

Unilever Q2 and First Half Results

Presentation and videocast

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Patrick Cescau ***Group Chief Executive***

Chart 1: Q2 and First Half 2007 results

Good morning to everyone joining us today for Unilever's first half-year 2007 results presentation.

I am here this morning with John Rothenberg, Head of Investor Relations, who in a moment will take you through our Q2 and half-year results.

You will have seen our announcement that, from September, we will be joined by a new Chief Financial Officer, James Lawrence. I am absolutely delighted by this appointment. We said that we would take our time in order to land the best, and that's just what we've done.

Mr Lawrence comes to us from General Mills, where he is currently Vice Chairman, and CFO, and you will all have the opportunity to meet him in due course.

Chart 2: Agenda

When we met with many of you at our Investor Seminar in London earlier in the year, I explained why I believed our strategy was delivering a sustained improvement in performance.

At the same event, I made clear that we were constantly alert to opportunities to move faster.

In particular, I highlighted then – as I have on other occasions – that we wanted to do more:

- to increase the quality and quantity of innovation
- to drive further the shaping of our portfolio; and
- to accelerate margin improvement.

Today, we are ready to share with you details of how we plan to build on an improving performance and on the strong foundations laid over the last two years.

It is an improvement, I am pleased to say, that has continued into the second quarter of 2007; as John will now explain as he takes you through the results.

John Rothenberg SVP, Investor Relations

Chart 3: Safe harbour statement

Good morning everyone.

As usual, I draw your attention to the disclaimer relating to forward looking statements and non-GAAP measures. This disclaimer is included here and will be posted with the text of this presentation on the Unilever web-site.

Chart 4: Highlights – first half year

Our first half year performance keeps Unilever firmly on track to deliver our 2007 objectives.

Most importantly, we have both growth momentum and an underlying improvement in operating margin.

Underlying sales growth of 5.8% was broad based across all regions and categories.

Our global categories delivered a higher quality innovation programme, with some significant product launches focused on our strategic priority areas of Vitality, Personal Care and D&E markets. Meanwhile, One Unilever ensured better in-market execution in each of our regions.

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

Gross margins have been maintained despite commodity cost pressures, and we have increased advertising investments behind our priority brands in line with sales growth.

We also see improvements flowing through into our earnings from joint ventures and associates, from reduced financing costs and from lower tax rates.

Let me now turn to the specifics of our top-line performance.

Chart 5: Strong organic growth

In the first half year, our sales were €20.1 billion, which is 1.3% ahead of last year. This was after 0.8% net impact of acquisitions and disposals and an adverse currency effect of 3.4%.

The latter reflects the strengthening of our reporting currency, the Euro, against a wide range of currencies, including the US dollar, the Japanese Yen, the South African Rand and the Mexican Peso.

Many of these currency movements date back through 2006. If exchange rates were to stay where they are today, the full year currency impact would be more modest, at around 2%.

Underlying sales growth in the first half year was 5.8%.

This includes 0.4% of growth due to advanced sales ahead of an IT system implementation in the US. This will reverse in the second half.

Our underlying sales growth includes just over 1% from pricing. This reflects the pricing actions that we have taken to compensate for rising commodity input costs.

Chart 6: Consistent growth

We have seen a steady increase in the growth momentum of our business over the past few years.

From a starting point of no growth at the end of 2004, we have reached 4.9% underlying sales growth over the past 12 months.

Let's now look at our performance by region.

Chart 7: Good growth in all regions

Europe achieved 2.6% underlying sales growth in the first half of 2007.

The annualised growth trend in Europe is now 2%, a notable improvement from -1% a year ago.

We saw good growth from the Netherlands, Italy, Russia and Poland as well as a number of the smaller markets in the region. Russia in particular continues to grow strongly: 15% in Q2, reflecting its priority status and a strong innovation programme, including the launch of Clear shampoo.

Performance in France and Germany has significantly improved, both delivering modest growth in the first half.

The UK, our largest European business, declined slightly in the first half, with a positive Q1 followed by a decline in Q2, in part due to a weaker ice cream performance.

This weaker Q2 performance – combined with the timing of price increases in Germany - were the main factors behind the lower sales growth in Q2.

A strong innovation programme was a key driver for growth in Europe. This included the launch of healthy offerings across Knorr dry and wet soups; the roll out of Knorr Vie in Germany; the re-launch of PG Tips in the UK, and the introduction of Lipton Linea in France.

Overall, ice cream showed good growth in the first half despite a weak end to Q2 due to the wet weather in Northern Europe. Innovations continued to perform well.

The Americas region grew by 4.9%. This included around €70m of sales ahead of an IT systems implementation.

The US business, excluding the advanced sales, performed steadily in the first half, growing some 3%, with market shares stable in both Foods and HPC.

Personal care had a particularly good performance, driven by strong execution of the innovation programme, notably for Vaseline, Degree, Sunsilk and Suave.

US ice cream is improving steadily. Ben & Jerry's is growing well, but there is still some weakness in Breyer's. After a weak start to the year, there was a marginal decline in the second quarter. We expect better performance in the second half.

Latin America grew by 5% in the first half year.

In Mexico, we returned to growth in the first half year.

In Brazil, sales grew only modestly. There has been increased competition in tomato products and spreads. In June, we announced the sale of our local spreads brands to Perdigao, and the creation of a joint venture to strengthen the local distribution of our global Becel Heart Health brand. In laundry, volumes are growing well and brand

shares are strong, following pricing reductions as we repositioned our brands against local competitors.

Elsewhere, there were strong performances, especially in Argentina, Andina and Central America.

We expect higher growth in Latin America in the second half of the year, due to a stronger contribution from both Brazil and Mexico.

Asia/Africa remains a major driver for Unilever growth.

The region grew by over 11% in the first half. All our large categories – laundry, skin, hair, tea, ice cream, and savoury – grew strongly across the region. The growth was driven by a strong innovation programme, including the launch of Clear in China and Axe in Japan. There was strong sales and profit growth in ice cream across the region, particularly in Turkey.

Overall, developing and emerging markets around the world now represent 43% of our total sales, growing at nearly 10%.

That gives you a brief overview of how we are doing in our various geographies around the world.

Chart 8: Innovation driving category growth

Let's now look at the way that innovation is driving growth in our categories.

Our strong innovation programme in 2007:

- is directed to our growth priorities
- leverages our global brands and technology with more rapid roll outs across markets
- targets Vitality opportunities in both the developed and developing world.

Its impact can be seen in the growth of our brands and categories in the first half.

Chart 9 – Savoury, Dressings and Spreads

Underlying sales growth in Savoury, Dressings and Spreads was nearly 4%. This was driven by consistent investment in Vitality-focused innovations and priority brands, including Knorr and Hellmann's, which continued to grow strongly.

- Knorr seasonings with premium ingredients, already successful in Europe, were launched throughout Asia/Africa.
- Hellmann's was boosted by the launch of Extra Light mayonnaise, with citrus fibre technology.
- And we followed last year's repositioning in the US of Promise as our heart health platform, with the introduction of new cholesterol lowering mini-drinks, already successful in Europe, under the Promise Activ brand.

Chart 10 – Ice Cream and Beverages

Our growth in Ice Cream and Beverages was nearly 6%.

- In Europe, we launched Frusi, a low-calorie frozen yogurt, Solero Smoothie and Milk-Time, a children's snack containing the same amount of calcium as a glass of milk
- There has been an excellent initial response to the launch in Europe and Americas of new Magnum variants, Colombia Aroma and Ecuador Dark
- In Turkey, we launched Amaze snacks containing nutrients that support the mental development of school-aged children
- Our successful milk tea powders are being extended to other parts of Asia/Africa. In Europe, pyramid bags continue to drive growth in tea, and we have introduced Lipton Linea functional slimming teas in France.

Chart 11– Home Care

Home care grew by nearly 6% in the first half.

- In Laundry, our global 'Dirt is Good' position continues to drive sustained growth in fabric cleaning by providing a platform for faster roll-out of global innovation and communication.
- The Small and Mighty concentrated fabric cleaning liquids, which led the move to more efficient and environmentally friendly detergents in the US, have now been rolled out in 6 countries in Europe and in 2 countries in Latin America.
- The roll out of Cif Oven Spray and Domestos Zero-limescale across Europe is helping to drive category growth in household cleaners.

Chart 12 – Personal Care

Underlying sales growth in Personal Care was nearly 8%.

Here too, we had a very strong programme of globally relevant innovations, rolled out faster and more consistently around the world.

- Clear anti-dandruff shampoo was launched in China, Russia, Brazil, The Philippines, Egypt and Arabia, and added a new male product range to the Clear brand in India and Thailand
- Axe's launch in Japan is off to a good start, supported by a strong 360 degree communication plan
- And Axe body spray has been relaunched globally, with a new revolutionary can, improved fragrances, a new variant called Vice, and a new Boom-Chicka-Wah-Wah advertising campaign
- In skin care, we rolled out Pond's Miracle anti-aging cream across Asia, and built on the success of Dove Glow lotions with launch in Latin America and new variants in North America and Europe

Another key activity this year is Dove Pro.Age, a cross-category range of anti-aging skin care, hair care and deodorant products, launched in both Europe and North America, and showing strong consumer response to a compelling advertising campaign.

Chart 13: Underlying operating margin improvement in first half

Let me now talk about our margin development.

Our first half operating margin was 13.7%, 0.7% lower than 2006, due to higher restructuring costs and lower proceeds from disposals.

Before these items, there was an underlying improvement in operating margin of 0.3%.

We have continued to spend competitively behind our brands, and increased our investments in advertising and promotions in line with sales growth.

This means that the combined benefits of volume, positive pricing and mix, and cost savings were more than sufficient to offset rising commodity prices and other cost increases.

Our savings programmes continue to deliver consistently. In the first half, total savings were again €400m, with roughly half from buying savings, and half from One Unilever and other initiatives.

Chart 14: Improvement sustained in Q2

Our operating margin for the second quarter shows a similar picture to the first half.

The operating margin at 13.7% was 0.3% lower than last year, but with higher restructuring costs and lower disposal proceeds shows an underlying improvement of 0.2%.

Our advertising spend grew slightly ahead of sales.

Chart 15: Mitigating the impact of rising commodity costs

As you may recall, we indicated at Q1 that we expected a significant headwind from increased agricultural commodity costs this year. This has happened.

There have been some reductions, for example olive oil and more recently tea, but these are small in comparison to the increases elsewhere, most notably for edible oils and fats and for dairy products. The price of mineral oil has also moved back over \$75 a barrel.

In total, the net impact of increasing commodity related costs was €285m in the first half, or 140 basis points.

There was an acceleration in the second quarter, reflecting both the impact of olive oil in the first quarter and the recent increases in agricultural commodity costs starting to come through

For the full year, we anticipate that the impact will be at least as high as we have seen in 2006, or 160 basis points.

We are mitigating this impact through a combination of:

- Pricing action
- Buying strategies and other efficiencies and
- Product reformulation.

Chart 16: Drivers of EPS growth – first half

Turning now to the other aspects of our financial performance.

Earnings per share from continuing operations were up 10% in the first half of 2007.

Operating profit was down 3%, as the benefits of sales growth and margin enhancement were offset by increased restructuring charges, lower proceeds from disposals, and adverse currency movements.

Below operating profit, we see structural improvements in a number of areas having a substantial positive impact on our EPS growth.

Financing costs were 19% lower in the half year, through a reduced level of net debt. The credit on pensions financing improved to €67m for the half year as a result of the better funding position of our schemes and higher expected equity returns.

Our share in net profit from joint ventures has nearly doubled to €57m for the half year, mainly driven by the strong growth in the partnerships between Lipton and Pepsi for ready-to-drink tea.

The first half net profit of €82m for associates and non-current investments mainly reflected a gain in the first quarter in one of our venture capital funds.

The tax rates of 19% in the second quarter and 20% in the half year were lower than a year ago, reflecting favourable settlement of tax audits, and a better country mix. Our tax rate guidance remains unchanged, at 24% for the full year, and 26% longer term.

Discontinued operations for last year include frozen foods (sold in the fourth quarter of 2006) and in 2007 include the one-off recognition in the second quarter of profit from future performance-based contributions from the sale of UCI in 2005.

Chart 17: Balance sheet and cash flow

Net debt at the end of June was €8.8 billion, down €1.5 billion from the same period last year, but up €1.3 billion over year-end 2006. This reflects the payment of final 2006 dividends in the second quarter and €700 million of share purchases, as part of our €1.5 billion share buy-back programme for the year.

Our pension deficit reduced to €1.2 billion.

Cash flow from operating activities was €1.7 billion in the first half year. This compares with €1.9 billion in the same period last year. This reflects seasonal outflow of working capital, and includes increased debtors related to the IT systems implementation in the US.

Chart 18: 2007 outlook

Let's now turn to our financial outlook for the full year 2007.

Following our strong first half year results, we expect underlying sales growth for the full year at the upper end of the 3-5% range.

We remain confident that we will achieve an underlying improvement in our operating margin this year. A combination of phasing and prior year comparators means that this will be biased towards Q4.

We now expect significantly higher restructuring charges this year in the region of €700m to €1bn, reflecting the acceleration of our change programme that we have announced today.

We also expect some profits on disposals this year.

At this stage, I cannot be definitive about our reported operating margin for the full year 2007 as this will depend on the exact timing of restructurings and disposals.

Chart 19: Accelerating change

And with that, I'll hand you back to Patrick.

Patrick Cescau

Group Chief Executive

Thank you, John.

Chart 20: Progress to date

These results confirm our belief that measures taken since the beginning of 2005 have restored Unilever's competitive position.

Since then, we have:

- Grown consistently in line with our markets.
- Stabilised our overall market share, with share gains in some priority areas.
- Seen the benefits of growth come through during 2007 in operating margins.
- Continued to generate strong cash flow, with about €10 billion of cumulative free cash flow since the beginning of 2005.
- And, less tangibly – but just as importantly – we have released fresh energy and a new passion for growth within the business.

Chart 21: Building on existing programmes

The measures leading to this improvement will continue to drive performance well into the future.

So, One Unilever, for example – now in place in most key markets – is leading to better alignment, simplification and speedier decisions.

And we expect to deliver the €1bn per annum savings by 2008, and further benefits of a leaner more agile 'go to market' organisation will continue to accrue for some time to come.

Improved organisational productivity is also arising from significant outsourcing initiatives, some of which won't complete until 2009.

In addition, global buying efforts continue to deliver savings - around €400 million last year, and €200 million again in the first half of 2007.

And programmes to strengthen critical capabilities – Marketing, Customer Management and R&D - will continue to roll out across Unilever throughout 2007 and into 2008.

In aggregate, these initiatives - supported by a normal level of restructuring – are already sufficient we believe to achieve our medium term goals with respect to growth and operating margin.

Chart 22: Building on our growth agenda

But now we have an opportunity to build on what has been achieved.

Growth remains the overriding objective – it's still our number one priority.

- Competitive growth – ahead of our markets
- Profitable growth – with better margin development
- And consistent growth – with greater resilience to changes in the business and competitive environment

The steps we are announcing today both complement and reinforce this growth agenda.

There are three key elements:

- Raising the bar for innovation
- A more aggressive stance towards the shaping of our portfolio

- And further margin-enhancing cost and asset reduction

Chart 23: Platform for faster change

We can do this now because we have created all the right conditions for accelerated progress:

- A clear and effective portfolio strategy based on sharper choices and targeted resource.
- A simpler, better aligned and more productive organisation.
- An increasingly global business model, allowing for a convergence of systems and processes and a much greater leveraging of scale.

Let me give two examples of how this is working in practice.

First, our global category organisation is enabling us to leverage categories, brands and technology across key markets, providing better innovation, quicker roll-outs and improved returns on marketing investment. It is also leading to a more harmonised product portfolio – the elimination of non-added value complexity, thereby unlocking opportunities to simplify our supply chain.

Second, our 'One Unilever' programme is forcing systems and processes to converge across operations. Management is focused on improving execution and organisational effectiveness. Together, these produce further opportunities to simplify our organisation and reduce overheads.

In short, we can do things today...

- to raise our game in innovation
- to shape our portfolio
- and to access margin enhancing cost and asset reduction

that we could not do 2 years ago.

Chart 24: Innovation

Let me take each of these now in turn and show how we intend to accelerate our performance.

I will start with innovation, which – by continually adding value to our brands and products - drives growth and margin development. It is therefore central to our efforts to drive sustainable top and bottom line performance

In 2007, we have one of our strongest innovation programmes ever, as John highlighted in his presentation

But we also have the basis now to raise our game still further through:

- Increasingly global brand platforms. These drive global innovation and communication *and* lift the productivity of our marketing and R&D spend.
- A simpler interface between...
categories – innovating
and the operations – executing.
- Better technology and a remodelled R&D organisation - driving category growth. And the recent appointment of Unilever's first Chief Technology Officer, Neal Matheson, is a mark of our determination to direct Unilever's significant R&D capability towards an even greater role for innovation.

We spent a lot of time during the Investor Seminar talking about this, including a series of examples from our major categories. So this won't be news to you.

At its simplest, it is about applying global concepts to local markets, as we have done with great success in the past with brands like Dove, Axe and Sunsilk in

Personal Care. We now see the results in other parts of our portfolio:

- Knorr and Hellmann's both growing by 6% so far this year
- A revitalised Ice Cream category with innovation driven growth of 5%
- A household care business, with brands like Cif and Domestos, growing at over 8%

And for many of these brands and categories, we have yet to see the full benefits of our increased focus and more global approach to innovation. But we will.

Chart 25: Shaping our portfolio

The second area where we want to be more aggressive is in the shaping our portfolio.

Portfolio strategy means directing resources – clearly and consistently – to leadership positions and high growth spaces.

This drives the centre of gravity of our brand portfolio towards higher growth opportunities, thereby increasing its growth potential over time.

Acquisitions clearly have a role to play in accelerating this process; and though there have been no significant ones to date, we continue – actively - to explore options.

But the most immediate opportunity to be more aggressive in shaping of our portfolio is through disposals.

Going forward, we will go even further to dispose of:

- businesses where growth and profit potential is limited, even those in categories where we have global or regional ambitions; and

- brands that don't fit our strategic objectives and are not essential to our local 'go to market' operation.

Chart 26: Disposal of non-strategic assets

Already, as you will know, we have made many disposals of non-strategic assets, equivalent – over the last two years – to €2.3bn or 6% of Unilever's 2004 turnover.

These include whole businesses, like European Frozen Foods and Prestige Fragrances.

They also include a number of non-strategic brands like Finesse and Aquanet in the US.

Chart 27: Realising value through disposals

However, thanks to the changes we have made to the business – not least through the One Unilever programme – we are now able to be even more aggressive in realising value from these non-strategic parts of the portfolio.

We are considering businesses with a combined turnover of over €2billion for disposal, including our North American Laundry business

Most, but not necessarily all, will entail outright disposal. However, we are open to consider JV type structures, 'earn-outs' and licensing deals, and any other arrangement that will allow us to release value and focus our resources more effectively.

Take the recent example of our Becel and Becel pro.activ spreads in Brazil that John referred to.

Here we found ourselves number three in a market dominated by competitors with dedicated chilled distribution. The setting up of a Joint Venture, giving ongoing access to extensive chilled distribution for our Heart Health brand, combined with the

disposal of other brands, has helped us to realise value by turning a declining business into an attractive growth opportunity.

Disposals will be accretive to growth – by about 0.4% - but will have a broadly neutral impact on operating margin, after restructuring of ‘sheddable’ costs. Any associated restructuring costs will be more than compensated by profits on disposals.

We are not giving an estimate at this stage of either sales proceeds or profits on disposals. But let me be clear – these are not forced sales and, as always, we will manage the timing and execution of this programme to maximize value creation for Unilever. However, as mentioned in our 2007 outlook, we do expect at least some disposal profits in the second half of 2007.

Chart 28: North America Laundry

Let me explain why we are looking at options for our laundry business in the United States and Canada.

There are a number of factors at work here.

- Our business is profitable, but has not been growing in recent years.
- Recent developments in the US market – and notably the Unilever-led move to concentrates – open the way for industry consolidation and make our business a potentially attractive asset.
- ‘One Unilever’ makes it possible for us to carve out the business without compromising the scale of our ‘go to market’ operation in North America.
- Equally, our global ambitions in laundry will not be compromised, thanks to the recent re-organisation of our Laundry R&D and innovation capabilities,

twinned with the fact we continue to enjoy strong positions across many European and D&E markets.

Chart 29: Margin improvement

The third area where we intend to drive harder is margin improvement.

I talked earlier of the important role innovation plays in improving margins.

I also mentioned that we are already generating considerable savings from One Unilever and from our procurement programmes – and will continue to do so.

But now we see the opportunity to go further. We have done a lot of work to identify precisely where these opportunities lie, including extensive benchmarking. We are targeting three areas.

- Greater simplification through the clustering of country organisations and a streamlining of regional structures.
- More savings in overheads through common systems and processes and ‘One Unilever’ management.
- And greater supply chain efficiency - boosting asset utilisation, lowering conversion costs and improving supply chain flexibility and service levels.

Let me take each of these in turn, starting with the clustering of countries into what we are calling Multi-Country Organisations, or MCOs.

Chart 30: Multi-country organisations

Of course this model is not entirely new. We already have the clustering of smaller countries in places like Central America and the Nordic region. It has worked well.

But we now have the chance to go further – perhaps consolidating to as few as 25 MCOs across Unilever.

You may have seen our recently announced plans to combine operations in the Netherlands and Belgium. The combined business will have a turnover of €1.6billion and will operate under a single management team. In time we expect around €50m reduction in overheads.

Chart 31: Streamlined structures

The reduction in ‘touch points’ across the whole business will mean we also need less regional management infrastructure.

And fewer interfaces between the categories and operations mean faster innovation roll-out.

From a matrix of over 100 countries x 20 categories pre-One Unilever, we are moving towards a 25 x 10 matrix.

Chart 32: Overhead reduction – beyond One Unilever

At the same time, the groundwork laid by the ‘One Unilever’ is unlocking opportunities to go further, faster and deeper in reducing overheads and eliminating non-added value activities.

You may have seen the announcement of additional streamlining in the UK - halving the number of top management, an overall reduction in staff of around 350, and overhead savings of around €70m *p.a.*

Another example is Italy - prior to ‘One Unilever’, a business with around 1500 people in sales and administration. By 2008, we expect to be around 900 – a 40% reduction.

I am not suggesting that this scope for productivity improvement will be the same across the whole company, but these examples do show how the One Unilever philosophy – as it penetrates deeper into the business – is revealing even greater opportunities for simpler, more effective operations.

Chart 33: Supply Chain efficiency and responsiveness

Let me turn now to the supply chain.

Over recent years we have done a tremendous amount to streamline our supply chain.

Since 2000, we closed or sold well over 100 manufacturing sites. Our fixed assets as a % of turnover have reduced from 21.4% in 1999 to 15.4% in 2006. And our net capital expenditure has been held at between 2 and 2.5% of turnover over recent years.

But today, a simpler organisation, converged IT systems, a more focused and increasingly harmonised portfolio of global brands and products gives even greater scope for streamlining and more flexible manufacturing.

Across Unilever, we have around 300 manufacturing sites and many more warehouses and distribution centres.

Our current plans allow for the closure – or substantial streamlining – of between 50-60 manufacturing sites across the world, as well as significant rationalisation of distribution networks.

This will reduce costs and assets employed. But it will also entail investment in a more flexible, customer responsive supply chain, capable of supporting faster roll-out of innovation and better on-shelf availability.

To give you one example, last year we established a new supply chain organisation for Europe, based in Switzerland. The benefits of restructuring mean they are able

to raise their target for on-shelf availability from 92% to over 95% across Europe. That, potentially, is a lot of additional sales.

Chart 34: Benefits

The benefits of multi-country clusters, of further overheads simplification and supply chain efficiency are not restricted to cost reduction.

Nevertheless, these initiatives will have a substantial impact on Unilever's productivity and cost structure.

In aggregate, with existing programmes and those that we have announced today, we expect to eliminate costs of around €1.5billion *p.a.* by exit in 2010, compared with our 2006 cost base.

Some of these savings will be reinvested behind our brands and to support innovation, but a proportion will flow through to operating margin.

We expect the total programme, including disposals, to reduce headcount by around 20000 over the next four years.

Chart 35: Accelerated restructuring

These initiatives will require an accelerated investment in restructuring.

As I have said before, how much we spend on restructuring will be governed by the opportunities we identify for attractive returns, and not by a fixed budget.

The projects that we are currently looking at typically have a 2-3 year pay-back and a DCF yield of 40% or more. To fund these, we expect to lift restructuring to around 250 basis points *p.a.* over the next 3 years compared with the 50-100 basis points that we had previously indicated.

This does not include restructuring that may be required to remove costs that are left uncovered by disposals. These will in any case be more than offset by disposal profits.

The majority of restructuring falls in Europe, where structural costs are highest and where regional supply chain management offers the greatest opportunity.

We expect one-third of our restructuring to be supply chain related and two-thirds overheads. Over 80% will be cash restructuring.

Chart 36: Growth and margins

The programme I have shared with you today – as I have highlighted throughout the presentation – is about improving performance.

We approach this task from a much stronger position than before.

Our strategy has already delivered a sustained improvement in performance. Twelve quarters of good quality, broad-based growth.

This provides us with a very solid foundation on which to move forward.

To recap, we will do this by:

- A continued focus on innovation as a key driver of sustainable growth and margin enhancement.
- Adopting a more aggressive stance towards shaping our portfolio and thereby driving up growth potential.
- Accelerating simplification and supply chain efficiency and with it therefore, margin development.

This will result in a higher level of sustainable performance overall.

We do expect to strengthen the growth potential of our portfolio as we continue to shape it – and this will become apparent in our growth performance over time.

We will also look to beat our margin target of 15%+ by 2010, as well as laying the ground for further margin improvement thereafter.

The whole focus of today's announcement is on sustained growth and improved business performance, and that is where we will keep focused.

Thank you very much. I will now hand back to John to explain how we will take your questions.

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