(FINAL)

Unilever Q2 and Half Year 2011 Results

Presentation and Video Cast

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Paul Polman,	Chief Executive Officer
Jean-Marc Huët,	Chief Financial Officer
James Allison	Head of Investor Relations and M&A

Chart 1: Title chart

James Allison, Head of Investor Relations and M&A

Good morning and welcome to Unilever's 2nd Quarter and Half Year results presentation. We appreciate your continued interest in our business and you taking the time to join us today.

The presentation of our results this morning will be given by Paul Polman, Chief Executive Officer and Jean-Marc Huët, Chief Financial Officer.

Paul will begin with an overview of the highlights of the year so far, including the changes to our organisation that we recently announced. Jean-Marc will then take you through our performance in more detail.

Paul will conclude with his perspectives on our progress; where the business was at the start of 2009 and where it is today.

Finally, he will summarise our outlook for the rest of the year, before opening the floor to your questions.

Chart 2: Safe Harbour Statement

As usual, I draw your attention to the disclaimer relating to forward looking statements and non-GAAP measures.

With that, let me hand over to Paul for his opening remarks.

Chart 3: Title chart – Paul Polman, CEO

Paul Polman

Good morning everyone.

Chart 4: Good performance against our priorities

The results we have announced this morning represent encouraging progress. They show that the transformation of Unilever is continuing and that we are competitive in even the most challenging conditions. We are the first to acknowledge that there is still more to do, but these results leave little room for doubt. The Unilever of today is fully fit to compete.

We estimate that our markets are growing by 4-5% globally. The underlying sales growth we achieved in the first half was a healthy 5.7%, with 7.1% in the last quarter. We are growing ahead of our markets and outperforming key competitors in many of our key categories.

That's now two quarters of volume and price growth, in an increasingly tough environment.

Volumes are slowing a little as we have taken pricing, and in some markets our competition is trailing. Solution Wash, Spreads and Hair are all good examples. However, we have accelerated volume growth through the first half of the year in a number of categories including Savoury, Fabric Softeners, Hand and Body, Ice Cream and Oral Care.

Just as we explained in Singapore the profile of our growth is also starting to reflect the strategic choices we have made as we turbo-charge the Compass. We are allocating resources more sharply, concentrating our A&P investments behind those brands and categories where we see the greatest potential for profitable growth.

So - encouraging top line performance, with pricing more or less where we wanted it to be and with market prices of commodities having stabilised. I'm also pleased that margins and overall earnings are in line with our expectations. Jean Marc will say more on this shortly.

Chart 5: Another step in the transformation

It is from this position of strength that we have announced further organisational changes to take our business to the next level in our transformation from a 40 to 80 billion Euro company. The time is right and these changes, I believe, will truly start leveraging the competitive advantages of our organisational model.

Let me briefly remind you of the journey we have been taking over the last few years. One Unilever was the start; a massive change that was absolutely necessary, but not enough to re-ignite growth.

The 9 for 09 initiative was the first attempt to change the agenda away from restructuring and establish volume growth as a clear business imperative. The simple priorities we introduced were successful and enabled us to kick-start growth.

The launch of the Compass over 2010 has established a common operating framework to win across our business. It brought the discipline we needed, with its four non negotiable elements around:

- Winning with brands and innovation.
- Winning in the market place.
- Winning through continuous improvement.
- And winning with people.

A sharpened performance culture with bias for action, putting the customer and consumer at the heart of everything we do.

Support behind our brands was stepped up, with A&P up €700 million over two years, and significant investments were made in improving product quality, globalising IT systems, expanding capabilities and people.

We also strengthened the role of the functions. Global structures were put in place for the Supply Chain, Marketing and IT. And we created the Enterprise Support organisation to allow for better leveraging of best practices and reduction of costs. We further strengthened our leadership team with numerous internal promotions as well as appointments from the external world; Jean Marc and Pier Luigi being key examples. This allowed the go to market and category organisations to focus even more on what they do best.

We saw the early benefits of the Compass in our results. Volumes as you know reached 30 year highs in 2010, and growth is now consistently ahead of our markets after many years of share decline.

With the turbo charging of the Compass in 2011 we once more step-changed our strategy. We sharpened our vision and introduced the Sustainable Living Plan, with the aim of doubling the business whilst reducing the overall environmental impact. A revolutionary commitment, which is rapidly building Unilever’s credibility, both with stakeholders and as an employer brand, to levels we have not seen from our competitors, yet which are badly needed in this increasingly challenged world.

We are also making sharper choices, clustering categories together into those where we aim to Win Globally, those which are D&E led and those where we want to Win Differently. Resource allocation has followed these sharpened priorities and results reflect this.

Chart 6: A new organisation – 4 categories

The new organisation we just announced takes the journey to the next level, bringing even more dedicated focus to the categories to drive innovation and simplify and strengthen the go to market structures for maximum commercialisation. We are:

- Scaling and simplifying the categories to bring focus and depth to innovation and capability building.
- And we are simplifying the go to market structure for scalability and speed whilst maintaining consumer proximity.

These changes improve connectivity between categories and clusters, resulting in bigger and better plans, rolled out faster globally.

We are combining our 11 categories into 4 mega category groupings, upgraded to President level, all of which fit together naturally. For example, the Personal Care unit, run by Dave Lewis, will now be fully able to compete with companies such as L'Oréal, who are already focused in this way. This allows us to put an integrated beauty strategy in place and manage our core brand equities like Dove or Axe more holistically, with more senior fire power to win.

The Refreshment unit, run by Kevin Havelock, combines Ice Cream and Beverages, allowing us to better leverage, for example, the out of home or impulse opportunity. Antoine De Saint Affrique will run Foods, and I will take personal responsibility for the leadership of Home Care for the time being, so that I can stay close and ensure the successful implementation of these changes.

Each category will be responsible for developing the overall strategy, including category-related R&D, now much more linked to the market needs.

Chart 7: A new organisation – 8 clusters

At the same time, we are eliminating the regional level which has sometimes acted as a barrier to speed and did not reflect the optimal consumer touch points. Here we are moving from 22 MCOs to 8 mega clusters under Harish Manwani's leadership.

It allows us for example to form one Africa cluster, which Frank Braeken will lead.

Or a Europe cluster, now including the markets of Central and Eastern Europe. Jan Zijderveld will continue to bring his energising leadership to this expanded region.

This removal of regional structures allows us to delayer and to better organise around consumer clusters. The management touch points in the organisation will fall dramatically; from 11 categories and 22 MCOs to 4 mega categories and 8 clusters.

So – substantial and exciting changes, allowing us to:

- Have even bigger and better innovations, driven with stepped-up speed and alignment.
- Sharpen capability building.
- Better fit clusters around consumer needs and stages of development.
- And flexibly allocate our resources behind growth priorities.

No less important, it will take cost out of the organisation at the same time, mainly coming from elimination of the regional structures and simplified and streamlined interfaces.

Let me now pass you to Jean-Marc who will take you through the detail of our performance in Q2 and the first half of the year as a whole.

Chart 8: Introduction; Jean-Marc Huët, CFO

Jean-Marc Huët

Thank you Paul and good morning everyone.

Chart 9: Q2 11 : Highest growth since 2008

Underlying sales growth in the quarter was strong at 7.1%, the best quarterly performance Unilever has delivered since the fourth quarter of 2008. But unlike 2008 we now see a good balance between price and volume, with both contributing positively to our growth.

Turnover was €11.9 billion in the quarter, up 1.5% on the same period last year, with the stronger Euro resulting in a negative forex effect of 5.6%. We also saw a small positive contribution of 0.4% from the acquisition and disposal line, as the benefits of our stepped up M&A programme start to add to our revenue.

Chart 10: H1 11 : Healthy balance between price and volume

For the half year, turnover was €22.8 billion, up 4.1%, with underlying sales growth of 5.7%. With our markets growing globally at between 4% and 5% this is encouraging performance. It represents the market-beating growth which we prioritise so highly.

Underlying volume growth for the first half was 2.2%. Underlying price growth was 3.5% and currency had a negative impact of 1.6%. If rates were to remain at end July levels for the balance of the year, we would see a negative full year currency impact on turnover of around 2%.

There are many examples from across our business of strong performance in the first half. In the emerging markets we once again saw double digit growth in many key countries. India, China, Indonesia, Turkey, South Africa, Mexico and Argentina are amongst the bigger examples, despite most of them experiencing heightened competitive activity.

Chart 11: H1 11 : Western Europe stable over the first half

In the developed world, our Western Europe business grew revenue by 1.3% in the first half, with volumes up 0.2%. As you will remember our first quarter performance looked weak, whereas in the second we saw much stronger growth, at 4.8%. Both quarters are unrepresentative of the underlying trends in our Western Europe business, which we see as essentially stable, in line with the market. This is another example of why we should not read too much into 90 days results.

Finally, we also saw consistent levels of growth across our category portfolio, with all four achieving underlying sales growth in excess of 5% for the first half of the year. This is broad based, consistent growth; exactly the model we are working towards.

We also had a good first half serving the professional food markets with our Food Solutions business. High single digit growth is strong performance, and made a significant contribution to our overall growth in the Savoury Dressings and Spreads and Refreshment categories.

Chart 12: We are winning where competition is intense: Hair

Also encouraging is the increasing evidence that we can win in categories where competition is most intense. In the Hair category for example, our business continues to strengthen as we step up our innovation performance, and start to see benefits from the recent acquisitions of TIGI and more recently Alberto Culver. We now have 9 quarters of continued growth despite key competition lowering prices in a number of important markets such as India and the US.

Our shares are up in a number of key markets, including the highly competitive examples you see on the chart. Although progress is most rapid in China we have also seen healthy share gains in the hugely important US market, helped by the brands of Alberto Culver.

Chart 13: We are winning where competition is intense: Laundry

Competition has been even more intense in the Laundry category. Commodity costs are sharply up, and although we have often led prices higher the increases have been insufficient to cover cost inflation. This means that industry margins are under great pressure. At the same time, levels of price promotion, whilst not as extreme as in 2010, remain at historically high levels.

Faced with these challenges we have prioritised our market shares and brand health. We have acted decisively and with good effect. Underlying sales growth was high single digits for the first half, with a good balance between volume and price. In Asia Africa CEE, the heartland of our Laundry business, growth was in double digits. Shares overall are flat, but in key Asian markets we are gaining share strongly, in China for example, or India - as you can see in the chart.

This success has come at the expense of margin, not only for us but for the industry as a whole. But remaining competitive in all circumstances is absolutely the right thing for us to do – we said that we would put our brands first without compromise, and that is exactly what we have done.

The overall Unilever business model is robust, allowing us to face competitive challenges in specific categories without undermining the overall profitability of the group. So our position is clear; we will not concede ground in the face of aggressive competition.

Chart 14: Winning globally in Ice Cream

Turning to Ice Cream; we are again seeing share gains both globally and in key countries. In many cases these gains are in emerging markets. But we also see positive share momentum in both Western Europe and in the highly competitive US market, where the introduction of Magnum has been an outstanding success.

Chart 15: Innovation underpins our growth

Our innovation continues to strengthen and our funnel is healthier than ever before. Projects are getting bigger, and are being rolled out to many more countries. For example, a few years ago a new Axe variant would reach less than 20 countries, mostly in Europe. Today, our Axe Excite variant has rapidly been launched on a global scale; it will reach 100 countries in a short period of time.

And even more importantly, the portfolio as a whole is delivering more. The proportion of our turnover coming from products launched in the last two years continues to be above 30%.

But let me bring this to life by giving you some real examples, starting with our Skin category.

Chart 16: Innovations H1 11

The second quarter saw early examples of innovation in our newly acquired Sara Lee business in Europe. The Radox Spa range has made a promising start in the UK market, where it has been launched alongside a separate ‘smoothie’ range for both bath and shower.

In Asia, we saw a series of launches of male-targeted skin care products, including the Vaseline Men’s Face range in Thailand.

In our Oral care business we are holding share despite intense competition. We continued the rollout of the Sensitive Expert range, reaching key European markets as well as Turkey and Indonesia.

And we continued to rollout Close-Up Fire-Freeze, with launches across the Middle East, South East Asia, Pakistan and Brazil, building on the success initially seen in India. With both of these innovations we are encouraging consumers to trade up for enhanced benefits in health and freshness.

In our tea business we have just launched the new Lipton Sun Tea range in France with very encouraging early results. This is a seasonal variant, with fruit-based flavours intended for infusion in <u>cold water</u> for summer drinking. There are samples available in the foyer for you to enjoy after the presentation.

Chart 17: We continue to rollout our brands into more markets

As well as innovating faster we are also taking our brands into more markets. In the first half of 2011 for example, we have:

- Completed the major launch of our successful Magnum brand in the important US market.
- Launched the Axe brand into China, in both Deodorants and Skin Cleansing.
- We've extended the Café Zero concept from its successful base in Italy into Spain, Greece and the Benelux.
- We've reached more than 50 markets with our Clear brand in Hair care, with the latest launch being in Mexico.
- We've launched Dove Deodorants in Thailand.
- We've taken our Cif surface cleaning brand into Malaysia and the Philippines.
- And finally we've launched Sunlight dishwash in emerging markets including Bangladesh and Pakistan.

We are also making good progress in re-shaping our portfolio, with the great brands of Sara Lee and Alberto Culver increasingly part of our business. Let me update you briefly on the integration of these two recent acquisitions.

Chart 18: Integration work progressing well

The integration of the Sara Lee personal care brands is nearing completion, a good example of the speed of action that we are developing in Unilever.

Early performance from the new portfolio is encouraging overall, although mixed at brand level, with Radox and Neutral performing well but Duschdas starting more slowly.

We expect synergies of around €75 million on a full year basis, in line with our earlier guidance. We continue to expect restructuring and integration costs to be around €150 in total, with €30m charged in 2010 and €90 million expected in 2011.

The Alberto Culver acquisition was completed in May and already we have early integration actions underway. We anticipate most countries will be fully integrated before the end of 2011.

We continue to expect synergies in excess of 10% of the acquired turnover, and restructuring costs of around €200 million, with two thirds falling in 2011.

So, we are building a stronger portfolio, and are continuing to accelerate the pace of our innovation and new market launches.

But let me now turn to the rest of our income statement, starting with the cost base.

Chart 19: Commodity costs remain high

Commodity cost inflation continues to be a major challenge for the industry and a topic of heavy focus for you as analysts and investors.

Let me start by confirming that we continue to expect commodity cost inflation for the full year to be between 500 and 550 basis points of turnover.

Overall we see market prices across our range of commodities as broadly stable. Since our last update at the end of April there has been some minor softening in some commodities, particularly edible oils, but further increases in others, such as sugar. Crude oil however remains stubbornly high, in the 115 to 120 US Dollar range that has been in place since April.

I believe we are better placed to manage cost inflation today than we were before.

Firstly we have much clearer visibility of our exposures around the business. In 2008 we had examples where we were long on palm oil in one part of the world and short in another. Today this cannot happen. When we make a call on a market dynamic we do so in a coordinated way for the whole of Unilever. I have on one sheet of paper an overview of all our exposures and hedging positions, monitored daily and allowing much faster and better informed decision making.

Secondly we are <u>much more responsive</u>; able to react with speed to changes in market conditions. Having split physical buying from risk management activity we can typically take a buy or unwind decision within a day, rather than the weeks or even months it used to take us in 2008.

And thirdly, with new capability in place and the benefits of our performance culture starting to land we have a level of <u>accountability</u> that leaves me confident that we can manage our cost base effectively.

Chart 20: Strong savings programmes continue

Of course with this level of cost inflation, our savings programmes are more important than ever. It is reassuring to see continued strong delivery from our many savings projects, with a clear step up in the second quarter and a total contribution in the first half of around €600 million.

With projects slightly more biased to the second half of the year than the first, we now expect full year savings to be in excess of €1.3 billion, similar to the level achieved in 2010.

Chart 21: H1 11: Price growth has accelerated

Alongside this strong savings performance we have also seen significant price growth. The size of commodity cost inflation, some 15% of our cost base, has been such that price increases have been inevitable.

For the first half, underlying price growth was 3.5%. This continued a trend which has been in place for 18 months now, with quarterly underlying price growth reaching 5.1% in the second quarter.

Looking ahead we see more stability, with most new pricing actions now in the market. We will not make the mistakes of 2008 when we priced too aggressively. Come what may we will remain competitive.

Our expectation for the second half is for underlying price growth to stabilise at or slightly above the level seen in the second quarter.

Chart 22: Gross Margin down

It is normal to see Gross Margin deteriorate at times of high cost inflation. In addition, price actions typically lag cost increases - a dynamic we have again seen in the first half of this year.

So, it is not a surprise that Gross Margin was down by 230 basis points in the first half. Pricing and savings provided some positive momentum, but this was more than offset by inflation in both commodity costs and in our factory and distribution costs.

In particular, we are seeing high wage inflation in our factory and distribution operations in emerging markets. We estimate the running rate to be around 10%.

At the same time, the 40% year on year increase in crude oil costs has impacted not only the plastics and chemicals we use in our products, but also the operating costs of our factories, warehouses and distribution services.

Lastly we have also stepped up our investments in key areas, particularly in product quality and in manufacturing capabilities in emerging markets.

Our Gross Margin in the first half was also impacted by mix. An example is Japan, where the natural disaster in March led to sharply lower sales in our heavily Personal Care based business.

With pricing higher in the second half than the first we expect the year on year movement in Gross Margin to improve as the year progresses.

Chart 23: A&P investment – flat spend for the full year

We are confident that the level of advertising support we put behind our brands in the first half was competitive. This is something that you can see clearly reflected in the strong volume performance we have delivered.

Our A&P spend in 2011 is more evenly weighted through the year than in 2010. You can clearly see on the chart. Although our first half spend was 150 basis points lower than in the first half of last year it was only 40 basis points lower than the spend for 2010 as a whole.

In practice, we don't manage our A&P investment in terms of basis points. We look at the absolute spend we need to support our innovation and new market launch activities, and ensure our brands are fully competitive. Looked at in these terms you can see that we have increased our spend from the second half of last year, and we plan to maintain this level in the balance of the year.

We are also making great progress in our global initiative to drive higher effectiveness and efficiency in our A&P spend. Our efforts here allow us to invest more behind our innovations and new market launches, driving the long term brand health which is so pivotal to our success.

Chart 24: Underlying operating margin down 20bps

As we expected, Underlying Operating Margin was down in the first half. The fact that the reduction was only 20 basis points is thanks to the continuous improvement programmes we are driving with discipline throughout the organisation. We see this particularly in our Indirect costs, which were lower by 60 basis points.

Just to be clear, when we talk Indirects we mean all costs excluding supply chain costs and advertising and promotions. This is a considerable part of our cost base, and one which we will continue to drive lower.

The improvement in our indirect costs in the first half comes after a full year reduction of 40 basis points in 2010; consistent progress and invaluable as a source of funding for our brands.

Be it:

- in the Enterprise Support organisation we are using to increasingly leverage our scale in back office services,
- the substantial simplification we have made in our ERP platforms, consolidating from more than 100 to just 1 global standard supported by 3 regional platforms,
- or the leaner and faster organisation we now have in place,

I am confident that we are establishing the rigour and discipline to continue on this path of lower Indirects, both for the second half of 2011 and for the years ahead.

Chart 25: Diluted Earnings Per Share growth

Fully diluted earnings per share for the first half were 77 Euro cents, an increase of 10%.

Our core EPS growth in the first half was 3%, with currency and other minor elements reducing the 5% growth seen in operational performance.

Chart 26: 7th consecutive quarter of negative working capital

Trading Working Capital was negative for the seventh successive quarter. At the end of H1 we had Trading Working Capital of minus 1.4% of Turnover.

Although this is still a strong position, it does represent a slight deterioration from the position at the same time last year when the figure was minus 1.9%. There is more work for us to do, especially in receivables, but we remain confident that we will see improvements in the second half.

In absolute terms we saw a significant cash outflow from working capital in the first half. This reflects the normal seasonality of our business, exacerbated by the very low position that we achieved at the end of 2010.

Chart 27: Free Cash Flow impacted by seasonal outflow of working capital

This working capital outflow of €1.2 billion negatively impacted free cash flow in the first half. Net capex was €0.9 billion and tax and other items were €1.0 billion. Against these outflows, operating profit before depreciation and amortisation was €3.8 billion, up by around €0.2 billion. As a result, free cash flow for the first half was €0.8 billion, down by €0.5 billion on the first half of 2010.

Chart 28: Balance Sheet remains strong

Net debt was €8.1 billion at the half year, up from €6.7 billion at the end of 2010. The main driver of the increase was the significant cash outflow from the Alberto Culver acquisition which completed in the second quarter.

The pension deficit fell to €1.5 billion at the half year from €2.1 billion at the end of 2010. The main contributor to this has been improved investment returns with healthy growth in scheme assets in both the first and second quarters.

Cash contributions to pensions in the first half were just over €200 million, down by more than €100 million on 2010. We still expect full year payments to be around €550 million, well below the €700 million contributed in 2010.

Finally, I can confirm that the next quarterly dividend will be 22.5 Euro cents, to be paid in September.

With that, I now return you to Paul.

Chart 29: Title chart – Paul Polman, CEO

Paul Polman

Thank you Jean Marc

Chart 30: Good progress in a difficult environment

Overall our progress is good, in fact a little better than I might have hoped for at the beginning of 2009.

We have reignited growth, reaching a level that some suspected our portfolio was not capable of delivering. Underlying sales growth has stepped up steadily, from 3.5% in 2009 to 4.1% in 2010 and now as you have seen, to 5.7% in the first half of 2011.

And throughout this period our volumes have been positive, even in the last six months when often we have been leaders in driving prices higher. Unlike our experience in 2008 we are starting to prove ourselves able to grow both price and volume at the same time.

Unilever had become all too familiar with gradual erosion in market share. Turning this around was critical to building confidence, convincing our people that we have what it takes to win, even in the most competitive of markets.

At the heart of our new competitiveness is our approach to innovation. In 2008 we had far too many projects, most of them launched in just a small number of markets. Our resources were scattered too thinly and we were unable to leverage our scale.

We set out to launch fewer but bigger innovations, and to reach many more markets with far greater speed. At the same time we started to improve product quality throughout our portfolio and support our brands with more and better advertising.

Two and a half years later we have delivered strongly against that intent. Now we routinely roll out substantial innovations to 30 or more markets within 12 months.

The proof point is in the numbers – firstly in the volume performance I have just discussed, and secondly in our innovation metrics themselves:

- Our innovation rate is now running consistently above 30%.
- We have more projects with incremental turnover in excess of €50 million.
- The number of projects launched in 10 or more markets within 12 months is up from 9 in 2009 to more than 60 in 2011, and
- We have a stronger and more valuable project funnel.

Equally, we have significantly stepped up white space expansion. Our portfolio today includes 130 new brand market combinations that were not in place a year ago.

And we have also made good progress in improving the discipline and focus of our go to market execution. On-shelf availability is substantially improved, our in-store presence is greatly enhanced and customer service levels are no longer holding us back. There is more still to do of course, but our progress is good.

At the same time as we have been strengthening our topline performance we have also seen robust improvements in both our margins and our cash delivery. Key to this has been the level of rigour and discipline we have instilled throughout the business.

The continuous improvement mindset that Jean Marc champions is now a tangible part of how we work. Wherever there are costs that our consumers are not willing to pay for we are steadily taking them out of the system. We are not there yet, but the progress is clear for all to see and is a key driver of the virtuous circle of growth that we are determined to create.

And we are making good progress in the complex challenge of changing the culture of Unilever. The performance culture we set out to build is starting to take root, and the bias for action is much improved. Our people are more externally focused and aware of how critical the consumer and customer are to our success.

We are faster, clearer in our choices and more disciplined in how we act on them. Most of all though we are a more confident business, with the self belief that only comes with a consistent winning record. Now we are taking one step further again, with a new organisational model, sharpened strategy, adding capacity and driving speed.

Not a day too soon. Things are tough out there.

Chart 31: Consumer environment remains fragile: two speed economy

In Western Europe and North America the outlook remains gloomy. Different people have different figures, but we can all agree that there is very little if any growth in these markets, and with the real austerity cuts still ahead of us in many European countries this is unlikely to change for several years.

In the UK, Asda's Income Tracker reports that average household disposable income is down year on year by 8%. UK and US retailers are reporting a decline in their like for like sales. And this is before most austerity measures really start to bite. We can all see how tough things are getting for the consumer.

We continue to expect the recovery in developed markets to be long and drawn out, with consumer confidence at levels below those we saw in 2008 for some time to come.

Fortunately, in the Emerging markets growth is more robust, although even here we cannot escape the signs of slowdown in some countries, as I have flagged before, with pricing starting to hit and measures being taken to slow growth. We saw a modest slowdown in China late in 2010, albeit from an exceptionally high base, and as you heard from Hindustan Unilever recently we now see a similar pattern in India.

Keep these in perspective though, growth is still strong in much of Asia, Africa and Latin America, and with more of our business in these markets than any of our major peers we continue to be well placed.

In today's challenging environment growth is at a premium, and it is no surprise that competitive intensity remains high, although this is also where our growth is strengthened. We do however see some signs of more rational competition in some places as the pressure of cost inflation and depressed consumer demand starts to have an effect.

Against this background, let me finally look forward – what are the key things that remain to be done? Where is it we need to get to next in our journey?

Chart 32: Opportunities to raise the bar further

Let me pick out four actions that I think will really make a difference.

Firstly, we need to make sharper choices in how we manage our portfolio. We have a series of clear category strategies. Now we need to be uncompromising in aligning our resources to the most strategic growth opportunities.

Secondly, we need to implement the new organisation structure quickly and efficiently. We need to raise the bar further still on innovation capability and the speed with which we roll out globally.

Thirdly, we need to drive further our industry-leading approach to sustainability. Our ambition is captured in the Unilever Sustainable Living Plan, with its series of bold commitments and hard measurable targets. This is a call to action, not just for Unilever but for our industry as a whole. We are starting to bring it to life but we can and will need to push it much harder, especially with our brands in the years to come.

It is the right thing for society, but it is also the right thing for our business. Consumers are increasingly aware of sustainability issues and discerning about the brands they trust. In the long term a sustainable business model will be the only one that consumers will tolerate. We are setting a lead in this area, and we will continue to do so.

Finally, there remains more for us to do in driving rigour and discipline throughout the business. We now are far enough advanced on Enterprise Support and global IT systems. Now we must harness the potential of these assets and ensure that continuous improvement becomes the norm in Unilever. There is still enough juice in the system to go after.

Chart 33: Outlook

I will close my comments with a few words on the outlook for the rest of 2011. There is no doubt that the second half of this year will challenge us once more. However, we start from a position of confidence with a strong first half behind us, positive momentum in most areas and an even stronger innovation programme in the second half. There is a new level of energy and spirit in the business.

Assuming no further major shocks or irrational competitor activity we look forward to the second half with confidence. Our priorities remain unchanged. We will continue to focus on profitable volume growth ahead of our markets, steady and sustainable improvement in underlying operating margin and strong cash flow. We stay focused on doing the right things for the long term, and above all on maintaining the long term health of our brands.

And on that note ladies and gentlemen I would like to open the floor for questions.

Chart 34: Questions