FINAL VERSION

Unilever Trading Statement Third Quarter 2011

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CHART 1: Title chart

Jean-Marc Huët, Chief Financial Officer

Good morning and welcome to the presentation of Unilever's results for the third quarter of 2011.

I will set the context for my presentation by spending a bit of time reviewing the business environment. I will then look at our overall sales performance before looking at our categories in a bit more depth. In particular I will discuss some of the innovations and new market launches that are the key drivers of our growth.

I will then hand over to James, who will describe our performance in the different geographies and review progress in the key area of M&A.

Finally, I will conclude with some reflections on our outlook for the year.

CHART 2: Safe Harbour Statement

But first of all, let me draw your attention to the usual disclaimer relating to forward looking statements and non-GAAP measures.

CHART 3: Strong performance

As we have been saying consistently these are uniquely challenging times in which to be doing business. This year we have faced substantial input cost inflation, continued intense competition and low consumer confidence as disposable incomes fall throughout the developed world.

Against this backdrop, the sales performance we have just announced is reassuring evidence that the transformation of Unilever is firmly on track.

In markets that are growing by 5 to 6% globally we have delivered underlying sales growth of 7.8% in the third quarter. We are growing ahead of our markets, and in many cases also out-performing some formidable competitors.

We are also happy with the quality of our growth, with volumes clearly positive despite price being increasingly prominent. In 2008, the last time prices increased significantly on the back of huge commodity cost inflation we were not able to maintain volume growth. In 2011 we have now seen positive price and volume growth in each of the three quarters.

I should be clear at this point that Group sales and volume growth figures are both flattered by around 80 basis points by the impact of a major systems change in North America. We have upgraded our SAP system to the new regional platform and sales were brought forward into the third quarter to ensure no disruption to customer service. This effect will of course reverse out again in the fourth quarter.

With this implementation we are now close to completing the rollout of our core regional SAP systems. This is important progress, leading to a common process and systems landscape that allows for example the rapid integration of new businesses such as Sara Lee; achieved in less than five months.

We are also pleased that our growth was broad-based; double digit in the emerging markets but also positive in the developed world. Emerging markets represented 53% of our turnover in the quarter, underlining once again our position as <u>the</u> emerging market consumer goods company.

So in summary, this has been a good quarter. The Unilever of today is now capable of performance that a few years ago we would have struggled to deliver, certainly in conditions as tough as those we see at the moment. Our claim to now be ‘fit to compete’ has been sharply tested, and so far we are encouraged by the results we have seen.

Let’s now look in a little more detail.

CHART 4: Q3 2011: Positive contribution from M&A but negative forex

Turnover for the quarter was €12.1 billion, up 4.9%. Forex was negative by 4.8%, reflecting the relative weakness of non-Euro currencies in the quarter compared with the same period last year. If forex rates remain at current levels through the rest of the year we expect the full year impact on turnover to be around minus 3%.

Underlying Sales Growth for the quarter was 7.8%, the highest quarterly figure for three years. Volume growth was also robust at 1.9%.

Price growth of 5.8% for the quarter was in line with our expectations. In-quarter pricing was also positive, but much more modestly so, reflecting the fact that pricing actions planned for 2011 are now largely complete. We expect underlying price growth in the fourth quarter to be around the same as we have seen in the third.

Another very pleasing aspect of our third quarter sales performance was the 2.2% positive contribution from M&A. With brands such as TRESemmé, Simple, Nexxus and Radox now fully integrated into our portfolio this was the first quarter of significantly positive M&A impetus for more than a decade.

James will return to this topic a little later in the presentation.

CHART 5: Q3 YTD 2011: Strong underlying sales growth ahead of our markets

On a year to date basis our turnover was €34.9 billion, up 4.4%. Forex was negative by 2.7% and M&A positive by 0.8%. Underlying sales growth was 6.5%, with price growth of 4.3% and volume growth of 2.1%.

This is a clear step-up in our topline performance. The growth mindset we have instilled in the business has taken root and the numbers reflect this. We are starting to build the track record of consistency that we know is so important to so many of our shareholders.

Let me now review progress in each of our categories, and focus in particular on the innovations, new market launches and market development initiatives that are driving our performance.

I will start with our largest and fastest -growing category; Personal Care.

CHART 6: Q3 2011: Personal Care, now our largest category

The third quarter saw strong performance throughout our Personal Care portfolio, with underlying sales growth of 11.3% and a good balance between volume of 6.2% and price of 4.8%. With year to date turnover of more than €11 billion, Personal Care now represents nearly one third of Unilever's business.

On a year to date basis Personal Care posted underlying sales growth of 7.5%, split evenly between volume and price.

Growth was strong throughout the portfolio, with double digit growth in deodorants, skin cleansing and hair, where the relaunch of Clear across Asia and innovations under the Dove brand such as Damage Therapy and Weightless Nutri-oils are performing well.

We also saw balanced performance across our geographies, with underlying sales growth of around 15% in the emerging markets, and around 5% in the developed world.

Value share performance reflected this strong growth. In deodorants and skin cleansing we see consistent gains in a number of major markets. In hair our performance has improved significantly, but we are not yet gaining share on a global basis. Gains in Western Europe and China are balanced by losses in Brazil and Russia.

CHART 7: Q3 2011 - Personal Care growth driven by innovation roll outs

Our growth in Personal Care continues to be driven by the quality of our innovations and the speed with which we roll them out to new markets.

The third quarter was relatively quiet in terms of significant new innovation launches. Instead we were focused on building on the foundations laid in the last year. There are many examples, such as:

- Dove Men+Care, which is now a significant part of our skin cleansing <u>and</u> deodorants businesses;
- Dove Nutrium, with its <u>unique</u> moisturising technology;
- In oral care, the Close Up Fire Freeze variant, or the whitening technology of our White now range;
- or in deodorants, the ‘MotionSense’ technology of Rexona for Women,

Most of these innovations have been built on our R&D capabilities as we look to drive a step change in product quality. This is a simple winning formula; where we launch brands that clearly outperform competition we see consistent evidence of strong growth and share improvement.

CHART 8: Q3 2011 – Home Care, strong quarter in a competitive market

In Home Care, underlying sales growth in the third quarter was 9.2%, with volume of 2.3% and price of 6.7%. The emerging market laundry business was again the main driver of this performance, with double digit sales growth in <u>many</u> important markets, including China, India, Brazil, Indonesia and South Africa.

Laundry in Western Europe also grew, albeit at more modest levels. Volumes were positive, particularly in the UK, but growth in the region overall was held back by negative price as levels of promotional activity rose sharply.

Our year to date sales growth in Home Care is now 7.5%, the same as Personal Care. Price is a slightly higher component than volume, reflecting the significant input cost pressure that has hit the business over the course of the year.

Value shares in laundry are showing good momentum, with gains overall and particularly strong performance in China and India. Here we have benefitted from technology advances such as the patented ‘shading dye’ used in our whiteness brand; Rin. Launched also across South East Asia under the Radiant brand, this is a great example of how technology-backed innovation can enhance our performance in the market.

In household care our shares are flat overall, with good performance in India, South Africa and especially the UK, where the launch of the new Domestos ‘extended germ kill’ range has driven strong performance.

CHART 9: Q3 2011 - Household Care growth boosted by white space expansion

In household care we have also seen significant progress in taking our brands into new markets, particularly in the emerging markets. We have been expanding our Sunlight, Domestos and Cif brands over the last year, and this continued in the third quarter with the launch of Domestos in Thailand and Cif in Peru.

Although individually modest, these launches add to the eight we completed in the first half of the year, creating a momentum that is starting to become material as a driver of our growth in household care.

CHART 10: Q3 2011 – Savoury, Dressings, Spreads; leading with price

Savoury Dressings and Spreads saw underlying sales growth in the third quarter of 6.2%, with volume declining 1.0%. Our business in the emerging markets continued to grow strongly, but this was partly offset by more modest performance in the developed world. Volumes in spreads and in dressings were down in both the US and Western Europe, as price increases triggered by input cost pressure were not always followed by competitors.

Year to date sales growth in the category is now 5.4%, all from price, with volume stable.

Value shares are slightly down in spreads as competitors lag price increases, but shares are up in Knorr meals and dishes and in dressings, where performance in the Americas continues to be particularly strong.

CHART 11: Q3 2011 - Dressings growth driven by market development

Although we focus heavily on innovation and new market launches as key drivers of growth, we have also seen significant benefits from our efforts to drive market development. Our ‘Inspire’ campaign in dressings is a great example of this. It is one of the main factors behind the strong share performance we have achieved, up by more than 80 basis points in the last 12 weeks across the Americas for example.

The idea is simple; to inspire consumers to use Hellmann’s in a variety of new ways, giving them ideas to try such as those you can see on the chart. Outrageously juicy chicken; to quote just one example.

The Inspire campaign on Hellmann’s has been successfully rolled out across Western Europe and Latin America, and has just gone live in the US with print and television advertising support.

Evidence of success is building steadily. We see it in the data from the campaign itself, for example, use of Hellmann's in target recipes such as 'mash' in the UK has doubled since the start of the campaign. But more importantly we see it in our share data, with gains of around 40 basis points in the UK and more than 100 basis points in both Brazil and Argentina to quote just a few examples.

CHART 12: Q3 2011 – Beverages & Ice Cream; good growth in tough conditions

Finally, in Ice Cream and Beverages we saw underlying sales growth in the quarter of 4.0%, with 4.6% from price and volume slightly negative at minus 0.5%.

This performance was of course significantly impacted by the poor weather in July in Western Europe. To give a sense of perspective, we believe that for the Ice Cream and Beverages category as a whole this 'weather factor' had a volume and sales growth impact of roughly 200 basis points. For the Unilever Group overall the equivalent impact was around 40 basis points.

Year to date growth in the category overall is now 5.5%, with 2.5% from volume and 3.0% from price.

Emerging markets again delivered strong double digit growth, fuelled particularly by ice cream in markets such as Brazil, Turkey and Indonesia, where we are seeing rapid growth from the recently launched Magnum range, but also from the rest of the portfolio with all impulse brands up by at least 25% this year.

Value shares globally are up for ice cream, with gains in nearly all major markets apart from the UK, where pricing moves have not been fully followed by competitors.

Performance in tea was more balanced across the geographies, with mid single digit growth in both the emerging markets and the developed world. Stand-out performance was seen in South Asia, with double digit growth in both Pakistan and in India, where the Taj brand in particular is growing strongly helped by the recent launch of green tea.

Shares in tea are stable. We are pleased with the gains seen in Western Europe, especially France, where green tea and fruit and herbals are performing strongly. But overall we aspire to achieve more than flat market shares. With the strength of our brands and our portfolio in tea we should be seeing consistent share gains and there is more work for us to do before we reach this point.

CHART 13: Q3 2011 – Tea growth driven by technology-led innovation

We have a well-established track record of successful innovation in ice cream, with recent examples such as Magnum Temptation and Cornetto Enigma.

In tea we are also starting to see innovation playing an important role in driving our growth. Earlier in the year we introduced the TESS technology into the UK market with our PG Tips brand. This involves the extraction at source of tea essence that is later released back onto the leaves prior to packing. This allows us to enhance the taste profile of tea, giving a greater sense of freshness.

We are now introducing the same concept into our Russian tea business with the Lipton brand, backed by powerful TV and press advertising featuring Pierce Brosnan. This leaves us well-placed to drive the rejuvenation of our tea business in the large and important Russian market.

Let me now hand over to James, who will look at our performance across the regions, starting with Asia Africa CEE.

CHART 14: Title chart

James Allison, Head of IR and Head of M&A

Thank you Jean Marc, and good morning everyone.

CHART 15: Q3 2011 – Asia, Africa, CEE : continues to power Unilever's growth

The Asia Africa and CEE region continues to be the powerhouse of Unilever's growth. Underlying sales growth in the third quarter was 12.4%, ahead of the market and underpinned by strong double digit growth in many countries. Examples include large markets such as India, China, South Africa and Indonesia, but we also saw similar growth in many smaller markets such as Bangladesh, Korea and Ghana.

This brings underlying sales growth for the year so far to 10.2%, almost equally split between volume and price. This is outstanding performance, strongly driving the growth of the Group as a whole and achieved against a background of continuing volatility in the external environment, and immense competition.

Let's not forget that 2011 has been a year in which the region's consumers have lived through the tsunami in Japan, geo-political turmoil in North Africa and the Middle East and more recently the severe floods in Thailand and the Philippines.

These parts of the world have often experienced volatility in their growth rates, but this year has seen more volatility than most. And yet still our growth has been impressively resilient.

This strong performance is built on a foundation of technology-led innovation and rapid roll out of brands into new markets. But it also reflects our in <u>market development</u> more broadly. For example; we have been developing the <u>male</u> skincare market across Asia, be it the introduction of:

- Vaseline face care for men in South East Asia,
- Pond's male facial cleansers in China, or be it
- Fair and Lovely face wash for men in India.

We have also been investing in our infrastructure, for example in our business systems. Our regional SAP platform has been implemented in <u>multiple</u> markets in 2011; North Africa, Vietnam, Pakistan and Bangladesh to name just a few.

In a region as diverse as this we cannot expect every single market to flourish, and at the moment it is in Central and Eastern Europe where we find conditions the most challenging.

Russia is the key market, and here we see mid single digit sales growth; mostly from price with volumes flat. Alongside the Lipton tea innovation mentioned by Jean Marc there are also ambitious plans in the dressings category. And in the Personal Care category, both hair and skin care will be transformed by the acquisition of <u>Kalina.</u> I will say a little more about this in a few moments.

CHART 16: Q3 2011 – Americas: growth continues to accelerate

In the Americas region underlying sales growth in the third quarter was 9.1%, with 6.9% from price and 2.1% from volume. As you heard earlier, these numbers are flattered by the impact of the systems change in North America. Adjusting for this, a more representative view of underlying sales growth in the region is a little below 7%, with volumes broadly flat.

Year to date growth in the Americas is 6.6%, with 5.6% from price and 0.9% from volume.

Despite competition continuing to intensify in Brazil, we saw Latin America deliver underlying sales growth in low double digits. This was especially driven by Argentina and Mexico, and was the best growth we have seen in Latin America for more than three years.

Performance has also improved in Brazil, with growth in the quarter returning to high single digits after more subdued growth in the first half of the year, when sales were impacted by trade de-stocking as we made important changes to the structure of our trade terms. Ice cream is worth a special mention here, as we celebrated 70 years of the Kibon brand by reaching a new high in market share.

Underlying sales growth in North America was modestly positive in the third quarter, even after adjusting for the forward buying associated with the SAP implementation. We continue to see strength in the personal care business, driven by share gains in hair and deodorants, with Dove Men+ Care and Suave both performing strongly.

In food, conditions overall remain more difficult with volumes lower as prices have risen in categories such as spreads and dressings. At the same time we have seen our innovations and new launches in ice cream continue to perform strongly. <u>Magnum</u> has been the key driver of share gains, but we have also seen strong performance from the Ben and Jerry's and Klondike brands.

CHART 17: Q3 2011 – Western Europe: shares improving in difficult markets

Let me turn now to Western Europe, where our performance was a little <u>more</u> encouraging than the numbers might suggest.

<u>Markets</u> here continue to be difficult, with the trends if anything showing signs of further slowdown. With a very disappointing summer season for ice cream on top, the environment for our business in Western Europe was certainly challenging.

In this context, underlying sales growth of minus 0.5% in the quarter is reasonable performance.

Our value shares are now positive. The UK and French businesses continue to be the main drivers of market share, with gains across most of the portfolio in both cases.

In category terms, tea, laundry and deodorants are all achieving strong market share gains. In deodorants we continue to see innovation being the catalyst for share gains, with an improved formulation driving Rexona for Men and variants such as Go Fresh leading strong performance for the Dove brand.

Our business in Western Europe is stable, and is well placed for improved performance in the future. Our team in the region are upbeat and energised by these early signs of success, and we are confident that we are taking the right actions for the long term.

CHART 18: M&A: acquisition of Concern Kalina in Russia

Let me now move on to M&A. Our intention is to supplement our strong organic growth with bolt-on M&A activity which reshapes and improves our portfolio; and to continue building on the momentum established over the last couple of years. A few weeks ago we announced the acquisition of Concern Kalina – the leading local personal care company in Russia.

This transforms our portfolio in this important market and will double the size of our HPC business, taking us from a distant number six player to number two in the market. In skin care we will become market leaders, and in hair care we will become a strong number two.

We anticipate completing the acquisition of an initial 82% stake in Kalina by the end of the year. This will give us management control of the business, but we will look to further increase our stake through a Mandatory Tender Offer in early 2012.

So, this is an acquisition that will significantly strengthen our portfolio in Russia, adding both scale and growth momentum. But it is also a financially attractive deal, with sensible multiples and good synergy opportunities.

Jean Marc explained earlier that M&A is now contributing significantly to our overall turnover growth for the first time in <u>many</u> years. Kalina will add further to this as we move into 2012.

But just as important is the <u>speed</u> with which we integrate acquired businesses, and start to tap in to the potential that they offer. Here too we are pleased with the progress we are making.

CHART 19: M&A: TRESemmé roll out less than 6 months after completion

Firstly, the operational integration of Alberto Culver is proceeding well in all the key markets including the US and UK.

Secondly, we have recently launched the flagship TRESemmé brand into the Brazilian market, less than 6 months after the completion of the acquisition.

This is important. Firstly because it is a big step forward in one of the biggest and most competitive hair care markets in the world. Secondly, because it is another example of the speed of action we are determined to display throughout our business.

To be clear, we did not inherit existing plans for this launch when we acquired the business. From deal completion to having product on shelf in an entirely new market in just a few months is something Unilever would have struggled to do a few years ago.

Shipping has only just started in Brazil and we will continue to expand this important brand into other markets.

Let me now hand back to Jean Marc, who will conclude with a few comments on our outlook for the final quarter and the year as a whole.

CHART 20: Title chart

Jean-Marc Huët, Chief Financial Officer

Thank you James.

CHART 21: Uniquely challenging times

So as you have heard, we continue to make good progress with the transformation of Unilever into a sustainable growth company. The results give clear evidence of this; growing ahead of the market just as we set out to do, with three consecutive quarters of broad-based volume <u>and</u> price growth in an increasingly tough environment.

Let us not lose sight of the scale of the challenges we have faced during the course of 2011.

Commodity cost inflation has been substantial, almost reaching the levels seen in 2008. It will add close to 2.5 billion Euros of extra cost to our business this year. Many of our peers have faced similar challenges, but few if any to the same extent. With our highly productive savings programme and our measured pricing actions we have managed this well, but it has clearly been an unwelcome burden in a challenging year.

At the same time we have all seen continued weakness and uncertainty in the global economy. Our consumers find their disposable income under increasing pressure, especially in Western Europe and North America. In the UK, Asda's income tracker report has made this point starkly clear. We highlighted this in our half year results in August, since when we have seen no improvement, with household disposable income still around <u>8% down</u> year on year.

These trends have been exacerbated by the pricing actions that higher input costs have driven, with market volumes increasingly under pressure.

And in the emerging markets, competition has remained intense as peers attempt to challenge our strong market positions. We are determined to remain competitive in these conditions; and indeed we have been. You can see that in the underlying sales growth of 13% this quarter – clearly faster than the markets.

And to cap it all, we cannot recall a year when we have seen natural disasters and geo-political turmoil on such a scale, especially in our AAC region as James mentioned earlier.

The point is clear; we have faced many challenges in 2011, but our response has been unequivocal. Two things in particular are worth highlighting.

CHART 22: Accelerating change in Unilever

First, we have used these challenges as a catalyst to further accelerate the change programme we are driving through Unilever. Second, the tough business climate of today makes us more determined than ever to manage the business with the long term in mind. Let me address first the variety of ways in which we are accelerating change in Unilever.

We are taking out cost more aggressively, targeting all costs that the consumer is not willing to bear. We are using the pressure created by the external climate to push harder still in our pursuit of the lowest possible cost base.

For example, we are learning how to run the business more effectively but with fewer people. In my own area of Finance, headcount is now 20% lower than three years ago, as we change the emphasis away from 'checking and stopping' towards 'enabling actions to drive growth'.

At the same time we are making agility a key feature of how we do business. The new Unilever is capable of moving faster and more decisively, allocating its resources more dynamically and responding with greater flexibility to changes in the competitive environment. For example:

- Our recent change to a more category-driven organisation is driving speed and alignment, especially in how we innovate and roll out brands into new markets. With far fewer management touch points in the business, decision making involves many fewer conversations than it did before.
- We are driving our Enterprise Support organisation to deliver lower costs, better service and improved transparency. To give one simple example, we have quickly consolidated the management reports we use in the business, removing several thousand that we once believed were irreplaceable. This may sound trivial, but in fact it is significant. We could not be truly agile whilst drowning in such a sea of data.

Let me turn now to the second point; managing the business with the long term in mind.

CHART 23: Managing for the long term

In practice this means continuing to invest in the brands that are so vital to our future. To be absolutely clear, we will not take short-term actions that could damage the health of our brands over the long term. Nor will we slow down in our pace of innovation, or in our new market launches. It’s working, and we are happy with the progress we are making.

At the same time, we have sought to mitigate the impact of commodity cost inflation on our consumers, recognising the tough position in which many of them find themselves.

And so, this has been an exceptional year. As Paul indicated in our announcement this morning, we now expect that full year underlying operating margin will be flat to slightly down.

CHART 24: Long term priorities

Over the long term, we continue to focus on the achievement of volume growth ahead of our markets, strong cash flow and modest but steady margin expansion.

And with that we will now move to questions.

CHART 25: Questions