

**Unilever**  
**Goldman Sachs Consumer Products Symposium**  
**Tuesday 8<sup>th</sup> May**

**Patrick Cescau, Group Chief Executive**

**Slide 1 – Introduction**

Good morning. I'm looking forward to talking with you for the next 10 minutes about what we're doing at Unilever and, even more, I'm looking forward to the questions and discussion.

It's a great time to be doing this – a time of great opportunity in Unilever, and a moment when we're just starting to see the results of the profound changes we've been making.

**Slide 2 – Safe Harbour**

As usual, I'd like to point out that this discussion is subject to the usual disclaimer relating to forward looking statements and non-GAAP measures shown here. This disclaimer will be posted with these slides on Unilever's website.

**Slide 3 – Our challenge in 2004**

You're all aware of the challenges we faced as we exited 2004. Difficulty in maintaining consistent growth, and difficulty in moving our top line and margin forward simultaneously.

We took a hard, unsentimental look at the root causes.

**Slide 4 – Our position in 2004**

First conclusion: we couldn't blame our poor performance on the intrinsic growth of our markets. Embedded growth – of 3-4% - was pretty competitive with our peers.

We had very significant advantage in developing and emerging markets. Unrivalled scale and infrastructure, deep local understanding, and highly capable local management built up over decades.

Yes, we had significant exposure to mature foods businesses in Europe – but even here there were exciting growth spaces – Vitality spaces – within our categories.

A portfolio with plenty of growth opportunities, not driven to it's full potential.

Our problems – and our performance deficit - were of our own making. A complex organisation - a lack of clear, global prioritisation - too much money wasted on the costly defence of weak positions, and not enough concentrated on building strong ones.

## **Slide 5 – A new business model**

It was clear that we needed a new business model for Unilever. More aggressive, top down choices as to our growth priorities, and a simpler, leaner organisation, united behind the strategy and designed to deliver it.

Two sides of the same coin. Bound together by disciplined execution, single point accountability and speed to market.

## **Slide 6 – Defining our growth priorities: build 1**

So what choices have we made? The principles are very straightforward.

### **Bullet 1**

First; we focus on businesses that are attractive. Businesses that are growing faster than average. Businesses that are favoured by demographic and consumer trends.

### **Bullet 2**

Second; we like businesses where we are already advantaged or where we see a realistic route to building advantage in the foreseeable future. There are compelling economic benefits to high relative market share at the local level.

## **Slide 7 – Deodorants**

Where we can combine global leadership with strong country positions – like Deodorants – we inevitably do well. We're not only global leader, we replicate the same high share country after country.

## **Slide 8 – Defining our growth priorities**

Where we have strong regional positions but not global leadership we can still do well if we choose our battles carefully. That is the position we enjoy in many categories across the D&E world.

And this is a source of great advantage.

And so, in summary, we're interested in performance businesses. Whether they're Foods or HPC.

## **Slide 9 – Deodorants, Skin, Hair**

Several of our personal care categories tick all these boxes – Deodorants, Skin, Hair. Fast growing, high margin categories where we have strong global presence and strength on the ground in many key markets. Categories where big global brands, marketing skills and technology already make the difference.

## **Slide 10 – Savoury, Ice Cream, Tea**

But a number of our Foods categories also fit the bill. Like Savoury, Ice Cream and Tea. We're now applying everything we've learned in Personal Care to turn these Foods categories into a global game.

### **Slide 11 – Vitality within Foods**

However, in some of our other Foods categories – slower growing and less attractive overall – there is, WITHIN the category, a high growth segment. Commonly that is a Vitality space. Here we believe all the same rules apply. Big brands, proprietary technology, international transferability.

Between this group and the last, we think we can dispel the myth that Foods is somehow a purely local game.

### **Slide 12 – D&E: Foods, Home Care**

And in D&E we have two sorts of opportunities. We have immense strength in many of these markets in HPC – particularly in Laundry. We can leverage this strength to take more of our categories and brands – including Foods – into some of the most vibrant consumer markets in the world.

### **Slide 13 – Russia and China**

Second, we can still expand our D&E footprint. We know from Vietnam that we can rapidly build our business by leveraging the same global brands and categories that we focus on elsewhere. The two priorities now for us are Russia and China.

Other businesses that don't form part of these global priorities still play a role – as long as they contribute to Unilever's overall performance. But we won't hesitate to act on businesses that are not strategically important and where we can't create long term value.

In the past we've said our priorities are Personal Care, Vitality and D&E. You can see that this is really just short-hand for a much more detailed and deliberate focus within our portfolio.

### **Slide 14 – Our growth priorities**

That's the portfolio strategy and the overall priorities. I hope it gives you a better insight into the kind of business we intend to build; and how.

We translate it into differentiated roles, different targeting, differentiated investment.

Today in Unilever, every unit knows its portfolio priorities and investment status, by brand and by category. And we back this up with hardwired performance management.

I said that our new business model was a coin with two sides. The second component has to do with HOW we compete – with an absolutely aligned organisation.

### **Slide 15 – Aligned organisation**

We have clear, single point accountabilities. And a seven man executive group under my leadership.

**Categories** are responsible for brands, R&D, Innovation, Strategic Pricing and global leverage.

**Regions** are focussed only on execution – deploying investment, customer management, tactical pricing and promotions, and the supply chain. They are responsible for in-year profit delivery.

**Functions** partner with the regions and categories and ensure functional excellence. Activities that are not mission critical we will seek to outsource.

It is early days, but the benefits of this clarity are already showing through in our results.

### **Slide 16 – One Unilever**

A simpler structure, with shorter lines and fewer layers has improved our speed to market (and cut top management numbers by 30% in 2 years).

Our country operations are simpler – facilitating the roll-out of “one Unilever”. And scale (as well as focus) means our customer management metrics are on the up.

Overall, we generated savings of around €900m in 2006.

But a simpler organisation is as much about better execution as it is cost-reduction.

### **Slide 17 – Bigger, better innovation**

I've made no secret of the fact that growth has been my number one priority. Why? Because it is where Unilever has been deficient in the past and is key to sustained long-term value creation.

The categories are delivering better innovation - faster and more widely rolled-out. You are seeing it in Dove pro-age, Clear Shampoo and our new products line-up for the European ice cream season.

And we have substantially stepped up investment behind this effort with additional A&P, improved product quality and strategic price adjustments.

### **Slide 18 – Growth Momentum**

We have seen real progress, right through to our first quarter results announced last week.

Broad based high quality growth, across all regions and categories, and clearly driven by our growth priorities – Personal Care, D&E, Vitality.

And because the growth is strategically driven, its driving a continual improvement in the quality of our portfolio. Our D&E sales have risen from 37% to 41% of our turnover in just two years.

### **Slide 19 – Key Financials**

We've spent more money; we've been facing a significant commodity cost headwind. But we've worked hard to generate savings and the benefit is starting to come through in our margins.

And, throughout, the business has continued to deliver excellent free cash flow.

### **Slide 20 - Agenda going forward**

So, what are my priorities going forward?

First, to grow

To grow competitively – and to gain market share.

To grow profitably – with better margin development and further simplification.

To grow consistently, not least in Europe where we are determined to build on the recent improvement.

Second, to continue to look for opportunities to speed up the transformation of our business.

This includes accelerating the development of our portfolio through acquisitions and further disposals.

It also includes looking at ways to accelerate margin improvement towards world class benchmarks.

One thing is for certain, there are no artificial limits being placed on what we are prepared to do to unlock Unilever's true value for shareholders.

Thank you.

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