been already by the end of the last year, nicely negative. We have been improving it by another 150 bps with a lot of, I would say, rigorous focus on the different elements, and we believe there is further opportunities here. That's obviously also the result of an enhanced focus of the whole organization on cash flow. And Antoine mentioned that in the prepared remarks that holistic value creation is now on the agenda of all our executives and so is cash flow, and this is definitely bearing its fruit.

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
It's a very material part of the incentive of everybody in the organization.

Jon Cox, *analyst at Kepler Cheuvreux*:
Okay. Just back to the CME event or you said at the start of the today's event, you would not regard 40 basis points as moderate. And obviously, you're guiding for 2023 as moderate, and you came at 10 bps better than the Street. This is what I'm looking at in terms of should we expect a few years of potentially more than so-called moderate margin improvement just because of what you've done with the portfolio reshape and the shift to higher value-added products? Or should we expect you to just keep continuing to keep pumping money into A&P and advertising to drive the topline growth?

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
Look, Jon, so here we are saying just consistent is what we said. When we were together at the CME in March 2022, we said the period of 2022, 2024, what we are going for is 3% to 5% net like-for-like growth and moderate margin improvement. And this is what we are sticking for also for this year 2024. It will be composed of further gross margin expansion with a balanced volume, mix and price contribution, sustained level of productivity and reinvestments, because we need to continue reinvesting in order to make this dynamic, we are leaving with 2024 to make it truly sustainable. That is very important for us. The 2024 volume/mix positive cannot be a one-off. We want now to go into something which is truly sustainable and competitive from a value creation standpoint and reinvestment is important. So yes, we will stick to moderate margin improvement. And any good news we will get in during the year, we will reinvest into the sustainability of our business.

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

Thank you, Jon. So next question from Warren Ackerman, Barclays.

QUESTION 3: IMF AND MEDICAL NUTRITION PERFORMANCE IN CHINA; Q4 EDP VOLUME/MIX BREAKDOWN BY GEOGRAPHY

Warren Ackerman, ***analyst at Barclays*****:**

Yes. 2 for me as well. So first one on China. Can you maybe dive into what you're seeing on the ground in China infant formula? Where are we on the entry into Ultra Premium? Are you kind of behind the plan on Aptamil, the segmentation? I know you're increasing investments in the first half. You got Nuturis coming. Can you maybe just update us on what you're seeing in the quarter, volume, price mix, have those local Chinese players being kicked out of the market? Are they still there? That would be useful. And maybe any color on Enteral, clinical as well, where we are on new product registrations under the new regulation foods for special medical purposes would be helpful. And the second one, just on EDP, maybe one for Juergen. Just can we dive into that vol/mix number for Q4, that 2%? And maybe help us, if you can break that down by Europe, U.S. and LatAm and maybe talk about what you're seeing in EDP by channel- in home versus out of home, and on plant based? It sounds like you're pretty happy with Alpro in Europe, but I didn't hear much comment on Silk in the U.S. So yes, 1 on China and 1 on EDP vol/mix.

Antoine de Saint-Affrique, ***Danone Chief Executive Officer:***

Okay. Well, let me start with China, Warren. Well, obviously, we are happy with the quality as much as the quantity of growth in China. I mean the business keeps being extraordinarily strong, although your question is on SN, I'll come back to it in a moment. I mean the consistent turnaround of what we have also with Mizone is really encouraging. Getting back to your question on SN precisely: we have launched in quarter 3 Essensis, which is the first additional layer in a premium portfolio. First indications are really encouraging. As you know, Nuturis is coming rather towards the end of this year. What we see is a couple of things. I mean, the first thing is, as we said last time, I think, we got all the registrations we were looking for, and we are in a position where we come out with a portfolio, which we believe is stronger. The second point that is probably important in China when it comes to IMF, and I think we said it as well, is we still have opportunities of penetration in Tier 3 and in Tier 4 cities. We have opportunities as the new registration is coming to bear with consolidation of the market because some people didn't get their registration. So it's going to be on Infant Milk Formula a multipronged effort where we drive our innovation, we drive our penetration and our distribution, we leverage the consolidation of the market. It's not going to be, by the way, a linear journey. You remember that last year, Shanghai was closed, reopened, so we had a very strong start through the year. So there's going to be a bit of normalization there, but the overall direction is very clear. On Adult, we keep growing from strength to strength. I mean we have, as you know, pharma license there. We are extremely strong in tube feeding. I think what is interesting, and we said it in the prepared remark, is we are working also more and more on the post hospital discharge with the Nutrison powder, with a number of our products, in order to further expand the journey. And having actually in SN in China 3 legs, really, which is the Adult Medical, the Pediatrics and what we have in IMF, with similar type of profitability, is actually helping us further build the resilience of the business. So we keep moving in China, we keep strengthening our business in a very methodical way, being very disciplined on what is international, what is local, being very disciplined by the way, on our inventories' levels to make sure that we keep a very healthy business.

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
And maybe, Warren, just 1 element to complement on China. One of the discussions was about margin levels. You saw margin levels remained stable in year 2023. We had a strong investment in the first semester in order to support the transformation of our portfolio in IMF. Second semester margin bounced back. And I think that's something which also gives us confidence into the Chinese value creation moving forward.

When it comes to your question on EDP, you're absolutely right. We're very pleased with the last quarter on the category performance, 4.5% growth, 2.5% from price, 2% from volume/mix. This is almost entirely driven by Europe and North America, and as a consequence of the reset of the platforms there, and the strong reinvestment during the year. In the U.S., particularly Coffee Creamers, but also the Greek platform really continue to outperform the market, and this is an area of pride. We have been very intentionally reinvesting behind it. In Europe, many of the fundamental parameters are going up and so are volume/mix for EDP in Europe. When you look at the share of shelf, when you look at the rotation on the shelf, all of this is contributing to the fact that market shares have been sequentially stabilizing in Europe, and it has been ultimately contributed to the fact that EDP Europe has been contributing to this good picture of the EDP category overall. When you look at it through the lens of channels, we see positive contribution of volume/mix across the channels, but you are right to say that on-premise has been contributing the most - steep double digits across the geographies, which is true for North America, which is true for Europe and is a result of the focus of the teams on this channel, which offers great opportunities. And this is true for our yogurt platform, but this is also true for our plant-based platform, especially Alpro in Europe, where we have been focusing on that channel. This is definitely paying back as we speak.

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Maybe 2 small additional points to your question on Silk. As I said in the prepared remarks, we see the first positive impact of the adjustments and the reinvestments we've made with the stabilization of shares. Is there more to do? Yes, there is more to do, which is why we've relaunched both the advertising platform. We are pivoting towards something that is much more occasion-based and benefits-based. So the journey is on. Our first signs are encouraging, but the journey is not over.

I think the other thing so that you have the whole moving parts is in the rest of the world, actually, we've been extraordinary sharp in our getting back to profitability, cutting what wasn't working. So you remember that in places like Morocco, we moved from 17 brands to below 10. Priority there was not volume/mix, priority there was to restore the integrity of the P&L and step-by-step by step making it more profitable. So it gives you a bit of a sense of the various moving parts.

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Thank you, Warren. So next question from Pascal Boll, Stifel.

QUESTION 4: GROSS MARGIN OUTLOOK FOR 2024; IMPACT OF THE OLYMPIC GAMES

Pascal Boll, *analyst at Stifel*:
My first would be on the gross margin. Should we expect in 2024 kind of a step-up increase or, because you face some tailwinds on the raw mat side should we look more for a gradual recovery in 2024 and then also thereafter? And then my second question is, I mean, as a sponsor of the Olympic Games, I think that will be a significant amount you spend on that. What is your expectations that will have an impact on the different divisions and also from a geographical point of view?

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Pascal, we'll do a duet actually probably on both. Let me start with the Olympic Games before we go to the gross margin. Olympic Games, obviously, is very much centered on France. We are sponsor in France of the Olympic Games. It's being leveraged in other countries through some local agreements, so supporting the local Olympic teams. As everything we do, we try to do it

with an eye on return on investments. So we do it in a very, very, disciplined way. I think that it will help certainly, I hope, the sales in France. And we have quite a bit of vibes in France. We are doing things jointly with other sponsors like Carrefour. It will help the brand equity, and you might have heard of the protein products we developed for the athletes, developed in Saclay, produced in Ferrières, on the table of the 13 million people that will have, I mean, meals with our products. So good business altogether, good business for our brand equity in France, and an overall positive vibe. Do I expect it to be an absolute game changer in our overall dynamic? No, it's an important building block. It will help our equity. It will help our business in France. It's being done with return on investments in mind. So happy with the way it's being managed, disciplined, not overdoing it as well.

On our gross margin, I'll defer to Juergen. The name of the game is, again, step by step by step progression, driven partly by mix, partly by doing a good, good job in our productivity, partly by conveying or translating into price what we cannot absorb through productivity. So we are not in a boom and bust approach. We are in regular, regular, regular progress.

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
Yes. The only element to add on the gross margin, I mean, 2 years ago, what we said is that the financial algorithm we are aiming for is a balanced volume, price, mix growth to drive operating leverage to allow for reinvestments, while expanding our margin. And I think 2024 in a way, is exactly on that approach. I think a good example of how operating leverage can work on gross margin in 2023 is on when you look at our Waters division and the margin of the Waters category, which have been responding very well on improved volume/mix quality and it is exactly what we want to drive in 2024 for the totality of the portfolio.

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Okay. Thank you, Pascal. The next question from Bruno Monteyne, Bernstein.

QUESTION 5: HYPERINFLATION CONTRIBUTION TO SALES; IMPACTS OF EDP RUSSIA DECONSOLIDATION

Bruno Monteyne, *analyst at Bernstein*:
Good morning, Antoine and Juergen. You reiterated the 3% to 5% organic growth for 2024. Now clearly, the level of hyperinflation contribution materially stepped up in quarter 4, and it's nearly 3% and a lot higher than it was when you issued the medium-term guidance. So when you're making that 3% to 5%, there must be an underlying assumption of how much hyperinflation will

contribute to that for 2024. Could you just comment on that? Then the second thing is, Juergen, you made it quite clear that when we're talking about the improved cash flow generation and free cash flow generation, a big step-up in 2023. When I look at your Slide 37, sort of a very big contribution, about EUR 600 million/EUR 700 million from other components of net income with no cash impact, which seems to be the Russia deconsolidation. If Russia deconsolidating gives you such a big cash balance sheet impact, can you really still claim then that the cash flow generation is up year-on-year if you sort of take out the funny accounting or the complex accounting around Russia?

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
Good morning, Bruno. Look, on your last question, what we have been doing on Russia with the deconsolidation in July is to impair the totality of the assets we had in the balance sheet, around EUR 700 million. This has obviously zero cash impact. So there is absolutely no connection between the impairments we needed to do on the Russian asset and the great result on cash delivery of EUR 2.6 billion. EUR 2.6 billion are really the result of 3 elements, which is the operational delivery through growth and profit margin increase, CapEx, which is under very good control, return oriented, and a very good expansion of our working capital, which is driving this cash flow, and it is a very good base to build on for the years to come.

When it comes to hyperinflation, I'm not sure what is the source of the 3% you are quoting, but there are 3 elements, which are important. First, we are accounting for hyperinflation outside of the like-for-like, which is aligned to market practices and is exactly what our peers are doing. But what is more important is that the way we look at value creation moving forward and the way we have been setting the guidance is to look at a good combination between volume, mix and price because this is going to drive gross margin and profit margin, and ultimately, cash, which is the metrics we are looking for.

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Thank you, Bruno. So next question from Charlie Higgs from Redburn.

QUESTION 6: NORTH AMERICA PERFORMANCE MOVING PARTS; NORTH AMERICA CONSUMER SENTIMENT

Charlie Higgs, *analyst at Redburn:*
I was wondering if you could comment on North America, the performance in Q4 and specifically just the pricing decelerating to 0.3%. Kind of what are the moving parts behind that,

particularly when you put it in the context of the North America margin 10.1%, it looks like there's quite a lot of reinvestment in H2. And can you make just high-level comment on the health that you see of the North American consumer? We've heard quite a few negative messages coming out from peers over the last month or so, reporting?

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Charlie, same story. We'll do a duet with Juergen. You probably remember that North America was the first place, where we took very steep price increase. The market is much more reactive. This is where inflation started at a higher level. This is where we took the first price increases. This is also the place, where we see the fastest normalization. So interestingly, what you see is an inflation that is going down in quantum and a make of the growth that is actually shifting from something that was mainly price-driven to something that is much more balanced between volume, mix and price, which, frankly speaking, is the right equation back to what Juergen was saying a minute ago on the leverage then you can get out of your assets. If you look at the sentiment of the consumer in North America, in some ways, I mean, the first thing is North America is still quite dynamic actually, plenty of things happening there, plenty of things happening in the market, plenty of innovations happening. So it remains a surprisingly resilient and vibrant market. I think the second thing, which is actually not only North American, but that is quite universal is consumers are making active trade-offs. So it's the same consumer that will buy an iPhone 15 at a very, very high price, and we'll go on things that where they don't see a value to the lowest possible price. So the name of the game for us, and that's why we are investing into the brands, that's why we're investing into science, that's why we're investing into innovation. The name of the game is to drive the value and uniqueness perception of our mixes, so that wherever they do a trade-off, they do a trade-off because we make a real difference. And this is where, when you're in food, the quality of your brands, I mean, what it delivers from a perception standpoint, but what it delivers from an experience standpoint, the taste signature, the personal experience, the small treat is giving you, is making a huge difference. So market is still quite dynamic. Consumers are much more actively trading off between what they like and what they don't like. That is very clear. Quantum of inflation is definitely going down, although there is still a bit of inflation. And because this is where it started the earliest, but slow down the fastest, the make of our growth has changed. But within that context, I mean, the balance we are happy with it.

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
Yes. And I would say, when you look at the overall P&L and the algorithm, +2.8% volume/mix growth is a very good figure. Obviously, this is also translating into operating leverage. So gross

margin is obviously reacting on that very good number. It's not yet translating into underlying margins because we are investing for growth to set the right platform for 2024.

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Thank you. So next question from Céline Pannuti, JPMorgan.

QUESTION 6: PORTFOLIO ROTATION AND CAPITAL ALLOCATION PRIORITIES; SPECIALIZED NUTRITION OUTLOOK FOR 2024

Celine Pannuti, *analyst at JP Morgan*:
Good morning, Antoine and Juergen. My first question is on the portfolio changes and capital allocation. So Antoine, you mentioned, I think in your introduction, the progresses that have been made in terms of turning around the portfolio, or rotating, you said, are you happy now where you are? And is it more about now investing into new M&A potentials? And I think free cash flow was quite good, we see that net debt to EBITDA is coming down, and I presume there will be as well the cash inflow from disposals. So could you talk about your priority in terms of capital allocation? And then my second question is on Specialized Nutrition. There's been quite a volatile quarter-by-quarter between volume positive, negative, and then pricing. Can you talk about the outlook for that division in 2024, especially in the light of potential price rollback?

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Good morning, Celine. I'll take the first one and Juergen will take the second one. So yes, I mean, yes, indeed, we had, on the one hand, very, very good focus on cash flow and deleveraging the company. On the other, we have been doing a very disciplined job at rotating our assets; such journeys are never over. So I mean, we are going now more into just tipping optimizing, as we go. I mean, do we have more degree of freedom, where we are today? Yes, we have. Could we be a bit more proactive in looking outwards? Yes, we will keeping in mind and making sure that our leverage remains very healthy that we have a clear focus on our ROIC, so that we remain very fiscally responsible.

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
Yes. And I think on SN, I believe, when you look at the full year of SN growing around 6%, with positive volume/mix, I think it's just another testimony of the strength and resilience of that category for us . You cannot look at it quarter-by-quarter because that's the business we need to look more on the mid-term trend. But when you look at it from a competitive standpoint, we are very pleased. We are winning share across the geographies within IMF in the different

markets. Also in Medical, where we had another stellar performance this year, Antoine mentioned it in the prepared remarks, growing high-single-digit, with a very, very positive outlook in front of us. So we are very pleased overall. You see margins also coming back in the second semester of the year, traveling nicely above 20%, which I think can give us confidence in the positive contribution of that category also for 2024.

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Thank you, Celine. Next question from David Hayes, Jefferies.

QUESTION 7: EDP SKU RATIONALIZATION UPDATE; WATER REGULATION COMPLIANCE

David Hayes; *analyst at Jefferies*:
So 2 questions for me. Firstly, on SKU rationalization update, and then secondly, on water regulation compliance. So on the first one, SKU rationalization, just so we can confirm it feels like the SKU rationalization reconfiguration of the portfolio, EDP-wise is done in Europe and the U.S., it's still ongoing in the fourth quarter in the rest of world, and that continues into the beginning of 2024, but is done by, let's say, halfway through this year. Is that a good summary of where the SKU configuration is at this stage? And then the second one on water regulation compliance. We've seen one of your peers have some issues around their practices with their water offer in France, they announced today that they're going to have a wider review of practices on water compliance across other markets. I just wonder whether you have looked at that all from your perspective that you've done an audit on that area that you feel confident that there's no such risk for you to have to assess how you've been approaching the water production process moving forward?

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
David, on water, I mean, on water, obviously, I won't comment on competition. There are very strict regulations. We have very strict control. We are being controlled. So there, I mean, I am not really focusing on that.

On the SKU rationalization, we have done the bulk of the work. And now we are getting into just making sure that we don't grow back SKU, making sure that we do not just launch and remove SKU, so maintain the right level of discipline. I think we ended the bulk of the work in Europe towards the end of 2023. We did quite a bit of the work also in the emerging markets. There's probably a bit of a tail in rest of the world, but the bulk of the work is done. Now it is about getting back into a degree of discipline, where we don't re-proliferate in some ways, I mean, SKU complexities like hairs, I mean, you need to cut them on a regular basis, otherwise, they grow naturally.

Mathilde Rodié, *Danone Head of Investor Relations and Financial Communication*:
Thank you very much. And with that, we'll end the Q&A for today. And if some of you have some more questions, the team and I are available all along the day to answer any other questions you might have today. Thank you very much. Good bye.

Antoine de Saint-Affrique, *Danone Chief Executive Officer:*
Bye-bye.

Juergen Esser, *Danone Group Deputy CEO in charge of Finance, Technology & Data*:
Bye.