

UNILEVER RESULTS PRESENTATION FOR Q1 2005

Conference Call, Friday 6th May 2005

Chart 1 – Title and Safe Harbour

Good morning everybody and welcome to this conference call on Unilever's 1st quarter results.

You will already have seen our results announcement released earlier today. In the next 20 minutes or so, I want to get behind these numbers, to give you a sense of how we feel about them.

Whilst some of the headline numbers appear better than they really are, we see real evidence of a strengthening of our competitive position compared with six months ago, and this is starting to feed through into an improvement in our underlying business performance.

I will also give a brief update on the other issues that we announced in February, in particular the implementation of the new organisation.

Before doing so, there are a couple of housekeeping points that I need to cover off.

As always, I draw your attention to the usual 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.

I would also like to highlight a few changes that we have made to the way that we present our results, as summarised on chart 2.

Chart 2 – Changes to Results Presentation

There are four key differences that you should be familiar with.

First, our adoption of IFRS. As we have said before, the impact of IFRS on Unilever's results is limited because we had already been publishing our P&L before amortisation and had adopted tighter accounting standards on pensions and share options.

The most significant change is the reclassifying of certain promotional costs as deductions from turnover. Although not strictly part of IFRS, we have chosen to align with the US GAAP definition of revenue. This change has the effect of reducing our 2004 reported turnover by 2.6% and increasing operating margin by 40bps, but has no impact on operating profit.

A full restatement of our 2004 results, together with supporting Q&A was posted on Unilever's web-site in April.

The second change is that business restructuring, including gains or losses on disposals, will be treated as normal business, and as such included in operating margin.

Third, we have moved to a segmental reporting of our business that reflects our new organisation. The key change here is that we report under three regional groupings, Europe, the Americas, and Asia/Africa.

Our category reporting remains largely unchanged.

Last but not least, we are simplifying the presentation of our income statement by ending our practice of publishing numbers at constant exchange rates, in addition to the full set of current numbers required under IFRS.

We will of course continue to comment on operational performance at constant rates as this is how we manage our business and is the best way of assessing our underlying results.

So, with that out of the way, I would now like to turn to the Q1 results, starting on chart 3 with an overview of the trading environment.

Chart 3 – Trading Environment Q1 2005

You will recall that in February, we said that our 2005 plans did not assume any significant improvement in market conditions compared with 2004. By and large, this remains the case. That said, the environment differs considerably between regions and between categories.

In Western Europe, market conditions remain weak, with continued stiff price competition, both between manufacturers, and within the retail industry.

This is especially so in Home and Personal Care. We estimate that the European Personal Care market grew by less than 2% in Q1, while the Home Care market declined by between 1 and 2%.

European foods markets are growing modestly at around 1%.

In North America, Foods markets picked up slightly in the quarter, with the notable exception of the weight management category, which is still contracting rapidly. HPC markets continued the improving trend seen in the closing months of 2004, with a Q1 growth rate of between 2 and 3%.

Across D&E markets, the picture is better. Consumer demand in Latin America is, if anything, even stronger than we saw in 2004. Elsewhere in Asia, Africa and Central and Eastern Europe, growing economies continue to translate into healthy market growth rates for our categories. Nevertheless, the competitive intensity in D&E markets remains high across all price points.

Turning to costs, we see a mixture of good and bad news. Agricultural commodities have indeed come off the peak price levels that we saw towards the middle of 2004. In contrast, input costs that are heavily influenced by the mineral oil price such as transport, chemicals and packaging remain high.

The cost pressure on HPC categories is being felt across the industry. We have seen some selected price increases in the U.S., in Latin America and in parts of Asia. However, low consumer price inflation and fierce competition leave us cautious as to the prospects of significant price increases during 2005.

Against this background, I will now turn to our Q1 sales performance in chart 4.

Chart 4 – Q1 Underlying Sales Growth

Our underlying sales growth in the quarter was 6%. However, we benefited from 5 extra days in the quarter compared with 2004 and an earlier Easter. We estimate these calendar effects to have a positive impact of around 4% on sales in the quarter at the total company level, with the greatest impact in Europe and the least in Asia/Africa.

This represents further progress towards restoring our growth momentum, building on the improvement in the previous quarter. Even so, our growth still lags our markets that we estimate to be growing at close to 3%.

Year-on-year, our aggregate market shares are still down, reflecting share loss that we incurred during 2004.

Over recent months, the picture is somewhat better, with our aggregate shares in both Foods and HPC more or less flat compared with Q4 2004. While there are some areas where our share performance remains soft, there are signs of a turnaround in a number of important markets. In our top 20 geographies, in both Foods and HPC, we have gained share in more places than we have lost.

Thus we are still some way from having reversed our share losses, but Q1 does represent an improvement compared to our share performance in previous quarters.

At this point, rather than going into a region by region and category by category analysis of our Q1 sales performance, I would like to refer back to the 2005 priorities that we outlined in February.

The first of these was to regain momentum in Europe.

Our European business grew by just over 3% in Q1, which after allowing for the calendar effect, represents a like-for-like decline of around 2%.

This is better than the 3% underlying sales decline we saw throughout 2004, but still a long way from the level of competitive performance that we require.

Turning to our European Foods business in chart 5.

Chart 5 – Regaining Momentum in Europe - Foods

Here, we saw an encouraging start to the year, with share gain in most categories compared with exit 2004, and positive sales and volume growth, even after allowing for the extra days. This reflects a better sales performance in the UK, the Netherlands, Italy and Germany, although France remained weak.

Of particular note was the contribution from Spreads and Cooking Products and from Ice Cream, which between them account for nearly 1/3 of our European Foods portfolio. Both delivered strong innovation led growth in the quarter.

In Ice Cream, Magnum 5 Senses has been well received by the trade across both out of home and in home sectors, and we continue to develop our ranges in the value segment across Europe.

We have already spoken on several occasions of the success of our 'pro.activ' cholesterol lowering products that now have sales of around €300m across Europe. However, our progress in Spreads is not restricted to pro.activ.

We have also seen good growth in the core of the Flora/Becel brand, while steps we are taking to strengthen our family brands such as Rama and Blue Band by communicating the nutritional benefits of these products are also having a positive impact. This is augmented by the steady progress being made with Dairy Cream Alternatives that were launched under the family brands during 2004.

Taken together, these initiatives have resulted in strong growth in the Spreads categories across Europe in Q1.

Turning to chart 6, our performance in European HPC has been less good.

Chart 6 – Regaining Momentum in Europe - HPC

As mentioned earlier, this is partly due to weak market growth. However, our share performance was also soft, primarily due to a poor 1st quarter performance in the UK. Outside of the UK, our market shares in both Home and Personal Care were generally stable.

We had a significant number of major innovations entering the market towards the end of Q1 and our innovation programme remains strong going forward.

In Personal Care, these include the new Sunsilk Styling range in Hair, Dove Silk Dry in Deodorants and Lux ‘Glowing Touch’ body wash in Skin.

We also have important activities in Laundry, including ‘Persil with the essence of Comfort’ and Surf Tropical, both in the UK.

In addition to new product introductions, we are also putting more weight behind successful campaigns such as ‘Dirt is Good’ in Fabric Cleaning and the Dove ‘Campaign for Real Beauty’.

In aggregate, this represents a significant programme of activities designed to restore momentum in our European HPC business and it will be appropriately supported with investment in A&P.

Our other key priorities for 2005 are about driving harder and faster where we can build on our strengths.

One of these is our global Personal Care business as outlined in Chart 7.

Chart 7 – Building on Strength: Personal Care

Our Personal Care business delivered growth of nearly 9% in Q1. Even after allowing for the extra trading days, this represents our strongest Personal Care growth rate for 6 quarters. This was in spite of the weak markets and share performance in Europe, and the continuing challenge we face in Japan.

Within this, we saw good progress across a wide range of brands and categories.

Deodorants continue to deliver consistent growth driven by Axe, Rexona and Dove.

Skin also performed well, with a notable contributions from our Personal Wash businesses in North America and Asia through Dove, Lux and Lifebuoy.

Prestige built on the momentum established in the 2nd half, thanks to the success of Eternity Moment and other innovations such as Obsession Night and CK Summer.

We also saw stronger growth in our Hair business. In a fiercely competitive category, we have seen good growth in every region of the world, and across both developed and developing markets. This growth is due to sustained innovation behind Sunsilk and Dove as well as regional brands such as Clear in Asia and Andrelon in the Netherlands.

We are also encouraged by the recovery of Suave in the US to a value share of just over 10% in Q1, firmly securing its position as the most purchased shampoo brand in the US market.

In Japan, after our initial successes with the re-launch of Lux Super Rich, the competition has fought back strongly and chipped away at the share gains that we made in late 2004. We are responding with new products and communication in Q2 and we have a pipe-line of innovation designed to maintain momentum through the 2nd half of 2005 and beyond.

Also in Japan, we have renovated our Dove Hair range. The new products appeared on shelf in March and April, and are being supported with a substantial marketing investment.

Turning to chart 8, another area of strength is our D&E businesses.

Chart 8 – Building on Strengths: D&E

In absolute terms, the underlying sales growth in our D&E businesses in Q1 was around €300m. Even after allowing for calendar effects, this equates to like-for-like growth of over 7%, a significant improvement over 2004, and back to the kind of growth rates that we have historically enjoyed.

Furthermore, the growth is broad based across Asia, Africa, Latin America and Central and Eastern Europe.

Both HPC and Foods contributed to D&E Growth, with the latter being driven by innovation behind brands such as Knorr, Hellmann's and Lipton.

Within the quarter, we have seen a return to growth in India, with much better sales performance in both Laundry and Hair. We also enjoyed good growth in India in Skin and Oral, with brands such as Lifebuoy and Close-Up, while the work we have done to strengthen our Tea business has been rewarded with the Brooke Bond brand gaining share for the fifth consecutive quarter.

The final area of focus that I would like mention is Vitality in Chart 9.

Chart 9 – Building on Strengths: Vitality

Our Vitality mission is increasingly driving the way that we are developing our business. It is a mission that is not limited to particular brands or categories. It targets consumer needs that are relevant across our portfolio.

Let me give you three recent examples.

In the Netherlands and Belgium we have launched Knorr Vie, which are smoothie style drinks made from concentrated fruit and vegetable juices and purees that provide at least half of the recommended daily intake of fruit and vegetables in a single shot.

For those of us that struggle to live up to our good intentions for a balanced diet, the consumer benefits are obvious. They are good for you, taste great, and can also be made readily available in cabinets and vending machines in convenience outlets and cafeterias.

Our Vitality mission is also clearly evidenced in a number of our recent launches under the Hellmann's brand, providing consumers with healthier dressings without compromising on taste.

We are rolling out 'No Cholesterol' mayonnaise across Latin America, after its successful introduction into Chile, allowing consumers who had previously restricted their consumption through health concerns, to enjoy Hellmann's mayonnaise.

We drew new consumers into the brand in 2004 in the UK through the highly successful launch of Extra Light, which has only 6% fat, the lowest fat mayonnaise available in the country.

In the U.S., 'Hellmann's With Canola' has just been introduced. This product, which contains canola oil that is high in monounsaturates and essential omega fatty acids, is targeted at consumers who are motivated by the desire for a balanced diet.

These innovations contributed to another quarter of solid growth in the Hellmann's brand.

Vitality is also driving growth in HPC. For example, our sponsorship of hygiene education programmes in countries like India, helping families to understand the importance of washing hands, is an important factor in the excellent growth of Lifebuoy anti-bacterial soap.

Before leaving Vitality, I should mention Slim*Fast. Weight management is very much a Vitality opportunity and one that we believe continues to offer long term growth potential. However, the fact remains that we see little sign yet of a recovery of the weight management category in the US.

Thus while Slim*Fast market share is back over 30%, sales remain sharply down in the quarter.

We continue to innovate in order to attract consumers back to the category— most recently with high protein shakes and bars that help consumers control their calorie intake by taking the edge off their appetite. However, we are not counting on an early return to growth in the category.

Turning now to the operating margin in chart 10.

Chart 10 – Operating Margin Development

Operating margin is 80 bps ahead of prior year, at 15.3%. This includes one-off disposal gains of €73m in the quarter and substantially lower gross restructuring costs compared with the previous year.

Looking at the drivers of operating margin, overall price growth was zero in the quarter, with price declines in HPC offset by modest increases in Foods.

As mentioned earlier, input cost inflation remains a significant factor, with the greater impact falling on the HPC business that is more exposed to material costs influenced by the elevated mineral oil price.

We saw an important contribution from our savings programmes in the quarter. We see a slightly lower contribution from supply chain costs, but savings are starting to flow through from our 'One Unilever' simplification programme.

In aggregate, the benefits of our savings and an improved mix broadly offset the increased input costs in the quarter.

Finally, our marketing investment, including A&P, was up in the quarter.

In Chart 11, I have summarised how our operating performance translated into the key financials for the quarter.

Slide 11 – Key Financials Q1 2005

Our earnings per share at current exchange rates rose by 25%. This included a contribution from one-off benefits in tax, equivalent to an EPS increase of around 8%.

The tax rate in the quarter was 23%, thanks to these one-off credits. Given the low rate in Q1, we expect a full year tax rate somewhat below our longer-term guidance of 30%.

Our net debt at the end of the quarter was €1.1bn. This is €1.1bn below the level at the start of the year. €1.4bn of this reduction relates to the conversion of the 5 eurocent preference shares, which on an IFRS basis were included in the opening balance sheet. This was offset by a €0.5bn increase due to currency movements and also reflects an outlay of €0.2bn on the purchase of the company's own shares.

Net cash flow from operating activities in the quarter was €0.5bn, slightly below the same period last year due to a higher seasonal outflow from working capital, which was partly affected by the timing of the quarterly calendar close.

That concludes my run-through of the results. Turning to chart 12, I would now like to briefly update you on two other issues that we discussed in February, starting with our new organisation.

Chart 12 – Other Developments

The new Executive Team formally took over the running of the business from the beginning of April.

In the intervening period, they have continued to ensure the smooth running of the business in their previous roles, while starting to build their new teams, and putting in place the necessary operating framework to ensure that they hit the ground running from the beginning of the 2nd quarter.

The pace of change has been high, with well over 100 senior appointments announced in the past three months. Inevitably, the simpler top structure means that we have been able to design a leaner organisation below executive level. As a first step, we have identified opportunities to reduce our senior management headcount by nearly 15%.

While we continue to drive the organisational changes and new ways of working as fast as possible through the business, we are doing so in a way that ensures that there is no compromise of the businesses' ability to deliver our 2005 plan.

We also announced in February that we would be conducting a review of Unilever's corporate structure. The team that will conduct this review has now been appointed and their remit agreed by the Board.

The study will be led by our non-executive chairman, Antony Burgmans, who will be joined by two other non-executive directors, Mr. Jeroen van der Veer and Lord Simon of Highbury. The team will be supported by external advisors and will publish its conclusions in time for the 2006 AGMs.

I would now like to close by summarising today's key messages as outlined in chart 13.

Slide 13 – Key Messages from Q1

Whilst we should not read too much into one quarter's results, we see real progress in a number of areas of the business. Our renewed focus on market competitiveness is starting to show through in our market share performance.

The challenges however remain significant, and we cannot yet be satisfied with our performance. It will take time for us to fully restore growth to the levels that we know we should be delivering.

The trading environment is mixed. Globally, we see volume development in our markets close to 3%, but price trends remain below the long-term average. Within this, we are seeing healthy growth in our D&E markets, slightly stronger demand in North America, but tough conditions in Western Europe.

We are cautious about the prospects for input costs and our capacity to recover these through increased prices through the year.

We will continue to invest in our market competitiveness, with the objective of halting and then reversing our recent share losses.

Recognising these pressures, we are driving as hard and as fast as we can to identify and deliver cost savings.

Throughout 2005, we will continue to focus on our priorities; Europe, Personal Care, D&E markets and Vitality.

To date, we have seen improved growth momentum in Personal Care, and across our D&E markets, but we have more work to do in Europe. Meanwhile, Vitality is increasingly shaping our innovation programme around the world.

In conclusion, we remain totally focused on the need to restore Unilever to sustainable top-line growth in order to meet our long-term financial objectives.

Chart 14 – Close

I would now be happy to take your questions.

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