UNILEVER Q3 AND YEAR TO DATE 2008 RESULTS PRESENTATION

Teleconference at 8 AM (UK time)

London, Thursday 30th October 2008

Jim Lawrence Unilever Chief Financial Officer

Chart 1: Q3 and Year to Date 2008 Results

Good morning and welcome to all of you.

This telephone conference comes a little earlier than prior calls. We have explained the rationale to many of you; specifically that we want to communicate our results closer to the opening of the markets. I hope this proves to be a more effective use of your time as well as ours.

I am joined here today by James Allison, the Head of IR. In a little under two weeks from now we are looking forward to seeing a number of you at our investor event at Port Sunlight.

That will give us the opportunity to provide deeper insights into the far reaching changes we have been making to Unilever. It is being designed as a Touch and Feel event and I hope you take the opportunity to get to know our business even better.

Chart 2: Safe Harbour Statement

As usual, I draw your attention to the disclaimer relating to forward looking statements and non–GAAP measures.

Chart 3: Highlights

Let me start by sharing with you what I consider to be the highlights of our performance so far this year.

- We have delivered a good set of results, in line with the goals we set ourselves at the beginning of the year:
    - Growing competitively in line with the markets
    - Improving margins sustainably
    - Gaining market share where the return on investment is attractive
- This has been made possible by the strength of our Brands, our broad geographic footprint and the actions we have taken over the last 3 years to improve performance.
- We have strengthened our relative position and this will serve us well as we move forward.

Chart 4: Financial Highlights – Year to Date

As to our results:

The environment is clearly challenging. Commodity costs have increased dramatically adding nearly €2 billion to our costs in the first 9 months. Consumer demand is under pressure as recessionary conditions begin to take hold in a number of markets.

We have however remained competitive. We have taken timely pricing action and our savings programmes are delivering ahead of expectation. This has allowed us to continue to invest behind our Brands, and our sales have grown, in aggregate, in line with our markets. Overall Advertising and Promotional expenditure is up by €100 million and our share of advertising spend relative to competitors in our markets has increased.

Our D&E business continues to grow strongly with organic sales of close to 15% in the year to date and broad based growth across our key markets.

Overall, volumes are holding up well.

Growth in underlying operating profit is 9% in the year to date and underlying operating margin has improved by 30 basis points.

Earnings per share has increased by 26% in the 9 months to September 2008, boosted, of course, by profits from disposals.

Our balance sheet is strong and our financial management is prudent and disciplined. This is serving us well in the current volatile financial markets where we are benefiting from the flight to quality. We continue to access commercial paper at sub-Libor rates and we have, in recent days, renewed the 364 day revolving credit facilities which back up our CP programme.

Our working capital improved in the quarter and cash flow from operations was strongly ahead.

These results demonstrate the benefit of actions already taken in the last 3 years.

- A more focussed portfolio of Brands and businesses
- A more streamlined organisation
- Fewer but bigger innovations , rolled out more quickly
- Better more disciplined execution
- And clearer priorities.

These together have made our business simpler, more agile and faster, positioning us well to emerge as a winner from the current economic crisis.

I will come back to my views on how we have <u>strengthened our relative position</u> in my closing remarks.

So having covered the results in outline and the important drivers of improvement, let's now look at some details.

Chart 5: Strong Organic Growth

Our sales in Q3 were €10.4 billion, which is 1.8% ahead of last year. This was after a 1.1% negative impact of disposals and an adverse currency effect of 5.0%. The latter continues to reflect the strength of the Euro, our reporting currency, against a wide range of currencies. The recent strengthening of the US dollar, if sustained, would reduce the full year negative currency impact to just over 4% from a year to date position of 5.8%.

And, in point of fact, if the US dollar had been our reporting currency the turnover growth would have been 13 % for the 9 months to September.

Underlying sales growth in the quarter was 8.3%. 70 basis points of this increase was attributable to the prior year US system implementation which pulled €70m of sales from Q3 into Q2 last year.

Price continued to be the primary driver of growth as we raised prices to offset the impact of cost inflation. And despite these actions we have seen volume growth in the quarter and for the first 9 months of approaching 1%.

For the most part the price increases necessary to cover commodity cost inflation have now been taken.

Turning to our growth performance by region.

Chart 6: Europe

Underlying sales growth in Europe was 2.5% in Q3 slightly higher than the year to date position.

Sales in Western Europe grew by 1.4% with 4.3% coming from price and volumes down 2.8%. Volume improved in the quarter helped by better performance in ice cream.

We continue to see a difficult trading environment with consumers down trading to private label particularly in some of our foods categories. In other categories such as Personal Care and Household Cleaning we see very limited down trading. Our brands are growing well in discount channels.

Spreads continues to be the biggest source of volume reduction reflecting the very substantial price increases which have been taken to offset commodity cost increases. Our intention is to win this back and later you will see some of the actions we are taking.

Performance in the Netherlands, Italy and the UK remains competitive and we have seen some recovery in Spain, although Germany softened in the quarter. France remains a difficult market.

Our transformation programme for Europe continues to progress well. This is far reaching and an important source of productivity. The benefits from transformation will be used to further strengthen our brands and our competitiveness. Whilst we are not yet where we want to be, you will have the opportunity to see at Port Sunlight, how far we have travelled and the opportunities we have ahead.

Our Business in Central and Eastern Europe continues to grow ahead of the market with broad based share gains. Russia had another excellent quarter, growing 20%.

Chart 7: Americas

The Americas region grew by 8.2% in the quarter and a little over 6% if the US systems implementation impact is excluded. Year to date the Americas have grown 6.5%.

In the US our performance is very much in line with the markets in which we operate with adjusted underlying growth levels around 4% for the quarter and for the year to date. Growth is coming from price with market volumes down in Home and Personal Care and flat in Foods. There has been some very limited down-trading to private label in our markets but our own market shares have remained firm.

Latin America grew by 12% in the quarter maintaining the momentum of the first half. This represents a strong performance with growth ahead of the market. Brazil, an important business for

Unilever, continues to improve performance with growth close to 10% in the quarter.

Chart 8: Asia Africa

Asia/Africa continues to post strong, broad based growth with underlying sales increasing by 16% in the quarter. Volume growth in Q3 was 3%. The year to date volume growth rate of 5% is in line with the average over the last two decades and is despite unprecedented levels of price increases.

Overall most economies remain healthy with all main D&E countries growing well in both volume and value.

Whilst market growth may slow from the very high, and price driven, levels seen in the year to date, we do expect growth to remain healthy in the developing and emerging markets.

With that I am now going to pass you over to James who will begin by taking you through category performance.

James Allison Head of Investor Relations

Chart 9: Underlying Sales Growth by Category

Thank you Jim and good morning everyone.

There was a strong and balanced performance across our categories this quarter. Innovation will be a key feature in the upcoming investor event and road shows so I will not dwell for too long on examples today.

Chart 10: Savoury, Dressings and Spreads

Savoury, Dressings and Spreads grew by over 7% in the quarter and by over 8% year to date.

Pricing has been the main component of growth in Spreads and Dressings driven by unprecedented levels of edible oil price inflation.

Important recent innovations include new Hellmann's mayonnaise made with the "goodness of real milk" launched in Brazil and Mexico and the launch of "Family Goodness" margarines enriched with added vitamins to deliver energy and vitality to consumers.

So far this year, Savoury growth has been more evenly weighted between price and volume

Our new range of Bertolli oven baked products, launched in the US this quarter, adds to the portfolio of Bertolli's "restaurant quality" meals and offers consumers a lower cost alternative to eating out.

Following the launch of Knorr bouillon gels in China, this product format has been rolled out in Europe as "Knorr Stockpot". In the UK, Marco Pierre White has endorsed these bouillons as the 'closest thing to professional stock'.

Chart 11: Ice Cream and Beverages

Ice Cream and Beverages grew by over 7% in Quarter 3. Year to date growth is now approaching 6%.

Magnum continues to perform very well across the globe increasing share and growing by 9%. Ben and Jerry's is growing faster still.

Growth in Leaf and Powder teas remain at close to 10% for the quarter and for the year to date. Again growth is equally weighted between Volume and Price.

Innovation includes the new Lipton pyramid range of herbal and speciality teas launched across CEE and most recently in the UK, tempting consumers with real pieces of fruit, refreshing herbs and aromatic spices.

Chart 12: Home Care

Homecare grew by almost 12% in Q3. Year to date sales are now up over 9% with good contributions from both volume and price.

In Fabrics Cleaning, the launch of Small and Mighty liquids, with the inclusion of new essential oils, is driving strong momentum in the UK. Dirt is Good is also performing well particularly in Asia Africa.

The introduction of Domestos Grotbuster and CIF Actifizz across Europe are the key drivers behind the double-digit growth in household care this quarter.

Chart 13: Personal Care

Personal Care grew over 8% in the quarter and by just under 7 % for the year to date. Again we have seen a good balance between volume and price growth.

Innovation is driving growth with double digit performances for all three global deodorant brands -

- Rexona - driven by the Rexona for Men relaunch
- Axe - with the new “Dark Temptation” variant and
- Dove - with Go Fresh and Clinical Protection.

The successful new Pond’s anti-age and skin lightening range continues to deliver throughout Asia.

So in summary:

- bigger innovation,
- delivered through strong Brands
- and rolled out faster than ever before.

Now, let's turn to the actions we are taking to address the current economic downturn.

Chart 14: Winning in an Economic Downturn

As economic conditions have worsened we have reviewed how consumer behaviour changes in a recessionary environment and we have taken the actions necessary to meet the emerging consumer needs. Our actions vary from category to category.

For example in Europe, some categories such as Meals and Meal components thrive in a recession. Others, such as Hand and Body are more prone to down trading. In some categories, such as Laundry, consumers use less product. And some categories, such as Deodorants, are largely unaffected.

Let's take the example of Margarine, a category that as well as being a healthier and more convenient substitute for butter is, and always has been, a value proposition. Here we have the opportunity to catch consumers down trading from butter. The return to home cooking is another potential source of incremental volume.

So, in the Spreads category we are adjusting our activities with this in mind. We will:

- Maintain or increase advertising support
- Drive consumption moments around breakfast and home cooking.
- Use buttery propositions to appeal to taste and value conscious consumers
- Provide bigger packs for value shoppers and smaller packs for those managing a weekly budget.
- Position our brands in discount channels and club stores with relevant promotional support.

We have completed this type of analysis for all categories and we have a set of action plans to go with it. We will have the chance to go through some of this in more detail at Port Sunlight.

We have also been more outspoken in defending the strength of our brands, especially when challenged by Private Label.

Chart 15: Reasserting the Value of Our Brands

This chart gives one example of a campaign we are running in the Netherlands.

For those of you who don't speak Dutch and those of you, like me, whose eyesight is not what it once was, the advert is entitled – Are we going to compare ? - and then goes on to point out real differences between Unilever's Calve Brand of peanut butter and the leading retailer own brand:

- The taste of more peanuts

- No added sugars, good source of nutrition and rich in vitamin E

- Calve tastes better according to <u>independent</u> taste trials

It is no coincidence that Calve peanut butter has been Holland's favourite for 60 years.

This is another example of the actions we are taking to reinforce our brand equity and to highlight differences in product attributes from retailer own brands

Let's now look at what has been happening to commodity costs:

Chart 16: Commodity Costs Impact on Margin

Commodity price inflation has added over €800 million of incremental cost to our P&L in Quarter 3.

This 800 basis point increase represents the highest impact point on our P&L as higher priced edible oil covers are utilised and mineral oil related increases feed through from suppliers.

More recently, we have also seen substantial cost increases coming through on a range of agricultural commodities such as tomatoes, tea and beef extract.

All these together have contributed to the cost escalation in Quarter 3. We expect to see some improvement in quarter 4 and for the full year impact to be around 600 basis points - roughly €2.5 billion of incremental cost, year on year!

We anticipate far more benign conditions in 2009.

Chart 17: Increased Marketing Investment

In-market advertising and promotional expenditure was €20m higher in the quarter.

So far this year we have invested an additional €100 million behind our brands and our share of advertising spend relative to competitors in our markets has increased.

Savings from media efficiency programmes and lower media rates in some developed markets have been reinvested.

We believe that, in periods of severe commodity-cost-driven price inflation, relating marketing spend to turnover places too much emphasis on pricing and not enough on volume. When pricing returns to normal levels reviewing advertising and promotions as a percentage of turnover will regain its relevance.

As you will have seen from our announcement the ratio of advertising and promotional expenditure to sales is down 50 basis points in the year to date and 70 basis points in the quarter.

The fact is that we have continued to invest in Brand equity at a time when others have taken a more cautious approach.

Lastly, we have strong programmes to drive better returns from the investments we make in both consumer promotions and trade spend.

Chart 18: Savings Continue to Deliver Strongly

Our overall savings programmes continue to deliver strongly and now stand at just in excess of €800 million for the year to date – well on track to deliver in excess of €1 billion for the year.

Half the savings have been generated from buying with a further €250 million coming from our restructuring programmes. Regional and local savings initiatives contribute an additional €130 million.

Restructuring costs were €160 million in the quarter and are € 490 million in the year to date. We continue to expect full year restructuring charges of around € 1 billion.

Jim will go into more detail on our savings programmes at Port Sunlight.

Now let's look at the drivers of operating profit in the year to date and in the quarter. And let's do this in absolute money and in constant exchange rates because it makes the underlying performance easier to understand.

Chart 19: Drivers of Operating Profit – Year to Date

First the year to date performance:

- The contribution from volume and mix was around €200 million

- The strength of our brands has enabled us to take price increases of around €2 billion

- Commodity cost increases reduced operating profit by around €1.9 billion

- And other costs increased by € 550 million

So whilst pricing has covered commodity cost increases it has not been sufficient to cover overall cost increases.

- As I mentioned earlier our extensive savings programmes have delivered €800 million.

- Finally in-market Advertising and Promotional expenditure increased by € 100 million.

This has left an underlying increase in operating profit of around €450 million, 9% up on the first 9 months of 2007.

Now let's look at the quarter:

Chart: 20 Drivers of Operating Profit – Q3

Here are the drivers of operating profit change in the quarter, again in absolute money and measured in constant exchange rates:

- The contribution from volume and mix was around €100 million

- Price increases added around €800 million

- This was not enough to cover commodity cost increases of over €800m and other cost increases of around €200 million

So in Q3 you can see that despite the significant level of price increases, costs increased by more.

- Balancing this, our savings programmes continued to accelerate and delivered over €300 million.

- Finally as mentioned earlier in-market A&P expenditure increased by €20 million.

This left an underlying increase in operating profit of around €150 million, again 9% more than the same quarter in 2007.

Now let’s look at Operating Margin.

Chart 21: Operating Margin Development – Year to Date

The operating margin in the first 9 months was 18.8% boosted by disposal profits.

And there was an underlying improvement in operating margin of 30 basis points.

Savings have contributed 270 basis points offsetting a negative costs, price and mix impact of 290 basis points.

Advertising and promotional expenditure, up by close to €100m benefits from the price driven accelerated top line growth and contributes 50 basis points to the margin.

With that, I am now going to hand back to Jim**.**

Chart 22: Drivers of EPS Growth – Year to Date

Thank you, James.

Earnings per share grew by 26% in the 9 months to September 2008.

The graph here summarises the various key drivers for EPS growth.

The operational drivers together contributed 9% to our EPS growth.

There was a negative impact of 6% from currency and a further negative 5% from tax, reflecting the substantial favourable settlements of tax audits in H1 2007.

RDI's added a positive 26%, boosted by the after tax profit on disposals from Lawry's and North American laundry of over €0.6 billion.

Finally, our share buyback programme has added 2 % to EPS growth.

Chart 23: Cash Flow and Balance Sheet

The instability of financial markets has reminded us of the virtue of a strong balance sheet and prudent financial management.

Access to low cost commercial paper was available to Unilever throughout the quarter. This was achieved at very competitive rates reflecting a flight to quality and the reassurance of a strong balance sheet and strong cash generation.

Our commercial paper programme is backed by a revolving 364 day drawdown facility with a number of banks. This has been successfully renewed with principal banks in recent weeks.

Net debt has reduced to € 8.7 billion at the end of September.

Cash Flow from operating activities in the quarter was €2.0 billion up €0.5 billion on the same period last year. This brings the year to date cash generation from operating activities to €2.5 billion – slightly behind 2007 but on an improving trend.

Working capital improved substantially in the quarter after a weak quarter 2. We are making good progress and we expect to see further improvement in Q4.

In the third quarter, we received € 1.1 billion in pre-tax cash proceeds from the disposals of the North American laundry business and the Lawry's seasonings brand. So far this year, the total pre-tax cash proceeds from disposals amount to €1.6 billion. This compares with € 0.1 billion in the same period last year.

Finance costs of net borrowings were 4 % lower in the first 9 months as we optimised the country mix of our borrowings.

We <u>have</u> completed €1.5 billion of share buy backs in the year. We have no immediate plans to do more but will keep this under review.

As at end September the net pension deficit was unchanged from the position at the beginning of the year. This is because both assets and liabilities have reduced by €3 billion. The liabilities have reduced because of material increases to the corporate bond spreads, or double A discount rates, used to discount liabilities.

So, on this basis, our funded pension plans are in surplus to the tune of €1 billion and we have unfunded plans of € 2.1 billion. This makes a net deficit overall of €1.1 billion.

Chart 24: 2008 Outlook

So let me summarise.

In a tough and uncertain economic environment we have strengthened the relative position of the business.

- We have priced decisively to cover cost increases and utilised our savings programmes to offset some of the impact on our consumers and customers. Our ability to price so effectively is a testament to the strength of our Brands.

- Our wide geographic base provides us with extensive experience of managing our businesses and our brands in difficult economic times.

- Our savings programmes are far reaching and on track.

- We continue to raise the bar on innovation and science and you will hear much more about this at Port Sunlight.

- We have continued to build Brand equity – increasing our advertising spend relative to competitors in our markets.

- Our strong balance sheet, financial management and strong cash generation position us well to access capital competitively.

We are set to deliver underlying sales growth for the full year 2008 well in excess of our 3-5% target range. And we will do this whilst delivering an underlying improvement in operating margin.

With that ladies and gentlemen, we will open the wires to Q&As.

Chart 25: Questions