<u>Unilever Q3 and Year to Date 2009 Results</u>

Conference call

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Paul Polman	Chief Executive Officer
Jim Lawrence	Chief Financial Officer

CHART 1: Q3 and Year to Date 2009 Results

Paul Polman

Good morning and welcome to Unilever's Q3 results call. Here with me today are Jim Lawrence CFO and James Allison, Head of Investor Relations.

I will cover what we are trying to achieve and the progress we are making. Jim will talk about specific aspects of our performance in the quarter and then we will leave plenty of time for your questions.

CHART 2: Safe Harbour Statement

I will start by drawing your attention to the usual disclaimer relating to forward looking statements and non-GAAP measures.

CHART 3: Paul Polman – Chief Executive Officer

Let me remind you that our objective is to get long term sustainable top <u>and</u> bottom line growth to build long-term shareholder value.

We will do this with products which make people feel good and look good, so that they can get more out of life. This is our passion and increasingly so as we touch the lives of over 2 billion consumers every day.

We continue to believe that re-igniting volume growth, whilst steadily improving operating margin is the surest way to create long term value, although we also realise that it takes a lot more than a few good sets of quarterly results.

We are pleased with our progress. Confidence is coming back.

Another quarter of balanced growth with top line up 3.4% behind 3.6% volume growth, underlying operating margin up 70 basis points and a further strong improvement in working capital – down to 17 days in the quarter.

This balanced growth comes at a time when, despite the many positive reports, we still see sluggish market conditions. Employment and consumer confidence are the key drivers of long-term market growth and, unfortunately, unemployment continues to increase in many places and consumer confidence is still low. In the US, for example, reported consumer confidence has dropped significantly - to an 8 month low.

With the amount of de-leveraging still to be done in the global economy and stimulus packages running out of steam, we still expect a long, protracted recovery and plan our business accordingly. Let's be careful not to run ahead of ourselves.

Global markets in which we operate show volume growth of 1-2% with Western Europe and North America flat. Volume growth in the balance of the world is probably around 3% - recalibrated downwards from pre-recession levels.

CHART 4: Volume Improving

Against this background, our steady improvement in volume growth is encouraging.

CHART 5: …in each region
CHART 6: …and in each category

It is broad based, across all regions, all categories and major brands. We are growing volume share again in 55% of our business up from 35% at the beginning of the year. Our value share trends are also improving

CHART 7: Paul Polman – Chief Executive Officer

We are achieving this by instilling again a passion for growth and action, but above all, a passion for meeting the needs of the consumers and customers across the world. We are pleased with our strong brand and category leadership positions. Although increasingly the D&E countries will be the engine for our growth, we also expect consistent growth from Europe and North America.

You know I don't like excuses and, although we had more shipping days this quarter than average because of calendar effects in Europe and pre-shipping against IT system transfers in North America, the results are what they are.

Although no excuses, I do have a thank you. This last 3 months have seen a tremendous amount of challenges with tsunamis, torrential flooding, hurricanes and earthquakes especially affecting the Far East and in particular the Philippines, Indonesia and Vietnam with more still to come. Fortunately, we did not lose any of our people. I am humbled by the heroic efforts of many to help consumers regain their lives, customers regain their businesses and families their existence.

I am proud to work for an organisation that understands that the long-term benefit of the countries in which we work is closely linked to the long-term benefit of our business and I want to thank all our employees for that.

Let's turn to the 4 key strategic thrusts that underpin our performance improvement over the last 9 months. I will give you a couple of examples of where, I believe, we have made progress but also recognising that we have more work to do.

CHART 8: Strategic Priorities – Brands and Innovations

First, brands and innovation continue to be the key drivers for long-term success. I have said before that our innovations were still too small and fragmented. This, despite innovation capabilities, which are at par or better than any of our competitors. Under the leadership of Vindi Banga and Genevieve Berger, we are increasingly focussing on bigger and better innovations and rolling them out faster across the globe.

CHART 9: Bigger Innovation Rolled Out Faster

For example, Clear Shampoo is now in 35 markets – twice as many as the beginning of this year. Dove Minimiser Deodorant has been launched in 37 markets in 9 months. 'White Now' toothpaste is now in 21 markets and the recently launched mouthwash variant is already in 11 countries. Even in more fragmented categories like Savoury, we have rolled out Knorr Jelly Bouillon from China to a number of countries in Europe

CHART 10: With Additional Support Behind Our Brands

As flagged to you, we are actively supporting these brands and innovations with advertising and promotional spend which, despite lower media rates and efficiencies, are up again for the second quarter in succession. And these heavy launch investments including trial activities also get reflected in the easing of pricing. Jim will talk about that later.

CHART 11: Taking Our Brands into White Spaces

Building consumption and encouraging new consumers to use our products – what we call market development, will be the biggest source of growth in Unilever for years to come, especially in the D&E countries, where we hold strong positions.

The Cif Cream launch in India, the conversion of bath soaps to liquids in LatAm, the launch of a hygiene range of hand soaps in Turkey and the accelerated usage of shampoos and deodorants in Indonesia are just some examples. Not surprisingly competitors are increasingly focussed on these markets as well. We welcome this. Not only because competition will ultimately benefit the consumer, but because we know that competition helps to accelerate market development - and that leading brands, such as ours, are well placed to benefit.

With competitor intensity picking up it is also key that we continue to increase the ability of the organisation to react fast. We have discussed the 30 day plans that you are now familiar with, but lowering our working capital and especially our inventory levels has also contributed to our ability to respond in the market place. I am pleased to say that two-thirds of those cells we focussed on are now showing positive share momentum.

CHART 12: 30 Day Plans – Indian Skin Cleansing

One of those cells that I discussed before is the Indian skin cleansing business where we are under pressure from low priced regional competitors. Whilst overall volume is up, we are not growing as fast as the market. We have strengthened the national brands but also re-energised the local jewels. We now have clear and well-differentiated consumer value propositions across the entire spectrum of price points and we expect to see share progress in the coming quarters.

It is not rocket science, it is hard work and focus. The combination of great brands, well supported innovation - rolled out quickly, and operating across attractive price points are key drivers of the recovery of our volume growth. At the same time, we are encouraged to see the brand equities on our core brands being strengthened across the board. We expect our pace of innovation to further increase during the course of 2010.

CHART 13: Strategic Priorities – Winning with Customers

The second thrust is <u>winning in the market place</u> especially with our customers and, here again, good progress.

CHART 14: Positive Customer Service Level Trend

With Pier-Luigi Sigismondi now on board as Chief Supply Chain Officer, we have rolled out a sharpened supply chain strategy and we are seeing the needle move not only on customer service but also on on-shelf availability.

Some of you will also have the opportunity to see the Customer Innovation Centre in Englewood Cliffs - instrumental in driving winning at the point of purchase to higher levels. Nevertheless, we still have some way to go to get to best in class levels. I am encouraged by the improvement opportunities we still have in this area to continue to fuel our growth.

CHART 15: Strategic Priorities – Cash and Costs

The third area is <u>cash and costs</u>.

CHART 16: Strong Cash Flow Delivery

Cash flow continued strongly in the quarter. Boosted by continuing strong working capital performance, cash flow from operating activities in the first 9 months of 2009 is €1.6 billion ahead of last year.

Working Capital remains an area of focus and we welcome collaborative approaches to lower stocks across the extended supply chain because this will help to reduce waste, improve efficiency and generally provide better products for consumers.

CHART 17: Cost Savings Ahead of Plan

Cost savings continue to be ahead of schedule with nearly €1bn of savings achieved over the first 9 months. Just this quarter alone, we have restructured manufacturing operations in the Czech Republic, France and the US, further streamlined R&D and continue to drive efficiencies in our Head Office operations. And we are also beginning to better leverage global procurement.

At the same time, we are preparing for growth with new plants for Deodorants in Mexico, and for Ice Cream in Russia and North America .Our capital spend is starting to rise as a result of our initiatives to drive growth. You would expect this but our tight control of expenditure will continue nonetheless.

CHART 18: Gross Margin Improving

We are pleased to see gross margins up by 290 basis points in the most recent quarter reflecting these savings efforts as well as lower commodity costs. However, although progress has been good we are still too complex and we have further opportunities to smartly leverage scale in the areas of raw and packing materials, global procurement and shared services. We will step-up our initiatives in these areas.

CHART 19: Underlying Operating Margins On Track

Despite the accelerating investments, we have been able to fuel the growth <u>and</u> step-change underlying operating margins which are up by 70 basis points in the recent quarter - firmly on track towards our target of protecting margins for the year as a whole.

CHART 20: Strategic Priorities – People and Organisation

The final thrust is people and organisation.

CHART 21: People and Organisation

As talked before, the new structure is starting to work for us. The interface between Brand Building and Brand Development is getting better. Skill sets are being strengthened in Customer Development, Clinicals and Customer Service.

We are determined to be more externally focussed with a more consumer and customer centric approach from the top to the bottom of the organisation. We will build a stronger performance culture with a greater bias for action and we will continue to invest in strengthening the organisation and our capabilities to support our growth ambitions.

And we invest in the structural soundness of the business.

This quarter saw the announcement of the acquisition of the personal care brands of Sara Lee. This will strengthen our competitive positions particularly in Skin Cleansing and Deodorants, and especially in Western Europe, with brands such as Sanex, Radox and Duschdas which are perfectly complementary to our own.

We have opened a major R&D centre in Shanghai and, at the same time, divested non-strategic businesses such as our oil plantations in the Congo and our participation in Johnson-Diversey.

Let me hand it over to Jim to go into some more detail on our quarterly performance.

CHART 22: Jim Lawrence – Chief Financial Officer

Jim Lawrence

Thanks Paul and good morning everyone.

CHART 23: Q3 Performance Update

I am going to focus on the highlights rather than repeating a lot of what is already in the results announcement. You will also find more details in the Appendices to this presentation.

CHART 24: Q3 Sales Growth

Turnover in the Quarter was €10.2 billion down 2.2% against the same period in 2008. The net effect of acquisitions less disposals reduced turnover by 2.4% and currency had an adverse effect of 3.1%. The latter reflects the strength of the Euro, our reporting currency and, based on current levels of exchange, we expect currency to have an adverse effect of around minus 2% for the year as a whole.

Underlying sales growth for the quarter was 3.4%.

Before I look at the drivers of growth in the quarter let me say a few words about the development of Volume and Price and how this will impact Q4.

CHART 25: Volume Growth

Volume growth accelerated in the Quarter to 3.6% and as Paul has noted this was broad based. Performance in Western Europe was boosted by an extra trading day and North America benefited from volume brought forward because of systems implementations in Canada. At the Unilever level these factors benefited volume by 50 bps.

With 2 trading days less in Western Europe in Q4 and the reversal of the Canadian volumes pulled forward in to Q3 we expect reported UVG in Q4 to be reduced by around 100 bps. This will distort the progress in real underlying performance.

CHART 26: Pricing Development

Last year we increased **prices** by an average of 7.2 percent across the whole of Unilever, and by over 9% in the 4th Quarter – well above the levels of our competitor base. Unprecedented and driven by the biggest increase in commodity costs that we have ever seen. Some of those commodities, although not others, have reduced considerably in price and it is natural that consumer prices adjust to reflect this.

In the third quarter we reduced prices by about one percent, broadly in line with the market and in categories where commodity costs have fallen furthest – such as spreads and homecare.

For the year as a whole we now expect UPG of around 1.5% with Q4 at between minus 2 and minus 3 percent – the simple consequence of the lapping of last year's price increases and the price adjustments taken this year.

As things stand today we expect underlying price growth to turn positive around the middle of 2010 after the impact of this year's price reductions have been lapped.

Growth has been underpinned by continued strong innovation backed up by strong advertising and promotional support in all categories and in all regions.

CHART 27: Q3 Innovation Highlights (1)

A few of the most recently introduced bigger, better innovations rolled out faster include:

- Sunsilk – re-launched in Brazil, Argentina, India and Turkey with formulations and packaging designs co-created with leading hair experts

- Vaseline Sheer Infusion hand and body lotions launched in the US – with new glycerine technology providing superior moisturization and an unmatched skin feel.

- A range of 'Dove for Men + Care' Skin Cleansing and Deodorants products has been launched across Italy, France, Spain and the Benelux.

- The global re-launch of the Catwalk brand with a 'Your Highness Volume Collection' is the first collaboration between TiGi and Unilever. 'New Catwalk – Inspired by Fashion, Designed by Hairdressers' is the essence of the re-launch.

CHART 28: Q3 Innovation Highlights (2)

- The 'goodness of margarine' campaign has been enhanced by the launch of 'whisked' spreads, with a new aerated texture in Latin America and Hellmann's 'double whisked' light mayonnaise has been launched in America and Europe.

- Ben and Jerry's Ice Cream grew by more than 20% in Europe as we introduced new variants such as Chocolate Macadamia – a 'flavour with a mission'.

CHART 29: Significant Step-Up in Brand Support

We have invested a further 130 bps on Advertising and Promotions in the quarter. Advertising spend increased by 14% – at the same time as media rates have fallen – increasing media impressions significantly and boosting Unilever's share of voice. We will continue to invest strongly behind our brands in the final quarter.

CHART 30: Q3 Performance Update – Cash and Costs

Let's now turn to **Cash and Costs**.

CHART 31: Commodity Cost Development

Commodity cost benefits are beginning to flow through the P&L and we expect to see tailwinds in the <u>second half</u> of 2009 of around €500 million - in line with our previous guidance. We expect to see commodity cost tailwinds, albeit at a much lower level, in the first half of 2010 and for commodity costs to be up in the second half of next year.

CHART 32: Strong Savings Delivery

Our **savings** programmes have continued to deliver strongly, and now stand at €1 billion for the first 9 months of the year – ahead of schedule with two to three hundred million more to come in the final quarter. **Restructuring costs** were €250 million in the quarter and are €610 million in the year to date. We continue to expect full year restructuring charges approaching €1 billion.

CHART 33: Q3 Operating Margin

Gross margins, up by 290 basis points in the quarter, are now back to where they were before the commodity costs escalation of 2008.

Overheads were up significantly in quarter 3 reflecting the phasing of accruals and a low prior year comparator rather than any underlying increase.

With Advertising and Promotional expenditure up by 130 basis points, this left Underlying Operating Margin up by 70 basis points.

CHART 34: Drivers of EPS Growth: YTD

Earnings per share before RDI's are up 5% in the quarter and down by 6% in the first 9 months with earnings from operational performance of plus 3% offset by disposal dilution of 3% and a significant swing in the financing costs of pensions. The latter, on its own, impacts EPS by minus 5 percentage points.

CHART 35: Improved Working Capital Management

Cash Flow in Q3 was maintained at the very high levels of the previous year with cash from operating profit boosted by continued good working capital management.

As Paul indicated earlier, cash flow from operating activities so far this year, now stands at €4.8 billion – that's €1.6 billion higher than in the first 9 months of last year.

Our working capital balance was down to 17 days in the quarter, an improvement of 22 days versus the same period last year. As you can see from the chart there were particularly significant reductions in inventories and debtors.

It is apparent that service levels have been rising at the same time as inventory levels have been reducing and we believe that this virtuous circle has some way left to run.

CHART 36: Balance Sheet

The gross **pension deficit** has reduced to €3.3 billion at the end of September, down €0.4 billion from the end of quarter 2. This is despite a substantial reduction in corporate AA discount rates and reflects the very good asset returns in the quarter. Local pension deficits will have reduced by more because government bond rates, used to discount liabilities, have been relatively stable.

In quarter 4 is our intention to accelerate contributions to some of our pension funds as an efficient use of cash. This will take overall cash contributions to pension funds to € 1.3 billion in 2009, up from the €1 billion previously advised.

The underlying tax rate was 23% in the third quarter, benefitting from the favourable resolution of some one off items. The underlying tax rate for the 9 months to end September is now 26% and we now expect to achieve this level for the year as a whole.

Net debt now stands at € 6.9 billion down from €8.0 billion at the beginning of the year thanks largely to cash flow from operating activities.

We have today announced an interim dividend to be paid in December of 26.95 euro cents per NV share. This represents an increase of 3.7% versus last year. From 2010 onwards, as per previous guidance we will move to quarterly dividends.

CHART 37: Q3 Performance Update - Mergers and Acquisitions

CHART 38: Mergers and Acquisitions

During the quarter we completed the acquisition of Baltimor, the leading ketchup brand in Russia and in August we entered into a licensing agreement to develop a line of frozen Asian style entrees for the US under the P.F. Chang brand.

Earlier this month we announced the sale of our remaining stake in the Johnson Diversey professional cleaning business. We expect this sale to be completed by the end of the year delivering disposal profits of around USD 400 million in the fourth quarter.

At the end of September we announced an agreement to acquire the Personal Care Brands of Sara Lee. The transaction will not complete until the various works council consultation processes have been observed and regulatory clearance has been given. This is unlikely to be earlier than mid 2010. We do expect there to be good opportunities for synergies. This will require additional restructuring in 2010 and perhaps 2011 which will come over and above our guidance of 50 -100 basis points per annum.

With that I will now hand back to Paul

CHART 39: Paul Polman – Chief Executive Officer

Paul Polman

Thanks Jim.

CHART 40: Conclusion

We are encouraged by our progress but far from complacent. Markets are tough and competition is getting tougher still – so we will need to set the bar higher.

We will continue to innovate <u>bigger</u>, roll out <u>faster</u> and <u>step-up</u> support behind our Brands. And we will work even harder to improve execution in market because there is so much to be gained from doing the basics faultlessly.

But don't run ahead of yourselves.

You have heard from Jim that our Q4 growth numbers will be impacted by trading days and other one offs and that pricing will be lower as we come down from the highs of Q4 2008 when underlying price growth was over 9%.

Keep in mind that commodity cost increases and price growth in Unilever were at levels well in excess of our competitive set. In this context, underlying price growth of minus 2 or minus 3 percent in Q4 will still leave prices 6% higher than Q4 2007! These factors will take a bit of the shine off our organic growth in the final quarter but rest assured that we will keep our focus on underlying business performance and on driving profitable growth.

CHART 41: Priorities for 2009

With tight control of our costs and working capital I am confident that we will deliver against our priorities for 2009 which remain:

- Restoring Volume Growth whilst
- Protecting cash flow and margin for the full year

At the same time I am increasingly certain that we will do this whilst setting the right course for Unilever in the longer term.

With that ladies and gentlemen we will be happy to take questions:

CHART 42: Questions

CHART 43 - 47: Appendices