Unilever's Q2 & Half Year 2004 Results Presentation

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Key features of Q2 & half year performance

		Q2	H1
• Leading brands growth:	Total	(0.2)	0.5
	of which uvg	0.1	0.7
	HPC	1.7	1.6
	of which uvg	4.4	3.7
	Foods	(1.6)	(0.4)
	of which uvg	(3.0)	(1.7)
• Operating margin (beia)		14.9	14.9
• Net debt at closing rates (€blns)		-	13.0
• Progress against financial strategy:			
– EBITDA interest cover (target >8)		-	11
– FFO/LAND (target >40%)		-	37%*
• EPS (beia) growth % (constant)		11	10
• EPS (beia) growth % (current):	€	10	6
	US$	17	18
	£	5	4

*** 32% on basis of new SEC regulations for calculating liquidity ratios**

Sales Performance in Q2 2004

	Sales €bn 2003	Sales €bn 2004	Growth %	Growth %	Contribution to Sales Growth %
Leading Brands					
HPC	4.3	4.3	1.7		
Foods	6.0	5.9	(1.6)		
Total	10.3	10.2		(0.2)	(0.2)*
Non-Leading	0.9	0.6		(36.7)	(3.0)
of which					
underlying growth				(7.9)	(0.5)*
disposals					(2.5)
Acquisitions		0.0			0.3
Total	11.2	10.8			(2.9)

* Underlying sales growth of total business (0.7)%

Sales performance in Q2 2004 - getting behind the numbers

Slim.Fast and Prestige - progressive share loss during 2003 gave low exit position, thus performance in first half 2004 is against a tough comparator.

Frozen Foods - moving through restructuring programme to focus on faster growing segments.

Slim.Fast, Prestige & Frozen Foods dilute leading brand growth by 100bps.

Poor start to Ice Cream and RtD seasons in Europe - dilution of nearly 200bps.

Weak markets in Europe and USA - HPC particularly impacted.

Robust defence of market position in India and competitive markets in Japan dilute growth by around 50bps.

Overall pricing down 0.3% compared to a positive 1.5% in 2003 with a decline of 2.5% in HPC and an increase of a little over 1% in Foods.

Improvement in Operating Margin : Q2 & H1

(all basis points on total Unilever)

			Q2	H1
Mix improvement			**50**	**70**
Supply chain savings			**20**	**30**
Selling price/cost changes	**HPC**	**Foods**		
Price	**(60)**	**40**		
Costs	**(10)**	**(50)**	**(80)**	**(50)**
Change in gross margin			**(10)**	**50**
A&P			**40**	**10**
Overheads			**(20)**	**(40)**
Improvement in operating margin			**10**	**20**

Drivers of EPS (beia) growth for the full year

Maintained outlook for earnings growth:

- Some pick-up in the growth rate of leading brands notwithstanding an expected continuation of tough market conditions.
- In gross margins:
  - the benefits of a back-end weighted restructuring programme and a faster rate of procurement savings
  - improved mix as we continue exit from tail businesses and as we get a pick-up in Personal Care
  - Planned improvement in cost/price balance in Foods
- An acceleration of overhead savings.
- Maintenance of gains in interest although Q3 benefit will be lower given prior year comparator.
- Benefits of lower tax as we complete initiatives in support of the structurally lower rate of 30% set out in Unilever 2010.

Second half delivery is weighted to the fourth quarter.

Driving growth through simplification

- Last chapter of Path to Growth simplification, but platform created to date allows us to go further and deeper
- Three key elements
  - One operating company per country
  - Shared services
  - Seamless Corporate & Divisional working
- Top and bottom line benefits
  - €700 million p.a. savings by end 2006
  - Even faster decision making
  - Greater nimbleness in ‘Go to Market’
  - ‘Single face’ with retail customers
- €850 million cost, part exceptional in 2004, part within operating margin in 2005/6 and within existing guidance

Development of Leading Brands: Personal Care

	2000	2001	2002	2003	Q2 2004	H1 2004
Mass Personal Care	7.5	9.0	10.8	7.9	3.5	3.0
Prestige	2.8	(7.2)	1.3	(18.1)	(11.4)	(13.1)
Total Personal Care	**7.0**	**7.6**	**10.1**	**6.1**	**2.8**	**2.1**

Hair: Broadening ranges for Dove and Sunsilk in all key regions. Major relaunch for Lux Super Rich in Japan and in the US an extensive programme behind Suave.

Skin: Dove Firming in Europe and Dove Exfoliating globally. Lux relaunch extends reach in D&E and a new range of products is now available in Europe. Ponds activity in Asia and Latin America.

Deo: Rexona ‘Activ Reserve’ in Europe. Rollout of proven mixes in LATAM and Asia. Axe ‘Touch’ now in the US and being rolled out in the Axe world.

Oral: Action plans to defend positions in France and Italy. Relaunch of Pepsodent in Indonesia and Zhonghua in China.

Prestige Fragrances

New leadership making good progress with restructuring plan but focus strategy meant some share loss in the last twelve months.

First phase of new innovation plan has sold through well.

Further launches in Q3 including global launch of Calvin Klein Eternity Moment.

Expect to see improving top-line in H2 2004.

Importantly we continue to generate value:

Free cashflow €400 million in last five years

€90 million in 2003

We will continue to execute the appropriate strategy to maximise long term value.

Development of Leading Brands: Home Care

	2000	2001	2002	2003	Q2 2004	H1 2004
Laundry	3.2	5.3	1.9	1.8	0.4	1.0
Household Care	2.0	7.1	2.6	(1.7)	(1.9)	-
Total Home Care	**2.2**	**5.6**	**1.9**	**1.2**	**(0.1)**	**0.8**
Total HPC	**5.3**	**6.5**	**6.7**	**4.2**	**1.7**	**1.6**

Laundry: Stabilised shares in US and Europe. Elsewhere innovation activity behind leading brands plus tactical activity to protect market positions. ‘Dirt is Good’ and ‘Pockets’ concepts rolled out to key markets. Rin powder relaunch in India. Continue to innovate in conditioners with new fragrance variants.

Household Care: Returned Domestos to growth. Successful innovations will be rolled out across Europe. Cif innovation focused on reinforcing its ‘tough cleaning’ credentials.

Development of Leading Brands: Foods

Leading brands growth%	2000	2001	2002	2003	Q2 2004	H1 2004
Savoury & Dressings	6.0	4.2	5.1	2.2	3.8	3.6
Tea based beverages	4.5	3.3	3.3	6.3	(2.0)	0.9
Health & Wellness	17.0	25.4	9.1	(17.1)	(19.4)	(16.2)

Savoury: Consolidating position in new countries; rollout of successful affordable products; nutritional soups in all regions; rollout of successful convenience meals; CarbOptions in the USA and Canada.

Dressings: Building on 'good for you' credentials; CarbOptions in the USA and Canada; addressing the increasing trend for salads through our Hellmann's, Calve and Wishbone brands.

Foodsolutions: Mid single digit growth, broad based.

Tea based beverages: Pepsi Lipton JV delivering strong double digit growth. Lipton premium leaf tea variants being launched and extended in all key regions.

Reinvigorating Growth at Slim.Fast

Slim.Fast competes in an attractive growth market, 'on-trend' with the consumer but against a sea-change in habit.

Our new plan needed to be true to the roots of Slim.Fast:

- balanced nutrition and calorie control
- claims underpinned by clinical studies and wide ranging support of medical experts

By end Q3 we will have:

- replaced and redesigned every SKU;
- broadened the range;
- improved communication;
- strengthened retail relationships.

Current top-line against tough comparator following share loss in 2003.

Leading indicators give signal of improving trend: largest brand in sector; share stabilised; new products increasing proportion of sales.

Programme reinforced by management changes and by using the scale advantages of Unilever.

Development of Leading Brands: Foods

Leading brands growth%	2000	2001	2002	2003	Q2 2004	H1 2004
Spreads & Cooking	(1.5)	5.5	4.3	(0.7)	3.0	1.2
Ice Cream	1.2	2.9	4.0	4.4	(7.5)	(4.4)
Frozen	3.0	0.3	0.9	(0.9)	(4.7)	(3.9)
Total Foods	**1.9**	**4.1**	**4.4**	**1.2**	**(1.6)**	**(0.4)**

Spreads: Good results so far from major innovations in Family and Heart Health brands with further extension and rollout planned. Leading brand growth improved as a result.

Ice Cream: Mixed results with share gains in the US offset by poor performance in Europe. Innovation plan being implemented across all regions.

Restoring Frozen Foods to growth, sustaining value creation

Acceleration of sales decline reflects decision to further focus portfolio as best route to enhance shareholder value.

Relaunching the iBF master brands with a clear and differentiated position in Vitality.

Launches behind Knorr, Slim.Fast and Bertolli doing well.

Portfolio management and specific characteristics of the business model require careful management to avoid value destruction.

Since 1999 we have:

- exited from 7 countries
- closed 6 factories, increased proportion of oursourced manufacturing to 40%, increased asset efficiency by 500 bps
- increase trading margins by 200 bps, achieved 30%+ ROCE

We have kept our eye firmly on the value creation ball.

Our plans are designed to show we can grow the top line, profitably.

Summary of leading brand performance

In competitive markets we are taking the actions necessary to protect our market position.

We are sharpening up our in market activation in areas where it has not been good enough: Household, Family Brands in Spreads, parts of Laundry, Hair in Japan.

We are addressing performance issues in Slim.Fast, Prestige and Frozen Foods and doing so in a way that enhances value.

Innovation programme have a level of activity at least as high as last year and is fully funded.

The Bestfoods acquisition - strategic rationale

- Big, market leading brands: in categories growing faster than the existing Unilever Foods weighted category mix
- Successful Foodsolutions business: well established in a fragmented market - existing Unilever operation lacked critical mass and geographic reach
- Strong presence in D&E: where Unilever had lacked scale and had category weaknesses in the context of relevance to consumer habits and future growth potential
- Strong presence in North America: in combination with existing business strengthens performance and provides a more powerful base
- Cost synergies: operational overlap enables rapid achievement given similar culture and values

Creating value through execution of the business plan

- Portfolio change: sold 18 businesses in Savoury & Dressings with €2.9 billion after tax disposal proceeds.
- Foods category momentum growth rate improved by over 100 bps.
- Brand development: new countries, broadened footprints, migrations.
- World class Foodsolutions business.
- Further strengthened D&E - buying out JV's: Ajinomoto, Robertson's.
- Cost synergy of >€1 billion vs plan of €0.8 billion, at lower cash cost.
- €0.5 billion reduction in capital employed.

Performance against the key financial metrics

- Cash accretive in year 1 ✓
- ROIC/WACC cross-over:

	12mths to June 2004 (€bln)
Invested capital	19.7
EBITA of ex-Bestfoods brands	1.2
Cost synergies accruing to non-BF brands	0.5
Pre-tax return	1.7
Post-tax return	1.2
ROIC	6.2%

ROIC/WACC crossover:
- 2004, attributing benefits of gearing up to the acquisition
- Early 2005, based on Unilever average WACC

- Debt pay-down and achievement of A1/P1 metrics - on plan

Q2 2004 Performance - concluding remarks

A poor quarter for sales growth . . . . . but:

- addressing underperforming businesses
- nature of market with sharp increase in “above the line” expenditure

We have also demonstrated strength of our business:

- maintained gross margins
- increased investment behind our brands
- continued to support all our key innovations

. . . . . and so delivered 11% EPS (beia) growth after absorbing 3% dilution from disposals

Maintained EPS outlook for the year

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