Unilever H1 2022 Results

Alan Jope & Graeme Pitkethly

26th July 2022
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26th July 2022
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H1 Performance Summary

First half performance builds on growth momentum of 2021

Growth delivered in line with strategic priorities

Portfolio: Tea completed, Nutrafol acquired

Simpler, more category focused organisation in place
Challenging environment, Unilever well positioned

**Strong brands with pricing power**

- Dove
- Knorr
- OMO
- Hellmann's
- Rexona
- MAG
- Love
- Sunlight

**Experience in high inflation environments**

**New, agile organisational structure**

- Unilever Corporate Centre
- Beauty & Wellbeing
- Personal Care
- Home Care
- Nutrition
- Ice Cream

Unilever Business Operations
Growth momentum maintained, price led

**Q2 Growth**
- Underlying Sales Growth: 8.8%
  - UPG: 11.2%
  - UVG: (2.1)%

**H1 Growth**
- Underlying Sales Growth: 8.1%
  - UPG: 9.8%
  - UVG: (1.6)%

**Pricing Growth**
- UPG: 8.3%
- UVG: 4.9%

**Competitive Growth**
- 53%
  - % Business Winning MAT\(^1\)

\(^1\)Moving Annual Total / Last 52 weeks
### Margin delivery in line with guidance

<table>
<thead>
<tr>
<th>Margin</th>
<th>Earnings</th>
<th>Cash</th>
</tr>
</thead>
<tbody>
<tr>
<td>Underlying Operating Margin</td>
<td>Underlying EPS</td>
<td>Free Cash Flow</td>
</tr>
<tr>
<td><strong>17%</strong></td>
<td><strong>1%</strong></td>
<td><strong>€2.2bn</strong></td>
</tr>
<tr>
<td>(180)bps vs 2021</td>
<td>€1.34 Underlying EPS</td>
<td>€(0.2)bn vs 2021</td>
</tr>
</tbody>
</table>
Five clear strategic priorities

1. Win with brands and innovation
2. Move portfolio into high growth spaces
3. Accelerate USA, India, China and EMs
4. Lead in channels of the future
5. Purpose-led, future-fit organisation & culture
Five clear strategic priorities

1. Win with **brands** and innovation

2. Move **portfolio** into high growth spaces

3. Accelerate **USA, India, China** and **EMs**

4. Lead in **channels** of the future

5. Purpose-led, future-fit **organisation** & culture
1. Winning with brands and innovation

- €1bn+ brands
- 52% of turnover
- 10% Q2’22 USG
- 9.4% H1’22 USG
Five clear strategic priorities

1. Win with brands and innovation
2. Move portfolio into high growth spaces
3. Accelerate USA, India, China and EMs
4. Lead in channels of the future
5. Purpose-led, future-fit organisation & culture
2. Move portfolio into high growth spaces

Divested Tea business, ekaterra

- €4.5bn on a cash-free, debt-free basis

Acquired Nutrafol

- #1 dermatologist recommended hair growth supplement in the U.S
- Strong clinical support

Prestige Beauty

Q2 USG 14%

Health & Wellbeing

Q2 USG 28%
Five clear strategic priorities

1. Win with **brands** and innovation

2. Move **portfolio** into high growth spaces

3. Accelerate **USA, India, China** and **EMs**

4. Lead in **channels** of the future

5. Purpose -led, future-fit **organisation** & culture
3. Accelerate USA, India, China and Emerging Markets

<table>
<thead>
<tr>
<th>Market</th>
<th>FY'21 TO</th>
<th>USG% Q2 ‘22</th>
<th>UVG% Q2 ‘22</th>
<th>USG% H1 ‘22</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA</td>
<td>€9.9bn</td>
<td>8.7%</td>
<td>(0.3)%</td>
<td>8.8%</td>
</tr>
<tr>
<td>India</td>
<td>€5.6bn</td>
<td>19.5%</td>
<td>6.8%</td>
<td>14.9%</td>
</tr>
<tr>
<td>China</td>
<td>€3.3bn</td>
<td>(9.3)%</td>
<td>(10.5)%</td>
<td>(2.2)%</td>
</tr>
</tbody>
</table>

**Consumer Behaviour**
- More shopping in physical stores
- Inflation impacting rural more than urban
- Covid impacting supply and demand
3. Accelerate USA, India, China and Emerging Markets

<table>
<thead>
<tr>
<th>Country</th>
<th>Q2 USG:</th>
<th>Q2 UVG:</th>
<th>SEA excl. Indonesia</th>
<th>Indonesia</th>
<th>Latin America</th>
</tr>
</thead>
<tbody>
<tr>
<td>Turkey</td>
<td>44%</td>
<td>15%</td>
<td>8%</td>
<td>10%</td>
<td>17%</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(1)%</td>
<td>(4)%</td>
<td>(4)%</td>
</tr>
</tbody>
</table>

**Consumer behaviour**
- Consumer demand holding
- Pantry loading
- **Vietnam**: multi-channel shopping
- **Thailand**: Shift to modern trade
- Trading down in Home Care
- BPC and F&R less impacted
- Multi-channel shopping
- Polarisation: trading up & down

**Strong innovation**
- Superior Clean
- Premium propositions
- All price points
- Recession proofing

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-Unilever
Five clear strategic priorities

1. Win with **brands** and innovation

2. Move **portfolio** into high growth spaces

3. Accelerate **USA, India, China** and EMs

4. Lead in **channels** of the future

5. Purpose-led, future-fit **organisation** & culture
4. Lead in channels of the future - eCommerce

**H1 2022 eCom USG**

<table>
<thead>
<tr>
<th>Channel</th>
<th>Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>Omni</td>
<td>+6%</td>
</tr>
<tr>
<td>Pure play</td>
<td>Flat</td>
</tr>
<tr>
<td>eB2B</td>
<td>+69%</td>
</tr>
</tbody>
</table>

**eCom TO contribution**

<table>
<thead>
<tr>
<th>Year</th>
<th>Contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>'16</td>
<td>2%</td>
</tr>
<tr>
<td>'17</td>
<td></td>
</tr>
<tr>
<td>'18</td>
<td></td>
</tr>
<tr>
<td>'19</td>
<td></td>
</tr>
<tr>
<td>'20</td>
<td></td>
</tr>
<tr>
<td>'21</td>
<td></td>
</tr>
<tr>
<td>H1 '22</td>
<td>14%</td>
</tr>
</tbody>
</table>

**Channel-specific Innovation**

- **Dove treatment masks**
- **Clear premium scalp care**
- **Lifebuoy bundles**
Five clear strategic priorities

1. Win with brands and innovation
2. Move portfolio into high growth spaces
3. Accelerate USA, India, China and EMs
4. Lead in channels of the future
5. Purpose-led, future-fit organisation & culture
5. Future-fit organisation & culture

- Operational from 1\textsuperscript{st} July
- **Simpler, faster, and more agile**
- Greater **category focus and expertise**
- More **empowered and accountable**
- **Focus of five, power of one**

* 2021 turnover excluding ekaterra
H1 Performance Summary

First half performance builds on growth momentum of 2021

Growth delivered in line with strategic priorities

Portfolio: Tea completed, Nutrafol acquired

Simpler, more category focused organisation in place
Graeme Pitkethly

H1 2022 Results

26th July 2022
Results summary

- Good first half performance in a challenging environment
- Broad-based growth across all divisions
- Pricing sequentially stepped up
- Volume impact tracking as expected
Regional growth by quarter

### Asia / AMET / RUB
€14bn TO

<table>
<thead>
<tr>
<th>Quarter</th>
<th>USG</th>
<th>UPG</th>
<th>UVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2'21</td>
<td>5.7%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Q3'21</td>
<td>5.7%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Q4'21</td>
<td>9.1%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Q1'22</td>
<td>9.0%</td>
<td>2.3%</td>
<td></td>
</tr>
<tr>
<td>Q2'22</td>
<td></td>
<td></td>
<td>-2.6%</td>
</tr>
</tbody>
</table>

China volume impact: (160)bps

### Latin America
€4bn TO

<table>
<thead>
<tr>
<th>Quarter</th>
<th>USG</th>
<th>UPG</th>
<th>UVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2'21</td>
<td>11.9%</td>
<td>8.7%</td>
<td>21.7%</td>
</tr>
<tr>
<td>Q3'21</td>
<td>8.5%</td>
<td>9.8%</td>
<td>16.8%</td>
</tr>
<tr>
<td>Q4'21</td>
<td>9.8%</td>
<td>8.7%</td>
<td></td>
</tr>
<tr>
<td>Q1'22</td>
<td>9.8%</td>
<td>8.7%</td>
<td></td>
</tr>
<tr>
<td>Q2'22</td>
<td></td>
<td></td>
<td>-4.0%</td>
</tr>
</tbody>
</table>

### North America
€6bn TO

<table>
<thead>
<tr>
<th>Quarter</th>
<th>USG</th>
<th>UPG</th>
<th>UVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2'21</td>
<td>1.1%</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Q3'21</td>
<td>6.5%</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Q4'21</td>
<td>8.5%</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Q1'22</td>
<td>8.9%</td>
<td>2.0%</td>
<td></td>
</tr>
<tr>
<td>Q2'22</td>
<td></td>
<td></td>
<td>-0.5%</td>
</tr>
</tbody>
</table>

### Europe
€6bn TO

<table>
<thead>
<tr>
<th>Quarter</th>
<th>USG</th>
<th>UPG</th>
<th>UVG</th>
</tr>
</thead>
<tbody>
<tr>
<td>Q2'21</td>
<td>4.0%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Q3'21</td>
<td></td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Q4'21</td>
<td>0.7%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Q1'22</td>
<td>0.7%</td>
<td>0.3%</td>
<td></td>
</tr>
<tr>
<td>Q2'22</td>
<td></td>
<td></td>
<td>-1.8%</td>
</tr>
</tbody>
</table>

China volume impact: (160)bps
H1 2022: Turnover growth

+14.9%

H1 2021: €25.8bn

UVG: 9.8% (+8.1%)

UPG: (1.6)%

Acquisitions: 0.7%

Disposals: (0.1)%

H1 2022 (Constant): €28.6bn

Currency: 5.6%

H1 2022 (Current): €29.6bn
Beauty & Personal Care

*Strong pricing across all categories*

*Premiumisation and innovation contributed to double-digit growth in Deodorants*

*Skin care grew off a strong base*

*Prestige Beauty continued double-digit growth momentum*

**Growth Segments**
- Axe relaunch

**Growth Channels**
- UI partnership with IHG Hotels

**Growth Geographies**
- USG: 7.5% (H1), 8.0% (Q2)
- UPG: 9.0% (H1), 10.5% (Q2)
- UVG: 1.3% (H1), 2.3% (Q2)

**Purposeful Brands**
- Pond’s spot-less glow
- Sunsilk relaunch
## Foods & Refreshment

<table>
<thead>
<tr>
<th></th>
<th>H1</th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>USG</td>
<td>7.3%</td>
<td>8.1%</td>
</tr>
<tr>
<td>UVG</td>
<td>(0.9)%</td>
<td>(1.2)%</td>
</tr>
<tr>
<td>UPG</td>
<td>8.3%</td>
<td>9.4%</td>
</tr>
</tbody>
</table>

- Ice cream sales driven by strong growth in out-of-home
- In-home foods grew on the back of strong comparator
- Food Solutions +6% vs 2019, despite severe China lockdown impact

### Growth Segments
- **Summer feeling in-home**
  - Cornetto Soft

### Growth Channels
- **Magnum’s partnership with getir**

### Growth Geographies
- **Purposeful Brands**
  - Knorr’s #HelpKidsGrowBest
  - Hellmann’s ‘make it something’

### UPG, UVG, USG Growth Rates
- H1: 8.3% USG, (0.9)% UVG, 7.3% UVG
- Q2: 9.4% USG, (1.2)% UVG, 8.1% UVG
**Home Care**

<table>
<thead>
<tr>
<th></th>
<th>H1</th>
<th></th>
<th>Q2</th>
</tr>
</thead>
<tbody>
<tr>
<td>USG</td>
<td>10.7%</td>
<td>(3.4)%</td>
<td>12.2%</td>
</tr>
<tr>
<td>UVG</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>UPG</td>
<td>14.5%</td>
<td>16.6%</td>
<td></td>
</tr>
</tbody>
</table>

- Strong pricing in response to high input costs exposure
- Double digit growth in Fabric Cleaning, marginal volume impact
- Accelerated Fabric enhancer performance
- Home & Hygiene +11% vs 2019

**Growth Segments**

- Comfort fragrance beads China

**Growth Channels**

- UL Professional Perfect White

**Growth Geographies**

- **Purposeful Brands**
  - Omo dilutable Brazil
  - Sunlight ultimate degreasing
Commodity prices remain high, with a greater impact anticipated

**Commodities remain elevated**
(avg. spot price for each period)

<table>
<thead>
<tr>
<th></th>
<th>2020</th>
<th>Q1’21</th>
<th>Q2’21</th>
<th>Q3’21</th>
<th>Q4’21</th>
<th>Q1’22</th>
<th>Q2’22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Crude Palm</td>
<td>752</td>
<td>1,014</td>
<td>1,073</td>
<td>1,129</td>
<td>1,307</td>
<td>1,548</td>
<td>1,634</td>
</tr>
<tr>
<td>Palm Kernel</td>
<td>824</td>
<td>1,402</td>
<td>1,473</td>
<td>1,348</td>
<td>1,910</td>
<td>2,360</td>
<td>1,810</td>
</tr>
<tr>
<td>Soybean Oil</td>
<td>838</td>
<td>1,169</td>
<td>1,493</td>
<td>1,434</td>
<td>1,446</td>
<td>1,674</td>
<td>1,887</td>
</tr>
<tr>
<td>Brent Crude</td>
<td>42</td>
<td>61</td>
<td>69</td>
<td>73</td>
<td>80</td>
<td>99</td>
<td>113</td>
</tr>
<tr>
<td>Aluminium</td>
<td>1,704</td>
<td>2,091</td>
<td>2,400</td>
<td>2,645</td>
<td>2,755</td>
<td>3,250</td>
<td>2,879</td>
</tr>
</tbody>
</table>

**Q2 ’22 index**
(vs ’20 at 100)

|                | 217  | 220  | 225  | 267  | 169  |

**Sequentially more cost inflation ahead**
(YoY NMI €bn)

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
<th>2021</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuals</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Forecast</td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

<p>| | | | | | | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>UPG</td>
<td>2.0%</td>
<td>1.2%</td>
<td>1.6%</td>
<td>0.3%</td>
<td>2.9%</td>
<td>9.8%</td>
</tr>
<tr>
<td>NMI</td>
<td>0.2</td>
<td>0.2</td>
<td>0.2</td>
<td>0.1</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: World Bank Pink Sheets
H1 2022: Underlying operating margin

Gross Margin (2.1%)

<table>
<thead>
<tr>
<th>Price</th>
<th>Cost</th>
<th>Brand &amp; Marketing Investment</th>
<th>Overheads</th>
</tr>
</thead>
<tbody>
<tr>
<td>6.5%</td>
<td>(8.6)%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

(180)bps

H1 2021: 18.8%

H1 2022: 17.0%

€3.7bn*
+€0.2bn vs PY

0.4%
(0.1%)

*BMI H1 spend at constant fx rates
H1 2022: Underlying earnings per share

- **Current underlying EPS**: +1.0%
- **Constant underlying EPS**: (3.9)%

<table>
<thead>
<tr>
<th>Component</th>
<th>H1 2021</th>
<th>Turnover &amp; operational performance</th>
<th>Finance cost</th>
<th>Tax</th>
<th>Minorities</th>
<th>SBB</th>
<th>Other</th>
<th>H1 2022 (Constant)</th>
<th>Currency</th>
<th>H1 2022 (Current)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Earnings per share</strong></td>
<td>€1.33</td>
<td>(1.0)%</td>
<td>(1.5)%</td>
<td>(3.4)%</td>
<td>2.4%</td>
<td>(0.4)%</td>
<td></td>
<td>€1.28</td>
<td>4.9%</td>
<td>€1.34</td>
</tr>
</tbody>
</table>

- H1 2022: Underlying earnings per share

  - Current underlying EPS: €1.34
  - Constant underlying EPS: €1.28

| +1.0% | €1.33 | (1.0)% | (1.5)% | (3.4)% | 2.4% | (0.4)% | €1.28 | 4.9% | €1.34 |
**Capital allocation**

**Operational investment**
- Step up Capex investment
- Competitive investment in BMI & R&D

**Portfolio reshape**
- Bolt-on acquisitions. Nutrafol completed 7th July
- Tea disposal completed 1st July

**Returns to shareholders**
- Up to €3bn share buyback over 2022/23 – first €750m tranche completed
- Attractive, sustainable dividend
Cash flow & balance sheet

Cash

Free Cash Flow

€2.2bn

€(0.2)bn

vs H1 2021

Net Debt

Net debt / EBITDA

2.3

€27.1bn

Net debt

Pension Surplus (€bn)

<table>
<thead>
<tr>
<th>Year</th>
<th>FY'20</th>
<th>H1'21</th>
<th>FY'21</th>
<th>H1'22</th>
</tr>
</thead>
<tbody>
<tr>
<td>Value</td>
<td>0.3</td>
<td>1.9</td>
<td>3.0</td>
<td>5.0</td>
</tr>
</tbody>
</table>
Outlook

2022 Priorities

- Continuing growth momentum
- Invest for growth while managing inflationary pressure
- Implemented new operating model
- Maintaining cost and savings discipline

2022 Guidance

- Expect to be above 4.5-6.5% growth range, driven by price with some negative impact on volume
- Maintain competitive levels of spend in BMI, R&D and Capex through turbulent period
- FY UOM of 16%, within 16-17% range
- Expect to improve margin in 2023 and 2024