UNILEVER RESULTS PRESENTATION FOR THE 9 MONTHS TO SEPTEMBER

Conference Call, Thursday 2nd November

<u>Rudy Markham - Chief Financial Officer</u>

Chart 1 – Title and Safe Harbour

Good morning everybody and thank you for joining us on this call.

As always, I draw your attention to the usual disclaimer relating to forward looking statements which appears in chart 1 and will be posted with this presentation on Unilever's web-site.

I am here today with John Rothenberg and Charles Nichols from Investor Relations. Before I hand over to John, I would like to give you my perspective on the results that we announced this morning.

The key message to leave you with today is that Unilever is continuing to make real progress, both in terms of business performance and our transformational agenda.

We have had another quarter of consistent, broad-based growth contribution from both price and volume. Our investment priorities: Personal Care; Developing and Emerging Markets; Vitality, are all contributing strongly to this growth. The turnaround in Europe continues.

We have a tight grip on our cost base, despite significant commodity cost inflation, and we are finding opportunities to increase prices while maintaining steady volume growth.

'One Unilever' is delivering concrete benefits in terms of savings, simplicity, and agility, all of which are feeding through into our results.

So we are confident that we will achieve our growth and margin ambitions.

I would also like to make a specific comment relating to the provision we have taken this morning with our Q3 results relating to the 2005 conversion of preference shares.

In September 2006, investigators appointed by the Dutch Enterprise Chamber published their report into the issuance and subsequent conversion of Unilever NV's 1999 Preference Shares. The Unilever Board established a special Board Committee, chaired by Professor Wim Dik, to consider the Company's response.

The Committee has explored the possibility of a settlement. It is expected that the Board, which has, as yet, made no decision on this matter, will consider the Committee's recommendation shortly.

Consequently, in light of these circumstances and in light of legal advice, we have taken a €300m provision in the 3rd quarter.

Given the situation that I have just described, I cannot say any more at this point in time. We will of course come back to the market as and when there are any further developments.

I will now ask John to take you through the main features of our operational performance.

John.

John Rothenberg – SVP Investor Relations

Thanks Rudy.

Let me start with our top-line performance.

Chart 2 – Underlying sales growth

Our underlying sales growth was 4.8% in the quarter and 3.9% in the first nine months of the year.

Total turnover was 2% ahead in Q3, including 2% adverse currency movement caused by the strengthening of the euro against other currencies in the quarter. In contrast, currency had a 1.4% favourable impact on total turnover for the first nine months.

We said with our half-year results that it was the quality of our growth, as much as the quantity, that gave us confidence that we had largely restored our competitiveness. Our sales performance in the 3rd quarter underlines this.

First, our growth remains broad based across the business, with all regions and all major categories contributing in the quarter, and over the nine months. This includes another quarter of improving growth in Europe, even allowing for a strong quarter in ice cream.

Second, this is the 4th successive quarter in which we have seen an increased contribution from price but without loss of volume momentum. This is the direct consequence of the determined but selective approach we are taking to increasing prices; protecting our gross margins but always with an eye to maintaining our market competitiveness. This is especially true in categories where we face significant commodity-related cost increases, such as Laundry, Tea and Olive Oil.

Third, our performance in the priority areas that we set out at the beginning of the year shows that our business strategy of focusing resources on our strong leadership positions and on high growth spaces is bearing fruit.

Consider Personal Care.

Chart 3 – Personal Care

Personal Care growth was 7% in the quarter and 6.5% year-to-date, with good growth in all categories and especially Deodorants and Hair.

The key drivers remain unchanged – high quality innovation; rapid roll-out; globally inspired brand communication complimented by excellent in-market activation. And all of this supported with carefully focused investment behind key brands and in key markets. Around 2/3 of our additional A&P investment so far this year has been in Personal Care.

We have had outstanding success with Dove Summer Glow on both sides of the Atlantic, driving growth and share gain in the Hand and Body segment. We have also seen good growth in Skin Cleansing with innovative products such as Dove cool moisture and Cream Oils.

Our deodorants business gained further share, driven by global initiatives such as the new Axe ‘Click’ fragrance and Dove Invisible Clear that promises no white marks – the biggest unmet consumer need in women's deodorants. This variant now accounts for over 1/3 of Dove deodorant stick sales in the US.

So far this year, all three of our main deodorants brands, Axe, Rexona and Dove, are growing at 10% or more.

In Hair, our innovation activities also reflect a globally-driven approach. Our biggest brand – Sunsilk – has grown by 9% this year.

The launch of Sunsilk in the US and Canada has got off to a good start, with initial sales in line with our plan. At the same time, the steps we took to strengthen Suave, with a new line-up for Suave Professionals, is having a positive effect on both sales and margins. Dove Hair is also benefiting from the introduction earlier in the year of new products caring for coloured hair. All this adds up to a significantly stronger hair portfolio and we are now gaining share in aggregate in US Hair Care.

Aside from the US market, we have also introduced a new Sunsilk range across Asia, which is doing well, closely followed by the launch of a 'damaged hair' variant in several key markets, Similarly in Latin America, the Sunsilk 'colour' range continues to grow, as we add new variants for straight, curly and wavy hair.

There are of course some areas where we still face challenges. Again in Hair, we have a sizeable business in Japan, an especially tough competitive environment. There have been two major competitive brand launches in the past couple of years and an intense amount of innovation activity and support investment by the main players.

Against this background, Lux Super Rich remains the leading brand in the market, with stable shares and growing sales, thanks to consistent investment and innovative new variants. However, our other hair brands, Dove and Mods, are faring less well and we have work to do to get these brands back to growth.

Across the world, our Personal Care business continues to deliver strong growth and good margins.

Now, D&E markets, which are 40% of our sales.

Chart 4 – D&E markets

Here, consumer markets remain generally buoyant and there is fierce competition for a share of this growth from international companies and local players.

Against this background, growth of our D&E businesses continues to run at around 8%. Growth in Foods is as strong as it is in HPC, and remains widespread across geographies.

We have had excellent growth in India and China across almost all categories. Most of our other large markets also performed well – Indonesia, Turkey, Russia, and Brazil all grew at 7% or more.

We have seen a slowdown in South Africa, largely due to low price competition in Laundry. Also, Foods sales in Brazil and Mexico remain sluggish and Thailand had a weak quarter, partly due to lower market growth, but also because of stiff competition in some HPC categories.

Innovation is playing a key role in our D&E growth and a few themes are worth commenting on.

First, affordability. This is the route to accessing the 3 billion or so consumers at the base of the income pyramid. We have seen good growth, for instance from low unit priced Rama margarine sachets which are making the nutritional benefits of ‘good oils’ accessible to consumers in Africa.

Second, roll-out of global propositions. Our ‘Dirt is Good’ Laundry brands are also growing at over 8% in Asia/Africa, driven by product innovation and imaginative activation such as the Surf ‘Back to School’ programme in Indonesia.

Third,Vitality. Lifebuoy continues to grow in double digits across Asia thanks to a new and improved range of bar soaps, with new iconic branding and unbeatable protection from germs. In addition, we are rolling out a range of liquid hand wash products which combine effective protection with an appealing fragrance.

Vitality is a big opportunity for us in D&E markets, but it is also having a visible impact on the turnaround we are seeing in Europe.

Chart 5 – Restoring Growth in Europe

Underlying sales growth in Europe was 3.5% in the quarter, and now stands at 1.4% for the year to date. This is in line with the growth of our markets which we estimate to be running at between 1-2% so far in 2006.

Hot weather during July led to a strong quarter in European Ice Cream, boosting Q3 sales by around 1.4% in Europe, and 0.4% for total Unilever. However, this came after a dreary start to the season in the 1st half, so that that there is no overall weather effect in our year-to-date sales figures.

We spoke at the half-year about some of the drivers of this turnaround.

First, innovation in new Vitality areas, with rapid roll-out across markets. For example, Knorr Vie, first introduced in 2005, is now selling in 10 countries in Europe and we have sold over 100m bottles since launch.

We expect mini-drinks, including Vie and Pro-Activ, to generate sales of around €100m this year. We have just introduced Flora Omega 3 in the UK, packed with more Omega 3 than any other spread or mini-drink. Good for the heart, good for the brain and good for your joints too.

A second driver is rejuvenating the core of our brands. Soups in pouches, originally introduced in the Netherlands, are now available in 10 countries under the Knorr brand. Cif Power Cream sprays and Domestos ‘5 x’ bleach are other examples.

A third driver is increasing the value we offer our consumers. We have made strategic price corrections in a number of categories and markets. These are largely behind us. We also continue to improve product quality. Our nutritional enhancement programme is enhancing many of our food products and is supporting the roll-out of the ‘My Choice’ front of pack logo. Similarly, recent re-launches as diverse as Magnum ice cream and Comfort fabric conditioners have incorporated improved product and packaging quality.

Meanwhile, we continue to work on building critical capabilities and improving execution.

Our ‘Win with Customers’ initiative, which started last year in the Netherlands, is being rolled out in France, Germany, Belgium, Greece and the Czech Republic.

Of course, ‘Win with Customers’ is not a uniquely European initiative. We are also taking it to China, Turkey and Indonesia, with Mexico to follow shortly.

Chart 6 – Progress on One Unilever

Our ‘One Unilever’ programme is also contributing to improved ‘go to market’ execution in Europe and elsewhere. It not only delivers substantial cost savings but is also ensuring that we bring Unilever’s full scale to bear in market, supported by fast on the ground decision making.

The benefits of One Unilever can be clearly seen in the US, where the 2006 Cannondale survey will show improvements in all our key ratings as measured by our retail customers.

To give a sense of how we are progressing with One Unilever, if we look at our top 20 countries:

- All but one already have one top team – and we have plans for the remaining country.
- 65% are already located in one head office, and most of the rest have announced that they will do so. The most recent of these was the US, announced last week.
- Three-quarters have one sales account management team. 60% have integrated sales forces, with a further 10% announced.
- Almost all have single back-office operations for Finance, Human Resources and IT. Half have already migrated to regional shared service centres and the other half will do so. Many of these are being outsourced.

So as you can see, One Unilever is a major transformational programme and we have already made significant progress.

Turning now to operating margin.

Chart 7 - Operating margin Q3 and YTD

For the first nine months, our operating margin is 14.5%, which is 30 bps above the same period last year.

Before the impact of restructuring, disposals and impairments, the operating margin is 70 bps lower than last year, both for the year to date and in the third quarter.

Advertising and Promotions is up by 60 bps in the first nine months. As expected, there was a big increase in the third quarter – up by 80 bps. This reflects the strong weight of advertising in the middle of this year behind key launches such as Sunsilk in the US, Dove Summer Glow across Europe, and AdeZ in the UK, as well as the usual seasonal weight behind Ice Cream and Ready to Drink Tea.

Our savings programmes continue to deliver at a high level, with over €600m in the first nine months. This includes our ongoing buying initiatives, other supply chain savings, and ‘One Unilever’. We are well on our way to delivering the €1bn of savings from ‘One Unilever’ by the end of 2007.

I talked earlier about price increases which have resulted in price growth of 1.2% in the quarter and 0.9% year-to-date.

But we have also seen a sharp increase in costs in the first nine months of the year. General inflation in wages, salaries and other costs is running at normal levels. Commodity costs, however, have had a significant impact on raw materials and packaging. These have added around €500 million to our cost base so far this year, with the largest increase in the third quarter. We have been particularly affected by mineral oil and petrochemicals, but also by edible oils, tea, tomato paste and aluminium. While spot prices for some of these have eased recently, it will take some time for these to work through the supply chain and into our costs of goods sold.

Also, in the first nine months, we have spent more on market research and development costs than last year. This is largely a timing issue and we expect a significantly easier comparator in Q4.

Turning to our outlook for the year, we expect to deliver an operating margin in excess of 13.4%. This is after a step-up in restructuring in the fourth quarter, to take full year restructuring to over 100 bps.

Please bear in mind that we have a relatively soft comparator for operating margin in the fourth quarter, given the phasing issues mentioned above. This is despite the one-off credits in the fourth quarter last year, to which we have previously referred.

Chart 8 - Drivers of EPS

Turning to other aspects of our financial performance.

Earnings per share from continuing operations grew by 5% in the first nine months. In Q3, EPS from continuing operations fell by 24%, as it included the €300m provision for possible compensation payments relating to the preference shares mentioned earlier. This provision is shown as a one-time charge to net financing costs.

There have been some important structural improvements to earnings below operating profit.

These include an increase in net profit from joint ventures, most notably the excellent performance of the Pepsi Lipton Partnership. Sales of Lipton ready to drink tea have risen by a third in North America, although as a joint venture, this is not reflected in our underlying sales growth.

Financing costs are also benefiting from lower net debt and higher pension asset values.

The tax rate of 26% in the first nine months is lower than last year through a better country mix and other improvements. This leaves us still well placed against our guidance for this year of around 26%.

And finally, net cash flow from operating activities in the first nine months is €0.3bn higher than last year, with higher cash payments to pension schemes offset by lower tax payments.

With that, I am now going to hand you back to Rudy.

Thank you John.

To conclude, let me just cover our plans for returning cash to shareholders.

Chart 9 – Returning cash to shareholders

We said at the beginning of the year that we planned to buy back €500m of shares during 2006 and that we might review this in light of bolt-on acquisitions, proceeds from disposals, including Frozen Foods, and the development of our credit metrics.

As we stand today, we have not made any significant investment in acquisitions and we now expect the frozen foods disposal to complete imminently, at a sale price at the upper end of expectations. Our credit metrics are developing as we expected.

We have therefore today announced that we will increase the amount of cash to be returned to shareholders in 2006, from €500m to €750m. We have decided to execute this in the form of an additional 'one-off' dividend, to be paid at the same time as our normal interim dividend.

Additionally, we have announced that we plan to return a further €1.5bn to shareholders via a share buy-back programme which will commence in 2007.

This is consistent with our commitment to a competitive balance sheet, which for us means a 'strong single A' rating.

So, in summary, a good growth quarter, broad-based and with a development in operating margin that is in line with our expectations.

Chart 10 – Questions

We would now be happy to take your questions.