

Results presentation for Q2 2004

Ladies and gentlemen, good morning and welcome to Unilever's second quarter and half-year 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 www.unilever.com and this presentation and discussions 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.

Before we get into the numbers it goes without saying that we are disappointed with our current top line performance. Whilst we have seen weaker markets over the last eighteen months and fierce price competition, particularly in HPC, we have also seen some in-market activation weaknesses in a small number of our markets. We are not complacent about this and we are putting things right.

However these short-term setbacks need to be put in the context of the longer-term strength and potential that Unilever has built during Path to Growth. Indeed, it is the much stronger shape of our business enabled through Path to Growth that has given us the flexibility and financial muscle to maintain a steady bottom line performance and deliver continued cash flow growth whilst we defend our market positions and support our leading brands to grow faster.

This is the philosophy of sustained value creation which underpins our strategy going forward. It also enables us to maintain our outlook for EPS (beia) growth for 2004.

With that as general introduction, let me turn to Chart 1 and review the key features of the results.

Chart 1: Key features of Q2 and half-year 2004 performance

Leading brands have declined by 0.2% in the quarter after negative price of 30 bps.

HPC grew by 1.7% with some 4.4 percentage points from underlying volume growth whilst Foods declined by 1.6% with a 3% fall in underlying volume.

Operating margin, before exceptional items and goodwill amortisation, at 14.9% is 10 bps ahead of last year. Total brand investment has increased by some 150 bps with continued investment in trade and consumer price related promotions, up nearly 200 bps in the quarter, partially offset by advertising and promotions 40 bps lower as we reshape our investment in competitive markets.

For the half-year operating margin (beia) is 14.9%, up 20 bps on last year and is after an overall increase in brand investment of 200 bps including A&P 10 bps lower.

Net borrowing costs have reduced by €58 million or by 25% in the quarter and reflects the benefit of cash flow from operating activities and the sale of businesses as we focus the portfolio, and lower rates.

The net FRS17 financing cost for pensions was €24 million compared to €41 million in the prior year.

Net debt at quarter end exchange rates is €13 billion with the benefits of cash flow in the quarter offset by payment of the final dividend and by currency movements.

For the last twelve months progress on the key metrics within our financial strategy remains on plan: firstly, our EBITDA interest cover is 11; and secondly, funds from operations to lease adjusted net debt is 37%, or applying new SEC regulations for calculating liquidity ratios, 32%.

The beia tax rate in the quarter was 25%, 4.5 percentage points lower than last year.

EPS (beia) is ahead by 11.2% in the quarter and by 9.6% in the half year. Both are after absorbing 3 percentage points of short-term dilution from disposals.

Exceptional items in operating profit were a gain of €3 million and include €86 million of restructuring costs and €89 million of net profits from disposals.

EPS was ahead 36% in the quarter and 10% in the half year, reflecting higher after tax profits on disposals.

Current exchange rate EPS (beia) increases are shown on the chart.

Let me turn to Chart 2 for the build up of sales for the quarter.

Chart 2: Sales performance in Q2 2004

Underlying sales declined by 70 bps. The difference between this and that of the leading brands comes from our strategy of managing the tail for value. This has two aspects:

- firstly, a harvesting strategy with an underlying sales decline of 7.9%, impacting underlying sales growth by some 50 bps;
- secondly, the sale of businesses where the effect has been to reduce turnover by the equivalent of 250 bps or just over €250 million.

Acquisitions add some 30 bps.

This gives total sales in the quarter of €10.8 billion, some 290 bps below last year.

Let me turn to Chart 3 and get behind the growth of the leading brands to explain the key market influences that are impacting our growth.

Chart 3: Sales performance in Q2 2004 – getting behind the numbers

Firstly, as expected, Slim.Fast and Prestige Fragrances continue to dilute growth given progressive share loss during 2003. Performance in the first half year of this year is coming up against a tough comparator notwithstanding the actions we are taking to improve performance.

We are also continuing with our actions to return our Frozen Foods business to sustainable, profitable growth.

Together, Slim.Fast, Prestige and Frozen Foods dilute leading brand growth by around 100 bps.

Secondly, we have had a poor start to the European Ice Cream season against a strong prior year which, together with Ready-to-Drink tea, reduced Unilever's leading brand growth by nearly 200 bps.

Thirdly, we continue to manage through tough trading conditions in a number of European markets, particularly in France, Germany and the Netherlands. Home and Personal Care markets in Western Europe are being particularly impacted, and for both the half-year and quarter underlying price is down by nearly 3%. Whilst none of the market features are new phenomena to us, the combination across an important Unilever geography, to this extent, at the same time, is unusual.

We also see negative pricing in the USA leading to smaller HPC markets.

Finally, we continue to implement our plans for defence of our strong Laundry and Hair market positions in India and to address competition to our Hair and Skin business in Japan. This has meant a short-term dilution to Asia Pacific growth of around 300 bps, impacting total Unilever by around 50 bps.

Overall pricing is thus a feature of our current performance with a marginal price decline in both the quarter and the half-year, compared with positive pricing of around 1.5% in 2003.

Turning to Chart 4 we look at the progress we have made with operating margin.

Chart 4: Development of operating margin

The basis points quoted are all expressed as an effect on total Unilever

Gross margin was 10 bps down in the second quarter as follows:

- Firstly, mix improvements of 50 bps were lower than the 80 bps in the first quarter as the continuing benefits from exiting the tail and from higher value added innovations were partly offset by lower Ice Cream sales and a slower growth in Personal Care categories.

- Secondly, restructuring savings in the supply chain contributed 20 bps to gross margins, compared with 40 bps in the first quarter. We expect an increasing contribution in the second half of the year due to the phasing of our programme.
- Finally, the balance of price and cost showed an under-recovery of 80 bps in the second quarter, compared with 10 bps in the first quarter. Within this we continue to gain buying savings of around €100 million per quarter. However these savings are more than offset in the quarter by the impact of consumer and trade price promotion activities in response to market conditions and by increased commodity costs. Commodity costs have risen by about €100 million or 2.5%, compared with a year ago.

Advertising and promotions were 40 bps lower in the second quarter, as we focus on brand activation and in-store activity, by giving priority to 'above the line' promotional investment which we account for within price, and thus gross margin.

Overheads increased by 20 bps, compared with the 60 bps increase in the first quarter, which included an unfavourable phasing of items such as market research and development costs. The overheads ratio continues to be impacted in the short term by unrecovered fixed costs following earlier disposals. These are being restructured out of the business.

In total, operating margin moved ahead by 10 basis points in the quarter and by 20 bps in the half year.

Turning to EPS delivery for the year on Chart 5.

Chart 5: Development of EPS (beia) for the year

Our outlook continues to be for EPS (beia) growth in low double digits. Looking at each of the drivers of EPS in turn:

For the leading brands we expect a slightly faster rate of growth in the second half despite continuation of tough market conditions in a number of geographies but also improvements as we resolve performance issues.

We expect gross margins to benefit from an accelerated restructuring programme and a slightly faster rate of buying savings from projects already identified and being actioned. In the current environment we expect to continue to re-invest these savings in above-the-line promotional and pricing activities.

However, the under-recovery of commodity price increases in foods should ease in the second half year. In addition, mix in the second half of the year will be more positive following the final exit from Indian fertilisers during the second quarter.

Overheads savings will accelerate in the second half with savings from a step-up in restructuring and the reversal of the phasing issues highlighted in the first quarter.

For the full year we continue to expect operating margin (beia) to be above 16%.

In respect of tax, we continue to benefit from the implementation of Path to Growth and the Bestfoods acquisition. Projects successfully completed contribute to a beia tax rate of 25% in the quarter and 27% in the half year. We expect further benefits in the second half, resulting in a beia tax rate for the full year of around 28% compared with 29% last year. We remain comfortable with the longer term outlook of 30% as we described within the Unilever 2010 financial framework.

For the year as a whole it is the combination of our improvement programmes within gross margin and overheads together with lower financing and tax costs which enable us to fully fund our responses to the current market environment and maintain our earnings outlook for the year.

Given the nature and timing of the factors identified above, we expect the second half delivery of EPS (beia) growth to be weighted to the fourth quarter.

At this point, let me comment on the step-up in overheads restructuring which I have just mentioned and which we indicated at the start of the year. The key elements are set out on Chart 6.

Chart 6: Driving growth through simplification, delivering ‘fuel for growth’

‘Simplification’ was an important element in the Path to Growth strategy, and its benefits are already apparent from the first phases of implementation with a more focused portfolio of brands and businesses, a streamlined supply chain and greater alignment of business processes. We are now moving into the last phase of our simplification drive, which focuses on our administrative organisation.

This part of the programme is based around three key principles:

- Firstly, a simple common organisational design, with one operating company per country, benefiting from common systems and processes, drawing on shared business services, and presenting a single ‘Unilever’ face to our retail customers.

We will retain focus on the market place in each country through HPC, Prestige, Foods, Ice Cream & Frozen and Foodsolutions ‘business units’, each accountable for its own P&L.

- Secondly, the clustering of business support activities into shared service centres, delivering a cost optimised back-office with a front-office customer orientated mindset.
- Thirdly, a sharing of resources and common processes within the Corporate and Divisional organisation to ensure they operate in a seamless way to manage Unilever’s strategic direction and resource allocation.

Put another way we retain focus on the market place and generate scale benefits in all support activities.

We believe that the programme will improve top-line growth through improved agility in the market place and enabling us to fully realise the scale benefits of Unilever from suppliers through to customer relationships. However, whilst the focus is on sharper operational execution of business plans to deliver growth, this phase of simplification will also deliver substantial cost savings. Indeed it is now clear, based on the platform already created and from external benchmarking, that we have the opportunity to go further and deeper than originally planned.

Planning has taken place over the last 12 months, drawing on successful trials of the approach over the last three years, and the programme has now commenced across Unilever.

It is expected to generate cost savings of around €700 million per annum by the end of 2006. It will cost around €850 million, part of which will be charged as exceptional under the Path to Growth programme in 2004, with the balance within operating profit as a normal business cost during 2005/06. As a reminder, you will recall that within Unilever 2010 we had allowed for between 50 and 100 bps of such costs per annum within the financial model and this programme forms part of that.

Having shown you how we secure our earnings for the year and how we generate more ‘Fuel for Growth’ within Unilever 2010, let me turn to our category review and show you the actions we are taking to bring about a more consistent and stronger top-line performance, starting with Personal Care on Chart 7.

Chart 7: Development of leading brands: Personal Care

In mass Personal Care, growth of 3.5% in the quarter showed an improvement over the first quarter. This reflects solid volume growth of nearly 5%, in spite of specific competitive challenges in Japan, India and the US. Good volume growth has been partially offset by pricing in developed markets as referred to earlier.

Against this background, we are taking action to address the immediate competitive issues, while continuing to drive growth through innovation and the rapid roll-out of proven successes.

Thus,

- in Hair Care we are broadening the Sunsilk range in Europe, with new shampoo and conditioner variants and new treatment products. We continue to bring news to Sunsilk in Latin America and Asia, including a new anti-dandruff variant in Q3, targeting this large segment of the hair market in China. Dove hair in the US and Europe has been boosted by new products and presentations, including formulations specially designed for coloured hair. In Japan, we have a major relaunch of

Lux Super Rich in October as part of our plan to recover market leadership, while innovation behind Mods continues to do well. In the US we also have an extensive programme behind Suave;

- in Skin Care the re-launch of Dove Firming Lotion and a new Firming Gel have made Dove the fastest growing Body Care brand in Europe this year. The roll-out of the Dove exfoliating bar continues, and is now available in 40 countries. Lux is performing well in Latin America following the recent re-launch, while in Europe, a completely new range of Lux soap bars, bath and shower products has been launched in selected countries. The Pond's brand has benefited from the relaunch of the Double White platform across Asia, as well as an affordable anti-ageing cream in North Latin America;
- in Deodorants. Rexona is now the no. 1 deodorant brand in over 30 countries. The brand has been successfully relaunched in Europe as Rexona 'ActivReserve'. Elsewhere, growth is being driven by the roll-out of proven mixes across Latin America and Asia, as well as products that appeal to consumers with lower disposable incomes. In Axe we have further strengthened our position in North America and a new variant 'Touch' is being rolled out across the Axe world.
- lastly, in Oral Care, we have a strong 2nd half plan to defend our positions in France and Italy, Pepsodent has been relaunched in Indonesia, and in China, Zhonghua will be relaunched in August with an improved formulation.

Let me turn to Chart 8 and look at our progress in Prestige Fragrances.

Chart 8: Prestige Fragrances

With a new leadership team in place we have continued to make good progress with our restructuring programme, including: moving to a single sales force in North America; reorganising our businesses in Europe; simplifying the supply chain in North America and reducing overheads globally.

The first phase of this year's strengthened innovation programme has sold through positively, including Cerutti Si in Europe, Vera Wang for Men in the US and a summer fragrance under the CK One brand. Further launches are scheduled for the third quarter, including the global launch of Calvin Klein Eternity Moment endorsed by Scarlett Johansson.

The plan to focus on a limited number of stronger brands and key channels meant some share loss over the last twelve months but we expect to see the benefits of our actions on the top line from the second half of this year.

Importantly, the business is profitable, and continues to generate value for shareholders. Over the last five years, it has generated around €400 million of free cashflow, €90 million in 2003 alone, and we expect another year of excellent cash contribution in 2004. We will continue to ensure that we execute the appropriate strategy to maximise long-term value.

Let me now turn to Home Care on Chart 9.

Chart 9: Development of leading brands: Home Care

Laundry leading brands grew by 0.4% with good volume growth offset by lower pricing in several key markets, most notably in Western Europe, the US and India.

During Path to Growth, we have significantly strengthened our Laundry portfolio by reducing the cost and asset base of the business, exiting from a small number of weak market positions, and focusing on our strong market positions and brands. As a result, our business has proved resilient in what are highly price competitive markets. After some share loss in 2003 in Europe and the US we have now stabilised our position. Elsewhere, we continue to innovate behind our leading brands while taking the necessary tactical actions to protect our market positions.

Our Omo 'Dirt is Good' campaign is being deployed across the world, including in the US on Wisk. In addition, the "Pockets" performance restage is being rolled out across Asia, Africa and the Middle East following initial success in Latin America.

In Fabric Conditioners, we continue to roll out new fragrance variants in Europe and in the US, while also delivering improved functionality, for example with "Comfort" superior concentrates in Thailand.

In Household Care, weak market conditions in Europe and a disappointing performance in our European dishwasher brands mask good progress in other areas. Domestos has turned round in 2004. The 'Pink Power' innovation that has proved successful in the UK and Russia will be rolled out across Europe in Q3. Domestos bleach spray is also doing well in the UK. Cif Active gel with baking soda has been rolled out across Europe, Turkey and South Africa and will help to reinforce Cif's 'tough cleaning' credentials.

Let me now turn to Chart 10 to look at Foods.

Chart 10: Development of leading brands: Foods

In Savoury and Dressings we continue to build on our strong brand portfolio and leading brand growth at 3.8% is ahead of that achieved in the first quarter.

In Savoury we are consolidating our position in the 13 new countries we entered last year and continue to innovate in 2004 around the principles of Reaching down, Reaching Out and Reaching Up. Activities include the relaunch of bouillon cubes across South East Asia and in China, new variant launches in Brazil and Mexico, and the rollout of low unit price Cubitos to further parts of Latin America and Africa.

Soup innovations include Light Soups in Taiwan and new flavours in Asia and ambient stable varieties in Latin America, plus the roll-out of Soupy Snax in Asia continues.

An active programme in Europe, includes launches of chilled Knorr fresh soups in Italy, of Knorr Liquid soup makers with olive oil in Spain, the roll-out of Knorr 'Activ' Soups in several countries and we have launched 'Knorr Creative Plus' soups containing soup and a separate topping in Switzerland. Under the Unox brand in the Netherlands we have launched a range of 7 varieties of Soup in a Pouch.

In Dressings, we have continued to build on the "good for you" credentials of Hellmann's. The successful launch of cholesterol free mayonnaise in Chile is paving the way for a regional roll-out starting in Mexico. In Q2 we launched a new wave of low carb Dressings, including Ketchup in North America under the broader "Carb Options Range". With the personal healthiness trend has come a rise in the consumption of salads and we continue to increase our footprint to address this. Innovations include new flavours of Hellmann's salad dressings across markets and the relaunch of our Calve salad dressings range in parts of Europe. In Brazil we have extended our Hellmann's ketchup range to include a BBQ variant. In Canada we have launched Hellmann's Creamy Dijonaise and in Poland we have introduced new "easy squeeze" packaging.

In Foodsolutions we continue to see good, broad based performance in a tough market with underlying growth in the mid-single digit range.

In Tea-based beverages, whilst growth in the quarter was lower due to the timing of price increases in Arabia, competitive markets in Pakistan and changes to how we consolidate sales of the Pepsi Lipton International JV, we have an active innovation programme across the world in both leaf and ice tea. In Western Europe we continue to roll out successful innovations including Lipton premium pyramid variants and Lipton Green, now available in 10 European countries with strong synergy being achieved via the simultaneous roll-out of Lipton Ice Tea Green RTD. In Russia, the launch of a range of Lipton speciality black teas has driven strong growth.

In Asia we have rolled out the successful Lipton Asian teabag range and a new range of Lipton premium pyramid teas is planned for parts of the region in Q3.

In the USA, we have a major relaunch of the Lipton leaf tea range for Q3 2004.

Chart 10 also shows the performance of Health and Wellness, which is mainly Slim.Fast and which declined by 20% in the quarter. Let me get behind this and turn to Chart 11 to look at the progress with our business plan for Slim.Fast, concentrating on the USA which is 80% of sales.

Chart 11: Performance of Slim.Fast

Against the background of a sea-change in consumer habit, our priority has been to revamp our portfolio in a way that is true to the roots of the brand and consistent with Slim.Fast's heritage.

The Slim.Fast plan is a clinically proven way to lose weight and to keep it off. Its credentials are based upon balanced nutrition and calorie control underpinned by clinical studies and the support of a wide

range of medical experts. In addition, there have been over 20 peer reviewed publications showing the value of Slim.Fast in the science of nutrition and weight management since 1996. Our medical credentials have been and will continue to be an important differentiator as will our practice of only making product and advertised claims based on proven benefits.

By the end of Quarter 3 of this year we will have replaced and redesigned every SKU in the Slim.Fast range. This, in combination with a broadening of the product offering and with improved communication and strengthened retail relationships, is expected to deliver an improving trend in the top line.

However, as we go through this process we continue to see sales decline as we are up against tougher comparators from the prior year, given our end 2003 exit share position. We are, of course, also having to manage trade inventories as we complete the SKU transformation.

Notwithstanding the reported sales decline, the leading indicators show early signs of an improving trend. We continue to be the largest brand in the weight loss category, our market share has stabilised at around 25% and has been at this level for the last six months.

We continue to expect a progressive return to growth as we rebuild consumer loyalty in a market that is expected to continue to show good growth potential.

To reinforce the recovery programme there have also been management changes. In addition, operational efficiency and effectiveness has been improved by integrating Slim.Fast into local operating units in each country.

I will carry on with Foods leading brands on Chart 12.

Chart 12: Development of leading brands: Foods

In Spreads and Cooking products we see the expected increase in innovation activity and an improved leading brand growth of 3.0%.

Under the family brand, Cremefine Dairy Cream Alternatives have now been launched in 11 countries in Europe and will be rolled out to further countries in the second half of 2004, including Poland. We have also relaunched the core Flora/Becel brand with a new visual identity, packaging, advertising campaign and a new formulation that includes added folic acid and B vitamins to build on the heart health benefits of the products. Meanwhile our range of pro.activ cholesterol lowering milk and yoghurts are doing well and are now available in 13 European countries with extension and rollout planned for next year.

For Ice-Cream, this has been a mixed first half of the year, with 8% growth and further market share gains in the US being more than offset by a poor performance in Europe. Notwithstanding the more difficult market we continue to execute a wide-ranging innovation programme across our key regions. This includes:

- in Europe the final two flavours in our Special Edition Cornetto Love Potions range and new Magnum products including Magnum Intense and Carte d'Or Light;
- in the US a new wave of Carb Smart products endorsed by Breyers, Klondike and Popsicle, while new flavours and range extensions were introduced to grow the core of the brands, whilst
- in Brazil we are about to launch a Kibon-AdeS ice cream which combines Kibon ice cream expertise with the soy and fruit benefits of AdeS. The products are a great tasting, ice cream that is 100% cholesterol free, lactose free and a source of Vitamin C.

Finally to Frozen Foods where I will review the actions we are taking to restore growth. This is set out on Chart 13.

Chart 13: Restoring Frozen Foods to growth, sustaining value creation

Our strategy is to reshape our business around faster growing market segments.

After a full review of our immediate options we have decided that this process of portfolio focus continues to be the best way to preserve and enhance shareholder value. This means we are harvesting value from around 10 to 15% of our sales in order to focus on core market segments where we have

leading share positions. As a result sales have declined at a faster rate in this quarter, not helped by slower market growth. Launches behind Knorr, Slim.Fast and Bertolli continue to do well.

As we reshape the portfolio we will be relaunching the respective masterbrands, Birds Eye, Iglo and Findus, which are amongst the biggest and best known food brands in their markets, fully in line with our Vitality vision.

These brands will again become synonymous with ‘great tasting food, the natural way’ – targeting consumers’ growing desire for the goodness of fresh food with the minimum of additives and processing. Indeed it is freezing that can best preserve the taste and nutrients of freshly harvested and freshly made food – better than chilled and usually better than so-called ‘fresh’ food that has been transported over a number of days.

However, portfolio changes have to be managed in pace with plans to resize and restructure the business base and this we have done over the last four years. Translating this into actions we have:

- exited businesses in 7 countries;
- closed 6 factories and increased the proportion of outsourced manufacturing to 40% and, as a result, we have increased asset efficiency by over 500 bps;
- increased trading margins by 200 bps and achieved an ROCE of 30%+.

So whilst sales growth has certainly not been exciting we have clearly created value. Successful execution of the last phase of our strategy will prove that we can grow it. Once again let me assure you that we will continue to execute the appropriate strategy to maximise long-term value.

Let me summarise as shown on Chart 14.

Chart 14: Summary of leading brand performance

In competitive markets we are taking the actions necessary to protect our market position and have an innovation programme with a level of activity at least as high as last year.

We are sharpening up our in-market activation in the few markets where it has not been good enough.

We are addressing issues in Slim.Fast, Prestige and Frozen Foods – and doing so in a way that enhances long-term value. Linked to this I think it is important to say that we do not believe in the disposal of businesses in order to off-load executional failure. If and when we determine that a business is strategically disadvantaged in relation to our long-term value creation criteria, then we will take the appropriate decisions. But we will not penalise our shareholders by disposing of businesses where we believe they can and will be fixed.

For the final part of my presentation I would like to turn to Chart 15 and look back on the Bestfoods acquisition and confirm that we have reached the ROIC/WACC crossover point in the fourth full year of operation. As you see on Chart 15 the strategic rationale behind the acquisition of Bestfoods was both clear and compelling.

Chart 15: The Bestfoods acquisition – strategic rationale

- the acquisition of big, market leading brands in faster growing categories;
- a successful, well established Foodsolutions business;
- a strong complementary presence in D&E markets;
- a strengthening of our presence in North America;
- access to significant cost synergy.

Our progress against each element is given on Chart 16.

Chart 16: Creating value through execution of the business plan

The acquisition of the large Bestfoods brands enabled us rationalise many of our smaller brands and strengthen our foods portfolio. As a result, within our Savoury & Dressings category we sold 18 businesses, realising €2.9 billion in after tax disposal proceeds.

The improved category/geography mix of the combined portfolio also raised the Foods momentum growth rate by over 100 bps, providing us with a more certain growth profile for foods going forward and an improved D&E presence.

In terms of managing the acquired brands the combination of strong equities and complementary capabilities has enabled us to:

- extend geographic reach, for example Knorr has entered an additional 15 countries since the acquisition;
- return brands to growth in key markets, for example Hellmann's in the US now has a better growth profile;
- broaden the brand footprint by expanding the category presence, for example Knorr into frozen or Hellmann's into a wider range of sauces and dressings and we are currently testing the brand in chilled dressings and Deli products;
- bring the strength of Knorr to some of our pre-existing weaker brands and through migration and co-branding raise their performance.
- create a world class Foodsolutions business which after integration, and with a broadened category and geographic presence has shown the ability to grow at least twice as fast as the market.

In addition we strengthened our D&E presence by buying out Ajinomoto's interests in South East Asia and forming an alliance with Robertson's in Africa and the Middle East in which we took a 60% stake.

With this the ex-Bestfoods brands have grown on average at between 3 and 4% from 2001, notwithstanding slower than historical market growth rates in the last eighteen months.

The current growth rate of the acquired brands is somewhat lower than we would have expected but this has been compensated by a higher level of cost synergy achievement. Going forward we expect an improved rate of growth given stronger markets, the increased level of brand investment that we now put behind the brands and a revitalised innovation funnel supported by a stronger science base.

You will remember that we set an ambitious programme of cost synergy against which we have over-achieved in respect of both timing and absolute amount of saving.

The planned cost synergy of €790 million was achieved by the end of 2002, compared to the plan of 2003 and to-date the total cost synergy achieved is in excess of €1 billion. The cash costs of achieving the synergy were €1.1 billion compared to the expected €1.2 billion.

Savings in capital employed, primarily lower working capital are close to €0.5 billion.

So now let me turn to Chart 17 and show you what this means in terms of the key financial metrics that we set out for the market in 2000.

Chart 17: Performance against the key financial metrics

Firstly, we said that the acquisition would be cash accretive in the first full year of operation, and we demonstrated achievement with the 2001 full year results.

Secondly, we expected the ROIC/WACC crossover point to be reached in the fourth full year of operation, i.e. 2004. The calculation of the ROIC is shown on the chart.

The invested capital of €19.7 billion is calculated from the consideration of \$73 per share plus the acquired net debt, deducting cash proceeds from disposals and adjusting for currency movements based on our actual mix of debt since acquisition.

The return side of the equation consists of the EBITA of the acquired brands in today's portfolio of €1.2 billion at current exchange rates. This number only includes half of the total cost saving synergy achieved, the other half is benefiting the ex-Unilever brands and needs to be added in to the calculation. In total we thus have an EBITA of €1.7 billion, which is €1.2 billion after tax.

Before the reduction in working capital this gives a return on invested capital for the last twelve months of 6.2%.

Market estimates of Unilever's weighted average cost of capital vary in the range of 6 to 8%, whilst our own estimate is roughly in the middle of this range.

Attributing the benefit of the tax shield on interest from the gearing up of the balance sheet gives a project specific weighted average cost of capital of 6% and means the ROIC/WACC crossover has been reached, whilst based on the Unilever total WACC it would be reached in early 2005.

Finally, in gearing up the balance sheet we gave clear metrics within our financial strategy which were consistent with a targeted A1/P1 credit rating. Strong cash flow has enabled a reduction in net debt and we fully expect to achieve our financial strategy metrics on schedule, that is by the end of 2004.

So on top of a very strong strategic case we have executed the integration of one of the largest acquisitions within the consumer goods space. Our business is stronger as a result and we have achieved the financial metrics that we communicated at the time of the original transaction.

So let me now return to our results for this quarter and summarise before we move to Q&A. The key points are set out on Chart 18.

Chart 18: Q1 2004 performance - concluding remarks

It has been a tough quarter both in terms of the trading environment in some of our key markets and because of the specific portfolio issues we are dealing with.

We have responded flexibly based on the specific needs of individual markets.

Importantly our business continues to demonstrate its resilience and ability to finance the necessary investment in our brands through cost savings in every area. We have continued to grow EPS (beia) 11% in this quarter and by 10% in the half year, and this also enables us to maintain our outlook of low double digit EPS (beia) growth for the year.

That completes my presentation and Howard and I will now be happy to take your questions.

SAFE HARBOUR STATEMENT: This announcement may contain forward-looking statements, including 'forward-looking statements' within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as 'expects', 'anticipates', 'intends' or the negative of these terms and other similar expressions of future performance or results and their negatives are intended to identify such forward-looking statements. 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, including, among others, competitive pricing and activities, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Group operates and new or changed priorities of the Boards. 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 document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group's expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

A reconciliation of performance measures used in this presentation to the equivalent GAAP measures can be found on our website at www.unilever.com.