



DANONE H1 2025 RESULTS CONFERENCE CALL TRANSCRIPT

July 30, 2025 – 08:00 AM CEST

COMPANY SPEAKERS

Antoine de Saint-Affrique

Chief Executive Officer

Juergen Esser

Deputy Chief Executive Officer & Chief Financial Officer

Mathilde Rodié

Head of Investor Relations and Financial Communication

OTHER PARTICIPANTS

Guillaume Delmas

Analyst at UBS

Callum Elliott

Analyst at Bernstein

Warren Ackerman

Analyst at Barclays

Victoria Petrova

Analyst at Bank of America

Céline Pannuti

Analyst at JP Morgan

CEO PRESENTATION

SLIDE 1 – COVER SLIDE

Mathilde Rodié, Head of IR

Good morning, everyone. Mathilde Rodie speaking, Head of Investor Relations. Thank you for being with us this morning for Danone's 2025 H1 Results Call. I'm here with our CEO, Antoine de Saint-Affrique; and our CFO, Juergen Esser, who will go through some prepared remarks before taking your questions. And before we start, I draw your attention to the disclaimer on Slide 37 of the presentation 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 it over to Antoine.

SLIDE 2 – CEO INTRODUCTION

Antoine de Saint Affrique, Chief Executive Officer

Thank you, Mathilde. Warm welcome to you all, and thank you for joining Juergen and I this morning for our H1 '25 results presentation. We're obviously pleased to share with you another set of strong and consistent results. These numbers are more than just numbers.

Firstly, they reflect the hard work and the dedication of our Danoners, their passion for execution, their drive for innovation. And I want to thank all of them for that.

Secondly, they mark the real start of the next chapter of Renew Danone, a chapter that builds on the foundations we have laid over the past three years and projects us firmly into the future. They are reflective of what we told you a year ago in Amsterdam: the food market is at a tipping point, health through food underpinned by science -what we do for a living - has never been so relevant and our categories are growth categories. In a world which has never been so volatile and uncertain, we keep performing while transforming.

SLIDE 3 – A STRONG FIRST HALF

So let's go into the details and go straight to slide number 3. As highlighted in this morning press release, we've started the year with a strong performance, demonstrating consistency in driving quality growth and reflecting the strength and the resilience of our portfolio. We've carried the momentum and resilience from Q1 into Q2, and this is reflected clearly across all our key metrics.

In H1, we delivered like-for-like sales growth of +4.2%, a strong result given the challenging external environment. Importantly, this growth is well balanced with volume/mix contributing +2.6% and price +1.7%. This quality growth, combined with disciplined execution and

operational productivity drove a + 49 basis point improvement in recurring operating margin year-on-year, reaching 13.2%.

With underlying profit increasing and a fading impact from portfolio disposal in Q2, we are now seeing this translate into recurring earnings per share, which is up + 5.8% versus the same period in 2024. And obviously, we continue to maintain a solid financial position, generating EUR1.2 billion in free cash flow for the first half. This performance is reflective of the strength and the resilience of our business model, but also, as I was mentioning earlier, of the relevance of our health-focused and science-based strategy in a fast-changing world.

SLIDE 4 – A RESILIENT BUSINESS, CATEGORIES GROWING FASTER THAN F&B

Let's now turn to slide 4 to discuss some of these growth drivers. The relevance of our strategy and the resilience of our categories and of our portfolio is translating into the numbers: consistent growth, aligned with our midterm guidance and importantly, quality growth with a sound volume mix component and multiple growth engines, many of which grew at high single or double-digit rates in H1. Take, for example, High Protein. This is a category benefiting from growing consumer awareness of the health benefit it brings, from proactive health like fitness and performance, to reactive health like weight management and wellness.

Our fast-growing range with a focus on strong product superiority and unique functional benefits is helping to further drive penetration, especially across the Americas, Europe and Japan. We also continue to roll out our innovation to new geographies and, with still relatively low penetration, there remains much room to grow.

In Medical Nutrition, we are seeing a rapid growth in adult oral nutrition. Awareness of its role in patient recovery continues to rise and we are especially encouraged by the performance of our plant-based medical nutrition drinks. These products not only expand choice and variety for patients, but also enhance tolerance and adherence, both essential to unlocking the full benefits of nutritional support.

In Europe, Alpro continues to set the pace in the plant-based category. As the number one brand, we are driving category growth through innovation from barista drinks to value-added functional yogurt focused on High Protein and Gut Health benefits. We are transforming Alpro from an ingredient-led alternative to dairy to a benefit-led plant-powered nutritional complement to dairy.

On Aptamil, our strategy of premiumization keeps delivering with strong growth in Latin America, China, North Asia & Oceania and AMEA, and growth, as well in volumes in Europe.

We have renovated our core range and are now rolling out superior innovation platforms that meet specific nutritional needs and improve the health and development of children. Aptamil is a clear example of our science-based consumer-centric approach, creating value through differentiation. So a number of things are encouraging, but let's also be clear, not everything is quite where we want it to be.

There is more work to do and things that need fixing. This is why, as I've told a number of you, we have the guidance which we have. It enables us to deliver consistently while doing the right thing for the long term, fixing what needs to be fixed and investing where we need to invest.

SLIDE 5 – STILL OPPORTUNITIES TO IMPROVE

Speaking of places where it's still more to be done, let's turn to Slide 5. In dairy, we are back in the game, but we are still not leading the game everywhere. We are steadily transforming the portfolio to strengthen our position in functional segments. We are making solid progress in renovating and simplifying Activia. Recent launches, including Kefir and Fiber variants in Europe, Proactive with pre- and probiotics in North America, all built on its trusted benefit.

In Japan, and following clinical trials, we are able to claim that Activia has probiotics 100 times more effective than regular yogurt. So good progress, but not back yet where we want to be. And the same applies to a number of the other brands. Across our portfolio, we have engaged in a very systematic approach to drive science-based consumer relevant innovation and superiority and to progressively move from competing to shaping our category.

In Plant-based, as mentioned earlier, we've reignited growth in Europe through a combination of innovation and great execution. We are spotlighting the functional benefits of plant-based nutrition with refreshed packaging and communication that highlights the five essential nutrients, enhancing the unique nutritional profile of our drinks and yogurts. Alpro is back in full swing.

In North America, while we are seeing early signs of recovery, the job is far from finished. We are encouraged by the launch of our kids range, the strong performance of our premium So Delicious coconut offering and ongoing efforts to optimize shelf presence, making it easier for consumers to shop the fixture. That said, there is more to do, both to unlock the full potential of the category and to strengthen Silk's performance. And Alpro offers now a proven blueprint.

In operation, we have made significant progress. We've learned to operate with greater agility and speed, and we are proud now to be ranked number 10 in Gartner top 25 supply chain, up

from 22 last year. It is encouraging and shows how much progress we have made, but we are not yet where we should be. We have faced this year our share of challenges.

We are learning from them, further investing into capacity, capabilities and quality with a clear ambition: be best-in-class at serving customers and unlocking the full potential of chapter two of Renew. This chapter has obviously started.

SLIDE 6 – RENEW NEXT CHAPTER HAS STARTED

Moving now to Slide 6. When a year ago, we shared with you chapter two of Renew Danone, we told you a few things. We told you we have become a different company, health-focused, science-based, execution-driven. We told you the food markets were at a tipping point, and we thought they were coming our way. We told you we would double down on the fundamentals of Renew while further transforming the business, having the ambition to become a value compounder.

This transformation, pivoting, broadening and expanding is starting to take shape. We are starting to unlock new growth space with breakthrough innovation. You may have seen the soft launch of our new shelf-stable protein shake in the US. It's obviously early days, but the feedback both from consumers and the trade has been very encouraging. It shows the strength of the Oikos brand as high-quality and trusted protein expert and is also a good indication of our intent to leverage science and capabilities to enter new spaces.

In the same spirit, just a few weeks ago, based on proven research, we launched a new Danone bio yogurt drink in Japan, which has a unique blend combining a probiotic strain with a natural sweetener to improve metabolism. We know that metabolism and digestive health are top priorities for many people in Japan. So our team has put a lot of care in developing a product that supports both, and taste great, obviously.

We told you about our intent to further broaden our channel footprint. There is no better example of this than what we do in medical nutrition, be it in China, being able to support patients not only in hospital, but in the communities where they live, be it in home service, where we now provide enteral nutrition in more and more countries. We are reaching more people in more places at different stages of their life.

This strengthens the resilience of our model as we continue to grow in strategic channels and reduce our reliance on mass retail. We also told you about further expanding our geographic footprint where it makes sense.

In Specialized Nutrition, we are rolling out our infant formula platforms to new markets, such as Vietnam, parts of Southeast Asia and North Africa. Whether it is our core Aptamil formula or more tailored solutions for microbiome recovery after C-section or for iron deficiency, we are bringing the benefits of superior science to more families around the world to improve health through food.

SLIDE 7 – MOVING TO THE FRONT FOOT ON ACQUISITIONS

Moving now to slide 7. As part of the next chapter, we also said that we intended to move to the front foot on acquisitions. Recently, you've seen us just do that, always guided by clear strategic intent and disciplined governance. Firstly, we are pleased to have completed the acquisition of Kate Farms, and we warmly welcome their really great team into the Danone family. A fast-growing medical nutrition business.

Kate Farms is the number one doctor recommended plant-based brand in the US, offering a wide range of organic plant-based nutrition products for both medical and everyday needs. This is a highly complementary addition to our North American medical portfolio, which starts to give us real scale. It strengthens our ability to serve more patients, consumer and health care professionals with a broader, high-quality offering tailored to diverse health needs. And as I said, Kate Farms comes with an amazing team.

We also announced a smaller but very strategically significant acquisition, the Akkermansia Company. Two decades of pioneering science in biotics provided the company with a specific biotic strain, which has been clinically demonstrated to reinforce the gut barrier, to reduce inflammation, and counteract metabolic disorders. Their unique delivery technology enhances the efficacy of this breakthrough strain, maximizing the positive impact it has on the gut.

As you heard Isabelle and I said before, the science of the microbiome and the field of gut health are not only a historical strength of Danone Research, it is also a field which offers immense opportunity ranging from consumer goods to obviously, medical nutrition. These acquisitions are a good example of what we want to do: drive health through food anchored into science. They will contribute to reinforce our long-term value creation model while we continue to deliver the consistent and resilient performance that you see today.

And with that, I hand over to Juergen. Juergen, over to you.

CFO PRESENTATION

SLIDE 8 – FINANCIAL HIGHLIGHTS

Juergen Esser, Chief Financial Officer

SLIDE 9 – SUSTAINED QUALITY GROWTH IN Q2

Thank you, Antoine, and good morning to all of you. Let's get into the details of our financial results for this first semester 2025, starting with Slide number 9. We are pleased to report another quarter of quality growth with like-for-like sales up + 4.1%. Importantly, a significant + 3.2% contribution came from volume mix, driven by multiple growth engines across regions and categories, while price was a positive at + 1%. While in business, every quarter offers different challenges and opportunities, we are happy with the consistency of the execution by our teams, which has been delivering now for many quarters, quality growth within the + 3% to + 5% range.

SLIDE 10 – BROAD-BASED GROWTH ACROSS GEOGRAPHIES

To better assess the solid underlying dynamics, I propose we look at the performance by region and category on Slide number 10. In the second quarter, all regions contributed again positively to our performance, reflecting, as Antoine just highlighted, the strength of our health-focused portfolio. We will dive into regional details shortly but let me mention here already two standouts.

Europe that continues to build momentum with very solid growth led by volume/mix and CNAO that posted an exceptional performance, firing on all cylinders in the second quarter. This regional performance is also reflected in our categories, especially in Specialized Nutrition that posted a stellar + 8.7% net sales growth, driven by Aptamil's broad-based market share gains as well as by sustained growth demand in the Medical Nutrition category across all regions.

Next to Specialized Nutrition, our EDP business delivered a solid + 3% like-for-like growth, led by volume/mix. Growth was driven across geographies by functional dairy, high protein in particular, while Alpro posted another quarter of strong competitive growth.

And lastly, Waters that delivered a soft quarter, as you can see from the numbers here. This reflects a mixed situation: we experienced adverse weather conditions in a number of emerging markets, including Mexico and Indonesia, while on the other side, Mizone in China and evian in Europe continued to perform well. Stepping back and looking at all numbers on this slide, we can confidently say that we delivered not only another quarter of quality growth, but that we also demonstrated again the resilience of our portfolio.

SLIDE 11 – STRONG LFL GROWTH

Let me now move on to the traditional sales bridge on slide 11. Our strong like-for-like performance of + 4.1% was, as mentioned earlier, driven by volume mix of as much as + 3.2% with price contributing another + 1%. This like-for-like growth was offset in the second quarter by currency headwinds. The euro appreciation against major currencies, including the US dollar and the Chinese renminbi, led to a - 4.9% impact on sales.

As you have noticed, we no longer have a negative scope effect with all past disposals fully annualized from Q2 onwards. Overall, reported sales, therefore, remained stable year-on-year at around EUR6.9 billion.

SLIDE 12 – EUROPE

Let's now take a closer look at the performance of each region, starting with Europe on Slide 12. Europe continued its step-by-step improvement and delivered like-for-like sales growth of + 2.2%. We are pretty happy with this growth, which is notably driven by sustained progress in EDP with positive volume mix for the seventh consecutive quarter. This progress was fueled by functional products, in particular, our High Protein range, but also the successful rollout of our innovations like Skyr and Kefir.

In the plant-based segment, the Alpro brand continued to deliver strong growth, gaining market share with its more functional beverages and yogurt offers. Specialized Nutrition saw mid-single-digit growth this quarter. Growth was led by Medical Nutrition with all major brands, including Fortimel, Fortini and Nutrison performing well, while in infant milk formula, Aptamil posted solid growth and market share gains across the region.

In Waters, despite uneven weather conditions across markets, we delivered resilient growth led by evian's solid performance in the premium segment. For the entire first semester, Europe posted like-for-like growth of + 2.1%, entirely driven by volume mix and a recurring operating margin of 11.4%, broadly stable versus last year.

SLIDE 13 – NORTH AMERICA

And with that, let's turn to North America on Slide number 13. North America posted like-for-like sales growth of + 2.3%, driven by a + 1.8% increase in volume mix and a positive 0.5% price effect.

In EDP, High-Protein yogurt continued to lead the growth with our market-leading Oikos Pro platform delivering strong double-digit performance in a very dynamic segment. Coffee creamers are progressively recovering following service challenges during this first semester.

Market share started to improve in the course of Q2 as we are progressively rebuilding the distribution of the international Delight brand.

The team first focused to bring our hero SKUs back to the shelf with the complete SKU portfolio following over the coming months. Specialized Nutrition, particularly Medical Nutrition delivered another very strong quarter. We are in parallel, as Antoine mentioned, integrating the Kate Farms company, which will, combined with our existing business, be an even stronger springboard for our future growth trajectory in this region.

Overall, this brings our first semester sales growth to + 3% with a balanced contribution from volume/mix and price. Recurring operating margin continued to expand, up 33 basis points year-on-year, driven by solid gross margin expansion.

SLIDE 14 – CHINA, NORTH ASIA AND OCEANIA

Moving on to Slide 14 with China, North Asia and Oceania. The region delivered an exceptional performance in the second quarter with like-for-like sales increasing by as much as + 12.4%, entirely driven by volume mix. Importantly, this is truly broad-based growth as all categories are contributing to it. We continue to see strong demand for our specialized nutrition products in China, growing at double-digit pace. This is notably fueled by our Essensis platform in the IMF segment, which continues to drive market share gains.

The overall IMF category is benefiting from growth in the Stage 1 segment, which is, as expected, expanding into Stage 2. In parallel, the medical nutrition category is also experiencing strong demand for both infants and adults. Preparing the future, we are doubling down on expanding our presence inside and outside the hospital network.

On the beverage side, Mizone continued to perform very well, achieving again strong volume-led growth, benefiting from a dynamic segment of functional beverages. In Japan, our two functional brands, Oikos and Activia are keeping up their strong momentum. As Antoine mentioned, we keep innovating in this highly sophisticated market where metabolism and gut health are top priorities for our consumers. For the entire semester, the region posted + 11.3% growth, driven by a + 11.9% increase in volume mix. Recurring operating margin reached 30.7%, up 12 bps, reflecting notably the positive category mix.

SLIDE 15 – LATIN AMERICA

I suggest we move on to discuss Latin America on the next slide, slide number 15. In a volatile and challenging environment, Latin America demonstrated resilience with a solid + 2.9% like-for-like growth. This growth was entirely led by a + 5.9% increase in price with volumes down

around - 3%. In EDP, we delivered robust growth across the region with all segments performing well. We have over those past couple of months, been particularly active on the innovation front with the successful rollout of our High-Protein ranges and our drinkable Greek yogurt. We're also very pleased with the continued very strong performance of Specialized Nutrition in both Medical Nutrition, but also in IMF, where Aptamil sustained strong momentum in both Brazil and Argentina. In Waters, our business in Mexico was unfortunately impacted by adverse weather conditions with an exceptionally cold and rainy season. Looking at the entire first semester, the region posted like-for-like growth of + 5.7%. Recurring operating margin reached + 4.3%, a strong increase versus a year ago. This bodes well for the second semester, which is structurally the one with higher levels of profit margin in this region.

SLIDE 16 – AMEA

Finally, let's have a look at our Africa, Middle East and Asia region on Slide number 16. In AMEA, we posted a solid + 4.1% like-for-like sales growth in the second quarter with + 1.4% volume mix and + 2.7% price. Specialized Nutrition delivered another strong quarter, particularly in Southeast Asia, India and Middle East. Aptamil was also here a key growth engine, and we continue to expand the brand to new geographies such as Vietnam and Algeria. We are in parallel rolling out our multi-brand iron Biotics platform across the region to support the fight against iron deficiency anemia.

In EDP, Dairy in North as well as in West Africa maintained its positive momentum, delivering solid growth alongside a business model that continues to improve its profitability. For the entire first semester, the region posted like-for-like growth of + 3.7%, driven by a + 3.5% increase in price. Recurring operating margin reached 10.1%, a 72 bps decrease, mainly due to unfavorable currency changes.

SLIDE 17 – RECURRING OPERATING MARGIN UP +49 BPS IN H1 2025

I suggest we conclude here the zone review and we move on to the margin bridge for the first semester on slide number 17. Our recurring operating margin stood at 13.2% in the period, an improvement of + 49 bps compared to last year. We are happy with the fact that our margin from operations continues to expand in this first semester by 139 bps. This is a result of our quality growth, continued high levels of COGS productivity as well as moderate material inflation. As we move into the next chapter of Renew Danone, we are starting to shift the reinvestment magnitude and nature.

We are moving sequentially towards an investment focus on category leadership and are progressively moderating the level of reinvestment as largely discussed earlier this year. The overall P&L bridge is in this first semester of 2025, reflecting again the way in which we intend

to create value for the short and long term, which shows the power of the Danone business model based on quality growth, leverage and very importantly, consistency and discipline.

SLIDE 18 – RECURRING EPS UP +5.8%, DRIVEN BY OPERATIONAL PERFORMANCE

Let's move now on to the EPS bridge and free cash flow on slide number 18. Recurring EPS grew well ahead of sales at + 5.8% in this first semester. The main contributor to this growth was the strong operational performance, which we just went through at + 6.2%. The team was at the same moment able to reduce the impact of our financial results, adding positively by + 0.7%, thanks to a great management of our debt position. H1 2025 was the last semester of negative impact from the disposal of Horizon Organic with a - 2.1% effect, while tax associates and minorities had a - 1.1% impact over the period.

Finally, the negative currency impact on our EPS was more than offset by a positive impact from IAS 29. This very solid step-up in our earnings is a key lever to deliver on our cash ambition. We are matching in this first semester last year's record of free cash flow generation at EUR1.2 billion.

SLIDE 19 – 2025 GUIDANCE CONFIRMED

This concludes the financial review for this first semester, and I want to extend a big thank you to the teams who made those results possible, delivering on all dimensions of sustainable value creation, which leads me to conclude with the financial guidance on slide 19. As we shared with you today, we are very pleased with the strong performance delivered in the first half of the year. Looking forward, we are confident and well on track to achieve our full year 2025 guidance of + 3% to + 5% like-for-like growth and recurring operating income growing faster than sales, in line with our midterm ambition.

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

CEO CONCLUSION

SLIDE 21 – DRIVING RENEW CHAPTER 2

Antoine de Saint Affrique, Chief Executive Officer

Thank you, Juergen. Before we open the floor to questions, I would like to leave you with a few final thoughts, and let's move to Slide 21. The name of the game for us is one of performing consistently, while also projecting ourselves in the future, capturing emerging opportunities in what is a fast-changing world. Our first half results are a good illustration of what we want to achieve with this new chapter of Renew Danone.

On the one hand, striving to consistently deliver quality results, executing on our core business with discipline, fixing what needs to be fixed while leveraging what works well and obviously, remaining constructively dissatisfied in a context that is not getting any easier. On the other hand, keep transforming through innovation and acquisition, focusing on high-growth value-added segments, segments where science and health-related benefits makes the difference. The next chapter of Renew is underway, but it's only the very start. We find it a quite exciting journey, and we hope that you do so as well.

And with that, let me hand back to Mathilde to start the Q&A question. Mathilde, over to you.

QUESTIONS & ANSWERS SESSION

Mathilde Rodié, Head of IR

Guillaume Delmas, UBS.

QUESTION 1: EDP IN NORTH AMERICA; SPECIALIZED NUTRITION IN CNAO

Guillaume Delmas, analyst at UBS

Thank you very much and good morning Antoine, Juergen, and Mathilde. Two questions for me, please. The first one on EDP in North America. I mean it's been another robust print in Q2 despite the normalization in pricing, which I guess was expected versus Q1. But my question is, above and beyond Protein, I mean what have been the key growth engines in the quarter for EDP North America?

And I guess, are you satisfied with your market share development in yogurt for the region because the scanner data seems to signal some contraction since the start of the year. And then looking ahead on the two current underperformers of Coffee creamers and Plant-based beverages, when would you expect these two businesses to contribute again positively to like-for-like sales growth?

And then my second question on Specialized Nutrition in CNAO. So second consecutive quarter of like-for-like sales growth in double-digit territory. Maybe could you help us unpack this strong like-for-like? It seems to have been very much led by volume/mix, but could you tell us if it was more mix or more premiumization rather than volume and penetration gains? And in the quarter, what do you think category growth was for Specialized Nutrition?

I mean just so we can get a feel for your level of outperformance and how sustainable that the double-digit like-for-like sales growth is for the coming quarters?

Antoine de Saint-Affrique, Chief Executive Officer

Thanks for the questions. Let me start with North America. EDP, I mean, you said it, Protein is going from strength to strength. Actually, the growth of the market is really impressive. It's actually beating the expectations of everyone.

So we prioritize delivery of what is a high value, high growing segment. And in some cases, by the way, it comes at the expense of other parts of our business. We are super happy with the early signs of progress of Activia where we see a couple of things moving in the right direction. So I mean too early to celebrate, but the first indications are moving in the right direction.

And we are lining up, I mean, the next move, which is something we have been talking for a while, which is reviving our Danimals business. So very, very strong in our Protein, early encouraging signs on Activia, but not natural now. So not yet translating into shares. And in the second half, we will come back on Danimals.

So going in the right direction, not fixed yet. I mean, we still need to do better from a share standpoint. We have a unique portfolio in the US that covers all offering and for the moment, only Protein is driving. We are not leveraging the full might of our portfolio.

So that's still the job to -- that's still a job to be done. On Creamers and Plant-based. Well, Creamers, Juergen said it. I think things are starting to move in the right direction. We see shares starting to move back in the right direction.

Our core variants are back in distribution. Now the next step is obviously over the coming months to bring the rest of the range in full distribution. So moving in the right direction, will get sequentially better, not there yet where I want it to be. Plant-based, I mean, I said it in my presentation, we're super excited with Alpro in Europe, which is now in full swing, which is winning shares, which is giving us a blueprint. We are starting and we will in the second half of the year, start deploying some of the learnings of Alpro to the US.

If you ask me, I wish we would be faster. I'm a bit frustrated by that. Véronique spent the last couple of days in the US, and we spent with Juergen and Véronique quite a bit on the US last week. We should do more faster, but that's life of a business. So altogether, a solid print for the US but also a level of constructive dissatisfaction, more to be done in a market which remains an exciting market.

Our Specialized Nutrition in CNAO, we will do a duet with Juergen. Long story short, market is getting better given what we saw with birth rates, which is obviously translating as babies are

aging into the next stage of products. But more importantly, our business model is going from strength to strength, and it's a combination of a number of things. Number one, innovation. Essensis keeps working extremely well.

We keep growing. We keep winning shares as a company. On the base of two things, on the base of very strong science and great branding; and on the base of very, very disciplined execution in the trade. We told you many times about the quality of our business model and the way we go at market with, I mean, a very strong hand on our inventories. It keeps growing quarter after quarter. And it delivers. I mean, exceptional results this quarter.

Juergen Esser, Chief Financial Officer

Yeah. Juergen speaking. Fair to say that at the beginning of the year, we saw the IMF category in green on Stage 1. This is as we expected now progressively extending into Stage 2. When you add together Stage 1 and Stage 2, you speak about two-thirds of the categories overall in IMF in China.

And so there are reasons to believe that also the second half of the year, the category will be performing. At the same moment, you have seen that the Chinese government is increasing the incentives for getting the birth rate better for the long term. And obviously, we hope that this is creating results. While IMF is doing very well, we're also very happy with Medical Nutrition in China, which is important to say on both sides: on Peads, which is performing extremely well, especially on allergy treatment, but also on Adult where we are pushing to get more distribution in hospitals and outside of hospitals.

Mathilde Rodié, Head of IR

Callum Elliott, Bernstein.

QUESTION 2: EUROPE PORTFOLIO; REINVESTMENT

Callum Elliott, analyst at Bernstein

I wanted to start with Europe, where you had another quarter of very strong volume growth in Q2. You obviously called out the progress in dairy and especially functional dairy. My question is, as you look at the data that you have from a consumer perspective, do you see the same drivers of this acceleration in Europe that we've previously seen in the US driving functional dairy over the course of the past two or three years? Or is it something different going on in Europe today?

And then my second question is on reinvestment. You showed in the margin bridge, Juergen, another 90 basis points of reinvestment in H1. I think that follows 170 basis points in 2024, 100

basis points in 2023. It's obviously great to see you guys reinvesting, and we can obviously see the benefits of that given the strong organic growth that you're seeing.

My question is, I think there has been an expectation amongst investors that the pace of that reinvestment might moderate, which we're obviously not really seeing yet in H1. So just hoping to get you to discuss current investment levels, the pace of reinvestment and how happy with where you are today?

Antoine de Saint-Affrique, Chief Executive Officer

We'll do a duet with Juergen on that. If you look at Europe, actually, what we see is a combination of a number of different things. Obviously what we do, which is health through food, underpinned by science is very, very relevant in Europe. I mean you see that with the success of protein. You see that with what we do in SN in Europe.

So you see that across Europe. You see that with Alpro, where the five ingredients and the way we own the breakfast moment, but also the way we claim the benefits of Alpro are making a real difference. So that is one dimension, and that one dimension is very similar. to what you see in other parts of the world. I think the second thing that we are seeing in Europe is something we told you about, which is a step by step-by-step improvement of our execution and sharpening of our portfolio.

I mean, take France, which is a good example. In France, step by step by step, we see the performance going up in a country which is notably difficult. I can say that as a French person. And you see it moving on all fronts. You take something that is not the most science-based product in our portfolio, although which is Danet, which is a very iconic brand in France.

We have now cracked a super good advertising. We are doing cool things from an execution standpoint. And you see the start of reaction when it comes to the market. It doesn't mean that everything is fixed yet. We still have plenty of opportunities in Europe.

I mean we see Activia starting to be very exciting in places like UK, exciting in France, not solved yet in Spain. So more work to be done. So consumer trends are more or less the same and everything we do around science is making sense. Execution is sharpening, but it's not yet the end of the journey. And we are still constructively dissatisfied.

Juergen Esser, Chief Financial Officer

Yeah. And when it comes to the financial algorithm and the level of reinvestment, we are actually confirming what we said a good year ago when we were together in Amsterdam. We

will continue to reinvest into our business because this is part of our business model actually. And as we said in Amsterdam, we will progressively change the magnitude of reinvestment and the nature of reinvestment, nature of reinvestment because we will go from catching up to really invest into category leadership. And as you can see, we are seeing very good returns because those reinvestments make sure that we are growing with quality semester by semester and quarter-by-quarter.

Looking forward, as we said, there are reasons to believe that levels of reinvestment will moderate. It will moderate, but we will continue to reinvest, especially into science, into our brands and into technology. So no change vis-a-vis what we largely discussed 12 months ago.

Mathilde Rodié, Head of IR

Warren Ackerman, Barclays.

QUESTION 3: US EDP; SUPPLY CHAIN

Warren Ackerman, analyst at Barclays

Warren here at Barclays. First question is -- just maybe diving a bit more into US EDP. Thank you for the comments. Can you maybe talk to us a little bit more about Coffee creamers?

How much extra capacity are you adding from Jacksonville? What are you doing in terms of the trade-weighted distribution points? I'm just trying to understand a little bit more, you lost a lot of market share you're rebuilding. We're still seeing kind of scanner data being very weak. Are you able to maybe kind of give us a bit more color in terms of what your plans are for International Delight going forward and into the back half?

And then related to that, in the US EDP, the High Protein smoothie in the US, it looks like a very big market opportunity Antoine. The product looks good, clean label. But how much of that market do you think you can get given it's dominated at the moment by BellRing, Coke and Pepsi? And what's the distribution that you're seeing?

Is it already nationwide in the US? Or is it going to be progressively rolled out in the second half of the year? I'm just trying to understand the kind of US EDP outlook, I suppose, for the second half given the second quarter. Are we seeing Coffee creamers troughing?

And should we see some kind of sell-in for the High Protein smoothies in the US in the second half? That's the first one. And then the second one is a bit more like not results, but you say one of the big opportunities to improve and you're constructively dissatisfied is on the supply chain. You want to raise the bar in the supply chain excellence. I wonder whether you can

maybe talk a little bit about that and what Vikram and the team are doing and where you see the gaps versus best-in-class and how you think that can help sort of resource allocation medium term?

Antoine de Saint-Affrique, Chief Executive Officer

Thank you, Warren. So listen, on US EDP, two things. On the Coffee creamers, we have plenty of capacity coming online with Jacksonville. So no capacity limit when it comes to Coffee creamers.

So the name of the game for us is really about execution. As I was saying, we are back with the core of the portfolio. I think we have good levels of distribution. We can still push in different states or local types of distributors. But by large, the core of the business is back into distribution.

The next stage, which will still take a few months will be to bring the rest of the portfolio into full distribution. You see that already in the Nielsen numbers, things start going into the right direction. So we should step by step by step regain our competitiveness on International Delight. We are also working on what is the next generation because you've seen also that next to the traditional fight between Coffee Mmate and International Delight, there are newcomers with new offering coming to the market.

So there, I mean, more to come in the second half of the year because as consumers are changing, we have, I think, opportunities that we can seize. When it comes to Oikos shakes, listen, it is a soft launch. We started with very limited distribution in Costco as a test. The early results were extremely encouraging to the point that the test has been significantly enlarged. It doesn't mean we have full distribution yet. We are a few weeks into the launch, so I wouldn't post yet.

But the first signs are encouraging, but the test has been enlarged at the request of our customers. So early signs are very, very encouraging. We'll see in the next quarter how big and how fast. But yet again, a good start on something where the Oikos brand is super relevant, where the product is really good on a new segment, which is very big. It's a EUR10 billion segment in the US. So there are plenty of things we can do.

Warren Ackerman, analyst at Barclays

And any reason why you don't go larger sooner? If you've got good results, what's holding you back from actually going nationwide more quickly?

Antoine de Saint-Affrique, Chief Executive Officer

I mean we will increase, but I want to prove it before I do a big pipeline and discover that the repeat is not what it should be. So I'd rather do it disciplined and spend a few more weeks in scaling it up rather than going full in and then learn when it's full in. So it's more a matter of discipline than anything else. First signs, yet again, super encouraging, Warren.

Warren Ackerman, analyst at Barclays

And supply chain?

Antoine de Saint-Affrique, Chief Executive Officer

Yeah. On supply chain, I mean, there are two things at two different levels. I mean you've seen what happened in the US on Creamers, I mean, which is, in some ways, a non-goal. So I cannot be happy about that.

So there is still work in fixing a number of things in a number of sites, making sure that the quality of service, making sure that the operational discipline keeps progressing step after step after step. We have made some very good progress, but there is still progress to be made. The other thing, and then I'll hand over to Juergen is while we keep raising the floor, we also raise the ceiling.

So we have engaged at very low noise, a transformation of all our planning cycles, creating center of expertise enabled by AI, which we are now step-by-step moving in a number of our regions, a big transformation that we started a year ago and is now taking effect. So it's really raising the floor and raising the ceiling at the same time.

Juergen Esser, Chief Financial Officer

Yeah. And maybe just to add one element, Warren, the last three years in a way, we have been working hard to catch up versus the industry average in operations, and this is what the team has fantastically delivered, which you can see actually in our COGS productivity the last three years, well ahead the average of the industry. Now we are not going to stop here. The ambition is to get to world-class level of management for supply chain. And therefore, our ambition is to continue posting also superior level of productivity.

You may have seen what we do in Opole in Poland, which is a factory which is really state-of-the-art from a technology standpoint and demonstrating that investing into technology and digital has strong returns in supply chain, and this is what you can expect us to continue doing.

Mathilde Rodié, Head of IR

Victoria Petrova, Bank of America.

QUESTION 4: LEADERSHIP CHANGE IN NORTH AMERICA; INFANT FORMULA IN CNAO

Victoria Petrova, analyst at Bank of America

My first question: you have a change in leadership in the US. First of all, is this interim role for Véronique now becoming a constant one? Or are you looking for someone? And Antoine, you mentioned that you would like to accelerate in certain areas in North America.

Already more than over a year, we have been talking about Silk improvement and turnaround. What has kept the performance, at least on the scanner data, we're seeing quite weak performance so far. You already talked about Alpro strategy being implemented in North America, what has been the obstacles on the way? That's my question number one.

And my question number two, you have the amazing performance in infant formula and Specialized Nutrition, not only in CNAO, but also in other markets. My understanding is you did not have an Essensis launch launch there. What has been driving the more recent acceleration? Is it the market? Are those market share gains? Is it any additional innovation outside of China?

Antoine de Saint-Affrique, Chief Executive Officer

Victoria, on the change of leadership, let me repeat what I said. Well, the first thing is we have a very, very good team. You take Dan in North America, Fred, in Canada. They are very, very strong people that we've put in place over a year ago. to make sure that whatever happens, we have a strong team in place.

I said that Veronique was in charge for now. And I keep repeating, Véronique is in charge for now. When we have something to announce, we will announce it, but it's only for now. It's not necessarily forever. On Silk, I mean, I told you, I'm a bit frustrated with the speed at which we are moving.

I mean, I think the good news is we now have a proven model on Alpro. And we have a model which is about capturing the moment of the breakfast, so the start of the day, which is about product superiority through the ingredients, which is, by the way, about outstanding advertising and very strong innovation. You cannot just take it and put it as is in the US because the consumer is different because a large part of the business is in the refrigerated aisle in the US while it's mainly ambient in Europe.

So, there is a bit of time for adaptation. That's one dimension. But there was another dimension, to be honest, which is a bit of not invented here to which we have put an end. So you should start seeing more movement faster. On your last question, which is SN, I'll do a duet with Juergen on that.

I think SN is really firing on all cylinders. I mean, if you ask me, obviously, and you mentioned it, China is doing well, both on, by the way, infant and on medical. But you look Aptamil across the world. I mean the mix of very good and disciplined execution, relevant innovation when you take C-section, it's still at the beginning of the journey. Our expansion into new geographies, I mean, what we are doing in Vietnam is pretty cool.

What we are doing not under Aptamil, but under other brands with our iron deficiency is really cool. So we have a number of engines on which we execute pretty consistently. So it's a mix of great execution, great innovation.

Juergen Esser, Chief Financial Officer

And maybe just to complement with one element. I mean, Aptamil being the single largest brand of the Danone portfolio is growing everywhere, high single digit, double digit in all the regions with the same recipe, which is superior formulas based on super strong science and insights from a consumer standpoint. So I think we have here really a fantastic asset in our hands next to Medical Nutrition, which, by definition, is a strong growth segment. So more to come.

Mathilde Rodié, Head of IR

Celine Pannuti, JPMorgan.

QUESTION 5: MARGIN PROGRESSION; ACQUISITIONS

Céline Pannuti, analyst at JP Morgan

My first question is on the margin progression. Gross margin was stellar, 140 bps. And Juergen, you mentioned the reinvestment, which was high at 90 bps. So I just want to understand whether there was any specific benefit H1-H2 and understanding as well, 90 basis points of reinvestment seems like high level. Would that lower in the second half?

Yes, trying to understand a bit the phasing through the year. And then my second question: Antoine, you mentioned that you have been moving on the front foot on acquisition that you detailed this morning. Are you satisfied with the progress you're making there? How is the pipeline looking and whether there would be bigger opportunity out there you're looking at?

Antoine de Saint-Affrique, Chief Executive Officer

Thank you, Celine. Let me take the second, and Juergen will take the first. Well, first, I'm super happy with the last two acquisitions. They are really, really exciting. Actually, I was having dinner last night with Brett, who is the leader of Kate Farm.

What we can do together is just amazing. And it's only the start of what we can do. And same story: Akkermansia is a relatively small company, but the technology that is in there is super, super exciting. So on strategy, differentiating in geographies that are the relevant ones.

We don't stop there, obviously. So the pipeline is a healthy pipeline, quite broad when it comes to geographies. So a number of exciting things. I mean, will they land, when they will land? I mean, as you know, acquisition is not a precise science.

But it is very clear that we have a very disciplined and aggressive management of our acquisition pipeline, aggressive, but disciplined. It's back to what we said a number of times, which is it has to make sense from a strategic standpoint, and it has to make sense from a financial standpoint and both at the same time. So yes, I mean, more to come, working on a number of things. When will it come?

I mean, hard to say because acquisition is not something that comes like Swiss clockwork.

Juergen Esser, Chief Financial Officer

A few words on profit margins. As you say, we are pretty happy with the first semester; where we benefited from a strong organic growth, including a very strong mix effect, as you could see from China and Specialized Nutrition, but also from a last positive scope effect from the Horizon Organic disposal, which ended in Q1. We leveraged, as you said, the very solid gross margin expansion to continue reinvesting into our business and the results are showing.

And what it means for the second semester, actually, the key variables for the second semester will change little compared to the first one: quality growth, moderate inflation and moderate inflation will continue to come mostly from agricultural ingredients will persist. We may see a slight increase from tariffs depending on where things will land.

And we believe that we will be able to continue delivering solid productivity. So in that sense, we are confident that we can continue to expand our profit margins despite an expected stronger headwind from currency, assuming that the currency rates stay more or less where they are today. And as you know, our mantra if we see additional tailwinds, we're going to reinvest in order to make sure that we deliver also future strong growth.

Mathilde Rodié, Head of IR

Thank you very much. So with that, we close the Q&A session, and I hand the floor to Antoine.

Antoine de Saint-Affrique, Chief Executive Officer

Well, again, thank you very much for being up early in the morning for a number of you. As we said, I mean, we try to deliver consistently on our strategy, focusing both on the fundamentals of our business while building the future, making consistent progress, but being also constructively dissatisfied on a number of things that we need to improve. So in some ways, normal life of business, but strong and consistent delivery. Thank you all.