Adoption of Hyperinflationary accounting in Argentina

Adoption of IAS 29

After an extended period of keeping Argentina 'on watch' for being in hyperinflationary mode, the big 4 accounting firms have recently reached a clear consensus that all necessary conditions are in place and that the country should be formally classified as hyperinflationary. As a consequence of this development, Unilever will apply IAS 29 to its Argentinian business, which represented 2.3% of global turnover in 2017, with effect from Q3 2018 results. The detail of the standard requires that hyperinflation accounting be applied from the start of the relevant reporting period, namely from 1st January 2018. In our Q3 results we will disclose the Q3 and Q3 year to date turnover adjusted for IAS29.

This is the first time that IAS 29 has been applied in Unilever since the late 1990s. Although Venezuela has met the criteria for hyperinflationary accounting for some time the standard has not been applied by Unilever on the grounds of materiality.

Impact to non-GAAP measures

Our Underlying Sales Growth (USG) calculation is primarily based on using constant exchange rates in order to exclude the impact of the movement of foreign exchange rates. However, it also excludes price growth from countries that have escalated to extreme levels. Consequently from the 1st July 2018 we will exclude Argentinian Underlying Price Growth from our Underlying Sales growth. This approach is consistent with our current treatment of Venezuela. These exclusions will be kept under review but there is no expectation that the situation in either of these countries will change in the short-term.

Note: In the first half of 2018 Argentina represented 1.8% of Unilever's turnover and Underlying Price Growth from Argentina contributed around 20bps to total Unilever USG. Inflation has accelerated significantly since May 2018 and we have taken price increases in our business.

In the case of any questions, please call the Unilever Investor Relations team on: +44 (0) 20 7822 6830 or email <u>investor.relations@unilever.com</u>

Unilever Investor Relations

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