



Danone Science and Innovation sell-side site-visit

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List of MAIN speakers	Company	Job title
Antoine de Saint-Affrique	Danone	CEO

CEO CONCLUSION
Antoine de Saint-Affrique
CEO

Well, first a big thank you to Isabelle, to Jean-Marc and to Bruno and to all the teams. I think that you can see that there is lots of expertise but also lots and lots of passion at ComEx level and deep down in the organisation. And I'm sure you've realised how much the teams are passionate and upbeat about the future.

I wanted to share a few thoughts with you before we open the floor to questions, but first I have to thank you because you took quite a bit of your time to be with us yesterday night and today and this means a lot for us but also it's very important for us because you can see first-hand, actually, what we do and get a deeper look at what we are doing.

WE HAVE CUTTING EDGE SCIENCE THAT TRAVELS ACROSS OUR PORTFOLIO OF CATEGORIES AND GEOGRAPHIES

I hope by the way that you realised by now how cutting edge and how unique our science and our technology assets are. And I hope that beyond or above and beyond the tours and our presentations, as I said, you can sense our collective enthusiasm at the idea of doing much more of them.

As you might recall, one of the first decisions I made when joining Danone was to bring our research and innovation at the Executive Committee, under the leadership of Isabelle. The intention was clearly to step change the way we leverage our science and technology assets at the service of our patients and our consumers. Consumers and patients are now back at the heart of everything we are doing.

It starts obviously with genuinely understanding their needs, turning them, with the help of science of technology, into differentiated products and value adding solutions. The benefit platforms you saw today illustrate how we look at the areas where Danone has, not only the right to play given our history, our assets, our science, but we believe also the ability to win in a consistent and sustainable way. These benefits platforms, reflect deep trends, they represent significant pockets of demand for our truly differentiated products.

Importantly by the way this centre is a testimony to it. We have engaged into very, very different ways of working; obsessed with superiority and differentiation, better leveraging our proprietary assets, but also more open to a whole ecosystem of partners, from academics to suppliers, to universities, to start-ups.

SCIENCE AND EXECUTION DISCIPLINE ARE BACK AT THE HEART OF HOW WE SERVE OUR CONSUMERS AND PATIENTS

So, as I said, it is about putting consumers and patients first; it is about leveraging our unique science and technology; but it is also about execution discipline.

I think the beauty of our focused portfolio is that these three dimensions are now being deployed across all our categories and brands.

And here, let me reiterate what was said all along: science is not only about Specialized Nutrition. I mean, you saw it during the visit, and Isabelle illustrated it in her presentation: we have significant opportunities in reclaiming superiority and differentiation of our entire portfolio.

Thanks to this renewed mindset, we have made meaningful progress over the last 12 months everywhere, but notably in dairy and plant-based. But this is only obviously the beginning: all our categories are moving to the front foot when it comes to developing superior differentiated products, supported by clinical evidence in some cases and strong claims.

DRIVING VALUE CREATION THROUGH IMPACTFUL INNOVATION, POWERED BY END-TO-END EXECUTION DISCIPLINE

Isabelle has spoken extensively not only about the sizeable opportunities we have, but also about bringing more discipline in the way we execute our innovations. There too we have made substantial progress, from bringing a superiority imperative in our renovations to delivering fewer, more scaled, and accretive innovations.

Just a few figures to demonstrate this focus. We made 33% less launches last year in 2022 compared to the previous year. 70% of our innovations were made on our top five brands, and now over 60% of our launches are multi-country launches. But as you know, execution goes way beyond research and innovation. It is truly about end-to-end discipline. Rightly so, Isabelle mentioned the work she is leading together, also with Vikram in Operations. Their collaboration, for example on the rationalisation of product platforms, has been certainly yielding some of the savings and some of the productivity you saw in last year's results, and obviously it's only the beginning, and we are not going to stop there.

You won't be surprised as well hearing me talk again and again about sales and marketing execution, from the quality of our advertising, and some of you asked me the question, the consistency and the quantum of our marketing investments, or the quality of what we do at the point of sales. Winning, in the end, is about strong innovation together with consistent execution.

We have been, since last year, stepping up our game across the value chain: by truly putting consumers and patients at the centre of everything we do, by increasing investments, and by being more disciplined in the way we use and in the way we allocate resources. This gives us confidence that we are well on our way to build a resilient and a sustainable value creation model, delivering on our Renew Danone commitments.

SCIENCE AND INNOVATION SITE-VISIT

So, in a word, Danone is starting to move to the next level. All the pieces of our Renew Danone framework are coming one by one in place. We told you one year ago that our intention with Renew Danone was to bring Danone to a position of performance in line with its markets, before it can accelerate further. We are in line with our roadmap, and we feel confident on our ability to deliver on the fixing part, before telling you more, probably early next year in a place that needs to be determined, about the acceleration part.

So, that's what I wanted to say as a word of conclusion before I hand over to Mathilde, and I ask my ComEx friends and colleagues to come and sit with me so that we can answer, I'm sure, your multiple questions. Thank you.

QUESTIONS AND ANSWERS

Mathilde Rodie (Danone): So, now it's time for the Q&A. So, to answer all your questions, as you can see, you will have today three, speakers: Isabelle, Jean-Marc, Bruno, but also our CEO, Antoine de Saint-Affrique and our Deputy CEO in charge of Finance Technology and Data, Juergen Esser. So today is really the opportunity to discuss in more details about all the cutting-edge science assets that were presented to you today. So we will focus on that for the next 45 minutes, and as you know there will be plenty of other opportunities to discuss non-related topics in other occasions. So, we can start.

Guillaume Delmas (UBS): Hello everyone. A couple of questions for me. So a lot of focus on protein today. It went from pretty much nothing to half a billion in revenues last year. I'm wondering where the ceiling is for protein; so how big can it become over the next few years. And big picture wise, what gives you the confidence the protein trend is a trend and not a fad?

And the second question is on the innovation engine. So, Isabelle since you've been appointed you've been trying to reengineer, reshuffle this innovation engine of Danone. When do you think you'll be reaching cruising altitude? So, you'll have the right number of large successful innovations.

And if I can squeeze in one last. You talked about superior differentiated products. Today roughly speaking how much of your portfolio is derived from superior and differentiated products? Thank you.

Antoine de Saint-Affrique (Danone): So, let me take one and three and Isabelle will take number two. On three, a certain amount but not enough is the answer. So, I'm not happy with where we are. We have a number of very good products. Step by step by step we are reviewing in a very disciplined and scientific way our portfolio. I'm sure Isabelle can talk about it. And we are raising the floor of our products. So I mean a sizeable chunk otherwise we wouldn't be competitive on the market but not enough.

On the first one, we made the choice today to illustrate I mean our science, our technology and what we do, through gut health and through protein. So we talked a lot about protein; we talked a lot about gut health. We could have spoken or chosen a number of other fields, but we would have needed more than a morning to illustrate. I think the key points is number one we have deep science, we have differentiated science, and the science is translating into products, and you've been through an explanation of why protein matters and why the body doesn't produce protein by itself. You've seen how unique we are in not only compacting but associating protein. Out of that you can do medical products, you can do consumer goods products. We are only at the start of the journey. We are extremely successful with HiPro and YoPro, but it's not rolled out everywhere and it's not rolled out in every format that is relevant. So more to come and more to do there.

There are 20 million new cancer patients every year. They need the very specific blend of protein before they go into surgery, so that they go in a good stage into surgery, and can recover faster. They need it after to recover faster. They need it before chemo. So, as Catherine was saying we can go sharper in terms of killing cancer, and then they need it after for recovery. There's only a fraction of the patients that are under those products. And those products are making a difference. Actually we are using them with our families. So we are only at the very beginning of the journey there.

Giving you a number behind the potential; I mean it is what we will make out of it. We have to do it in a disciplined way both beyond YoPro, and beyond what we do in oncology, but there is a huge potential there, grounded in our technology.

Isabelle, on the innovation engine. Is the innovation engine at the cruising speed you want?

Isabelle Esser (Danone): No, absolutely not. So, as you've seen now and what I presented actually we have lots of science and technology asset but the beauty of it is how do we combine them into making superior products that deliver to the consumer and patients' needs. And that is what we're trying to get back into the engine. We have quite a few histories where it actually works but we now need to make it in a systematic way, and that's what we will be doing. And we've started that journey; started that journey with the fantastic scientists you have in this centre but also across the world, and by doing that we are now getting into combining those, valorising those, making the products, working with the brand and the businesses in geographies and categories to land them at scale.

Warren Ackerman (Barclays): Hi, everybody. So a couple of questions for Bruno actually just on China. I was just interested to know a little bit more about; you talked a little bit about HMOs but where are we on HMO in China? And you talked a little bit about the next generation or generally there was a discussion about Nuturis, which I think is being presented to a symposium in the next couple of weeks. Maybe you can sort of elaborate a little bit why that is superior to HMOs and whether that's something that Danone has a first move or advantage in. And is it something that has been approved outside of China? I'm just trying to understand how quickly that might be implemented in new products.

And then related to that, in China; you talked about more resilience in China generally. Can you maybe tell us how big is Adult Nutrition and non-Infant Milk Formula as a percentage of China? And you talked about you know seven different Aptamil launches and more valorisation. So there's been a longstanding question mark about margins in China. It sounds like if you're doing more valorisation and we get more news on HMO, if anything would you agree that possibly margins in China, as you're valorising, could even go up, not down? I'm just interested to understand when you talk about resilience, what do you mean by that? Thanks.

Antoine de Saint-Affrique (Danone): I'll start and then obviously Bruno will play the question on China, but I wanted to do two things. I mean the first thing is as you've heard both from Isabelle, from Jean-Marc, and from Bruno, we have taken an approach when it comes to Infant Milk Formula of segmentation by children needs and by patient journey. We have been actually inventing HMO. So, having HMOs is not really the point. I mean you have 15 grammes of HMO in breast milk. Having one gramme is good for claims, but it doesn't make a difference, which is why what we are doing from a science standpoint – driving to being ever closer to breast milk – is fundamentally important.

And the way we claim it, and it's true for China and it's true elsewhere, is actually closer to breast milk, including and making reference to our ingredients, of which HMO is one, at a relevant level by the way, but not only. So just making that point because we need to go beyond marketing, back into science.

The second thing, answering your question so that Bruno doesn't have to. As we've said very consistently, the Adult Medical Nutrition in China is sizable but it's still below the average level in the company. So what we said is in the company it's about 40% of total Specialised Nutrition; less so in China, growing fast. And that's about what we'll say on numbers. Bruno, over to you.

Bruno Chevot (Danone): Thank you, Antoine. You helped make my life easier because it was multiple questions with multiple angles, and I could elaborate on that for ages. A few words, or connected to what you just said on our Adult business. It's a business which has been growing from nothing almost 17 years ago to now being a very sizable one and material to our operations in China. It's a business which has potential to grow further, which has room to grow in terms of penetration, and it's a business which is delivering the same level of profitability as Infant Milk Formula. So we are already definitely putting significant efforts to accelerate this second leg to our Specialised Nutrition business in China.

The point related to HMOs, probably the one element that I would like probably to flag is that in the way we try to market Infant Milk Formula all across the world and in China is to demonstrate that we are getting as close as possible to breast milk and it cannot be a story of one single ingredient. Having said that, HMO is something that we have had within our portfolio for many years; something actually that one of our scientists has discovered almost 25 years ago, and it's something that we have introduced through cross-border e-commerce already in China three years ago. We don't have it yet in China labels, because it's an ingredient which is not yet authorised in the context of China.

Then you had a point on Nuturis, which is our latest breakthrough engine, and here it's mimicking breast milk through the fat structure. The fat globules and the process that we are using are helping our products to look, feel, taste and behave, through clinical studies, as close as possible to be a true second best after breast, and something for which we have designed a dossier and the dossier has been approved. The launch timing is something that we are working on for the moment because as you can see we're going to be very busy moving up the price ladder in the categories.

And it's going to be the last dimension I think that you wanted me to elaborate on. So, in our case it's all about fighting headwinds of declining birth rates but being equipped to consolidate our position in the market because one of the objectives of the registration is to reduce the number of players, to eliminate the small-scale players that existed in the past, and we are best positioned to play a market share value game. The objective as well from a P&L shape standpoint is to maintain our margin because this product is going to be more valorised, obviously, but we're going to also invest more behind our brands in order to help consumers to understand our segmentation approach and the superiority of our proposition. Thank you very much for your question.

Jeremy Fialko (HSBC): Hi, I've just got one question on plant based. So I think there's this concept of moving away from single ingredient towards more just holistic multi-ingredients milk substitutes. So can you talk about I guess first of all how big that is in your portfolio at the moment maybe as a percentage of plant based? Secondly what you think the kind of potential is. And then also maybe talk about why you think you've got the right to win – what you think the kind of the competition and the degree of differentiation is within that marketplace? Thanks.

Antoine de Saint-Affrique (Danone): So, maybe we'll do a duet with Isabelle on the scientific part and everything we can do with plant-based. Let me say one or two words on plant-based. You've heard me say that we need progressively to move from an approach that was the way the plant-based beverage specifically market was launched, which was an ingredient-driven approach, towards benefit-driven approach. You see that with what we've started doing with segmentation of our plant-based beverages. We talk about barista; you start saying things about the quality, the nature of the ingredients and what they are bringing.

You see that with Not Milk but you start seeing that as well – I mean the example of DuoPro that we just launched in China is a good example where it's not plant-based; it's the best of both worlds: so, it's plants for digestibility, dairy for impact, and a combination of the two. So, the name of the game is progressively moving from ingredients to benefits. The name of the game is to continue doing that in a profitable way, so making sure that it's a profitable business. And the name of the game as we do that is underpin that with again real science and real science on how we deliver benefits through plants. Do you want to say a word about it?

Isabelle Esser (Danone): Yes, and actually that's the whole point of it is from the benefits then you go into the science and the technology that can deliver those benefits. So what it is actually to be barista; it needs to be creamy. Creaminess doesn't come from the ingredient; it comes from other things and

the way we process it in order to do that. So, it becomes then a competitive advantage as well. As we define those benefits, we start defining what is the need and therefore define the science and technology that will deliver to that need. And that is the way to valorise our plant-based approach. And then we go further. We also go into the nutritional, advanced nutrition on plant based.

Céline Pannuti (JP Morgan): My first question is on EDP. I think we were already discussing a bit of that but given all the science that you bring in, but in a category that is more about more taste, maybe more commoditised, how do we reconcile your vision that you're assuming today versus a marketplace that seems to be a bit more ingredient-driven on the milk side? And so what kind of claims can you make so that consumers will be willing to pay a premium for your product?

And that brings me to my second question. I think while you have been showing today about the science and the technology, but as well the willing to premiumise and to valorise the portfolio so can we get a number of what percentage of your portfolio you think is valorised, where would you want to be, and what is the mix benefit that you think you can add to the group - I don't know maybe that's part of the Accelerate Danone - but what is that contribution that we should be looking for?

Antoine de Saint-Affrique (Danone): So, on your last question I'm not going to put a number behind it but maybe let me give you a couple of blocks. You want to differentiate at every price point. So, I mean a Danone yoghurt is not a yoghurt. It's a Danone yoghurt. When I was a kid in France - but it was the case in Spain, it was the case in a number of places - when you were getting an antibiotic treatment you were prescribed Danone yoghurt because it was helping restore your flora. You would give yoghurt because it was - a Danone yoghurt - because of the ferments, because of the way it was crafted, it was helping the release of calcium and the digestion, the transmission of it, at a price that is a very affordable price.

So, the name of the game in EDP is not only just go for the premium. And we have a super nice premium thing that we haven't leveraged; Danacol is an example of it, which is not leveraged enough, but we have been inconsistent on Activia, as you know. But it is also about loading in meaning our brands at every level.

On claims, and I will let Isabelle respond, but a number of you have asked me whether we can claim and be differentiating and referring to something that happened with EFSA 12 years ago, this is the best way to get Isabelle and I jumping up and down. So, I'll give the floor to Isabelle on that one, but the answer is, there is plenty we can do.

Isabelle Esser (Danone): Absolutely. So, first of all - I mean we discussed it before but there is a regulatory framework and there are things that you can actually claim depending on the geography in which you are. So, the EFSA claim is history. So we are going back to claim things on gut health, we are going back to claim things on immunity, and it will depend as well on the level of claims we do on the regulatory framework where we can do it. We have evidence. We're starting with building that evidence and then making dossiers in order to claim. So, it is the whole claim piano that we need to play for everything. Everyday nutrition of a Danone yoghurt; today we can prove it, we can claim it. We need to get the brands as well and working with each of the businesses in order to leverage and valorise the assets we have. And we do that all together. And that's how we've seen Medical Nutrition, for example, Specialized Nutrition really working well. So we're learning and getting all of this back into the core of how we do things.

Antoine de Saint-Affrique (Danone): By the way it's health and taste both at the same time and that's one of our strengths. I mean the knowledge in taste is travelling to Specialized Nutrition. The knowledge of claims and support and dossiers is travelling from Specialized Nutrition. So, actually it's the beauty of the model having broken the walls and having put the entire R&D under Isabelle.

Tom Sykes (Deutsche Bank): Thank you. Morning, afternoon. Do you think when you look at the way the end markets are evolving that the weighted average end market growth that you're selling into is now faster than you thought it was 12 months ago at all? Or is it about you taking share in markets that longer term you still see as similar when you launched your strategy 12 months ago?

And then just on the level of elasticity associated with innovation and of the products you've launched in the last of 24/36 months, as you've presumably put up prices in those as well over the last 12 months, can you sort of give any kind of qualitative or quantitative answer as to the sort of level of elasticities you've seen on recently innovative products versus others please?

Antoine de Saint-Affrique (Danone): So, on your first question there are two levels of answers. Level of answer number one is – and I said it at Renew Danone - there is no growth issue in our categories. We weren't just capturing the growth of our categories. So we are in the journey of our getting back to that competitive level where we are growing at least in sync with our categories. That's step number one.

The second dimension - I mean you've seen that this morning - is with the knowhow we have, with the brands we have, with the technology we have. In some ways the trend is our friend. If you have 20 million new oncology cases every year, if you have 12 million strokes every year, if you have people that have more and more difficulty to access safe water, if you have people that have problem of unbalanced nutrition - and I remind you we have in terms of ATNI score the best score in the industry - we are smack on the trends. We are smack on the trends, and we are equipped for the trends. So the name of the game then is what do we do about that. And which is all the sense of what we are doing in science, in consumer understanding and in marketing.

On your second question - and I'm sure that Juergen will agree, we have reinstated the discipline: when you launch you need to get the premium out of what you're launching. So, you drive accretion.

Juergen Esser (Danone): Yeah, on innovation element, Antoine mentioned it. I mean we've been launching a third fewer products than in the past, which is a lot, and one of the very important KPIs is, is your innovation still alive and on track with the business case 12 months after, because you will remember we have been proliferating our innovations a lot and our issue was that we have not been supporting and hence many of those innovations were disappearing after 6 to 12 months on the shelves. So today we have a very strong discipline in launching and supporting and making sure that in terms of penetration and frequency as well as distribution, we are tracking very carefully in order to make our innovations big.

One of the elements on innovation we put in place is we put in place certain thresholds under which we do not launch an innovation which means if you do not respect a certain minimum of incremental net sales or a certain level of profitability in year three, you will not launch. And that's something which has a very strong impact. We have seen that not yet so much into the financials of year 2022 because it's a relatively recent discipline we are putting in place, but I'm sure that is going to impact our numbers moving forward.

James Edwardes Jones (RBC): Thank you very much this morning team. A quick one for you Isabelle. Focusing on consumer needs isn't novel. You were doing it years ago at Unilever. Are you catching up or are you genuinely opening a gap?

Isabelle Esser (Danone): We're doing both. So, obviously on one hand we're catching up and this has been a huge acceleration with what Victoire showed you in the consumer centre. So we have a method, we have a discipline and the beauty of it is we know how to do it. So it's just a question of doing it. And I'll give you a couple of numbers. We doubled the amount of tests that we will be doing this year in 2023 in blind tests to look at the superiority of our product versus last year. Last year was already 150. So we are really accelerating in that because that will help us on one hand to valorise and to the underhand find a real consumer insight that will help us as well to go ahead.

And I think that's the beauty of this. It is not new, but the deep consumer understanding and the drivers of liking in each of our categories will allow us to get insights and those insights we can turn them into competitive advantage. And we see that with our patients, we see that with our consumers on Mizone for example or on AQUA, and we really can then deliver what is required for the consumer and then leapfrog. That's the whole intention of it; catching up is not good enough.

Jon Cox (Kepler Cheuvreux): Thanks very much and thanks very much for today. It was very insightful. A couple of questions for me. One back to the dairy business and just given what you're doing with the innovation, the restructuring in different parts of the business, I'm just wondering do you believe you can get the dairy business back to where you were early to mid-2000s, getting closer to a mid-teen margin, pretty much high single digit organic sales growth? Or do you think there's something structurally that has changed about the category and you're not going to see that growth because maybe per capita eating of yoghurt in parts of the world now is so high, it's never going to get much better. That's the first question.

The second question, just on the topline dynamics. When you started this journey you were talking about 3% to 5% growth for the next few years through 2024. Obviously pricing has changed. You did a lot more last year. This year you've increased the guidance already. I'm just wondering if next year, for example, we will even go back to that 3% to 5% given the pricing, given what you're doing, and actually if you're already stepped up into maybe a better range.

And then I'm going to keep going along the same track of course. And then with the targets next year you're going to give us, kindly telling us, maybe early 2024, I guess they would still be effective 2025 or would they be 2024?

And then a general margin question. I think there's that feeling you're going to give us this incremental margin gains. So, yeah, great you're growing 5% or 6% but you're subpar on margin compared to some of your rivals out there who have, say, high teen margins. Do you think you'll be comfortable enough to start talking about maybe where you can go in terms of your margin? Thank you.

Antoine de Saint-Affrique (Danone): So, I'll take the first question although I'm not sure the subsequent questions are really related to our science and research. I'll hand them over to Juergen. The only bit I'll take is when we'll share things with you in 24, it will be for 25. We have a clear guidance which is what it is. And within that guidance also we've made very clear that we move from a model that was predicated on reaching a percentage EBIT by hook or by crook to a business model approach that is long-term value creation. That's our philosophy as a long-term company brand. I'm sure that Juergen will or will not answer your questions.

On dairy: there is plenty of things that we can do in dairy. I mean the reality number one is we have been underperforming our category and we said it at Renew Danone. So we didn't capture the growth potential of the category. Point number one. Point number two is there are plenty of things that are going our way. I mean, if you take from a sustainability angle which is really interesting and you look at the carbon footprint per protein delivered, actually yoghurt is probably the most efficient animal protein you can find, which by the way opens a whole world of other things; plus it's a very pleasant one to eat when it's properly done.

It is, and you've seen that, a fantastic vehicle for all kinds of benefits, and by the way you can have pleasure and benefits at the same time. Danette is a good example of that. So, have we done a spectacularly good job over the last years in our dairy? No, we have been losing versus the market. Do we see that there is a structural long term positive potential? You bet we do, and we think we have differentiated consumer understanding and differentiated science that can help us win in the long term and develop the category.

And that's going to be my last point, which is in a number of places we have been the inventors of the categories. A sad story in some places is we haven't taken ownership of category development. Well this is something that we are in the process of changing and you see some early signs of that with what we are doing in Spain, for instance. Juergen.

Juergen Esser (Danone): Yes, a few words on margin and I will surprise you by being very consistent or not surprise you by being very consistent with what we said 12 months ago. Look, we have been resetting margins last year in order to recreate a sustainable value creation model. And what you will see as we exit year 2023 is that we will be going back towards a more balanced growth model where gross margins are growing. And this is important, and this has not been very often the case in the past. Gross margin expanding, which enables us to reinvest into our business, and we will let fall through part of it to the margin. This is why we are guiding to moderate margin improvement.

Now where is this margin improvement going to come from? We are going to maintain our margin level on Specialized Nutrition category because here the name of the game is growth. We are going to expand our margins, because today they are not at an acceptable level, in EDP and Waters. And here, a balanced growth model and bringing volumes back into the factory are critical. And this is what we are putting back at the centre of our strategy as you know in EDP Europe but also across the different geographies to make sure that we are going back to this sustainable value creation path.

The operating leverage on gross margin is very important and should not be underestimated. You were asking, can we go back to the margins EDP had in the past? EDP and dairy definitely has the ability to go back to double-digit margin profiles by developing a differentiated portfolio Antoine was talking about, but also by making the portfolio rotation impactful, and you know that we've been starting the journey.

Antoine de Saint-Affrique (Danone): But as you know me I'm a big fan of few KPIs rather than death by 1,000 KPIs.

Pierre Tegner (Oddo): Thank you for this for this morning; very interesting. Could you explain a bit more how the innovation process is initiated, how it's starting? Is it starting from local and how does it work from the first idea to the decision to invest because you are local, you are glocal, we have the feeling that you are all focusing more people on bigger, fewer innovations. So, my question is: the spontaneity of the launch of the idea, what are you doing to preserve that?

Antoine de Saint-Affrique (Danone): So, Pierre, we're going to do a duet with Isabelle on that, as you would expect. It's going to be both, and it will depend on categories. If you are on Jean-Marc's categories where it's clinical, it's science, et cetera, the vast majority probably will come from the centre because you are talking of long term clinicals because you are talking of hard, hard science. When you're talking of things that are simpler in some ways it can originate somewhere and then be expanded. So, there is no opposition between one and the other. The key question is regardless of where it's born, how do you bring it to the right level of impact through the right level of discipline so that you can leverage it. Isabelle.

Isabelle Esser (Danone): Yeah, and one of the things that we've put in place are, and it was spoken yesterday a little bit by Veronique, is the innovation realisation office, the IRO. So, it's a method which again is very disciplined, and it happens at country level. So it's about defining what are the innovations or the potential innovations at country level which gets consolidated also at regional and at global level. So innovations can come from everywhere. It all depends on the brand, the consumer insight or the patients' needs, and from that we have a disciplined way of doing innovation.

Pascal Boll (Stifel): Hi, first question on Medical Nutrition. You talked about the great opportunity and that only one on three patients currently are in use of medical nutrition. From your standpoint what is the biggest hurdle here to increase that adoption rate? That would be my first question. Then secondly on pricing in IMF. Your highest positioned product will be 30% above the current highest level. How does that compare to competitors? Then do you see a certain upper threshold where you can go also in terms from the standpoint of the consumer but also from a regulatory standpoint? And then finally I was kind of surprised that you are also going to launch YoPro in China. What should we expect here? Is there a large rollout of EDP in China to expect?

Antoine de Saint-Affrique (Danone): So, let me take the last one and then I'll hand over to my two friends to answer the first two questions. What we're doing with DuoPro in China is actually exactly what we should do which is something that is very specific which is a protein beverage with a very, very specific mix and I think a very, very specific need: leveraging the technology we have, leveraging the knowledge we have created around high protein, and addressing local consumer need through muscles that we have with Mizone. So, we are not back into yoghurt in China, if this is the question, but there we have something that is a beverage with technology that is proprietary, a mix that is working well, and a distribution channel that is interesting. So, it's a great way of increasing the resilience of our business, but I'm sure Bruno will say more about that. But before maybe talking about Medical Nutrition.

Jean-Marc Magnaudet (Danone): Yeah, it's true that our categories have great potential. You just talked about cancer; so 20 million new cases every year. Clearly the ease of capture is higher. Catherine just said that we have new guidelines, and the guidelines say that when you lose weight, more than 10% of your weight, you must be under medical nutrition. This will open doors, increase usage, and then with our capabilities in every country to activate our science to create demand through multi-channel engagements in hospitals, in home care settings, in pharmacies, online and now direct to patients, we are going to leverage this new opportunity.

But there are also opportunities in allergy. We talked about 20% penetration so we can accelerate diagnosis which is too late and make it at scale. And there are also opportunities beyond allergies still. In IMF you know, dual brand strategy. In many countries we operate in different tiers in order to serve all consumer needs and consumer levels.

Isabelle Esser (Danone): I think one of the things as well that Jean-Marc alluded to but didn't emphasise - so I'd like to emphasise it - was about adherence. Getting patients to adhere to a diet for longer; it's really extremely important. And here comes again one of the key elements that we're bringing back which is getting into consumer and patient preference. So Onco Sensation Jean-Marc talked about it during the meeting on the cooling sensation, this is critical because the taste is altered in oncology patients and if they don't have that cooling sensation, or warming for some people because we all react differently to a chemotherapy treatment, there is no adherence. No adherence, no business, but also no recovery for the patient.

Bruno Chevot (Danone): So, I'll take the last two points from your questions and elaborate a bit more on YoPro. It's definitely not for us to come back into fresh dairy because it's not a fresh product, it's an ambient one. And it's meant to put the team in action to start growing muscle on how to leverage our existing distinctive assets that I was mentioning before; the industrial capabilities, the R&I capabilities in order to design products which are preferred by consumers and our route-to-market capabilities. We are at incubation phase. It's a test and learn but the concept itself we know it's powerful because it's working across the world but it's also a resonating very much with consumers in China. Powering you up without weighing you down with the right level of protein is a powerful concept. So we are going through the learning curve but this is one of the initiatives that is helping us to grow that muscle to stretch our assets into new categories.

I think you had a point on Infant Milk Formula which was more related to China, so the good news for us is that, because we were a fairly young organisation, we had a very compact brand portfolio, and until we cleared that hurdle of registration we didn't have the right innovation to play fully into ultra-premium plus. So the idea here is not to go and become the most expensive in the market, but it's really to become a relevant player in the fastest-growing segment which is the ultra-premium plus that exists in China.

Antoine de Saint-Affrique (Danone): We are not the only one and we are not the most expensive.

Philippine Adam (Bryan Garnier): Thank you. Just a question for Isabelle, and touching back on something you mentioned earlier today which is precision fermentation and cellular agriculture. You chose in the past few months to invest in both areas, in Wilk and Imagindairy through Manifesto Venture, but you seem to have all the infrastructures and knowledge to develop it in-house. So, the first question is why invest in start-ups instead of developing it in-house?

And the second question is how do you think of Danone's role from a regulatory standpoint, because we know that in Europe there's this novel food situation and that goes together with infrastructure issues, and you have a role to play? I'm just keen to know how you're thinking about your role in the regulation and in pushing for an acceleration there maybe.

Isabelle Esser (Danone): So, first of all on the first question on precision fermentation and cellular agriculture, first of all they are very different. The first one on precision fermentation. It's a known technology. We use it already by the way. Insulin has been used there for years, but also vitamins, we're producing HMO through precision fermentation. What is new is the dairy part, so there we need to go at scale. So in a sense that's one kind of the technology.

The other technology on the cell based agriculture or cell based culture is very much in its infancy. This is about full cellular mammary glands, for example, to produce milk and therefore those are really at very laboratory-scale. So, two very different things.

Why we don't do it on our own? Because we need to multiply, and we want to multiply through ecosystems. That is what makes first of all speed, agility; we have also different ways of looking at it and cracking a very big technological challenge. And it will be with startups, but it will also be with partners/suppliers on that.

And then your last question was about the regulatory environment. We are working in some places in very highly regulated environments and in others not. And we are working with a consortium as well and through industry association with the regulators to ensure that basically there is an understanding of the technologies which could potentially come on the market. And that is a normal way of working through industry associations.

Antoine de Saint-Affrique (Danone): Maybe one more point. Isabelle said it in her introduction but the philosophy also of this place and the place we have in Utrecht is working in ecosystem and actually getting the best and getting the most of partnerships with our suppliers, with academics, with start-ups, which is a much faster and impactful model than doing everything by yourself. And you combine the building blocks. So, we do precision fermentation on a number of things. Applying to milk it's different. Combining our proprietary knowledge with start-ups in which we have invested gives us then the double power. So, it's really a different way, in some ways, of approaching R&D. It's not new. I mean this is what Isabelle had been doing in the past, creating the Unilever Research Centre in Wageningen in the midst of the university. It's extremely powerful as an engine because you can go much faster and be much more innovative.

Mathilde Rodie (Danone): So we're coming to the end. I don't know if there is an additional question. Last one.

Warren Ackerman (Barclays): Thanks. My question is around consumer insights because people that have been following Danone for a long time know that Danone are good at catching up but they're not always good at getting ahead of the consumer. We can remember Greek yoghurt 10/15 years ago and oats. You catch up quickly but you're not always ahead of the consumer trends. It's great to have the R&D but what are you doing in-house in terms of consumer insights so that you can capture those trends? I'm thinking about data. What data - do you need to build a team to do more web scraping to get intelligence? R&D is one thing that you need to know where the consumer is going and perhaps some people have felt in the past that Danone hasn't necessarily had that muscle, that capability. What's changing? And how can you give us confidence that you're going to be driving consumer trends rather than always following and really acting like a proper category captain that perhaps hasn't happened in the past?

Antoine de Saint-Affrique (Danone): It's a very fair question. I think there are a number of building blocks to address the question you're asking. I think the first building block is a matter of mindset. We have been quite for all kinds of good and bad reasons very internally focused. So it's moving back to being in the market. I mean if you spend your life in the market, if you spend your life in the stores, if you spend your life discussing with your customers - I mean I don't go into a restaurant without talking to the chef of the restaurant, asking if he has our water or why he has our water; if he doesn't have our water, why he doesn't have our water.

So, that is a first dimension which is an obsession with the outside world which is something that in some ways we had lost. There is a second dimension which is much better leveraging our ecosystem of suppliers. I mean I was a supplier to Danone for a number of years. I was seeing everything across the entire industry. So I could spot some of the trends, even if they hadn't come to the market, probably earlier than people that work in one sector. So there is a second thing which is how do you

really leverage those of your suppliers that have a different approach or that have a broader view, which is why we've launched and its public partner to win, which is our partner to grow - I can't remember the name - but which is back to creating a deeper relationship, and in some case strategic alliances with customers.

And the last point indeed is having our consumer and market intelligence being much more systematic. We are buying data from the trade in a number of cases. Could we use it better? I'm sure we could. We are by the way having an incredible tool in places like Mexico or Indonesia where we are delivering directly to consumers, and to hundreds of thousands of consumers every month. I'm not sure we are making the best out of that yet. So, we can raise the game in our capacity to observe capture and translate into action.

But I really think it's three pillars. I'm happy that we are moving quite fast on the cultural one, back facing at the market. I'm happy that we are very actively - and Isabelle said it, but it's true also with Vikram - very actively with our partners. Finally we start discussing strategic partnerships. There is more work to do from a pure consumer and market intelligence capacity and that you need to build in a structural way. We are not nowhere, by the way, but we can do better for sure.

Mathilde Rodie (Danone): Okay, so thank you everyone. Thank you for your time today with us. I hope you learned a lot and we will have other occasions to discuss more deeply on those topics. Thank you, everyone.

Antoine de Saint-Affrique (Danone): Thanks, everyone.