



DANONE Q1 2026 SALES CONFERENCE CALL TRANSCRIPT

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COMPANY SPEAKERS

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PRESENTATION

Mathilde Rodié, Head of IR

Good morning, everyone. Mathilde Rodié speaking, Head of Investor Relations. Thank you for being with us this morning for Danone's 2026 Q1 sales call. I'm here with 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 18 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 Juergen.

SLIDE 2 – AN EVENTFUL START TO THE YEAR

Juergen Esser, Chief Financial Officer

Thank you, Mathilde, and good morning to all of you. Welcome to our Q1 2026 sales presentation. Thank you for taking the time to be with us. I suggest we go straight into it as this is a busy day for all of you.

Let's go to slide number 2. As you have seen from our press release this morning, we reported a solid set of numbers for the first quarter, a quarter which was far from business as usual.

Firstly, the conflict in the Middle East: most important is that all our colleagues who live and work in this region are safe and well. A big thank you for their commitment during these challenging times. As you all know, this conflict is having consequences on logistics and distribution flows in the region, a region that is representing around 2% to 3% of the sales of our company.

Our start to the year was also impacted by the infant milk recalls that affected the industry in the EMEA zone. This has created shelf disruptions and out-of-stock situations across the region with a particular challenge for the stock replenishment in the Middle East due to the before mentioned conflict situation.

Amid this challenging context, we are pleased that the numbers we published today demonstrate the resilience of our portfolio, the strength of our categories and of our brands. And our objective is more than ever to come out of this environment stronger than before. Based on this confidence, we are accelerating on our strategic portfolio management with the signing of two important transactions during the first quarter.

SLIDE 3 – FURTHER ACCELERATING ON PORTFOLIO MANAGEMENT

I suggest we move to the next page, page number 3, so I can give you more color on it. Both transactions that we signed during the quarter will further strengthen our unique health-driven portfolio and contribute to our industry-leading value creation ambition.

First, the acquisition of the Huel company. Huel is a leader in complete nutritionally balanced meals with sizable business in Europe and in the US. The contemplated transaction will enhance our presence in the premium Functional Nutrition category. It is offering us new capabilities, especially in direct-to-consumer channel management, combined with state-of-the-art digital marketing skills. The Huel company is a perfect strategic fit with a highly complementary mission.

In parallel, we announced for our Argentinian Dairy business an exciting new chapter. Together with our partner, Arcor, we are creating a joint venture, combining our respective portfolios to unlock the full potential of the dairy market in this region. Whilst the transaction will technically deconsolidate our Argentinian Dairy business, we expect the synergistic effects to this joint venture to be EPS accretive over time. Both transactions, which we expect to close in the second semester, are fully aligned with our Renew Danone agenda and our capital allocation priorities and discipline. Let me now move on to slide number 4.

SLIDE 4 – SOLID PERFORMANCE IN Q1 AMID A CHALLENGING CONTEXT

Amid the described complex condition in this Q1, we delivered a solid like-for-like sales performance of +2.7% with volume/mix up +1.5%. Our growth was balanced across all categories. EDP delivered again solid growth of +3.4% driven by the ongoing rollout of our functional innovations, particularly those rooted in protein and gut health. Specialized Nutrition posted +1.9%. The underlying growth dynamics across the globe remains strong, which more than compensated for the IMF recall impacts. And finally, Waters, it grew +2.3%. The Waters category saw a resilient start to the season with solid growth in many markets.

We will talk about the regional performance in the coming minutes, so I will not enter here into the details by geography. Let me instead suggest moving on to slide number 5 and to double click on some of the underlying dynamics.

SLIDE 5 – SCALING WINNERS WHILE ADDRESSING CHALLENGES

The consumer preference for healthy food and hydration is rising everywhere around the world, and we are continuing to address this opportunity with several platforms contributing strongly to our growth.

In dairy, High-Protein yogurts continued to be the key contributor in all regions, from North America to Europe and Asia. In addition, our more recent innovations, such as Skyr and Kefir are flying off the shelves, and we are expanding them fast within and beyond Europe. We continue to innovate in many segments and regions and are particularly excited about new product launches under the Alpro brand in Europe, including the meal-to-go meal replacement solution, which you can see here in the picture. Meal-to-go was launched in Germany recently and is currently being rolled out to other European markets.

And finally, in Medical Nutrition, we continue to see strong dynamics, supported by favorable demographic trends and rising diagnosis rates. This is benefiting our Adult Medical as well as our Pediatric Nutrition business across all regions, both of them going from strength to strength. All these platforms are responding to structural consumer, and patient needs and increasingly contribute to the quality of our growth as they scale up.

Having said that, these successes should not take our attention away from key challenges that we are addressing. We mentioned the conflict in the Middle East, which is posing supply chain and cost inflation pressures. We have some short-term hedging protection in place, which is moderating the immediate impact on our P&L. To address the volatile context, we have accelerated the run rate of ongoing productivity projects and are monitoring the situation closely.

On the infant formula situation in EMEA, whilst the supply chain in Europe is mostly back to normal, the Middle East situation is not yet stable due to long lead times of stock replenishment. Our priority is on rebuilding the credibility of the category, and we are refocusing our investments to make this happen. We expect the situation to progressively normalize as we go through the year.

And finally, in the US, we talked previously about not being happy with our competitiveness. We have seen an improvement in Q1, an encouraging sign. We will have more capacity coming online during 2026. It will help us to double down on our execution on the dairy shelf. Creamers are lapping, as we speak, the supply issues of Q1 2025. All of this will support our recovery for the coming quarters.

Overall, the opportunity moving forward lies in accelerating our winning platforms, including the ones on the left side of this slide, as much as in correcting the things which do not yet deliver to our expectations, a formula, which has proven successful all these last years.

With that said, let's turn to the sales bridge on slide number 6.

SLIDE 6 – Q1 SALES BRIDGE

Reported sales reached EUR6.7 billion in the first quarter. In addition to the +2.7% like-for-like growth previously discussed, we experienced adverse currency effects of -5.6% resulting from the appreciation of the euro against most currencies. And lastly to mention, for the third consecutive quarter, we are reporting a positive scope effect predominantly from the Kate Farms integration of +0.5%.

Now let's look at the performance by region. Moving to slide number 7.

SLIDE 7 – NEW GEOGRAPHICAL ZONE REPORTING

And let me pause briefly here because this is an important point. You will remember that as of this year, we have moved from 5 to 3 rather classical macro regions: EMEA on the left side of the chart, Americas in the middle and APAC on the right. This change reflects how we manage the business operationally and strategically.

Moving to this leaner setup further enhances our company's agility and improves clarity and accountability. To ease the reading of our performance, we will make the switch in reporting progressive, and for now, we will continue to provide for additional information, also like-for-like numbers for previous zones of Europe, North America and CNAO.

SLIDE 8 – EUROPE, MIDDLE EAST AND AFRICA (EMEA)

Let me now start the zone review with EMEA on the next slide, on slide number 8. EMEA delivered a +0.6% like-for-like growth in Q1, led by price of +2%. Within EMEA, Europe delivered +0.4% like-for-like. We saw sustained momentum in EDP driven by many of our functional-led innovations across dairy and plant-based. In particular, we saw good growth in our winning platforms, including in High-Protein, Skyr and Kefir as well as in Alpro. Activia also delivered another quarter of growth, confirming the green shoots observed in Europe in Q4.

As expected, Specialized Nutrition was impacted by the IMF recall in Europe and the Middle East that we already discussed. Our key focus is now on rebuilding trust into the category and in our brands. In Waters, we posted solid growth ahead of the season, particularly in evian, and supported by the rollout of Volvic functional water innovation across more markets in Europe. So overall, a robust underlying performance in EMEA amid the temporary headwinds.

SLIDE 9 – AMERICAS

Turning to the Americas on slide number 9. The Americas region delivered +3.4% like-for-like growth, led by volume/mix of +2.5% and price of +0.9%. Within those numbers, North America, delivered +1.5% like-for-like growth. In the US, our priority is to regain momentum and competitiveness outside of protein, and Q1 showed some improvement versus the low point in

Q4. This was driven by additional capacity on yogurt starting to kick in and an improving dynamic on creamers, helped by easier base of comps since the month of March.

On top of that, our SToK brand continued to deliver strong double-digit growth. Specialized Nutrition saw high single-digit growth in the quarter, led by Aptamil in Latin America and Neocate in the US.

Overall, an improved situation in the Americas with still a lot of things to do in US. Quality of execution remains the focus area, particularly in dairy, and this where the teams are fully mobilized.

SLIDE 10 – ASIA PACIFIC (APAC)

Turning to slide number 10. APAC delivered +6% like-for-like growth entirely driven by volume/mix. Within APAC, CNAO on delivered +10.3% growth like-for-like. In EDP, Japan again demonstrated strong momentum, continuing to gain share in a very competitive dairy market, thanks to strong functional execution.

Specialized Nutrition continued to deliver solid growth in China across both IMF and Medical Nutrition. In Q1, we saw particularly strong demand for our allergy range within pediatrics, for adult oral solutions in Adult Medical Nutrition as well as for Essensis within the IMF category. The Medical Nutrition category remains vibrant while the Infant Milk Category continues to normalize as expected. And in Waters, we saw contrasting dynamics across our two main brands in the region, solid growth for Mizone as we are preparing for the season, while severe flooding impacted the category in Indonesia.

Overall, APAC remains a growth region for us with opportunities across countries and categories.

SLIDE 11 – 2026 GUIDANCE CONFIRMED

And with that, let me conclude with slide number 11.

As we have been discussing this morning, we delivered a solid performance in this first quarter amid a challenging context. We are applying with rigor our winning strategy, focused on our health-focused categories that benefit from attractive underlying demand and that continue to grow faster than the average of the food and beverage market.

We are therefore confirming today our guidance for year 2026: consistent with our midterm guidance of like-for-like sales growth between +3% and +5% and for recurring operating income to grow faster than sales.

And with that, let me hand it back to Mathilde to start the Q&A session.

QUESTIONS & ANSWERS SESSION

Mathilde Rodié, Head of IR

Thank you very much. So we're ready now to open the Q&A. Guillaume Delmas, UBS.

QUESTION 1: IMF IMPACT ON Q1; COMMODITY COST OUTLOOK; NORTH AMERICA PERFORMANCE

Guillaume Delmas, analyst at UBS

Could you quantify the impact on the IMF recall on your Q1 numbers? At the time of the full year results, you were talking about 50 to 100 basis points. And then what kind of impact are you assuming for Q2?

And then my two questions. The first one on the commodity cost outlook, and particularly on this, to what extent this outlook has changed in recent weeks? And as a result, what kind of COGS inflation would you be baking in, in your 2026 operating profit guidance?

And still on input cost inflation, I mean, we've heard from a large French dairy company, they were already thinking about pricing actions. Wondering if it's something you're also contemplating. Or as you were alluding to on the call, Juergen, for now, you think your productivity savings can fully offset this additional commodity headwinds.

And then second question, a short one just on North America. Back in February, you sounded confident about a significant step-up in like-for-like sales growth from Q2. We've seen some early positive signs in Q1. So I would assume this is still the case. And if you can help us a little bit unpack what will be the key drivers behind that, if it's just the creamers basis of comparison or you would expect a more broad-based acceleration.

Juergen Esser, Chief Financial Officer

Thank you, Guillaume. Many questions. So let me go through that. First, on the IMF impact. The impact we saw in Q1 is exactly in line with what we discussed a couple of weeks ago, so nothing more to say here.

It has been really an exceptional situation as we faced in a way the combined effect of a larger industry recall together with the Middle East supply chain disruption. Europe supply chain situation is back to normal in most of the countries. Middle East, as you can imagine, is a bit more difficult because shipping a product into the Middle East is a bit more tough but we are making also good progress there. So we expect a progressive normalization of the IMF business performance during the course of the year.

When it comes to the commodity outlook, I mean, the situation is obviously extremely volatile. You have seen that over the last weeks impacting spot prices for transportation and packaging obviously immediately, but also for some other materials, including fertilizers. We have, as you know, hedging protection in place, which is moderating short term the impact on our P&L. The way we are addressing it in this very volatile context is that we have been accelerating, first and foremost, ongoing productivity efforts to mitigate the immediate cost impacts as much as possible. And for the rest, we are pretty much monitoring the situation to decide if and where we may need to take other mitigation actions. But there, it's really too early to say. So we are focusing on really monitoring the situation by at least for the next days and weeks to decide upon to do more or less.

For North America, I would say we are pleased with what we saw in Q1. We saw a step-up versus the Q4, and the step-up came through yogurts and came through creamers because of more capacity, as you mentioned, and because of the lapping in creamers in March. So obviously, we'll not give a guidance for a quarter, for a region, for sub-segments. But our ambition is to further improve the situation progressively as we go in the year as we will have more capacity coming online and as we are activating more and more our brands across the portfolio in North America.

Mathilde Rodié, Head of IR

Jon Cox, Kepler

QUESTION 2: IMF RECALL IMPACT

Jon Cox, analyst at Kepler Cheuvreux

Sorry, just to come back to the formula. I wonder if you can just be a bit more granular in terms of what you think the impact was. If you just say take flat, the Specialized Nutrition in Europe and do the minus 4.3%, that's about 65 basis points. I'm just wondering any more granularity on it? I understand the category is slowing down because of everything that's happened, what your thoughts are on the category in Europe as we go through the year. And then just knock-on impact elsewhere. It looks like there's a bit of a slow-down elsewhere, nothing really material. I wonder if you can just confirm that about formula.

Juergen Esser, Chief Financial Officer

Jon. Look, on the quantification, there's really much more to say. What you see in Q1 is really in line with what we said despite the fact that the Middle East conflict was not really on our radar during the full year discussions. When it comes to Europe, as I said, the supply chain situation is pretty much back to normal. What we are seeing is, and there is no surprise, that the category

during these recalls has been a bit softer. And this is why we are investing into rebuilding the trust with parents and key opinion leaders, which contributes to the recovery.

Market share situation across Europe is quite fluid. We're up in some countries, down in some others, very much depending on local competitive situations since the recall. Sometimes the market share rating is a bit difficult because what happens in that situation is that people went, instead to supermarkets, more to pharmacies. So there's been a big shift in shopping behavior during the crisis. That is now rebounding back. Net-net, looking at it, I believe that we'll be able to regain a strong competitive situation and that also the category will progressively recover.

So this is why I believe IMF business for us over the years will progressively go back to where it used to be. Not a lot more to say. Middle East will stay a little bit tense for the coming weeks depending on how the conflict goes.

Jon Cox, analyst at Kepler Cheuvreux

And into Asia, like China and stuff?

Juergen Esser, Chief Financial Officer

China, look, China was not affected by the recall. As you can see from the numbers, we had a solid sell-in in Q1. However, we are constantly monitoring social media, which is true for China and which is true for the world, to understand any possible sentiment change. It's also true that in many countries, authorities have increased since the recall the frequency and depth of quality controls, which is true for China, here especially for imported products.

Our teams on the ground are working hard to make sure that we address these requirements while avoiding any supply chain disruptions that, you know overall, for China, the category is normalizing. There is no new news. So overall, not a lot of news to say.

Mathilde Rodié, Head of IR

David Roux, Morgan Stanley

QUESTION 3: US YOGURT CAPACITY; HUEL

David Roux, analyst at Morgan Stanley

Two questions from my side. Firstly, just on US yogurt. Could you give us an update on where you stand with your incremental yogurt capacity in the US? Is this now fully commissioned? And how long do we think this should take until it translates to sort of an improvement of the yogurt volumes there?

And then my second one is on the Huel deal. Can you tell us what the right level of interest costs for Danone will be now post consolidation of this? And then what is the earnings accretion from this deal?

Juergen Esser, Chief Financial Officer

David, I would say in the US, a good improvement in Q1 as we were traveling through the quarter. Yogurt, we started to benefit from capacity coming online. But as we discussed at several occasions, this is not a one-shot capacity increase. This is several production lines coming online as we travel through the year and especially as we travel through the first six months of the year.

And so as this capacity comes online, we have the ability to reactivate not only High-Protein, which continues to grow strongly, but also to activate our other brands in the US. So that has started in Q1, but it really started and so it will be progressive as we go for the next two quarters in particular. But I would say we are rather happy with that. Creamers, as I said, we were lapping in the month of March the supply chain issues of last year. You could see that in the internal reading but also in the external reading in market shares, which gives us also confidence for the full year.

On Huel look, first, very exciting. A fantastic company, a fantastic complementary product group. And on top of the products they are selling, I think what is unique in their model is really their direct-to-consumer channel management, combined with quite state-of-the-art digital marketing capabilities. So this is really exciting. It increases our exposure to fast-growing markets both in Europe and in the US. And so it will enhance our growth profile in both regions.

When it comes to interest costs related to the deal, you saw actually what we have been issuing in bonds over the last weeks, which gives you a sense of the interest costs linked to this operation. It will not be EPS accretive in year one, as you can imagine, but maybe EPS accretive very fast because it's a fast-growing business at very nice gross margins if we make sure that we are pushing this opportunity to the max, leveraging the totality of their product portfolio as they have a variety of product formats. So really excited about this, of welcoming Huel to the Danone family.

David Roux, analyst at Morgan Stanley

And Juergen, can I follow up on your last point on Huel. So is it fair to assume that some of the expensive debt that Huel has will be refinanced with some of the paper you've issued now?

Juergen Esser, Chief Financial Officer

You saw we issued bonds over the last weeks or so. In that sense, I mean, from the financing standpoint things have been in the pocket.

Mathilde Rodié, Head of IR

Warren Ackerman, Barclays.

QUESTION 4: GROWTH PLATFORMS; EMERGING MARKETS PERFORMANCE

Warren Ackerman, analyst at Barclays

I've got one small housekeeping and then two questions. The housekeeping is, in China, Juergen, are you able to kind of clarify whether you're seeing any issues on the border, product coming into China, on extended cereulide testing, as we've heard from A2 Milks, just wondering whether that's something to think about. That's the housekeeping.

And then my two questions are, can you maybe, Juergen, kind of outline the kind of growth that you're seeing in your kind of three sort of growth platforms, which are High Protein, Out-of-Home and Medical just to give us an idea in terms of how they're tracking. That's the first one. And then secondly, obviously, a lot of focus on Asia, but can you talk a little bit about some of the kind of other EMs as well, particularly thinking kind of Latin America trends and perhaps some of the kind of Southeast Asia and India regions as well, just given the conflict.

Juergen Esser, Chief Financial Officer

Yeah, Warren. Yes, first, on China and border, we see what everybody is seeing, which is that the authorities across the globe are strengthening instantly the quality controls. This is also true for imported IMF products into China. The teams on the ground are mobilized and are managing it to avoid any kind of supply chain disruptions. So not a lot to report here.

When it comes to our winning platforms, High-Protein is the number one growth driver of the company, has been and is, which is exciting. I mean, in terms of scale, it continues raise its contribution quarter after quarter as this is not anymore a European phenomenon or US phenomenon. I mean High Protein is now a reality everywhere around the world.

I've been talking about Japan. I could talk about Latin America. I could talk about Australia. And so we are everywhere prioritizing investments into those platforms, while we are also investing into elements which are more essential protein delivery, like Skyr.

I want here to mention the Kefir also innovation we have been launching, which is not really on High Protein, it's more on gut health. This has been extremely well welcomed in the European

markets, which we initially launched. And we are rolling that out as fast as possible, but you will see that appearing also in other markets around the world. So we are very, very excited about it.

Out of home continues to grow faster than sales in retail channels. And as we discussed at several instances, this is also due to the fact that all our innovations we are launching are eligible for out-of-home consumption, a lot of drinkable formats. This is also where Huel is extremely interesting because it comes with ambient product format. So it's just strengthening on this point.

And when it comes to Medical, I mean, exciting. I mean if there's one thing which is really exciting to us, it's Medical across the board in the US, because the Kate Farms integration goes very well; and in China, because we are making very good progress not only in our, I would say, legacy business, which is tube, but also in oral feeding, which is pretty new to China, as we've been discussing.

Last point on more emerging markets. Latin America, doing actually pretty well, I need to say, seeing good dynamics, Brazil, Mexico, in particular. Argentina, we're excited about the joint venture. So we will have a platform at scale. It will be a billionaire platform, which yes, will not be any more consolidated top line, but it should be EPS accretive for the company over time. Southeast Asia actually has very strong underlying dynamics, has not been contributing to the same extent in Q1 as over the last year because we had phasing effects there. But here, I mean, you know that it is one of the big growth opportunities of the company.

Mathilde Rodié, Head of IR

Olivier Nicolai, Goldman Sachs

QUESTION 5: CONSUMER DEMAND IN EUROPE; IMF IMPACT IN Q2

Olivier Nicolai, analyst at Goldman Sachs

Just two questions first and then just a follow-up. Could you please comment on the consumer demand in Europe that you're seeing? I know it's still early days, but do you expect on your experience any type of down trading in EDP?

Secondly, just to clarify on the previous comments you made on the IMF recall. I think you said within the year will be sorted. Could you perhaps give us a little bit of comment on what kind of impact you would expect for Q2?

And then lastly, on North America, following the purchase of Kate Farms, which allows you to enter that Medical Nutrition opportunity, are you currently satisfied with the access you have

to the hospital channel? Or would you actually need more scale to capture fully this opportunity there?

Juergen Esser, Chief Financial Officer

Olivier, consumer demand in Europe, I mean, no surprise. Overall consumer sentiment is quite muted. Having said that, and we discussed that over the last quarters, very polarized dynamics in food and beverages. Healthy food is on trend and consumers are willing to pay for value. You need to offer value, but then consumers are willing to buy.

And so this is what we are seeing. High-Protein, kefir, immunity, everything which we are proposing, which is functional, which is differentiated, which is premium, by the way, is working well for us. And so we are leveraging the science we have in our products to deliver or to make these products attractive to the consumer, even at the more premium price.

Same is for Danette, by the way, of our premium desserts, because people want to have pleasure during the day. So it's not only about functional benefits on health but also feeling good, especially in this difficult time. So less worried about downtrading from a product standpoint. Obviously, we pay a lot of attention to be available in the right channels at the right price point, and so format management and channel management including on discounters, but also Away-from-Home is a very, very important part of our strategy moving forward.

IMF recall, look, please do not expect me to give a guidance for a subregion and a subcategory. We expect a progressive improvement. As said, supply chain situation in Europe is pretty much back to normal. Focus is on really recovering the credibility and the trust of the category.

And lastly, on North America, Kate Farms, very exciting for the reason you mentioned, which is the first time in the history of Danone, we have access to the healthcare system and the hospital system in the US. This is a fantastic platform. And what we are doing as we speak is to combine the access of this platform with the science we are bringing from our global Specialized Nutrition hub. And so the early signs we have are very, very promising. We see good growth since the acquisition, and we are just starting to materialize the synergies we are getting.

You know that before the acquisition of Kate Farms, we had already two smaller acquisitions of companies also in the same field in the US called Real Food Blends Brands and Functional Formularies. So now we are unleashing the combined power of those assets. So quite exciting.

Mathilde Rodié, Head of IR

Nicolas Céron, Bank of America

QUESTION 6: SHIPMENT OF BABY FOOD PRODUCTS; CHANGES IN REGULATION IN US BABY FOOD

Nicolas Céron, analyst at Bank of America

Juergen and Mathilde, two quick questions for me. First one, maybe you could remind us if you ship your baby food product by plane or by boat to China. And the second one, Juergen, do you have any strong view what might be the changes in regulation in the US baby food market following the Operation Stork Speed that's going on?

Juergen Esser, Chief Financial Officer

Nicolas, look, overall, you can imagine that our supply chain is very much a supply chain which is using ship transportation or boat transportation, especially between Europe and China. But this is not only between Europe and China. It's true for our overall operations. In very particular situations, we may ship something by plane. But you can imagine from a financial standpoint, it's a bit less interesting.

We are having, I would say, good control on our supply chain because we are used to a bit of erratic behavior in those supply chains. So I think that's pretty much under control and nothing particular to report. When it comes to the US and the infant milk market in US, you know that we are not really playing in that market. So there is not a lot to say. So we are not following that very, very closely, I'm afraid to tell you.

Mathilde Rodié, Head of IR

Céline Pannuti, JP Morgan

QUESTION 7 : Q2 MOMENTUM ; H1 MARGIN

Céline Pannuti, analyst at JP Morgan

So my first question is coming back on the short-term impact. So Indonesia flooding, and overall, you said the momentum in Southeast Asia is good, but do you expect Waters to see a step-up in acceleration in Q2? And then Middle East, you have this constraint in shipping. Are you thinking that this is going to linger into the quarter? And how big is that, because you said Middle East is 2% to 3% impact and it's more so for Specialized Nutrition. Just trying to understand a bit those elements. I see that consensus is at 4% on Bloomberg for Q2. So do you think that is in line with what you expect to be a progressive acceleration in SN? Do you think that is a good reflection? Are you comfortable with that?

My second question is on margin. Given the weak start to the year, Specialized Nutrition impact, are we expecting any margin in the first half of the year? And in H2, you will be facing higher COGS inflation. Do you think we should start to think about that as we model for potential pressure in the second half of the year?

Juergen Esser, Chief Financial Officer

Celine, so let me go one by one through your questions. First, on Waters, I mean Indonesia is a big business for us. It was a tough quarter because it has been raining a lot and a lot of flooding, which was very public, which when you have a business model like we have it, going through all the hundreds and thousands of islands of Indonesia, has been quite disruptive. But so this is back to normal as we speak, and so we will see a better performance moving forward, which obviously will help the overall Waters performance.

Middle East, I would say our people are doing everything possible to find workarounds to deliver our product in the region. It's going better and better and, of course, we are also hoping that the overall situation will improve. But here, I think the situation is better managed from day to day. It happens that this is a lot of imported products going into that region. But again, workarounds are working better and better. Don't ask me to give you a precise Q2 outlook or to comment on what today's consensus is.

I think what the takeaway should be is probably that we are confirming today with confidence, our guidance. And I think that's an important statement. And this is true for topline, and which means implicitly an acceleration, and this is true for the bottom line. And we know that in our business model in Danone, the bottom line, the margin, is a direct consequence of the top line because our business model is based on quality growth.

For the margin, obviously, two things to keep in mind. One is the softer start to the year with Specialized Nutrition. And the other one, as you say, we don't know really what the inflationary pressure will do for the full year. Too early to say. For the moment, we have hedging in place, as I mentioned, it's moderating the short-term impact. And we are accelerating as much as we can productivity. For the rest, I mean, you see the oil price one day at \$80, the next day at \$120. It's extremely difficult to make a forecast for that.

So I think what will help us moving forward is the agility we have learned over the last years to react to an erratic environment and to launch mitigation actions. Our focus remains quality growth. And here, we are extremely pleased to see that the underlying dynamics of our business remains very strong because this is the best way to create value for the company for the years to come.

Mathilde Rodié, Head of IR

Tom Sykes, Deutsche Bank.

QUESTION 8: SPECIALIZED NUTRITION IN CHINA

Tom Sykes, analyst at Deutsche Bank

Just quickly coming back on the China Nutrition business overall, sorry, I missed it earlier on the call. But could you give a view on what the growth rate of the infant formula is versus the Adult Nutrition in China, please? And what do you see as happening to your market share in international formula, please, in China? And perhaps what's happening to pricing like-for-like versus mix impacts on growth, please?

Juergen Esser, Chief Financial Officer

So look, China and Specialized Nutrition, a pretty solid trend in Q1. Very exciting growth rates in a number of areas in Medical Nutrition. Actually, on Pediatrics, very strong, especially on the allergy formula. We are making, on the adult side, a pretty good progress on launching or, I would say, solidifying the presence in oral medical nutrition. This is something which hardly existed some time ago, and we believe that has a huge potential. So that's very exciting. So growing very fast on that side.

On the other side also, IMF, with a pretty solid print in Q1. Where we are benefiting from two things, where we are benefiting from the overall very strong market and market share position we have gained over the last quarters, and you have seen that our market shares have been evolving strongly. And secondly, the strength of the Essensis brand or sub-brands, which has helped us to have a very strong print, by the way, in both Chinese label and International label.

Pricing in that category, there is nothing really to report actually. Pricing for us has not been really a driver, I mean, not in Q1, not for the last quarters. In the end, all the numbers you see in net sales in IMF over last quarter are equal to volume/mix contribution. So no particular comment on pricing.

Mathilde Rodié, Head of IR

So with that, we are ending the Q&A. Thank you, Tom, for the last question.

Juergen Esser, Chief Financial Officer

Thank you, everyone, for listening, for connecting, and talk to you very soon. Have a great day. Bye-bye.