

## **SECOND QUARTER AND HALF YEAR RESULTS 2004**

(Unaudited, constant 2003 average exchange rates, unless stated)

**EPS (beia\*) increased 11% in the quarter despite flat sales of leading brands in competitive markets. We have a fully funded programme for the second half and maintain our outlook for full year earnings.**

### **FINANCIAL HIGHLIGHTS - €millions**

Second Quarter 2004			Half Year 2004	
10,835	- 3 %	Turnover	20,623	- 3 %
1,613	- 2 %	Operating profit – beia*	3,068	- 1 %
1,170	+ 19 %	Pre-tax profit	2,101	+ 5 %
770	+ 34 %	Net profit	1,300	+ 8 %
1,036	+ 10 %	Net profit – beia*	1,887	+ 9 %
1.07	+ 11 %	EPS NV – beia * (Euros)	1.94	+ 10 %
16.02	+ 11 %	EPS PLC – beia * (Euro cents)	29.12	+ 10 %

\* Before exceptional items and amortisation of goodwill and intangible assets

At current rates of exchange EPS (beia) was higher by 10% in the quarter and by 6% for the half year. EPS was 34% higher in the quarter, helped by higher profits on disposals, and was ahead by 6% for the half year.

### **KEY FEATURES OF THE QUARTER**

- **Sales of the leading brands were flat, with a further slowdown in market growth and poor ice cream and ready-to-drink tea sales in Europe.**
- **Operating margin (beia) moved ahead by 10 basis points to 14.9% with cost savings continuing to underpin the funding of intensified competitive activity.**
- **With strong cash flow, net debt at quarter end exchange rates was €13.0 billion, down by €3.1 billion over the last twelve months. Net borrowing costs and pension financing costs reduced by 25% and 41% respectively.**
- **We continue to reduce our tax rate as a result of initiatives taken within the Path to Growth strategy.**
- **EPS (beia) grew by 11% after absorbing 3 percentage points of short-term dilution from disposals.**

### **CHAIRMEN'S COMMENT**

We continue to implement our plans to turn around underperforming businesses. This includes completion of the restructuring of the prestige fragrance business together with a focused innovation programme, and completing a full revamp of the *Slim-Fast* range. In frozen foods we are making good progress with reshaping the portfolio and we are relaunching the brands with a clear and differentiated position.

Consumer confidence remains weak and a number of our key markets are still growing at below their historical rates with a further slowdown this quarter. In Europe, home care markets have declined throughout this year and we now see the same in personal care with price competition driving developments in both cases. Furthermore there is still no sustained upturn in US consumer spending in our categories and here too home and personal care markets have declined. Against this background our volumes in Home & Personal Care continue to grow. In all regions we are taking the actions necessary to protect our market position and these are fully funded.

In Foods, improved momentum in spreads and cooking products and in savoury and dressings was offset by poor sales in Europe of ice cream and ready-to-drink tea which diluted overall leading brands growth by nearly 2 percentage points against a tough prior year comparator.

Importantly our business continues to demonstrate its resilience and ability to finance the necessary investment in our brands through cost savings in every area. This is a result of the Path to Growth strategy. Thus 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.