



EXPLANATION TO THE TRIANGULAR LEGAL MERGER PROPOSAL
TOELICHTING OP HET VOORSTEL TOT JURIDISCHE DRIEHOEKSFUSIE

Unilever N.V.

Unilever International Holdings N.V.

Unilever International Holding B.V.

11 September 2018

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PART 1

English language Explanation to the Dutch Merger Proposal

PART 1

EXPLANATION TO THE DUTCH MERGER PROPOSAL UNILEVER N.V., UNILEVER INTERNATIONAL HOLDINGS N.V. AND UNILEVER INTERNATIONAL HOLDING B.V.

THE UNDERSIGNED:

The boards of directors of:

1. **Unilever N.V.**, a public limited liability company incorporated under the laws of the Netherlands, having its corporate seat in Rotterdam, the Netherlands, and address at Weena 455, 3013 AL Rotterdam, the Netherlands, registered with the Dutch Trade Register of the Chamber of Commerce under number 24051830 ("**NV**");
2. **Unilever International Holdings N.V.**, a public limited liability company incorporated under the laws of the Netherlands, having its corporate seat in Rotterdam, the Netherlands, and address at Weena 455, 3013 AL Rotterdam, the Netherlands, registered with the Dutch Trade Register of the Chamber of Commerce under number 70363196 ("**New NV**"); and
3. **Unilever International Holding B.V.**, a private limited liability company incorporated under the laws of the Netherlands, having its corporate seat in Rotterdam, the Netherlands, and address at Weena 455, 3013 AL Rotterdam, the Netherlands, registered with the Dutch Trade Register of the Chamber of Commerce under number 71450041 ("**New Sub**"),

NV, New NV and New Sub together the "**Merging Companies**".

WHEREAS:

Explanation to the Dutch Merger Proposal

- (A) This Explanation to the Dutch Merger Proposal has been prepared by the Boards pursuant to sections 2:313 and 2:327 DCC as explanation to the Dutch Merger Proposal to effect a triangular legal merger within the meaning of sections 2:309, 2:324 and 2:333a DCC. As a result of such triangular legal merger, (i) New Sub will acquire all the assets and liabilities and legal relationships of NV under universal succession of title and NV will cease to exist, and (ii) New NV, as the sole shareholder of New Sub, will allot shares in its capital to the shareholders of NV in accordance with the Dutch Merger Exchange Ratio.

Availability of relevant materials

- (B) This Explanation to the Dutch Merger Proposal will be made available for inspection at the offices of the Merging Companies for those persons that are entitled to inspect them in accordance with the laws of the Netherlands. This Explanation to the Dutch Merger Proposal will also be made available on the Unilever Group's website: www.unilever.com/simplification. An announcement regarding the availability of this Explanation to the Dutch Merger Proposal and the other documents required by section 2:314 DCC (including the Dutch Merger Proposal) will be published in a Dutch nationwide daily distributed newspaper.

Simplification

- (C) The Dutch Merger Proposal is prepared pursuant to the Simplification Agreement.
- (D) The Simplification Agreement sets out certain mutual commitments and undertakings in relation to Simplification, and contemplates:
- (I) the U.K. Scheme; and
 - (II) the Dutch Merger, as described in the Dutch Merger Proposal.
- (E) Pursuant to the U.K. Scheme (i) PLC will become a wholly-owned subsidiary of New NV and (ii) shareholders of PLC will become shareholders of New NV.
- (F) The Dutch Merger Proposal reflects the fact that the U.K. Scheme will become effective prior to the Dutch Merger becoming effective. The Boards will only give effect to the Dutch Merger after the Dutch Merger Conditions have been satisfied or waived, as the case may be.
- (G) The Dutch Merger will be effected in accordance with the relevant provisions of the laws of the Netherlands. The Dutch Merger will become effective at the Dutch Merger Effective Time.

THE BOARDS HEREBY PROVIDE THE FOLLOWING EXPLANATION TO THE DUTCH MERGER PROPOSAL:

1 Definitions and construction

1.1 In this Explanation to the Dutch Merger Proposal, capitalised terms have the meaning as set out in **Schedule 1** to the Dutch Merger Proposal.

1.2 Annex A forms part of this Explanation to the Dutch Merger Proposal.

2 Reasons for the Dutch Merger

2.1 Following a comprehensive strategic review of Unilever's business, the Boards have concluded that Simplification will provide greater flexibility for strategic portfolio change,

strengthen Unilever's corporate governance and help drive the long-term performance of Unilever.

2.2 The Boards believe that a single holding company will bring greater simplicity and more flexibility to make strategic changes to the Unilever Group's portfolio in the future, should the New NV Board choose to do so, including through equity-settled acquisitions or demergers. Although Unilever does not currently plan any major portfolio change, the Boards believe it is appropriate to create a corporate structure that provides Unilever with the strategic flexibility and optionality to do so. Simplification will also further strengthen Unilever's corporate governance, creating, for the first time, a 'one share, one vote' principle for all shareholders.

2.3 The Dutch Merger will be part of the implementation of the Simplification.

3 Anticipated consequences of the Dutch Merger for the activities of the Merging Companies

3.1 It is anticipated that the Dutch Merger will have no consequences for the activities of the Merging Companies, as all the activities of NV will be continued by New NV and New Sub, respectively, in the same manner.

3.2 Following the publication of the Dutch Merger Proposal and prior to the Dutch Merger Effective Time, the Unilever Group expects to implement and/or finalise certain transactions, including:

- (a) the second tranche of Unilever's €6 billion share buy-back program, amounting to up to €3 billion, as announced on 19 July 2018; and
- (b) an internal reorganisation of the Unilever Group whereby certain assets, including intellectual property rights, will be transferred within the Unilever Group.

4 Consequences of the Dutch Merger from a legal point of view

4.1 From a legal point of view, upon the Dutch Merger taking effect (i) New Sub will acquire the assets and liabilities and legal relationships of NV under universal succession of title and NV will cease to exist, and (ii) New NV, as the sole shareholder of New Sub, will allot shares in its share capital to the shareholders of NV in accordance with the Dutch Merger Exchange Ratio.

4.2 The legal aspects of the Dutch Merger are further described in clauses 4 through 18 of the Dutch Merger Proposal.

5 Consequences of the Dutch Merger from an economic point of view

The Dutch Merger will, as part of Simplification, result in a simplification of the Unilever Group's corporate structure by moving to a single parent company structure. The economic consequences of this are reflected above in clause 2.2.

6 Consequences of the Dutch Merger from a social point of view

From a social point of view, the Dutch Merger will have no consequences, as all the employees of NV at the Dutch Merger Effective Time will be employed by New Sub by operation of law from the Dutch Merger Effective Time, while retaining all the rights they enjoy.

7 Explanation to the Dutch Merger Exchange Ratio

7.1 The Dutch Merger Exchange Ratio is set out in the Dutch Merger Proposal.

7.2 The Dutch Merger Exchange Ratio is based on the following considerations:

- (a) prior to the Dutch Merger Effective Time, the U.K. Scheme will be implemented pursuant to which New NV will become the sole shareholder of PLC, and each shareholder of PLC at the relevant record time will receive, in accordance with the terms of the U.K. Scheme, for each PLC Ordinary Share one (1) New NV Ordinary Share;
- (b) simultaneously with the issue of the New NV Ordinary Shares to shareholders of PLC in accordance with the U.K. Scheme, New NV will cancel the shares that NV currently holds in its capital;
- (c) following completion of the U.K. Scheme, New NV will therefore hold all PLC Ordinary Shares and, for each PLC Ordinary Share New NV holds, one New NV Ordinary Share will have been issued to former shareholders of PLC on the record time for the U.K. Scheme; and
- (d) the 'Equalisation Agreement', the 'Deed of Mutual Covenants' and the 'Agreement for Mutual Guarantees of Borrowing', jointly known as the 'Foundation Agreements', provide for a 1:1 equalisation ratio under which one (1) PLC Ordinary Share confers an equivalent economic interest to one (1) NV Ordinary Share.

7.3 The Dutch Merger Exchange Ratio for NV Ordinary Shares reflects the 1:1 equalisation ratio set out in the Foundation Agreements and ensures that holders of NV Ordinary Shares are allotted New NV Ordinary Shares that represent an equivalent economic interest in the Unilever Group as was represented by their existing NV Ordinary Shares. Accordingly, the Dutch Merger Exchange Ratio for NV Ordinary Subshares reflects that the current economic interest of each NV Ordinary Subshare is based on three/one hundred and twelfth (3/112) NV Ordinary Share. The Dutch Merger Exchange Ratio for NV Special

Shares reflects that the current economic interest of NV Special Shares is based on 2,678 and nine/sixteenth (9/16) NV Ordinary Shares.

7.4 Therefore the Boards consider the Dutch Merger Exchange Ratio to be fair to all shareholders of NV and New NV.

7.5 Assuming the U.K. Scheme becomes effective and based on the number of PLC Ordinary Shares, the number of NV Ordinary Shares (including NV Ordinary Subshares, each taken into account as three/one hundred and twelfth (3/112) NV Ordinary Share) and the number of NV Special Shares, outstanding with shareholders other than companies within the Unilever Group on 31 August 2018, the Dutch Merger Exchange Ratio results in the attribution of 55.2 per cent. of the value of the Unilever Group to NV, and 44.8 per cent. of the value of Unilever Group to New NV (being the sole shareholder of PLC following completion of the U.K. Scheme). The Boards have assessed the value of the Unilever Group as EUR 130 billion (based on the aggregate market capitalisation of NV and New NV, assuming the U.K. Scheme becomes effective and, accordingly, taking the market capitalisation of PLC as the market capitalisation of New NV), calculated as follows:

- (a) NV Ordinary Shares (including NV Ordinary Shares for which NV Depositary Receipts are issued, but not including NV Ordinary Shares in the form of NV NYRSs) are valued at the closing price of NV Ordinary Shares at the Euronext in Amsterdam on 31 August 2018;
- (b) NV NYRSs are valued at the closing price of NV NYRSs at the NYSE on 31 August 2018;
- (c) PLC Ordinary Shares (not including PLC Ordinary Shares for which PLC ADSs are issued) are valued at the closing price of PLC Ordinary Shares at the LSE on 31 August 2018;
- (d) PLC ADSs are valued at the closing price of PLC ADSs at the NYSE on 31 August 2018;
- (e) any PLC Ordinary Shares and NV Shares held by members of the Unilever Group, including all NV Special Shares which are held by the Unilever Group, are not included in the calculation;
- (f) closing prices denominated in GBP are converted to EUR based on the exchange rate of £:€ as published by Bloomberg on 31 August 2018; and
- (g) closing prices denominated in USD are converted to EUR based on the exchange rate of \$:€ as published by Bloomberg on 31 August 2018.

- 7.6** No other methods than the abovementioned method have been used to determine the Dutch Merger Exchange Ratio. Therefore the relative weight of other possible methods is not addressed in this Explanation to the Dutch Merger Proposal.
- 7.7** There have been no particular difficulties in preparing the valuation or with the determination of the Dutch Merger Exchange Ratio.
- 7.8** The Boards are of the opinion that the abovementioned method to calculate the Dutch Merger Exchange Ratio is suitable in the present case.

8 Independent expert report

At the request of each of the Boards, Flynth Audit B.V. has been appointed to issue the report to the Merging Companies in accordance with section 2:328(2) DCC. This report is attached to this Explanation to the Dutch Merger Proposal as **Annex A**. This report will be made available on the Unilever Group's website: www.unilever.com/simplification and will be made available for inspection at the offices of the Merging Companies for those persons that are entitled to inspect them in accordance with the laws of the Netherlands.

9 Board approvals

Each of the Boards has approved this Explanation to the Dutch Merger Proposal at a duly convened meeting held on 10 September 2018. This Explanation to the Dutch Merger Proposal has been signed by all members of the Boards.

10 Miscellaneous

- 10.1** This Explanation to the Dutch Merger Proposal is governed by, and interpreted in accordance with, the laws of the Netherlands.
- 10.2** Any dispute between the Merging Companies as to the validity, interpretation or performance of this Explanation to the Dutch Merger Proposal will be submitted to the exclusive jurisdiction of the Dutch courts.

(signature pages follow)

THIS EXPLANATION TO THE DUTCH MERGER PROPOSAL HAS BEEN SIGNED ON THE DATE STATED AT THE BEGINNING OF THIS DOCUMENT BY:

The board of directors of Unilever N.V.

/signed/

M.E.J. Dekkers
Title: non-executive director and chairman

/signed/

P.G.J.M. Polman
Title: executive director and CEO

/signed/

G.D. Pitkethly
Title: executive director and CFO

/signed/

N.S. Andersen
Title: non-executive director

/signed/

L. Cha
Title: non-executive director

/signed/

V. Colao
Title: non-executive director

/signed/

J. Hartmann
Title: non-executive director

/signed/

A. Jung
Title: non-executive director

/signed/

M. Ma
Title: non-executive director

/signed/

S. Masiyiwa
Title: non-executive director

/signed/

Y.E. Moon
Title: non-executive director

/signed/

J.F. Rishton
Title: non-executive director

/signed/

F. Sijbesma
Title: non-executive director

The board of directors of Unilever International Holdings N.V.

/signed/

P.G.J.M. Polman
Title: managing director

/signed/

G.D. Pitkethly
Title: managing director

The board of directors of Unilever International Holding B.V.

/signed/

P.G.J.M. Polman
Title: managing director

/signed/

G.D. Pitkethly
Title: managing director

PART 2

ANNEX A – INDEPENDENT EXPERT REPORT (Dutch and English)

ASSURANCE-RAPPORT VAN DE ONAFHANKELIJKE ACCOUNTANT
VERSLAG EX ARTIKEL 2:328 LID 2 BW

Aan de board of directors van Unilever N.V., Unilever International Holdings N.V. en Unilever International Holding B.V.

Opdracht en verantwoordelijkheden

Wij hebben onderzocht of de mededelingen als bedoeld in artikel 2:327 van het in Nederland geldende Burgerlijk Wetboek (BW), die zijn opgenomen in de toelichting op het voorstel tot juridische driehoeksfusie, gedateerd 11 september 2018, van de navolgende vennootschappen:

1. Unilever N.V., een naamloze vennootschap naar Nederlands recht, statutair gevestigd te Rotterdam, kantoorhoudende te Weena 455, 3013 AL Rotterdam en ingeschreven in het handelsregister van de Kamer van Koophandel onder nummer 24051830;
2. Unilever International Holdings N.V., een naamloze vennootschap naar Nederlands recht, statutair gevestigd te Rotterdam, kantoorhoudende te Weena 455, 3013 AL Rotterdam en ingeschreven in het handelsregister van de Kamer van Koophandel onder nummer 70363196;
3. Unilever International Holding B.V., een besloten vennootschap naar Nederlands recht, statutair gevestigd te Rotterdam, kantoorhoudende te Weena 455, 3013 AL Rotterdam en ingeschreven in het handelsregister van de Kamer van Koophandel onder nummer 71450041.

voldoen aan hetgeen daaromtrent door genoemd artikel 2:327 BW wordt voorgeschreven.

De besturen van genoemde vennootschappen zijn verantwoordelijk voor het opstellen van de toelichting en voor de daarin opgenomen mededelingen als hiervoor bedoeld.

Onze verantwoordelijkheid is het verstrekken van een verslag inzake deze mededelingen als bedoeld in artikel 2:328 lid 2 BW.

Werkzaamheden

Wij hebben ons onderzoek verricht in overeenstemming met Nederlands recht, waaronder de Nederlandse Standaard 3000A, 'Assurance-opdrachten anders dan opdrachten tot controle of beoordeling van historische financiële informatie (attest-opdrachten)'. Dienovereenkomstig dienen wij ons onderzoek zodanig te plannen en uit te voeren, dat een redelijke mate van zekerheid wordt verkregen dat de mededelingen in het kader van de onderhavige fusie voldoen aan hetgeen daaromtrent door artikel 2:327 BW wordt voorgeschreven. Een assurance-opdracht omvat onder meer een onderzoek door middel van deelwaarnemingen van relevante gegevens.

Wij zijn onafhankelijk van Unilever N.V., Unilever International Holdings N.V. en Unilever International Holding B.V. zoals vereist in de Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO) en andere relevante onafhankelijkheidsregels in Nederland. Daarnaast hebben wij voldaan aan de Verordening gedrags- en beroepsregels accountants (VGBA).

Wij passen de 'Nadere voorschriften kwaliteitssystemen (NVKS)' toe. Op grond daarvan beschikken wij over een samenhangend stelsel van kwaliteitsbeheersing inclusief vastgelegde richtlijnen en procedures inzake de naleving van ethische voorschriften, accountantsstandaarden en andere relevante wet- en regelgeving.

Wij zijn van mening dat de door ons verkregen assurance-informatie voldoende en geschikt is als basis voor ons oordeel.

Oordeel

Naar ons oordeel voldoen de in de toelichting op voormeld voorstel tot juridische driehoeksfusie gedane mededelingen met betrekking tot de ruilverhouding van de aandelen in het kader van de onderhavige fusie aan hetgeen daaromtrent wordt voorgeschreven door artikel 2:327 BW.

Beperking in verspreidingskring en het gebruik

Dit assurance-rapport is uitsluitend bestemd voor de besturen van voormelde vennootschappen en voor de personen als genoemd in artikel 2:314 lid 2 BW. Het wordt uitsluitend verstrekt in het kader van voormeld voorstel tot fusie en mag derhalve niet voor andere doeleinden worden gebruikt.

Ridderkerk, 11 september 2018
Flynth Audit B.V.

Was getekend

H.T. Koetje RA

**ASSURANCE REPORT OF THE INDEPENDENT AUDITOR PURSUANT TO
SECTION 2:328, SUBSECTION 2 OF THE DUTCH CIVIL CODE**

To the board of directors of Unilever N.V., Unilever International Holdings N.V. and Unilever International B.V.

Assignment and responsibilities

We have examined whether the statements as referred to in Section 2:327, subsection 2 of the Dutch Civil Code included in the notes to the proposal for triangular legal merger dated 11 September 2018 of the following companies:

1. Unilever N.V., a public limited liability company incorporated under the laws of The Netherlands, having its corporate seat in Rotterdam, The Netherlands, and address at Weena 455, 3013 AL Rotterdam, The Netherlands, registered with the Dutch Trade Register of the Chamber of Commerce under number 24051830;
2. Unilever International Holdings N.V., a public limited liability company incorporated under the laws of the Netherlands, having its corporate seat in Rotterdam, the Netherlands, and address at Weena 455, 3013 AL Rotterdam, the Netherlands, registered with the Dutch Trade Register of the Chamber of Commerce under number 70363196; and
3. Unilever International Holding B.V., a private company with limited liability incorporated under the laws of The Netherlands, having its corporate seat in Rotterdam, The Netherlands, and address at Weena 455, 3013 AL Rotterdam, the Netherlands, registered with the Dutch Trade Register of the Chamber of Commerce under number 71450041.

meet the requirements of Section 2:327 of the Dutch Civil Code.

The companies' boards of directors are responsible for the preparation of 'the explanation to the triangular legal merger proposal' dated 11 September 2018 including the aforementioned statements. Our responsibility is to issue an assurance report on these statements as referred to in Section 2:328, subsection 2 of the Dutch Civil Code.

Scope

We have conducted our examination in accordance with Dutch law, including the Dutch standard 3000A, 'Assurance-opdrachten anders dan het controleren of beoordelen van historische financiële informatie (attest-opdrachten)' (Assurance engagements other than audits or reviews of historical financial information (attestation engagements)). This requires that we plan and perform the examination to obtain reasonable assurance about whether the statements meet the requirements of Section 2:327 of the Dutch Civil Code. An assurance engagement includes examining appropriate evidence on a test basis.

We are independent of Unilever N.V., Unilever International Holdings N.V. and Unilever International Holding B.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We apply the 'Nadere voorschriften kwaliteitssystemen (NVKS)' (regulations for professional accountants practices on assurance engagements) and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion the statements with respect to the share exchange ratio included in the notes to the proposal for legal merger meet the requirements of Section 2:327 of the Dutch Civil Code.

Restriction on use

This assurance report is exclusively intended for the managements of the above mentioned companies and the persons as referred to in Section 2:314 subsection 2 of the Dutch Civil Code. It is solely issued in connection with the aforementioned mentioned proposal for legal merger and therefore cannot be used for other purposes.

Ridderkerk, 11 September 2018
Flynth Audit B.V.

Signed by

H.T. Koetje