DANONE

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12:45 PM EDT

Warren Ackerman: Okay, everybody. I think we're going to press on.

So, I'm delighted to welcome Danone to the Barclays (inaudible) Staples Conference. We have Juergen Esser, Barclays – Danone CFO (inaudible), and Shane Grant – I'll get it right in a second – Head of North America. A Freudian slip there.

So, we have 35 minutes. They have kindly agreed to do a quick breakout afterwards if any questions from the audience.

So, let's get into it. So, the first question is a question for both of you, which is around the kind of changes we've seen in personnel at Danone, both on the Comex and also on the board. Perhaps you can share your observations about the kind of capabilities that are coming into Danone, whether it's on supply chain or R&D, to give us a bit of a sense of what's changing in terms of getting the team right before you kind of move forward.

Juergen Esser: Sure. I'll start. First of all, thank you for having us. It's great to be back in person to those kind of conferences, a real pleasure. And for us, even more, because it's only six months ago that we unveiled our new strategy. And so, opening a new chapter.

People is one aspect of the new strategy, but not only. And so far, a great amount to share with you where we stand in that journey.

Beyond people – and I'm coming back to that in one moment – I think what is important is this spirit of winning it back, and that's something which is very important for us. We have definitely not been delivering to the expectations over the last couple of years. And shifting the spirit from playing not to lose to playing to win is an important element.

And so, people, in that sense, play an important role. And beyond having brought people with extensive capabilities from external, it's also important that we are re-forming a team which is here to win. And so, in that sense, the first semester has been a good start for that.

To know, to your concrete question, it's true that we have been welcoming to the Comex a number of new members – Isabelle, for R&I, Vikram for operations, Roberto for HR – and they're bringing capabilities where we had fundamental gaps in the past. Especially on R&I, about the fact that we have not been innovating what the consumer was expecting for us. Isabelle will have a very clear role.

When you think about Vikram and operations, how do we navigate the inflation? How do we make sure that we are getting our supply chain issues addressed and delivering the highest level of productivity? He has a key role, and he has demonstrated that he's able to do. And we don't need to talk about HR, Roberto has a fundamental role in putting the right people at the right place.

Warren Ackerman: And your observation, Shane, on people?

Shane Grant: I think two things, to build on Juergen's comments. I think, first and foremost, it's people change, but it's also the culture shift. And I think what's really evident as Renew Danone starts to get mobilized and the new team is really getting, I would say, sort of grip on the business is outward focus. And with the structure set, it's now geared the business to focus on the market, focus on competition, focus on execution, focus on growth and winning. I think that's a noticeable culture shift happening in the business globally.

And then, secondly, I'd add the new additions to the company, I think, bring in world-class expertise and world-class functional expertise that will push and challenge the markets, to execute better, build capability, which is of course a short-term gain, but also a mid- to long-term gain as we build the company.

So, great additions.

Warren Ackerman: I know it's a question you've had a number of times before, but I still think it's an important question, about is it categories or is it execution? I know you're going to say it's execution. But can you maybe elaborate on where execution and out-of-stocks have improved? I know it's only a short period of time since the CMD, but what tangible signs of execution improvement have we already seen? And can you just reassure us that this really is execution, not category?

Shane Grant: Maybe I can make a comment, and then I'm sure Juergen will build. I mean, I think fundamentally the category footprint of the business is exciting. I mean, these are growth businesses, growth categories. And I think as well laid out at the CMD, the challenge we've got is to up our participation in what are a set of really good growth categories. So, I do think the category footprint of the business, probably with some refinements over time, as we laid out, is just fundamentally, I think, good and a growth footprint.

I think there's a number of dimensions to the execution kind of philosophy of the company. Yes, it's service levels. And certainly, in North America, we've seen, I think, the general direction of travel in the right place. It's commercial execution, package strategy. It's pricing execution. It's how we bring the brands to life.

And I think it all goes back to this kind of market-sense and culture. And as we rebuild that culture, then the strategy, the execution, the discipline gets really reborn in the company. And I think in North America, at least, we're a bit further along that journey because we started the transformation earlier. And I think you're seeing that show up in the results.

Juergen Esser: And maybe just to complement one element, Warren, which is execution has to do with consistency and discipline. And when you see, to be extremely concrete, when you see how we have been executing consistently behind the Aptamil brand since the start of the year, and Aptamil, being our biggest brand in absolute, has been playing for us extremely well. You have seen that this has been growing and winning market share, not only in one of the other countries. We have been playing to win everywhere. We've been winning market share in the majority of our markets because we have been focusing on what makes us different to competition. And this is working very well.

Execution is multi-dimensional, obviously. And in some elements, in some parts of our portfolio, this takes longer to execute better and in some other parts, we'll go faster. And I think Aptamil is an extremely good example of things we have been consistently executing and where we believe there's a lot of potential moving forward.

Warren Ackerman: I think it's six months since we were all in Evian with you at the CMD, I think almost to the day. My takeaway from that is that this year is going to be a foundation year. And you said 25% within the portfolio is underperforming, and that you want to rotate 10% of the portfolio in and out. We haven't seen much in the way of in and out. Again, we're impatient. Can you maybe address why not?

Juergen Esser: It's six months down the road we are now, and what we said at the CME we will do with a lot of this discipline, which is that asset by asset – and this is a crossing of category and geography – look at how those assets can contribute to the renewed Danone journey.

So, what we want to do in growth, we want to do in profitability and on returns. And it's true that we have now reinstalled a quarterly session, a quarterly review with our businesses, which means that every quarter we are sitting together, with Shane. We are sitting with the other CEOs the results in order to review what we are doing with the underperforming assets. And it means that now we are at the moment that we have available plans, start to have available plans, plans which are either credible plans, in which we believe in order to fix an asset, or we do not fix, we do not have a credible plan. Where we do not have a credible plan, we are acting, searching for alternative solutions.

So, now we are six months down the road. We are very actively working on this. There is no holy cows. There is also no need for us to go for a fire sale. Because what we really want to do is to create value for our shareholders. And so, this we're going to do, and you will see as we progress during the next couple of quarters, you'll see us progressing on that.

You have seen that, in the meanwhile, we have been exiting part of our Chinese dairy businesses. We closed, in fact, last week our first part of it. So, we started also to use the proceeds to deleverage. We have closed the partnership for our Argentinian waters business. We have– yesterday announced that we are discontinuing our waters business in Brazil. We are looking at all levels of the organization to make this portfolio pruning happen.

Warren Ackerman: Okay. Maybe for the audience's benefit, can you say a word on Local First, which is your biggest kind of reorg, and how you see that unleashing better financial and cost performance? Maybe Juergen, you can do that from a kind of global perspective and maybe Shane can give it some U.S. context.

Juergen Esser: Sure. And just as a reminder, Local First basically means that we went from a category, pure category setup into a setup where we want to have as a first entry point of the discussion and business management the geographies. So, we have been reorganizing by geography. And making sure that locally we have the most optimized portfolio management, which means our local general management is in charge of all the categories, optimization across the categories.

That has been for us an important change, an important change because we took basically out one management layer, which means that in Paris, in the headquarters, we are now much closer to what happens in the market. But it also means that we are saving €700 million.

And what we have decided with the Renew Danone strategy is that we are redeploying, reinvesting those €700 million into the business, into different aspects of the business, into our product superiority and sustainability, because we need to work to make sure that the consumer is choosing our product on the shelf. Reinvesting into capabilities that we were talking before about it, R&I being one, but also IT and data. And PRGM, very important. And last, but not least, our brands. We've been big time disinvesting into our brands over the last couple of years. We need to come back into it, and this is what we are doing. We have started this reinvestment journey in the second quarter, and you will see much more tangible examples as we go now in the second semester.

Warren Ackerman: And the U.S., you were Local First a bit earlier.

Shane Grant: We did, under the banner of a program we called "Transform To Win." It was a very, very similar construct. We've been now in that mode for best part of two years. So, we're well into the journey.

I'd maybe just a few things on what Juergen stated, at least from a North America perspective. I think, firstly, really important to realize Local First is not a strategy. It's an enabler of the strategy. And so, the execution of that concept in North America was certainly I think in the right order, which is here's the growth strategy and then here is the organization to support that growth strategy.

I think, secondly, and again to build on Juergen's point, there's concrete costs in the organization that we were able to take out and redeploy into the brand, but also, importantly, redeploy into capability. So, part of the design of Transform To Win – or Local First, from a global context – in North America allowed us, for example, to reinvest in revenue growth management, digital supply chain modernization. And I think those have proven to be good bets, given the context we find ourselves in today.

So, so far, so good. But it's really an enabling device to execute the strategy.

Juergen Esser: And if I can contribute one element, Warren, which I think is important. In the moment where things are shifting from one day to the next, in the moment where we need to be extremely flexible and agile in the way we react on what's happening in the market, having a very clear ownership on the business, on the growth is extremely important.

And so, the 25 general managers who are today in charge of the P&L, they are fully empowered and they are working as entrepreneurs, in a certain frame. This is extremely important, and that has demonstrated that this is paying out. And cultural shift, playing to win, this is important. I mean, we are coming out of a recent history which has not been glowing in terms of performance. The first semester, at +7%, with volume/mix positive, with pricing delivering, getting the margin that we want the margin to be. This gives a lot of positive energy into the organization, and this is what we want(inaudible).

Warren Ackerman: I guess, in terms of inflation – obviously, topic du jour – you said that in the second half you'll have mid-teens inflation. Everyday, I'm reading about dairy prices going up. Drought. Fertilizer. Difficulty getting milk. And now we've got gas issues across Europe. So, the question I've got is maybe you can update us on where you are on sort of dairy and gas, maybe how your hedge, what your outlook for COGS inflation is? I know it's hard and no one has got a crystal ball, but into next year it looks like Danone's costs will continue to be quite high next year. Is that a right assumption? And are you confident of actually seeing margin progress in '23 off the 12%-plus base this year?

Juergen Esser: Maybe to start with the end, I'm confident that the midterm guidance we give is the right guidance and we're going to deliver upon this. There's absolutely no question about that.

When we come to the inflation point, it's true that the first semester landed as we expected it, at mid-teens levels quite broad-based inflation, not only milk but also logistics, not to forget..

And so, what we are seeing now is that the situation becomes more and more country-specific or geographic-specific. It's true global commodity indexes are kind of plateauing over the last couple of weeks. What we are seeing is that liquid milk prices show a very different evolution country by country. Europe has been going up, for example. What we are seeing is that cost of labor is going to increase and may increase the CPI we are seeing. So, it will be a mixed bag country by country.

The outlook for the full year is not changing for us. So, there are things which will stabilize or go down. There are things which are going to increase. This mid-teens assumption is absolutely valid, as we discussed a couple of weeks ago. And when we project that a bit into next year, it's probably fair to say that prices are going to increase, we would at the lower or the same magnitude as 2022. It's very difficult to predict. Gas and energy probably being important element, not because it is so big, gas itself, in our cost of goods sold, because in fact it's a relatively minor element, but obviously it can impact a number of other ingredients, elements, and packaging.

Shane Grant: I think, Warren, just one build, I think, obviously, on top of that commodity forecast is our ability to deal with that. And the two areas that we put a lot of, I would say, upgrade into the organization. One, what is that next step in terms of productivity and productivity realization in all of our businesses. And then, I would say, really pronounced – and I think we're certainly on this journey in North America – the art and science of revenue growth management and really a step-up in terms of a really holistic look at revenue growth management, both pricing strategy, package diversification, promo management, and all of the technology that can enable that. And frankly, importing some capability into the business to allow us to really go after that in a much more assertive way.

Warren Ackerman: And in terms of pricing, if I remember correctly, Q2 pricing I think was 6.8%. What should we expect for H2? And where do you still need to take incremental pricing?

And then kind of sort of related to that, does it get harder to land that pricing with retailers pushing back? Because that's what we're hearing on the ground. And what stops volume and mix worsening as you keep taking price? How do you –? I know revenue management is one thing, but how do you balance that? Are we going to get to the point where pricing is 10? I mean, where does it peak?

Juergen Esser: Maybe starting from global, and then I'll let Shane elaborate a bit on the reality of the North American market.

The need for pricing will depend very much on the additional inflationary pressure we have been getting, and that will not be the same market by market, very clearly. Having said, we will need to do more pricing in a number of markets. And Europe, for example, being one of it. And as we speak, we are on the next round of pricing.

And we cannot shy back from it. Because if we want to be true to our reinvestment journey, we need to make sure that we are getting the prices right. Getting the prices right transforms into very different initiatives in the different countries. Sometimes we speak about list price increase. Sometimes we speak about promotional activities adjustment. But when we talk about pure list price increase, it's true that that means another round of negotiations with retailers. And that goes in some countries smoother than in other countries. And it's true that in some countries we have now some more extended periods of renegotiation to get the prices right. But this is fundamentally important for us in order to make sure that our financial equation remains healthy and protects our reinvestment journey.

So far, when you talk about the mix between price and volume, so far we have not seen a lot of volume elasticity. The reality is that we have seen some in emerging markets where the macroeconomic context is very tough. And this is not so much something new. I mean, when you talk about Brazil, Turkey, and Russia. It is true that when we talk about North America or Europe, we have seen very little signs of volume elasticity.

So, where is the right mix about pushing the price to where we need to be and protecting the volume? I believe that getting the price right and reinvesting behind our categories and reinvesting behind our brands is the key. It cannot be giving up on price.

Warren Ackerman: Although, saying that if you look at private label trends in Europe, the last data point I saw was that private label was up 250 bps in the category and down on the share, which had been holding all year, now starting to slip in Europe. I know it's relatively recent data points, but it does look like the consumer trends are changing. And what we've seen at Danone is that Spain was weak at the beginning of the year, and now we're seeing that weakness a little bit in France and the U.K., in brands like Activia – tell me if I'm wrong on this – and we're starting to see hard discounters like Aldi and Lidl winning more share. How concerned should we be by these data points? And maybe you can elaborate on some of the price gaps between brands and private label for your EDP Europe business.

Juergen Esser: It's a very mixed bag. And you are absolutely right to say, Warren, that Spain and Italy, in the south of Europe, are probably more exposed, which on one side is because private label is extremely strong; maybe half of the dairy category is in private label. But it's also where we haven't done a good job over the last years. And this is not a critique of the last six months; we have not been able over the last years to come with a powerful portfolio and execution strategy. And this is exactly what we are now working on.

We have nominated a new general manager. This new general manager has a very clear mandate to reinvent the portfolio to be again successful and to make sure that our differentiated portfolio attracts the consumer back to the shelf. They have been cutting between 40% and 50% of the A&P in Spain over the last five years. Obviously, that doesn't work. We need to make sure that we are reinvesting. But for that, we need to have the right strategies in place, and that is not here today.

When you talk about France and UK, we see today very, very little move to private label, still below 2019 levels, pre-COVID levels. And why is that? Because we have worked and anticipated well on what's coming now. We have quite a clear portfolio strategy in those countries. We are investing into our more differentiated brands – Activia, Actimel, Alpro – and that works for us very well.

And then we have a situation like in Germany – and to your point about extended negotiations with retailers – where when you look today at the situation, this has nothing to do with volume elasticity. It's just that it takes now longer to get the prices into the shelf. And that may, in some instances, also impact the shipments.

So, overall, I think the situation is quite robust; the south of Europe is more under pressure, but there is absolutely no news on from what we have seen in the second quarter. And now the question is how we do address it. And I think, here, Noram has been giving and showing us the way and to make our portfolio more, I would say, inflationary-proof.

Warren Ackerman: And I was going to ask Shane that. Obviously, the story is very different in the U.S., and it's the bright spot on EDP. What are you seeing in terms of U.S. consumer habits? And does yogurt fit into the essentials basket? And what levers do you have at your disposal to balance growth and competitiveness?

Shane Grant: For sure, the question of the day, Warren.

I mean, I think the state of the consumer in the U.S., I mean, it's probably a story that's in mixed signals at the moment, if I'm really honest. I think, clearly, there is purchasing power erosion, inflation versus wage growth. But there's also very high employment levels. Still spending on some discretionary category; see travel.

We see the first signs, clearly, of some movement. And I think the first sign of that is this movement away from large-ticket consumer discretionary, into food and beverage, a bit out of necessity. So, I think the way you frame it is probably right, which is, how do we keep our business on the right side of essentials? And that, I think, is the strategic challenge.

In terms of private label in the U.S., it's quite a different dynamic. So far, we've been able to defend the business I think well against private label. We've seen some advancement in yogurt. We've seen a little bit of advancement in creamers. But in both, we're either advancing our share as private label grows or we're winning share. And so, we're really pleased with that so far.

I would say that it's, you know, it's a massively dynamic situation. And so, we monitor this by week, by customer, by region, by brand, with the tools ready to deploy. I think we have developed what I think is a pretty solid recession readiness playbook. And to Juergen's point, the playbook we think has got real global scalability. And frankly, it goes beyond pricing. Certainly, there's an element of what are the right price points, but there's also a really important element of package diversification: the right entry packs to provide access to the brands, the right value packs to keep the value good. Brand stratification. We've got a big portfolio. We can play that portfolio intelligently. How we message the brand in this moment really matters in terms of benefits. And then, obviously, the channels. We're going to make certain bets in terms of where the shopper is going to go with relative investments and emphasis. And that's a fairly holistic playbook that we can – we're certainly rolling in North America, and we think we can scale across the globe.

Warren Ackerman: And maybe just following on, in terms of U.S. Infant Formula, given the issues with Abbott well documented, do you actually see Danone actually building a new business in the U.S.? Has it opened your eyes to the possibilities? I've seen reports around advanced medical solutions, stuff coming in from Europe. The reason why I ask this, if I look at a U.S. business, it's 90% EDP. It seems to me there's plenty of room for specialized nutrition and maybe even water to grow over time and to maybe diversify that concentration into EDP in the U.S. How do you feel about that?

Shane Grant: A few reactions to that one. I think, firstly, it's opened our eyes, for sure. It's probably opened all of our eyes in the U.S., that this was such a genuine crisis, nothing short of a genuine crisis in this country. And so, for us, mission to the fore in that moment, which is – with a crisis that we were able to step in and materially help with. And that really matters to our business, to our reputation, to our people.

And so, that was I think the first entry point to this. And we've been able to bring in almost two million cans or will bring in almost 2 million cans of specialized products Neocate. And then, secondly, and probably a bit more breakthrough, was Aptamil starting to show up on U.S. shelves. And that was obviously a big moment in terms of the business, but in terms of the help and support we can provide for the country.

I think from the business angle underneath that, certainly, as you say, the U.S. platform is an EDP platform, in the main. And so, that's very much our focus today.

Could the business be more balanced for the time? Of course it could be, given the expertise that we have in SN and the scale in water. I think that any structural change in the market in terms of access and regulatory environment is in the hands of the U.S. government today. And obviously, we've built relationships there over the last number of months in terms of partnering with the government on Operation Fly and bringing our products into the country. So, we will maintain that relationship and that support, and we will see what the decisions are in terms of the market structure.

Warren Ackerman: Maybe shifting gears to talk a little bit about plant-based, it seems to me the category has slowed down, but there's also been supply chain challenges. It's hard to maybe unpick one from the other. I mean, Alpro was one of your star brands. It seems to have slowed down quite a bit. I'm trying to understand what's the issue there. And then, sort of related to that, oat continues to gain share from almond and soy. You're still underway. I know you're closing the gap. So, it's a kind of dual-pronged question around, how do we get Alpro back to better growth and how do you rebalance the portfolio towards oat? And maybe address that.

Juergen Esser: Maybe on the overall plant-based – and we discussed it quite a bit during the Capital Market Event, the reality being that the plant-based category is in very solid and sustainable growth. Obviously, the COVID home consumption gave it a natural boost, because people have been trying more, people have been buying more frequently.

When we look at the plant-based milk category, first and foremost, we see that the penetration of this category is increasing, increasing, and increasing. And yet, seven out of 10 consumers in Europe and U.S. are not yet consuming plant-based milks. So, the potential is huge. Because it's not to transform people to a vegetarian diet, it’s becoming flexitarian. One day you consume cow milk, and the next day plant-based milk. So, there's are lot of headroom in front of us.

What is true is that after COVID and people going back to offices, the frequency of consumption came down. And so, in a way, this is what explained it over the last quarters. We saw the overall category a bit softening. But I'm sure and we are sure that as we go through the next couple of quarters, we'll see this category coming back to pre-COVID growth levels. So, in that sense, from the category sense, there's absolutely no doubt this is a category to play in. And we are the category leader on a worldwide base.

A second element – and this is important – which is we want to build a business which is a sustainable financial business, which means running a business with interesting gross margins, which is not what everybody is doing today in that field. There are some players who try to very aggressively buy market shares, but with a non-sustainable business model.

We have today a business model which works very well for us. We are taking all the synergies we can with the dairy category in terms of industry platform and go-to-market. And we are running at the same interesting gross margin than in dairy, in plant-based. And this is what we want to promote and push forward.

Now, on Alpro – and we can maybe also discuss about Silk – we've been late on Oat, there's absolutely no doubt about it. And so, while we have been playing catch-up over the last couple of quarters, we need to do much more and be much more efficient if we're to develop something which is more benefit-led. We have launched a number of innovations in the European market to go away from "this is my oat milk, this is my soy milk, this is my almond milk," to "here is the benefit of a blend of milks," under the brand name of Alpro This is Not Milk, the product which tastes the closest to cow milk.

And this is what the consumer wants in the end. It doesn't want to give up on the taste experience but wants something which is more sustainable plant-based. And this has started to work well for us. And so, we are working as much on the ingredient side on the Alpro and on innovations which give an additional benefit to the consumer. And we believe that there's a lot of opportunities, moving forward.

Shane Grant: Maybe just, Warren, a couple of additions on a North America context. I mean, clearly, it's a really important business for us, led by the Silk brand. But I think some of the dynamics we've seen in North America in the last 12, 18 months have actually been quite different to Europe, in the sense that the category itself, after clearly a massive step up in 2020, has sort of returned to its pre-COVID growth rates, the kind of mid-single digits. So, we're pretty happy with sort of the state of the segment.

We're also, I would say, cautiously pleased with our progress. And I say that in the sense that competitiveness in plant-based beverages, in particular, has been a multiyear challenge, and we're back winning share again in plant-based beverages. I would say we're winning that with a combination of good strategy and good execution muscle, but we're really focused long-term making that stick, making it stick with differentiation of the core beverage business while starting to innovate on some of the next generation of sort of Plant-Based 2.0 and, particularly, some of the dairy-like technology.

And then, probably I think a bit under advertised for our business, the non-beverage part of that plant-based business. So, creamers, yogurt, frozen in particular, where we've got really quality leadership, with very good margin structures. And we've been able to continue to advance that business. And that's 40% of plant-based business in the U.S., and not dissimilar to the global mix.

So, we're pushing on both the core beverage part of the business but also the non-beverage part of that.

Juergen Esser: And what will make the difference, Warren, I believe, is that we are now entering into our reinvestment phase, which is true for plant-based, which is true for dairy, which is true for all the other categories, in a moment where most of our competitors will be extremely careful with investments. And we have seen that over the last couple of months that some of our competitors started to disinvest in order to protect their P&L.

So, having the ability to put extra money behind our brands in the moment where most of our competitors will be shy can have a double impact, we believe, and that is what we want to play, in a very disciplined manner, in a very focused manner.

Warren Ackerman: You said, like, more investment. And the number €300 million is what you've said. How much of that €300 million has already been spent this year? Just to get an idea. How much is going into next year?

Juergen Esser: So, when we start with that reinvestment journey, which was beginning of the second quarter, we started to reinvest into A&P. But more importantly than putting €300 million on top of what we have been investing last year, we worked, first and foremost, the efficiency of our spending, even media efficiency. We spend too much money on non-working elements which the consumer never saw. And so, what we've worked over the last couple of months to make sure that we are very efficient media spend around the world in digital, in traditional TV, in everything.

Now we are going to a next phase, and this means really stepping up A&P. And that will not be democratic across the board, but we are going to put big money behind our Winners. We talked about Aptamil. We talked about Oikos. We talked about plant-based. And these are the areas where we are going to reinvest over the next couple of quarters. And you will see that by the end of the year, there will be a very significant step up. We will not be yet at the €300 million because this is a journey of the next two and a half years. But there will be a very significant step up in the numbers.

Shane Grant: Warren, behind that release of funds for investment, really working all of our markets hard to fundamentally reshape the business model. I think just to use the U.S. business as a case study, we're pushing really hard on the pricing, productivity, and fixed cost levers to fundamentally change the business model where we can get back into this flywheel of reinvestment into the business. And we're starting to see that already gets some traction in some of the big markets and beyond the U.S. And that's really important for the sustainability of the business model change that we're trying to pull off here.

Warren Ackerman: Maybe switching gears – we're running a little short on time – there's two other topics I want to just touch on briefly. One is Russia, Juergen. So, Danone is still operating in Russia, selling essentials. I mean, to me, it seems like it's really skewing your volume results. I mean, volume is down 20%. It's causing a lot of volatility. I mean, wouldn't exiting be the right thing to do, not just ethically, but also in terms of reducing volatility, boosting growth, boosting margins? I've never really believed personally that Unimilk has – it's delivered a lot of volatility. I'm not sure it's delivered great results. Why don't you actually bite the bullet and do it?

Juergen Esser: So, when we focus on the economic discussion and we park for a second the ethical or political dimension of it, what we decided when the war started is that we would ring-fence all the non-essential investments and with the target to protect our people, to protect our assets, because we have a quite large industrial footprint there, and to protect our financial equation in a way. And so, that has played for us well in an environment which is obviously difficult.

And you talked about the volume pressure. Today, Russia – and we have been very clear about this – Russia is part of what we call the underperformers. So, what we are working with the team is that how could Russia contribute to the Renew Danone strategy in terms of growth, profitability, cash flows, predictable. And so, in that sense, Russia is being treated in exactly the same way as any other underperformer in our portfolio. And if we come to the conclusion at the end that it cannot in a predictable manner contribute to our strategy, we will exit. But we are not today at that moment.

And so, in a sense that we are extremely focused on it, in an environment which is extremely difficult to forecast when it comes to sanctions and the impact of sanctions on our ability to enhance the business in this economic context. So, we are monitoring that on a day to day, and if opposition should change, obviously, we will let you know.

Warren Ackerman: And the other topic I want to get you on is China Infant formula. It has obviously been performing very well. You're very happy with it. Can you continue to perform well into the second half as comps get more difficult? Can you discuss how Aptamil is doing in China? Can you maintain margins? That is a question you get all the time. But because the margins are so high in China, you can understand why you get the question.

Juergen Esser: I understand why we get the question.

Look, I'm really happy with the progress we make on building more resilience in that model. And I'm saying that because a couple of years back, that was a business which was going in majority through uncontrolled channels. We didn't know where it ends up, who is transporting it, and so on. Today, we have a business in China, in IMF, which has the strongest weight on the marketplace, winning share in controlled channels. And not only, but also we are growing faster than IMF in what we call special pediatrics, where the level of competitive intensity is absolutely not the same. It's an even higher level of profitability. And we are making very good progress on the Adult nutrition portfolio. Growing also very fast. It's a very interesting profitability profile.

So, our dependency on what used to be IMF through uncontrolled channels today is not anymore the same at all. So, I'm very happy with the progress. And as we have shown in the first semester, we are more and more rebalancing into a model more resilient.

The other element I would like to bring is the following. We talk a lot about IMF China. This is one-third of our specialized nutrition platform, which overall is a very profitable business. We are back to growth in Europe. We are seeing growth in our emerging markets. So, it's overall a fantastic business for us. And therefore, all the name of the game is superior recipes, investing into the brand, and building a resilient portfolio. And I think we are in a pretty good way for that.

Warren Ackerman: Okay. I think we're on the buzzer. So, thank you, Shane. Thank you, Juergen.

We're going to do a breakout for 10, 15 minutes next door. So, if any of you've got any questions, please join us next door.

Thank you very much.

Juergen Esser: Thank you.