UNILEVER RESULTS PRESENTATION FOR Q3 2005
Conference Call, Thursday 3rd November 2005

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Chart 1 – Title and Safe Harbour

Good morning everybody and welcome to Unilever's Q3 Conference Call.

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

Turning to chart 2.

Chart 2 – Progress towards Recovery

This is the fourth quarter since we announced a change in strategy aimed at restoring our market competitiveness to improve our top-line growth.

You will have gathered from Patrick's comments with this morning's results announcement, that we are encouraged by our progress to date, and, that overall, we are pretty much where we expected to be at this stage of our recovery plan.

Certainly, we see an increased and more consistent weight of marketing investment being rewarded by better market share performance. Our aggregate market position has been stable since the start of the year, with some gains in priority areas.

We continue to see strong growth in our businesses in Developing and Emerging markets and in Personal Care, both key drivers of Unilever's long term growth potential. We have also seen a steady improvement in growth in North America since the beginning of the year.

Vitality inspired innovation is now making a significant contribution to growth across both Foods and HPC.

To date, we have had considerable success in containing the impact of significantly higher input costs on our margins, through our savings programmes, through better mix, and by taking price increases where we have the market power to do so. At the same time, we have reduced prices in other parts of our portfolio, as competitive circumstances require.

And we continue to press ahead with embedding the new organisation and implementing our 'One Unilever' programme. Both these initiatives will provide further improvements in competitive performance, through faster roll out of bigger, better innovation, improved customer management and the freeing up of funds to invest behind our brands.

In short, there are signs across a broad front of an improvement in our competitive position. That said, we are still some way short of achieving consistently good growth across all parts of the business. This is particularly true of Western Europe, which I will touch on later.

Turning to chart 3, our sales performance in Q3 needs to be seen in the context of the current market environment.

Chart 3 – Q3 Sales Performance

Here, we see little change from previous quarters, with overall market growth in our regions and categories at between 3 and 3.5%, but with a heavy skew by region.

That is to say, buoyant in D&E Markets, steady growth in North America but continued stagnation in Western Europe. If anything, market growth in Western Europe weakened slightly in Q3 due to a downturn in the Ice Cream market.

Overall our underlying sales growth of 3.5% is in line with our markets, and similar to Q2.

This is borne out by our market shares. In aggregate, these have held steady since the beginning of the year, slightly ahead in the Americas, but slightly softer in Europe.

We are pleased as much by the quality of our growth, as by the quantity.

Firstly, it is volume driven, and the fourth quarter in a row of volume growth. This is the surest sign that our brands (and products) are winning with consumers.

Secondly, it is broadly based, with almost all categories growing so far in 2005.

Thirdly, innovation is a key driver of the improved growth performance. Across a wide range of brands and categories, we can point to more successful innovation delivering incremental growth to our business.

Many of these innovations will be familiar stories, such as Flora/Becel ProActiv in Europe, Axe in the U.S. and elsewhere, and the continued success of Dove across the world.

There are also new examples emerging where faster roll-out of a more tightly focused innovation programme is bearing fruit.

Thus, the Lipton brand is benefiting from a range of market activities such as the anti-oxidant platform in the U.S., flavoured teas in Central and Eastern Europe and green and herbal teas across the globe. These have helped drive up Unilever's growth in tea during 2005.

Other examples include Sunsilk in Europe, where the new colour enhancing range is now in 7 countries and Rexona, where strong growth is being generated across the world by innovations such as Rexona for Men and Rexona Teens. We have also seen growth in the quarter of our main Household Care brands, Cif and Domestos, driven by stronger innovation at the core of the brands

Looking at the underlying sales growth of 4.2% for the nine month period, please remember that this benefits from the 5 extra days in Q1. We estimate like-for-like sales to be around 2.7% for the year to date.

This days effect will reverse in Q4 where the 6 fewer days are expected to reduce sales in that quarter by about 5 ½ %.

Turning now to our 2005 business priorities on chart 4. The first of which is to build on our strengths; in D&E markets; in Personal Care; and in Vitality.

Chart 4 – 2005 Business Priorities

Here the business is responding well.

Our D&E businesses continued to grow strongly in the quarter, with faster growth in Asia compensating for a slightly weaker performance in Latin America. As before, growth is broad based across markets and across categories.

In Personal Care, momentum has, if anything, strengthened during the quarter, with sales up nearly 10%. Growth is being driven by successful innovation behind global brands such as Lux and Pond's in Skin; Rexona and Axe in Deodorants; Sunsilk in Hair; and of course Dove across all of these categories.

Vitality continues to give shape to our category strategies and innovation plans, both in Foods and in HPC. This includes many of our most successful innovations in 2005, such as Knorr Vie shots in Europe, the Ades soya drinks in Latin America, Lifebuoy soap in India, and Lipton tea innovations across the world.

In short, as expected, the parts of our business where we had less to do to restore market competitiveness are responding faster to the increased investment.

Looking now at our European performance in chart 5.

Chart 5 – Regaining Momentum in Europe

A significant part of the 2% sales decline in Europe was down to a very disappointing end to the summer Ice Cream season, coming after a strong start in Q2.

In some respects, the weak Q3 masks the progress that we have made in Ice Cream. Taking the year as a whole, we have achieved modest volume growth in a flat market. Our markets shares are up slightly in both 'Out of Home' and 'Take Home' channels, and our competitive position at the lower end of the market where we had been losing share, has been strengthened by pricing actions and product introductions.

Elsewhere, growth in our other major categories is still below where we want it to be.

So far this year, we have continued to sharpen the pricing of many of our products, increased our marketing investment and improved the quality and quantity of our innovation. We have also been working on specific initiatives to improve our Go to Market capabilities in certain key markets.

In some areas, these actions are starting to produce results. For example, in Q3, we have seen a better performance in Savoury and Dressings, and some volume growth in Frozen Foods, while in HPC we are seeing slightly improved volume growth in a number of categories.

Nevertheless, achieving a turnaround in sales in Europe is taking longer than in other parts of the business.

This is partly because of the lack of market growth in Europe. But it is also the case that we face a greater challenge in Europe than elsewhere to improve the competitiveness of our product offerings and our 'Go to Market' execution.

It is clear that there are going to be no easy wins in Europe to bring us quickly back to growth. Rather, it is going to need a consistent and determined focus on price competitiveness, on innovation and marketing and on better customer management, which is what we continue to do.

Turning to our third business priority, 'Funding for Growth' in chart 6.

Chart 6 – Funding for Growth

Our savings programmes are essential for funding the increased investment we are making in our market competitiveness. This is even more so given the considerable headwind that we are facing from higher input costs.

We continue to capture incremental savings from supply chain restructuring, while our global procurement programme remains highly effective in securing substantial cost reductions on both production materials and other goods and services.

Our 'One Unilever' programme is also progressing satisfactorily, with work continuing on consolidating business units into a single operating company per country.

Within the programme, we are pursuing a number of outsourcing initiatives which have now reached the due diligence stage. These include Global human resources administration, European financial services, and the management of European IT infrastructure and ERP systems.

'One Unilever' is about leveraging Unilever's scale across Foods and HPC in the widest sense, for example with our retail customers, and creating an organisation that is simpler and more fleet of foot.

At the same time, simplification inevitably reduces costs, and the programme is now yielding meaningful savings quarter on quarter.

Turning to chart 7, we can see how this is contributing to the resilience of our operating margins.

Chart 7 – Q3 Operating Margin Development

Operating margin of 15.6% is 1.4 percentage points below the same period last year, with no distorting swing in net restructuring.

Within this, our savings programmes and better mix have once again fully compensated for input cost inflation, which accelerated slightly in Q3.

Thus, increased A&P more than explains the margin reduction in the quarter. This incremental investment is somewhat higher than in the 1st half of 2005, as we move to a more consistent level of marketing support across the year.

So far this year, we have substantially increased our investment in all aspects of our market competitiveness; in advertising behind our brands; in consumer promotions; in in-store activation; and in the price competitiveness of our products.

For the first nine months of the year, the operating margin is 14.4%, 1.3 percentage points below last year. This includes the Slim*Fast impairment in Q2 of this year, lower restructuring costs and higher profit on disposals.

Excluding these items, the change in margin would have been –70 bps, all of which is due to increased A&P.

Looking forward, we will continue to invest to secure our market competitiveness, while looking to increase prices to recover rising input costs, where we are in a position to do so.

We also expect our savings programmes will continue to deliver, with One Unilever savings making a progressively larger contribution.

Turning now to chart 8 and the key financials for the quarter.

Chart 8 – Key Financials Q3 2005

Earnings per share was up 25% in the quarter. This included a €448m profit after tax on the UCI disposal shown under discontinued operations.

Earnings per share on continuing operations was down 13% in the quarter. The main drivers were operating profit, which was down 4% in the quarter, and a higher tax rate, which at 29.5%, was just below our long term guidance of 30%, but substantially higher than the 24% rate in Q3 2004, which included substantial one-off credits.

The interim dividend has been set, following our normal policy, at 35% of last year's total dividend in the stronger of our two reporting currencies, which for the first nine months of 2005 is the Euro.

Net cash flow from operating activities was strong in the quarter at €1.4bn, while the out flow from share purchases was €0.5bn. Net debt at the end of the quarter was €10.4bn.

Back in February of this year, we announced a review of Unilever's legal structure, as well as our intention to commence a share buy-back programme, following the replenishment of treasury stock to be used for the preference share conversion.

This review of Unilever's legal structure is now well underway, and the team is on course to conclude the study in time for any proposals to be presented at the AGMs in May 2006.

As yet, no decisions have been made as to what, if any, changes are to be recommended to shareholders.

On the share buy-back programme, we have completed the replenishment of our ESOP hedges, with the buying in of 14.2 million NV shares, and have therefore starting buying back shares as planned.

As at the end of October, we have bought shares during 2005 for a total outlay of €1bn, of which nearly €200m is part of the share buy-back programme.

I would now be happy to take your questions.

Chart 9 – Close