Unilever 2010 Full Year and Q4 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

CHART 2 : Paul Polman, Chief Executive Officer.

Paul Polman

Good morning and welcome to Unilever's Full Year and 4th Quarter results presentation. We appreciate your interest in Unilever and the time you are taking from your busy schedules to join us again today.

I am joined by Jean-Marc Huët, our Chief Financial Officer and by James Allison, Head of Investor Relations and M&A.

Also in the audience today are Mike Polk, President of the Categories, Geneviève Berger, Chief R&D Officer, Pier-Luigi Sigismondi, our Chief Supply Chain Officer, Dave Lewis, President of the Americas and Tonia Lovell, Chief Legal Officer.

I would like to make particular mention today of Jan Zijderveld, our newly appointed President of Western Europe. Some of you will have met Jan in Singapore last November. He was most recently Executive Vice President of our South East Asia and Australasia business. Under his leadership our business there has performed strongly, growing 10% in 2010 in highly competitive market conditions. I am confident Jan will make a great addition to the Unilever executive team.

Jan replaces Doug Baillie, who has been appointed Chief HR Officer in succession to Sandy Ogg. Doug has done a remarkable job steering our Western European business to strong results in extremely challenging conditions. Under his leadership we started to grow share in Western Europe after many years of decline.

He will bring to the HR role his considerable business experience and passionate focus on the consumer and customer, as well as a deep commitment to the development of our people and our organisation. In fact - just the man to help us take the performance culture in Unilever to a new level.

Both Jan and Doug have important commitments in Rotterdam today so are unfortunately not able to join us. Also unable to be here today are Harish Manwani, President of Asia Africa and CEE and Keith Weed, Chief Marketing and Communications Officer.

I will start by saying a few words about the highlights of the year, before handing over to Jean-Marc who will cover our recent business performance in more depth.

After that, I will reflect on the changes that we have made to the business over the last couple of years. Those areas where Unilever is now truly fit to compete, and those where there is still more to do.

I will also look forward to the year ahead. We are entering a period of greater volatility, with geopolitical uncertainty on the rise, currencies continuing to fluctuate sharply and the return of commodity cost inflation. And as I have said many times, we do not expect the competitive intensity to be any different from today.

So, 2011 will be demanding. But I am convinced that the Unilever of today is well placed to meet these challenges and to continue the track record of consistent delivery we are starting to build.

I will conclude my comments by re-confirming the long term objectives we have for our business, before opening the floor for questions.

So let’s get going.

CHART 3: Safe Harbour Statement

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

CHART 4: Strong Volume Growth in Difficult Markets

The results we have reported today demonstrate the progress we are making in transforming Unilever. We have had a strong year, particularly given the context of sluggish markets and intensifying competition. Volume growth of 5.8% is the best that Unilever has achieved for more than 30 years.

We set out two years ago to reignite volume growth in Unilever, and to grow ahead of our markets. That's what we have done, at the same time laying a platform for the long term health of Unilever. Our share performance is healthy throughout the business. In all regions and in most of our categories our volume shares over the last year have grown from the previous year.

Our value share performance is also encouraging. Overall our value shares are still slightly down, but this is due mainly to declines in Spreads. Here our shares have been hit by high butter prices, although within the margarine market we continue to gain share. Elsewhere in our foods business value shares are up, particularly in Dressings, Ice Cream and key parts of our Savoury business.

In Home Care, despite all the competitive pressure you have heard so much about, our value share is flat overall. And in Personal care we are seeing strong gains in value shares in both Deodorants and Skin Cleansing. Even in Hair, after years of decline we are now seeing value shares growing again in North America and in key emerging markets such as China and India.

CHART 5: Broad Based Volume Growth

In our emerging markets business we grew volumes by around 10% over the year as a whole, with the key businesses of China, India and Turkey all delivering growth well into double digits. Only in Central and Eastern Europe did we see more subdued growth, although even here volumes were comfortably up in difficult markets.

In the developed world, where as you know growth has been very hard to achieve over the recent past, our volumes are also up by 2% - ahead of the market.

And let's not forget these results have been achieved against a much stronger base from the 4th quarter of 2009, and in an environment that has reached new levels of competitive intensity over the last year.

Chart 6: We have Delivered Against our Priorities

Even more encouraging is the fact that we have proved ourselves able to step up the topline whilst at the same time continuing to expand our margins.

Underlying Operating Margin for the year as a whole was up by 20 basis points. At the same time we have been able to substantially increase the investment behind our brands – up by more than €300 million in the year. This came after an even bigger increase in 2009, meaning an additional €700 million behind the building of our brand equities over the last two years. This is a key driver of our long-term success; investing in our brands - the lifeblood of the business.

I am also delighted with our continued cash discipline during the year. Average working capital was again below zero; that's five successive quarters now – and I'm sure this is a trend that will continue in the year ahead.

I am pleased to be able to reflect on 2010 as increasingly firm evidence of the progress we have made in transforming the performance of Unilever. We have undoubtedly raised the bar on performance. The significant gaps to competitors that we faced a couple of years ago have been closed.

This is what we said we would do, and now we have done it. As you know, this is the way I like to work.

Chart 7: Bigger, Better, Faster Innovation

We have changed our approach to innovation. We set out to launch fewer bigger innovations, to reach more markets more quickly and to improve product quality throughout our portfolio. All supported with higher levels of better quality advertising.

That is exactly what we have done. The chart shows you just a few examples of the major projects which have fuelled our growth in 2010.

- Dove Men + Care,
- Dove Damage Therapy,
- Magnum Gold?!
- Knorr Stockpot
- Axe Twist, and
- The global relaunch of Dirt is Good.

You are familiar with these because they have quickly become major successes in multiple markets. We are starting to get comfortable with hitting 30 or 40 markets in quick succession.

These are strong innovations based on tangible product improvements. Pricing actions might be seen as innovation by some of our competitors, but not in our definition.

It is not only in our innovation programme where a transformation is underway. Our cost effectiveness, in-market execution and speed of action are all much improved. We are showing that we are now fit to compete.

But now we have raised the bar we need to push it higher still. This is about Unilever starting to set the agenda, establishing the sustainable competitive advantages that will help us win in the long term.

I will return to these themes a little later; also to the reasons why I feel quietly confident about our prospects in 2011. But for now, let me pass to Jean-Marc who will cover our performance in a bit more detail.

Chart 8: Jean-Marc Huët, Chief Financial Officer

Jean-Marc Huët

Thank you Paul, and good morning everyone.

In my review I will discuss our performance in the fourth quarter, and in the year as a whole. Let me begin by looking at our sales performance.

Chart 9: Q4 2010: Strong Top Line Growth

Underlying Sales Growth for the quarter was 5.1%, driven entirely by volume.

Against a strong comparator, and with in-quarter pricing turning positive, we saw volume growth step up slightly from the level seen in the third quarter. If we compare volumes with the fourth quarter of 2008 we see growth over the two year period of more than 10%.

The weak Euro resulted in a strongly positive forex effect of 8%. Turnover for the quarter was €10.8 billion, up 12%.

Chart 10: 2010: Strong Underlying Sales Growth

For the year as a whole, Turnover was up by 11%, reaching a total of €44.3 billion. That’s four and a half billion Euros added to the top line in the last year.

Underlying sales growth was 4.1%, with volume growth of 5.8%. Forex was again a significant positive at 7.3%.

In 2010, the impact of disposals on turnover slightly exceeded that of acquisitions. In 2011 however we will see a boost to our growth from our stepped up M&A programme. For the first time in many years M&A will add to the business.

As Paul has explained, our volume growth is broad based across regions and categories, and volume share momentum is consistently strong. The virtuous circle of growth is starting to work for us, and it is innovation more than any other factor that has triggered this positive change in our business.

Chart 11: BBF innovation – Turnover > €50m during year 1

Most fundamentally, our innovations are getting bigger. We can now think realistically about projects that will deliver more than €50 million of incremental turnover in their first year. That's more than 10 basis points of growth for Unilever as a whole from a single innovation project.

As you can see, we have built on the success of Axe Hair in 2009 with PF Chang's in Savoury, the White Now concept in Oral and Dove Men+ Care in 2010. All these are comfortably in €50 million plus territory, and we are confident of more to come.

Chart 12: Bigger, Better, Faster Innovation

Taking a longer term perspective we also see encouraging signs of an increasingly robust innovation programme. Our Clear brand for example now has turnover of more than half a billion Euros across 38 countries.

In Deodorants, the annual new variant we launch under the Axe brand set new standards with Dark Temptation which delivered more than €100 million in 2009. We followed this success with the Twist variant in 2010, and now Excite in 2011.

Our Dove Defi liquids range in Skin has reached well over €100 million just 18 months after its first launch.

And in Foods, our AdeS brand in Latin America has quickly grown to more than €300 million.

Let’s now take a quick look at some of the highlights of our innovation programme over the last quarter.

Chart 13: BBF – Q4 10: Personal Care Innovations

In Hair, the latest phase of TIGI’s Bed Head wash and care innovation programme has just been launched – the fade-fighting Colour Combat range.

And in Deodorants and Skin Cleansing, the new Axe Excite variant I just mentioned was launched in November of 2010. Showing once again the speed of action of the new Unilever, this range will be in more than 80 markets by the end of the first quarter.

Chart 14: BBF – Q4 10: Home Care Innovations

In Fabric Cleaning, the global relaunch of our ‘Dirt is good’ range continued in the fourth quarter with successful launches in China, Turkey and Australasia.

And in Household care, Sunlight dishwash was relaunched with a new ‘one wipe’ concept. Fourth quarter launches include South Africa and South East Asia, with encouraging early results.

Chart 15: BBF - Q4 10: Foods Innovations

In ice cream, our test of the Café Zero concept in Italy had results well ahead of expectations, so we are now rolling out elsewhere in Western Europe. There are samples of this great new product available for you to try after this presentation.

And in Savoury, our successful Knorr 'season and shake' range was launched in the UK and Ireland under the Colman's brand.

Chart 16: Q4 2010: Brands into New Markets

In addition to these innovations, the fourth quarter also saw us build further on the momentum we have established in taking our brands into new markets. For example, we:

- Launched the Clear anti-dandruff brand into Chile and other Latin American countries, making 38 markets in total.
- And took the Dove Hair range into the Chinese market.

Chart 17: Q4 2010: Brands into New Markets

- In our foods business, we introduced Knorr soups to Bangladesh.
- And launched Magnum into Indonesia, with plans announced to enter the USA. Both very exciting opportunities as I'm sure you can imagine.

Let me now move on to discuss our pricing.

Chart 18: Q4 10: Positive in-quarter Price Growth

The trend in underlying price growth has continued to improve, to the extent that it reached zero for the fourth quarter as a whole. In-quarter pricing was positive, after being flat for the previous three quarters.

In our results today we have for the first time shared our underlying price growth by category. This is linked to the move to quarterly trading statements that we announced recently, which I'm pleased to say has been very well received by our investors.

You can see clearly from this category price data that much of the negative underlying price growth for the year as a whole is concentrated in our Home Care business, where price competition has been particularly intense. Here also we see positive trends, with fourth quarter price growth only modestly negative and volume share gains continuing. We remain determined to continue these trends and to grow our share further.

We expect prices overall to be comfortably higher in 2011. Paul will discuss the outlook for pricing a little later in the presentation.

Chart 19: 2010: Gross Margin Up 10 bps

Turning now to our margins, I can report that Gross Margin for the year as a whole was modestly higher, by around 10 basis points.

The fourth quarter was similar to the third, with commodity cost increases driving Gross Margin lower by 140 basis points. Pricing is no longer constraining margins however, and will become a positive as we enter 2011.

We will continue to dynamically manage the levers by which we can control our Gross Margin. Prices will certainly be higher, but this is only one part of the story. Our savings programme will be more important than ever, and we will also ensure we maximise the benefits we get from operational leverage and from mix.

Chart 20: 2010: Strong Savings Delivery at €1.4 bn

We continue to see strong delivery from our savings programmes, both in the Supply Chain costs and in our indirect cost base.

Total savings for 2010 were €1.4 billion, well ahead of the 1 billion we were targeting at the start of the year. This comes after savings of a further €1.4 billion in 2009 – nearly €3 billion taken out of our cost base in two years. With this strong track record behind us we are confident of continued delivery in savings; we expect at least another billion Euros in 2011.

Chart 21: Higher, Volatile Commodity Costs

After a modest tailwind in the first half of 2010, we saw a sharp step up in commodity costs in the second half. For the full year commodity costs were around €350 million higher, net of currency effects. Key drivers of this increase were edible oils, petrochemicals, packaging and tea.

In 2011 we see this trend of rising commodity costs accelerating sharply. To give you a few examples, Palm Oil currently has a spot price of around 1,250 Dollars per metric tonne. A year ago it was just over 700. For sunflower oil the increase is similar, from 930 Dollars a year ago to nearly 1,500 today. And Brent crude is back over 100 Dollars a barrel; a year ago it was around 70.

At this moment in time we anticipate commodity cost inflation in 2011 of roughly 400 basis points of turnover. The overall impact is hard to quantify however, because market volatility in both commodities themselves and in currency mean that forecasts can move rapidly from week to week.

Although this is not as extreme as in 2008, it is certainly significant. Our intention is to recover this oncost through a combination of responsible pricing, stepped-up cost saving, operational leverage and mix. Most importantly, we are much fitter to compete than we were in 2008.

Paul will return to this subject later in the presentation.

Chart 22: 2010: A&P Up 30bps

As we indicated last quarter, advertising and promotions spend was substantially up for the year as a whole to €5.6 billion. €330 million more than in 2009 and €700 million more than in 2008.

In the second half, advertising and promotion spend was down by around 5% versus a very high comparator. We increased our support in emerging markets, and in Western Europe and the US we redirected some support to competitive pricing. Nevertheless, our levels of advertising support in the developed markets were competitive, and this is reflected in the strong volume performance in these markets.

We are also benefitting from the many actions we are taking to improve both the effectiveness and efficiency of the investments we put behind our brands.

Chart 23: 2010: Underlying Operating Margin up 20bps

Underlying operating margin was up by 20 basis points for the year as a whole, from 14.8 to 15.0%. It was another year of the steady and sustainable improvement that we have been targeting.

Aside from the Gross Margin increase, the key driver of this improvement was a 40 basis point reduction in our Indirect costs.

This is a testament to the strength of our savings programme and the new discipline we are exerting in all areas of our cost base. As well as having a leaner organisation we are benefitting from significant buying savings and, with our work to build the new Unilever Enterprise Support organisation, are laying the foundations for further improvements in the future.

Chart 24: Q4 10: Underlying Operating Margin down 20bps

In the fourth quarter specifically, underlying operating margin was down by 20 basis points.

Chart 25: 2010: Double Digit Diluted Earnings per Share Growth

Fully diluted earnings per share for the year were one Euro and 46 cents, an increase of 25%. Operational performance accounted for 7% of this increase. A further 10% came from lower restructuring, with positive currency effects and lower pension costs also significant.

Looking ahead, EPS movements for 2011 are likely to be quite different. Ongoing restructuring costs will be similar to the 2010 level, as we continue to accelerate cost saving activities in response to the challenging competitive environment. However, restructuring activities to access the synergies from the recently acquired Sara Lee personal care business will come over and above this.

In addition, the disposal profits of 2010 are not expected to be repeated on the same scale and currency is unlikely to drive earnings higher as it did last year.

We have said in the past that we would call any significant once-off items in our reported EPS. On this occasion, the 2010 figure you see on the chart includes:

- One-off costs of 2 cents associated with M&A activities.
- Other one off costs of 4 cents related to European Commission investigations into potential competition law infringements.
- And a contribution of 16 cents from the profit on disposal of the Italian Frozen Food business.

Chart 26: Cash Conversion Cycle down 17 days (MAT)

Trading working capital was negative for the fifth successive quarter – pleasing progress, and getting close to best in class, at least for payables and receivables.

Our average cash conversion cycle improved by 17 days - from 20 days in 2009 to 3 in 2010. This was another year of strong performance, after the reduction of 14 days we achieved in 2009.

We see room for further improvement in inventories, which at an average of 61 days are still high. So we have the opportunity to lower working capital still further, although the incremental benefits are likely to be more modest in the future.

Chart 27: 2010: Healthy Free Cash Flow

This strong performance in working capital management was reflected in free cash flow, which was again healthy at €3.4 billion. Over the last two years our combined free cash flow of €7.4 billion represents around 90% of Net profit.

This is robust performance, particularly at a time when we are investing heavily in the future growth of the business. We see this stepped up investment particularly in capex, as we build new capacity to support our rapid volume growth in emerging markets.

Against 2009 free cash flow was lower by €0.7 billion. This reflected a smaller inflow from Working Capital in 2010, after the exceptional €1.7 billion benefit taken in 2009. This impact was partly offset by lower cash contributions to pensions.

Chart 28: Balance Sheet

Net debt at year end was €6.7 billion, up slightly from the end of 2009 when it stood at €6.4 billion. With the Euro weaker over the year as a whole, forex was the key driver of this modest increase.

The pension deficit fell significantly in the fourth quarter, to reach €2.1 billion at year end. This compares with €2.6 billion at the end of 2009 and €4.0 billion at the end of the first half of 2010.

Over the year as a whole stronger asset returns increased scheme assets by €1.6 billion, but this was partly offset by the impact of lower corporate double A bond rates which lead to an increase in liabilities of €1.1 billion.

Cash contributions to pensions were in line with expectations at just over €700 million. This compares with €1.3 billion in 2009. For 2011 we expect cash contributions of around €550 million.

The effective tax rate for the year as a whole was 25.5%. On an underlying basis the tax rate was slightly higher at 27.1%. This is broadly in line with our long term guidance, which remains at around 26%.

Finally, I can confirm that the next quarterly interim dividend will be 20.8 Euro cents, to be paid in March.

With that let me return you to Paul.

Chart 29: Paul Polman Introduction

Paul Polman **Chief Executive Officer**

Thank you Jean-Marc.

So, as you have heard, a good set of results and another major step towards the consistent top and bottom line growth that we have been targeting. This despite the difficult environment that continued throughout the year, much as we had expected.

You have heard me say many times that this new Unilever is now fully fit to compete. These results are further evidence of this and we are pleased with what we have achieved so far. We are starting to get into the groove of the virtuous circle of growth – and we aim to stay there.

Chart 30: The Environment in 2011

But perhaps many of you are more focused on what lies ahead of us rather than on what has been achieved over the past year. So, let me now turn to 2011.

We expect the environment to continue to be volatile. With austerity measures just starting to take hold across much of the developed world and unemployment remaining stubbornly high there will be considerable pressure on consumer spending.

Emerging market growth, which for the last year has been the bright spot of the global economy, should continue to be robust, although even here there are signs of modest slowdown starting to appear.

But the most significant challenge facing our industry today is the return of inflationary pressures to the global economy, and in particular the rapid rise in many key commodities.

I understand the questions you are asking:

- Can we protect margins in such an environment?
- Do we have the firepower and confidence to price where we need to?
- And if we do, what will happen to our hard-won gains in volume share and market competitiveness?
- Does the new Unilever really have the discipline to drive out cost as ruthlessly as the environment demands?
- And can we continue to build our brands for the long term in such conditions?

These are tough issues, and tackling them effectively will not be easy, for us or for any of our peers for that matter. But I believe you are looking at a very different Unilever today; one that can rise to these challenges with confidence and credibility.

Jean-Marc has mentioned that today’s commodity cost escalation has some similarity to what we saw in 2008. This is certainly the case, but there are also some important differences.

The global economy, though subdued, is in a more robust state than was the case in 2008. Crude oil prices last peaked in July 2008, just as the sub-prime mortgage crisis was getting into its stride. The Lehman collapse that really triggered the start of the financial crisis was in September of 2008.

Today's climate of austerity, though difficult for many around the world, at least offers relative stability and certainty, elements that were lacking in those early crisis days of 2008.

Also, in our industry we see a trend towards a more rational approach to moving prices up when cost pressures make such moves unavoidable.

Let me focus now on what is making Unilever stronger and better placed to tackle cost inflation now than it was in 2008.

Chart 31: The Organisation now Aligned

The Unilever of today is aligned around a clear and simple strategic framework - we call it the Compass. Because we have this alignment in place we can now start to leverage our global scale much more effectively than before.

The Compass sets out an ambitious and motivating vision for the business, doubling our size whilst reducing our overall environmental impact. This is a new model for growth – and done well, it will reward us and our shareholders highly.

This vision is supported by a 12 point action plan which guides our day to day activities. It sets out clearly where we will win, how we will win and which KPIs we will use to monitor our progress.

A key area in which the Compass is making us stronger is in the sharper portfolio choices we are now making. Many of you heard Mike and Geneviève talking about this in Singapore.

We aim to grow everywhere, but our categories are not all the same and the way we grow will reflect that. Most importantly, we are clear on the categories where we can – and will – excel globally.

Chart 32: Sharpening the Portfolio through M&A

We have also accelerated portfolio changes through M&A activity, divesting in lower growth areas and acquiring more strategically relevant businesses. Just to remind you, over the last year we have:

- Completed the acquisition of the personal care portfolio of Sara Lee.
- Signed a merger agreement with Alberto Culver to significantly strengthen our Hair and Skin businesses.
- Announced bolt-on acquisitions in the European ice cream business.
- Acquired the rights to the Toni & Guy brand globally, and
- Disposed of our Italian frozen food business and reached agreement to dispose of our Brazilian tomato business.

Chart 33: A More Competitive Unilever

With the Compass to guide us, Unilever is a much more competitive business today than it was in 2008. Take our share performance for example. For too many years we accepted a gradual decline in our market shares. It had become a bad habit, but was something that the business had learnt to accept.

Today as you know things are very different. Our volume share performance has been positive for more than a year now; a fundamental turnaround. Critically, this is broad-based across the business, whether you look by region or by category.

Let's take a look at what lies behind these improvements. I will do so through the lens of our Compass and its four headline areas, starting with what we call 'Winning with Brands and Innovation'.

A key driver of our improved top-line performance is the step-change we have made to our innovation programme. We now see around 33% of our turnover coming from products launched in the last two years. In recent years we have been at much lower levels, a dramatic improvement and a key area in which the Unilever of today has grown stronger.

In 2010 we have built further on the momentum we started the previous year, with a clear focus on fewer, bigger innovations, rolled out to more markets, more quickly. Our innovation capability is now becoming a competitive advantage rather than the weakness it once was. Our pipeline of new projects is increasingly healthy, our new R&D organisation is in place and working well, and open innovation is being accelerated.

As you have heard, we have substantially increased our advertising spend over the last two years. But it is not just the quantity of investment behind our brands that is improved, quality is higher also. The metrics we use to assess the strength of our brand communication continue to trend steadily upwards.

At the same time we have been investing strongly in improving the quality of our products. So - a powerful combination of more advertising, which delivers key messages more effectively and acts in support of better quality products.

Here are just a few of the great pieces of advertising that we have aired around the world over the last year:

Chart 34: Video

Axe Excite (global – UK version/Lynx), Lux J'adore (AAC), Flora margarine (South Africa), Hellmann's Mayo (UK).

Chart 35: Brands Healthier

Another key advantage we have is the strength of our brand portfolio. With the share gains we have achieved over the last 18 months our category positions are strengthened. In our core categories, we are number one in markets representing nearly 60% of our turnover. In 2005 this figure was nearer 50%.

And we have more than 80% of our business in either category leadership or number two positions; higher than any of our major peers in either food or home and personal care.

As the need for pricing becomes more essential, this category strength is a key competitive advantage for us, as is the strength of our brands.

We aim to protect our consumers as far as we can from the impact of higher costs. But in the current environment the responsible thing to do is to price realistically and to act promptly in making any changes that are needed. This is what we will do, pricing responsibly but remaining mindful at all times of the competitive context that we face. To be clear, we will not compromise in the face of predatory pricing from our competitors. We will defend our market positions robustly.

Chart 36: ~100 Brands into New Markets in 2010

Another positive development in the business is the more rapid and confident introduction of our brands into new markets where they are not yet present. As we do this we typically both develop the markets in question and take share from our competitors.

As you can see from the chart the scale of our activity over the last year has been impressive. More than 100 launches of our brands into new markets.

Some of these have been significant in their scale, such as Dove Hair in China or Axe Deos in Japan. Others more modest, such as Lifebuoy in Kenya or Pepsodent in Cambodia. But all have made a contribution to the improved volume momentum that we have established, and made us a more competitive business as a result.

Chart 37: Winning in the Market Place

We have also made substantial progress in our second Compass thrust – 'Winning in the market place'. This is particularly so in our emerging market business, now 53% of our turnover and growing fast.

We are encouraged that our market development machine is starting to work well in emerging markets, especially our repeatable business model concept. Our Ice Cream business in Asia is a great example, as is our 'brush twice daily' campaign in Oral, which is now making a difference in numerous emerging markets.

Those of you who joined us in Singapore recently witnessed many other examples of our market development successes. Be it soups in China, fabric conditioners in Vietnam or detergents in Bangladesh – we are stimulating responsible market growth across our categories in a wide range of countries. I am encouraged with our progress, but not yet satisfied. There is much more we can do, still plenty of juice for further growth.

Let me now turn to the third area – 'Winning through continuous improvement'.

Chart 38: Winning through Continuous Improvement

Firstly let's take a quick look at our Supply Chain, which has changed dramatically over the last three years. We are fortunate in having Pier Luigi in place with executive responsibility for our global supply chain. Remember this is a new model for Unilever; quite different from the way we managed this part of the business in 2008.

Under Pier Luigi's leadership we have seen a steady transformation in our supply chain capabilities. We now have a globally led Supply Chain organisation, with executive buying authority. Our systems and processes are much improved, allowing for quicker and higher quality information availability and decision making. In Asia Africa CEE for example, the ambitious U2K2 project to harmonise our systems and processes on a single platform is nearing a successful conclusion.

We have also been building capabilities in key areas. In engineering for example, we have centralised our operations in India as we develop expertise in driving the capital needs of our repeatable model initiatives. Also, our new centralised commodity risk management team leaves us better placed to deal with the volatility we are experiencing with input costs.

In addition to these many changes, we have also brought our new performance culture to bear on our cost base. We are faster, more disciplined and more aggressive than we have ever been. You see this in our savings numbers; nearly 3 billion Euros over the last 2 years as you heard from Jean-Marc, with confident expectations of at least a further billion in 2011.

Our indirect structure is also far leaner. Our cost discipline is much improved. The mindset is right, and now the structure also, with the Unilever Enterprise Support organisation fully in place and starting to drive change. Most impressive of all has been our work in getting working capital down to best in class levels, and keeping it there.

Chart 39: Winning with People

The final area where the Unilever of today is stronger is in the performance culture we have been steadily building. Confidence is back; the mindset in Unilever is once again a winning one. The consumer and customer are back at the heart of our business.

In making changes in this area we have been respectful of the long and proud heritage we have in Unilever. Our business has always been based on clear and strong values. We have added a sharper performance edge to these values. I think it’s a powerful combination, and again, a key area where the Unilever of today is stronger and better able to withstand the pressures of a difficult environment.

So as I draw towards a close, I think it is clear that there has been much positive change in Unilever over the last two years. The business is fit to compete and the results are good. But, to return to where we started, there is no denying the fact that 2011 is likely to challenge us once again. The next year will tell us a lot about how deep the transformation in this business has really been.

Chart 40: Unilever’s Long Term Focus

As you heard Jean-Marc describe, the key challenge that lies ahead of us is to strike the right balance in managing our margins in this inflationary environment. Costs will be sharply higher; there is no doubt about that. But we are well-placed to tackle this.

Yes through pricing, which will be significantly higher in the year to come. But equally as important, through the savings programme that we are driving with increasing speed and energy, and through the operational leverage that flows from our hard-won volume momentum.

No CEO can responsibly give cast-iron assurances in these uncertain conditions. But I am confident in the actions we are taking and in our ability to manage resources as dynamically as the environment demands. The risk of the unexpected is of course high at this time, but I believe we have given ourselves every chance with the actions we have in place.

Finally let me be clear on one key point. Brands are our most important asset, and we will not take actions that could damage their health for the long term. We have no intention of slowing down in our pace of innovation, or in our new market launches.

Where we need to be flexible and pragmatic, or responsive to competitor activity, we will not hesitate to do so. In some of our markets this may mean balancing longer term investments with the shorter-term spend needed to protect market positions.

We are far from complacent. We know that competition will remain intense, and that consumers will be more demanding than ever before. But our success in transforming the business over the last couple of years, and the results we are seeing, leave us modestly optimistic. Despite the many uncertainties we all face, we look forward to another strong year for Unilever.

Our long term focus continues to be on the achievement of volume growth ahead of our markets, strong cash flow and modest but steady margin expansion.

And with that that ladies and gentlemen we will now move to questions.

Chart 41: Questions