RESULTS PRESENTATION FOR Q3 2004

Chart 1 – Title Chart and Safe Harbour

Ladies and gentlemen, good morning and welcome to Unilever's third quarter 2004 results presentation.

A transcript, which contains the formal disclosure as to forward-looking statements within the meaning of relevant US legislation, can be accessed via our website at unilever.com and this presentation and discussion are conducted subject to that disclaimer.

I will not read out the disclaimer but propose we take it as read into the record for the purpose of this presentation and conference call.

I remind you that unless otherwise stated the financial numbers used in this presentation are in Euros at constant rates of exchange, that is average 2003 rates.

Firstly, I would like to introduce myself as I know that there are a few of you on this call whom I have not yet had the opportunity to meet. I'm John Rothenberg and I have recently taken over as Head of Investor Relations here at Unilever, following my previous position as Senior Vice President Finance of our North American HPC business.

In keeping with usual practice, I would like to take you through a brief overview of our Q3 results before taking questions with Rudy Markham, who is here with me on this call.

The fact that our Q3 numbers are in line with, and in some respects slightly ahead of what we anticipated when we issued our trading update on 20th September is no cause for satisfaction here at Unilever.

Put simply, our sales performance is just not good enough. We will not sustainably deliver the level of shareholder returns that you require from us unless we re-ignite growth in our business.

So let us turn briefly to the numbers which are set out on Chart 2.

Chart 2 – Key Financials

Turnover was down 4.0% in the quarter, including the impact of disposals which lowered sales by 270bps. Underlying sales therefore declined by 1.3%.

Operating margin, before exceptional items and goodwill amortisation, was slightly ahead of last year at 17.4%.

Net borrowing costs were down by €19m, or 10% in the quarter, benefiting from both lower debt and interest rates.

Net FRS17 pension financing cost was down €21m, reflecting slightly higher asset values and the impact of increased cash contributions into our funded schemes.

Net debt at quarter end exchange rates was €11.8bn, down by €2.5bn over the past 12 months. Our key financing metrics continue to improve. EBITDA interest cover of nearly 12 exceeds our target minimum, thanks in part to the benign interest rate environment, while funds from operations to lease adjusted net debt rose to 38%, (equivalent to 31% based on the recent SEC guidelines). This compares to our 40% target minimum.

The effective tax rate beia in the quarter was 27%, in line with our expectation for the year as a whole.

EPS beia was 3% ahead in the quarter. This is somewhat better than indicated in our trading update as September sales were slightly ahead of expectation and A&P slightly lower.

Exceptional items amounted to a €71m charge in the quarter, made up of €106m of restructuring costs and €35m profits on disposal. Also in the quarter were a number of minor restructuring activities and

disposals that were not part of our Path to Growth programme. As such, these do not qualify for exceptional treatment. While these affect margins in certain segments of the business, in aggregate they have no material impact on operating margin beia in the quarter.

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

Looking at the top-line in a little more detail, let me turn to Chart 3

Chart 3 – Q3 Sales Performance

Underlying sales were down in both Foods and HPC in the quarter, although with differing contributions from price and volume.

The decline in Foods was driven primarily by the sharply lower volume in Western European Ice Cream and Ready to Drink Tea. Pricing was positive, mainly in the Americas.

In contrast, HPC delivered modest volume growth, with a strong contribution from D&E markets partly offset by declines in developed markets. However, prices declined, reflecting our response to the market and competitive environment across a number of our main HPC markets.

With leading brands now accounting for over 95% of total sales in the quarter, a 9% decline in the tail diluted underlying sales growth by only 40 bps.

Turning to margin development as summarised in Chart 4.

Chart 4 – Operating Margin Development

Gross margin is 40 bps down in Q3. The main features were as follows:

Firstly, lower sales of Ice Cream in Europe accounts for a 30 bps reduction in Unilever's Q3 gross margin.

Secondly, restructuring savings and an improved mix from disposals together increased the gross margin by 130 bps.

Thirdly, against a background of flat overall pricing, increased input costs reduced the gross margin by 140 bps. Procurement savings continued to accrue, but these were offset by commodity price increases of some 4% year-on-year, or around €150m in the quarter.

We are seeing some increases in packaging, chemicals and transport costs due to the higher mineral oil price although these have been partly defrayed in Europe by the weaker US dollar. At the same time, edible oil prices have eased somewhat, although our hedging arrangements mean that these have yet to feed through fully into gross margins.

In line with previous quarters, we continued to channel our brand investment towards improving the availability, visibility and promotional foot-print of our brands at the point of sale. Thus, while advertising and promotions fell by 70 bps, in-store promotional expenditure, which is reflected in the flat pricing, rose by 180 bps.

Overheads were 10 bps higher, as the impact of lower sales, including the dilutive impact of disposals, was largely offset by restructuring and other savings initiatives.

At this point, rather than going into details of the performance of each of our individual categories, I would like to take a slightly different approach and focus directly on the challenges that Unilever currently faces as a business, and what we intend to do about them.

For those of you who are interested, further details on leading brands growth by category can be found on our website with this presentation.

Turning to Chart 5, the first thing I want to do is to distinguish clearly what is working well and where our challenges lie.

Chart 5 – Unilever's Challenge

Firstly, nobody should doubt our commitment to shareholder value. Unilever has a long track record of placing the interests of its shareholders as the driving force behind its business decisions, even if this means making difficult and painful choices.

Neither is our problem one of control of costs or capital. Through Path to Growth, we will have delivered around €5bn of savings in annual operating costs. Over the same period, we have reduced capital employed as a percentage of sales by 860 bps and considerably reduced our tax costs. We have an efficient balance sheet, and have committed to keeping it that way. In the past 4 years, Unilever has delivered over €16bn of Free Cash Flow. By any standards this is a good performance.

Furthermore, we believe that we have ample capacity to deliver further savings and reduce capital requirements going forward. We have identified savings of some €700m p.a. from our simplification programme across Unilever and we are now looking to accelerate delivery.

We are also confident that our global procurement programme will continue to yield savings in both production and non-production items for some time to come.

Our challenge is getting the business back to acceptable levels of sustainable growth. So turning to Chart 6, it is clear that we need to address market competitiveness across a number of our categories.

Chart 6 – Underlying sales growth by region and by category

Certainly, some parts of the business stand out as areas where we must move quickly to reverse our poor performance, and we are doing just this. We have also spoken on several occasions about our under-performing businesses and I will say more about these in a minute.

In our September trading update we identified the challenges we face in Europe and Asia. As you can see, these regions are having a significant impact across our categories; Europe because it accounts for over 40% of Unilever's sales, with a strong weighting in almost all categories, and Asia because it has historically been a major driver of our top-line growth, most especially in Home and Personal Care.

But before going into the actions we are taking in these regions, we should recognise that there are many parts of the business that are delivering good growth, some of which are illustrated in Chart 7.

Chart 7 – Unilever Strong Performers

In aggregate, our D&E markets continued to deliver volume growth in excess of 5% in Q3, in spite of the competitive battles being waged in HPC Asia. Latin America in particular stands out as a region where the steps we took to protect business health in the face of economic crises and competitive entries have been rewarded by profitable growth – over 6% underlying sales growth in Q3 and for the year to date.

Our global Deodorants business grew by high single digits in the quarter, notwithstanding the weak market conditions in Europe and North America. Axe and Rexona continued to set the pace in this category across the World. In the U.S. market we now vie for deodorant category leadership, having come from a distant 3rd position as little as 4 years ago.

The picture in Ice Cream outside Europe is similar, with share gain and sales growth across our businesses in North America, Latin America and Asia. We remain the clear #1 Ice Cream business globally.

Our Spreads business is making good progress. This is a highly profitable category for Unilever, which we are finding ways to grow in very tough markets. Becel and Flora, our heart health brands continue to go from strength to strength, recording high single digit growth in the quarter, driven by innovations such as Pro-Activ milk, yoghurt and yoghurt drinks, as well as progress in the core spreads products. Meanwhile, our move into non-dairy cream is helping our family brands to grow again.

Our large Knorr and Hellmann's brands acquired with Bestfoods continued to deliver solid growth, with Knorr in particular proving its potential in D&E markets.

There are many other examples around the world where we are demonstrating our ability to win in the market place. But what about the parts of the business that are performing less well?

When we fail to grow sales, it can mean only one thing, that our brands are becoming less popular with our consumers. This might be relative to other brands and products in the category, in which case we lose share. Alternatively it might be that the categories in which we compete are losing their share of the consumer's wallet, in which case we see decline in market value.

Either threat requires a response. To stimulate demand in our brands, we need to improve the value they offer to our consumers and we are doing this in three ways.

Firstly, we are adjusting price points of our products where this is necessary to align them more closely to the consumer's perception of value.

Secondly, we are improving our product offering through innovation to boost the functional and emotional benefits of our brands.

And thirdly, with the right products at the right price, we can focus on improving availability, visibility and awareness of our brands through increased investment in media advertising, promotions and other brand activation activities.

This seems straightforward, although in practice, each market situation requires its own specific response. As we have said, we will do what it takes to improve the market competitiveness of our offerings, and we will do so in a way that is carefully targeted and sustainable.

Turning to Chart 8, I would like to address the areas of the business that we have indicated as priorities for our attention.

Chart 8: Europe

Firstly, Europe, where we have experienced a 5% decline in underlying sales across Foods and HPC in Q3.

In Foods, the poor summer weather certainly influenced a double digit decline of Ice Cream and Ready to Drink Tea sales in the quarter, which together accounted for around 2/3 of the sales decline in Europe. But we also suffered share loss in take-home ice cream and in some other foods categories, primarily to own label products and hard discounters.

In Frozen Foods, we continue to make progress in reducing the cost and asset base of the business, with margins increasing once again in the quarter. Our strategy of repositioning the brands towards a 'fresh and natural' platform is underway starting with Bird's Eye in the UK but this has not yet been translated into an acceptable sales performance.

In HPC, there were declines in both Home Care and Personal Care markets in the quarter. Year to date, the Home Care market is down 3% and Personal Care up a meagre 1.5% compared with the 4%+ growth rates that we normally see in European HPC. Our market shares are more encouraging. Although we have lost some share year-on-year in Laundry to both own label and branded competitors, there has been modest improvement in recent months. Household Care continues to disappoint. While markets are weak, we have also suffered some share loss.

In Personal Care, however, we have in fact gained share in Europe in 2004.

So, turning to Chart 9, what actions are we taking in Europe?

Chart 9 – Improving competitiveness in Europe

Firstly pricing. To adapt to the new realities, we have already acted to adjust our pricing in a number of areas. In Spreads we have reduced pricing on our family brands in Germany and Poland, where we have been rewarded with a turn up in volumes.

In Laundry, we are strengthening our coverage of price positions, for example with the recent re-launch of our Surf 'Smart Shopper' brand in the UK and Ireland, and the launch of a new low priced Skip variant in Portugal. Further actions will follow.

We are also driving harder on innovation. For example following early success with the extension of cholesterol lowering technology into milk and yoghurts, we have accelerated the launch of a range of 'one a day' yoghurt drinks which are now on the shelves in the UK, Portugal and Belgium. We see this as an exciting opportunity and one which will receive much attention in coming months.

Another example can be drawn from Fabric Conditioners where in the UK, Comfort Pearls has been launched as the first unit dose fabric conditioner in a convenient capsule.

We are also putting greater weight behind brand activation programmes across both Foods and HPC. For example, in Fabric Cleaning, we are putting even more impetus behind the 'Dirt is Good' brand activation that has proved so successful in a number of markets around the world. We have also strengthened programmes in support of our Hair brands, which are performing well across Europe, and on various Knorr activities.

Coming to Asia the situation is somewhat different. These are large and growing markets where we have excellent positions and have understandably attracted the attention of several of our competitors. We have already made substantial moves to protect our market positions against a specific threat in India, and these are bearing fruit. Our volume shares in both Laundry and Hair are now increasing again.

However, we are determined to move away from the defensive and onto the offensive in these markets. We are doing this with an aggressive and well supported innovation programme incorporating a whole raft of activities. These are either already in the market, or will be brought to the consumer within the next few months.

Amongst these, some of the more important already announced can be seen on Chart 10.

Chart 10 – Taking the Initiative in Asia

- In the Japanese hair market, where we have already strengthened the Mods brand in Q3, we are coming to market in November with improved formulation, packaging and communication for our leading Lux Super Rich brand.
- In India we are launching Rin 'Advance' laundry powder promising superior whitening to augment the Surf Excel innovations already in the market.
- Other innovations targeting the large anti-dandruff shampoo segment include Clinic All Clear in India, Hazeline in China and Clear across South East Asia.

We are confident that these and other initiatives will help to restore top-line momentum.

Of course, opportunities to accelerate growth are not limited to Europe and Asia. We are committing additional resources behind key brands and priority projects in North America and elsewhere, where we see scope to drive harder.

And finally, turning to Slim.Fast and Prestige in Chart 11.

Chart 11 – Slim.Fast and Prestige

We have completely re-vamped the Slim.Fast range in the U.S. and our market share has stabilised at around 25% in recent months, securing our brand leadership in this attractive market. Press and outdoor advertising behind the new Optima range started in October and media support will ramp up in the 4th quarter as we approach the peak New Year season.

Similarly in Prestige, the benefits of our restructuring are now apparent, with margins well ahead. We have a well-supported programme behind our Calvin Klein Eternity Moment launch in both Europe and North America, and initial signs are positive.

It will be a while yet before we can assess whether these activities are having the desired long term effect, although the combined impact of these two businesses is no longer a significant drag on Unilever's top-line.

Turning to Chart 12, the short-term impact of our more aggressive marketing programme is reflected in our reduced 2004 earnings guidance to low single digit EPS growth.

Chart 12 – 2004 Outlook

A turnaround in our top-line performance will not happen overnight. Going forward we will need to manage the business flexibly in order to respond competitively and to protect and build our market positions.

In this context, we expect EPS in Q4 to be affected by the step-up in support expenditure. There will also be a substantial increase in exceptional restructuring in the quarter.

Looking forward, we have announced our intention to review the assumptions that underpin Unilever 2010 in the light of current market trends and our recent business performance.

We will communicate our conclusions from this review with our 2004 full year results in February 2005.

In the meantime, I want to leave you with the reassurance that we remain fully committed to growing Free Cash Flow, and increasing ROIC. We cannot deliver this without growth, and we will not shy away from any decisions or actions that we consider to be necessary to deliver on this commitment.

We know what it takes to win. We are making the necessary adjustments and we are absolutely clear that re-igniting profitable growth in the business is our number one priority.

That completes my presentation and I would now like to invite questions to Rudy or me.

SAFE HARBOUR STATEMENT: This **presentation** may contain forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements. Further details of potential risks and uncertainties affecting the Group are described in the Group's filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report & Accounts on Form 20-F. These forward-looking statements speak only as of the date of this **presentation**.