

Unilever Q3 2024 Trading Statement

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Speakers:

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Hein Schumacher

Good morning and welcome to Unilever's third quarter trading statement. Thank you for joining us today.

Prepared remarks today will take 15-20 minutes, leaving about 30 minutes for Q&A.

All of today's webcast is available live transcribed on the screen.

In a moment Fernando Fernandez, our CFO, will take you through the details of the results for this quarter.

Before that, I wanted to set out a few reflections on the quarter and, more generally, on where, I believe, we currently stand.

The first thing to note is that we have delivered another quarter of volume-led growth.

Underlying sales in Q3 grew 4.5%, with volumes up 3.6%.

This marks the fourth consecutive quarter of positive and improved volume growth.

Importantly, volumes were positive across all Business Groups, with the strongest performances in Beauty & Wellbeing and Ice Cream.

In Ice Cream, we are starting to see the benefits of ongoing operational improvements. Progress here is unlikely to be linear, but we do believe our Ice Cream business is on the right trajectory.

Overall, growth in the quarter was once again driven by our Power Brands - which were up 5.4%, including 4.3% volume growth.

These brands are undoubtedly benefiting from the increased focus - and investment - we are putting behind them under our Growth Action Plan.

More generally, the operational improvements we are making as part of the GAP help to explain the stronger, more consistent level of delivery we are now experiencing. As part of that, I am pleased that we are starting to see the positive impact from scaling fewer, but bigger, innovations across our markets.

Alongside operational improvements, we are also continuing to take well-considered steps, where necessary, to sharpen and strengthen the portfolio.

This quarter saw us exit the water purification business in China, for example, with the completion of the sale of our stake in Truliva.

We also completed our exit from Russia in October with the sale of our entire business to the Arnest Group - the end of a considerate, lengthy and complex process.

In those parts of the business where we are not yet seeing the level of improvement we want, we are taking decisive action to correct - and, where necessary, reset - operations.

In Indonesia, for example, we are making a significant intervention to address both portfolio and route-to-market challenges. This is not a quick-fix, and we don't expect to see the benefits until well into next year, but we will see it through.

In China, we are resetting our go-to-market approach in quarters 3 and 4 with higher category focus, updated channel strategies and sharper geographic choices. I was pleased to have been in China recently to review the plans and to support our newly appointed leadership in that business. We will continue to build on our strong positions in core categories in China, and I remain confident in our ability to compete in that market, despite the broader economic slowdown. We expect to benefit from the changes we are making in the second half of 2025 and onwards.

Taken overall, our Group results this quarter confirm that we are firmly on track to meet our outlook for the year.

We also remain on track when it comes to the delivery of two very important projects - the separation of Ice Cream and a company-wide productivity programme.

Work on both is progressing as planned.

- On Ice Cream, we are building out the leadership team as they prepare to become a stand-alone company by the end of next year. Abhijit Bhattacharya has been appointed CFO, having previously been CFO of Royal Philips; and Ronald Schellekens has taken up the role of CHRO, joining from PepsiCo.

- On productivity, implementation has already begun in those countries where consultation with the respective works council has concluded.

I will come back to say a few words at the end to sum up, but in the meantime let me hand over to Fernando to take you through the detail of the results.

Fernando Fernandez

Thank you, Hein

Underlying sales growth in the third quarter was 4.5%, driven by accelerated volume growth at 3.6%. Pleasingly, growth was broad-based with all Business Groups delivering positive volume growth for the first time since quarter 4 of 2020.

Given softer markets, pricing remains subdued, with underlying price growth in the quarter at 0.9%. We expect subdued pricing for the next couple of quarters. However, several key commodities in our materials basket are starting to pick up, leading to moderate cost inflation and what we expect will be higher pricing over time.

Our Power Brands continued to be the engine of our performance in Q3, delivering solid volume growth of 4.3%, against a backdrop of slower market growth. We always said we would focus our resources first on the Power Brands to maximise value creation for Unilever. Of course, this only works if our other brands also contribute positively to the growth of the company, albeit to a smaller extent. In the third quarter, these brands delivered improved volume growth of 1.3%, a significant step-up from a decline of (1.6)% in the first half.

Let's take a closer look now, by Business Group.

Beauty & Wellbeing delivered a strong third quarter with underlying sales growth of 6.7%, underpinned by 5.7% volume growth. This is the fourth consecutive quarter in which B&W volume growth has been above 5%. The performance was again anchored in our Power Brands, which delivered high-single digit growth.

Hair Care grew low-single digit. Dove delivered volume-led growth following the first-half launch of Scalp + Hair Therapy. TRESemme grew strongly helped by the continued success of its treatments and styling range. Clear was flat in the quarter with strong growth in most geographies offset by market weakness in China.

Core Skin Care delivered mid-single digit growth with strong performances from Dove, Vaseline, and Pond's, all driven by premium innovations recently introduced.

For the 15th consecutive quarter, our combined Health & Wellbeing and Prestige Beauty businesses delivered double-digit growth. Health & Wellbeing remained particularly strong, while Prestige Beauty felt the impact of the continued slowdown in US and China beauty markets.

Personal Care grew 4.4%, driven by volume up 3.1% and price up 1.3%, with a particularly strong performance from our largest brand, Dove that achieved another quarter of double-digit growth, on the back of strong innovations across both Deodorants and Skin Cleansing.

Our Deodorants category led the way once again, with high-single digit, volume-driven growth. The performance in Latin America was particularly strong, while Europe and North America continued to perform well. Dove grew double-digit, benefitting from our expansion into Whole Body deodorants. Axe had a good quarter with the ongoing success of our Fine Fragrance range.

Skin Cleansing grew low-single digit in the quarter. The first-half re-launch of Dove's Body Wash in Europe - plus the introduction of Dove's premium serum infused Body Wash range in the US - drove good growth in developed markets. This was tempered, however, by market decline in China, deflation in India, and interventions made in Indonesia to reset our business there.

Indonesia also had a negative impact on Oral Care that decelerated to low single digit growth after a strong first half.

Home Care grew 1.9%. Premium innovations continued to drive volume growth of 3.3%. This was partially offset by a 1.4% price decline, linked to the impact of commodity cost deflation in several emerging markets.

Fabric Cleaning declined low single digit with strong volume growth in Europe and India, more than offset by price-led declines in important markets, like Brazil and Indonesia. Persil Wonder Wash, featuring our

patented Pro S technology for short cycle washes, is off to a great start in Europe. And innovations in Surf Excel Matic and Rin are strengthening our competitive position in the emerging Indian liquids market.

Home & Hygiene delivered mid-single digit, volume-led growth. Cif and Domestos both performed strongly. The European success of Domestos Power Foam continued with the expansion into new geographies, such as Poland and Turkey.

Fabric Enhancers grew double-digit. This was led by continued double-digit, volume growth from Comfort, which benefitted from the successful first-half launch of its new Botanicals and Elixir ranges, using our patented CrystalFresh technology.

Nutrition grew underlying sales 1.5%, driven by price. Volume growth was relatively muted at 0.4% amidst market slowdown and consequent increases in promotional intensity.

Scratch Cooking Aids grew low-single digit on the back of mid-single digit growth in Knorr. Latin America was particularly strong, helped by our Next Generation Bouillon & Seasoning ranges with enhanced flavours and micronutrients. The US delivered mid-single digit, volume-driven growth.

Dressings was flat in the quarter. Hellmann's flavoured mayo continued to perform well and was recently introduced in new markets like Argentina and the Philippines. Volume growth in the quarter was offset by negative price as promotional intensity increased.

Unilever Food Solutions grew low-single digit with positive volume, despite a decline in China. We continued to expand our digital selling programme and benefitted from the launch of Hellmann's Professional Mayo in Europe and Brazil

Ice Cream grew 9.8%, with 6.7% from volume and 2.9% from price. As Hein said, this improved performance reflects the continued focus on operational improvements, alongside strong innovations. Positive performance was also amplified by a weak prior year comparator.

Magnum grew double-digit. Its premium 'Pleasure Express' range continued to perform strongly. And Magnum's bite-sized innovation, Bon Bons - addressing the consumer demand for smaller, frequent indulgences - is driving category growth across all seasons. Ben & Jerry's and Cornetto delivered high single-digit growth, helped by Cornetto's global relaunch with enhanced formulation and new packaging.

There is lots to do in Ice Cream and as Hein said, progress will not be linear, but the quality of our innovations, and better operational grip on

pricing and distribution has started to translate into improved competitiveness in the US and several European markets.

As you know, we run the business today through the lens of our five Business Groups. However, we think it's also helpful to provide some colour on how we are performing from a geographical perspective.

In Q3, we delivered broad-based volume growth, with positive contributions from all regions.

There were strong performances in Developed Markets. Beauty & Wellbeing in North America and Home Care in Europe, for example, both delivered double-digit underlying sales growth. As previously mentioned, we also saw significant improvement in Ice Cream.

Last year, we committed to step-up performance in Europe given its sizable, hard currency markets. We backed this up with a stronger innovation pipeline and increased levels of brand investment. It is pleasing, therefore, to see broad-based growth in Europe of 6.5%, with all major markets delivering positive volume-led sales growth in the quarter.

In North America, underlying sales grew 7.4%, with 6.2% from volume. This was delivered against the backdrop of weakening consumer

sentiment and is testament to the potential of our transformed, attractive North American portfolio.

In Latin America, underlying sales growth slowed to 3.8%. Brazil, which delivered low single digital growth, was negatively impacted by deflation in its fabric cleaning market. After 8 quarters of exceptionally strong growth, Mexico grew modestly, reflecting some weakening of consumer sentiment. We continued to deliver positive volume growth in Argentina, despite hyper-inflationary pricing and a significant tightening of markets.

Sales declines in Indonesia and China meant that Asia Pacific Africa grew 2.5% in the quarter.

Volume growth in India remained above 3%, while underlying price growth of (1.0)% would have been flat without the one-off indirect tax benefit in the prior year base.

Africa and Turkey delivered another quarter of double-digit underlying sales growth with good volume and positive price.

South-East Asia declined mid-single digit, driven by an 18% contraction in Indonesia, which was only partially offset by volume-led

growth in the Philippines and Thailand. China declined low-single digit with market weakness across categories.

As Hein mentioned earlier, we are addressing the issues in Indonesia head-on, taking significant and comprehensive measures. This includes removing price instability across channels, resetting stock levels in retail to what we consider optimum levels, transforming our go-to-market operations, and accelerating portfolio changes. Given the longstanding nature of the issues in Indonesia - and the extent of the interventions we are making - we expect the benefits to become apparent from the second half of 2025.

Let me return now to performance at the Group level.

Turnover of €15.2 billion was in line with the prior year.

Underlying sales growth of 4.5% was offset by adverse impacts from acquisitions and disposals as well as currency.

The net Acquisition & Disposal impact was (1.5)%. The acquisitions of K18 and Yasso added 0.3%. Both have been performing in line with their acquisition business cases. This was more than offset by a disposal impact of (1.8)%, driven by Dollar Shave Club, Elida Beauty and Truliva, the water purification business in China, whose sale was completed on 2 August 2024.

Currency had an adverse impact in the quarter of (2.8)%. This represented a bigger headwind than in the first half as most major emerging market currencies - except for the Chinese Yuan - depreciated against the Euro in Q3.

Turning to the outlook for the remainder of the year.

We are on track to deliver our full year 2024 outlook.

We continue to expect underlying sales growth for 2024 to be within our multi-year range of 3% to 5%, with the majority of growth coming from volume.

We expect underlying operating margin for the full year to be at least 18%, with increasing investment behind our brands. We expect year-on-year margin progression in the second half, however it will be smaller than in the first half, given the stronger comparators and some increases in replenishment costs given the moderate return of commodity inflation.

With that, over to you, Hein.

Hein Schumacher

Thank you, Fernando.

It is exactly a year now since we launched the Growth Action Plan - a ten-point operational plan to transform Unilever's performance.

We made clear then that this was not a quick fix; that unlocking Unilever's full potential would take time.

However, we can be encouraged by the progress we have made to date.

Despite softening markets in a number of key geographies, we have seen a steady return to healthy top-line growth. This is enabling us to invest behind our brands, our innovations, and behind other proven drivers of growth. We are also tackling issues and implementing resets when it is simply the right thing to do.

This investment-led strategy will continue to lie at the heart of our approach and at the centre of our GAP plan.

At the same time, we have set in train important and necessary changes to our portfolio and to our organisation, which will set us up for long-term success.

So, a year on, we are encouraged.

But we are not complacent.

And we are far from done.

We know we remain at a relatively early stage in the transformation of Unilever, with much still to do.

We look forward to sharing the progress we have made with you in more detail at our Investor Event in a few weeks' time.

We will also take the opportunity then to set out how we plan to build on the GAP as we look ahead, not just to the next year, but to the next 3-5 years, and in some cases even beyond that.

Thank you for your attention. We look forward now to taking your questions.

Operator

Good morning, and many thanks for joining the call. If you would like to ask a question, please press *1 on your keypad. If you no longer wish to ask a question, press *2 to exit the queue. Your name will be called and then please go ahead. Finally, please keep your questions to a maximum of two.

Jemma Spalton

Thank you very much. I see our first question is from Warren at Barclays. Go ahead, Warren.

Warren Ackerman

Good morning. Hi, good morning, Fernando, good morning, Jemma, Hein. Two from me. First one is very solid results, but Indonesia is a weak spot, down 18% in Q3. It's been an under-performer for almost a decade.

I guess the question is: why should investors believe the turnaround this time will be any different to the ones we've seen in the past? Are you able to, maybe, Fernando, to walk us through more specifically exactly what you're doing and why you're confident actually this time you're going to get it right?

Any signposts for us of between now and the second half of next year, what we should be expecting to see from Indonesia? I think you said it is 30% of your underperforming sales globally, so clearly key to get that right.

The second one is maybe for more Hein: the restructuring in Europe. Not just Europe, but globally. That is in terms of the people reduction. I think, Hein, you said previously the organisation is feeling a little bit anxious in terms of actually having to do this. Can you maybe sort of reassure us that that is on track?

Where are we in terms of the numbers, and what should we expect going into next year? If you're able to do this over the next couple of quarters without any real disruption to the business. Thank you.

Hein Schumacher

Thank you, Warren. I will pass on the question about Indonesia and about the numbers to Fernando in a second, but, let me just first answer.

Indonesia is a key market for us and we are absolutely committed to see it through, but, at the same time, it does have long-standing issues. Obviously, I'm not excited about where we are, so, let me be clear. But, at the same time, we are making a very, very significant intervention at this point.

If you look at our competitiveness and in-market sales, that is stabilising, but we are resetting our road to market, removing price instability across different channels; we are resetting stock levels across the whole channel landscape; and we are improving our portfolio on the back of our global category strategies, and so forth.

So we are making in Q3 and Q4 a significant intervention in Indonesia. That is not going to yield results in the next quarter. It will take a little bit

of time. But this is probably the most drastic and the most significant intervention that we are making.

If you look at the numbers, Fernando, maybe, you want to walk through a couple of key points here?

Fernando Fernandez

Good morning, Warren. In the year, we've been recovering part of the share losses we suffered due to the consumer backlash that is related to the geopolitical situation.

We have incurred one quarter of the share losses. If you look at the fact that our shares are down the previous year, we should be declining 5% or 6%.

The difference in performance with our actual reported number is linked with a clear reset of our distributor system. I've been in Indonesia close to one week. We have been taking drastic actions there.

We are putting stocks in what we consider more optimal levels going forward, and, fundamentally, attacking an issue of pricing instability across channels that is really putting our distribution systems in disarray.

Every time you do that, you have to dial up some channels and dial down some other channels. There is a friction time that we believe will take three to five months really to stabilise. We expect to have some additional stock cleaning in the system that needs to be done. That is the situation in Indonesia.

Shares are stabilising. One quarter of share loss recovered but much more to go.

Significant challenges in terms of portfolio, making our brands more contemporary in the context of significant societal change, and a significant reset of our retrieval system underway in order to remove pricing instability. This is what we are doing. Huge drastic actions, and we expect to see improvement in six months or so.

Hein Schumacher

Thanks, Fernando. Warren, on the productivity, and the restructuring, as you call it, a few remarks. First of all, in Europe, and that is of course the part of the business that is mostly impacted, we have finalised our consultation with the European Works Council, that is of course important.

We are now following the process in different countries in Europe, but we are on track. In the rest of the — for the rest of the world, the design of the new organisation has been completed and also been communicated.

That means that there is a lot more clarity now. We're very keen to provide clarity to employees — that is the best thing that you can do. So, from that standpoint, we are on track. Clarity is there, and we aim to make a significant progress before the end of the year.

As said, when you do something like this, and certainly this is not a regular exercise in our company, that does lead to some anxiety, and it is totally understandable, and of course, you know, fuelled by uncertainty, but, at the same time, I feel there is a lot of good momentum as well.

We are getting clear signs of that. Fernando and I hosted our top 120 leaders around the globe here last week. That was to talk about the longer term and so forth.

We feel good about the transformation of the company, but we are very mindful that we are going through a phase of third and fourth quarter, in which restructuring is being executed, but so far, no notable impact on our performance.

Jemma Spalton

Our next question from Celine at JP Morgan.

Celine Pannuti

Good morning. So, my first question is on the pricing outlook. Especially, I presume it is the Home Care Division question as well, but, trying to understand where you think you will be hitting the ground on the lower pricing, and then reaccelerating that.

You mentioned that some of the turbidity has started to rise again. If you could talk about this versus maybe what could be as well more competitive environment, which may mean that you may have to keep prices or promotional levels higher for longer.

So, that is my first question.

My second question is on the USA where we have seen a very strong acceleration and really mixed. Could you go a bit into the details of what has happened there?

Maybe Ice Cream performance there. And what kind of duration you would think those better volumes than expected in North America?

Thank you.

Hein Schumacher

Thanks, Celine. Let me kick it off. On pricing, 0.9% for the Group in the quarter, that's just slightly lower than Q2, so, you know, of the one per cent that we pointed to then.

I wouldn't point to a guide of pricing for the year or the next, so we are a bit careful there. We're obviously talking about our total — I mean, underlying sales growth overall, but just to give you a bit of colour: we did see in the first half of 2024 deflationary overall on our key commodity baskets.

Now we are seeing moderate inflation returning into the fourth quarter with some particular spikes. You know, think of cocoa, aluminium, palm, to some extent, so we are mindful of that, and obviously we stay very close to that.

If you think of promotional intensity, actually, in our BPC categories — Beauty, Personal Care, but also Home Care in itself — we are not seeing a huge additional promotional intensity overall.

We did increase promotional intensity for Ice Cream and Nutrition somewhat, Ice Cream was to correct for pricing. Those are the things that we've done.

I think going forward, we expect subdued pricing in the next couple of quarters, and then likely return to moderate levels of pricing reflecting inflation in our main commodities.

On the US, it has proven to be very resilient overall. I mean, consumer sentiment is quite a bit better than last year. I think consumers are still facing the consequences of inflation of two years ago, and obviously, after Covid, we've seen a lot of spending in the US.

I think that is now, with savings being more depleted, I think that is now coming to — that is a lot lower than it was which probably explains some of the lower demand for high-end prestige luxury products, but, overall, in our core business, we see actually a very resilient American consumer.

Fernando Fernandez

Yes, to add to that, Celine, both our Ice Cream business and the rest of the portfolio has performed very well, the remaining companies, excluding Ice Cream grew 7% with 6% in volume.

I believe it is testament to what we usually call a seriously transformed portfolio in the US, that is very attractive in terms of growth, and, if you look at our performance year to date, it is very, very solid in the US.

The growth has been broad-based, not only in Prestige Beauty and Health & Wellbeing that had the 15th consecutive quarter of double-digit growth, but our core business in grocery, in Beauty, in Personal Care, grew strongly.

Our food business, a bit more muted, low single-digit growth, but we saw positive volume growth across the 5 Business Groups in the US, and we believe this is really reflecting the strong portfolio that we have built through acquisitions, disposals, and organic in the US.

Jemma Spalton

Our next question comes from Olivier at Goldman Sachs. Go ahead Olivier.

Olivier Nicolai

Good morning, Hein, Fernando, and Jemma. One quick question, more a follow-up on LATAM and the trends you're seeing there in Brazil and Mexico.

In Mexico, it was a very strong growth driver historically which looks like it's been a bit of a slowdown, whether from you or some of your peers. Do you think it's just a temporary post-election slowdown or something more structural considering what is happening to the currencies?

Hein Schumacher

Thanks, Olivier. Mexico has been a significant growth contributor for us in the last eight quarters, seeing double-digit growth for almost two years now.

I think we've seen a more normalised quarter right now. I mean if you look at overall Latin America, Argentina held up well for us.

Brazil, you know, we've seen some lower pricing particularly in Home Care, but overall holding up well as well. So, I think the way I would read it is it is more normalised now after very strong growth for two years, and competitive-wise, we are doing well, so we expect that sort of more normalised pattern to continue for the next couple of quarters.

Fernando Fernandez

Adding some colour on that, in Brazil, our BPC business, Beauty and Personal Care, continued to grow very strongly, but the laundry market is a powders market in which the commodities inflation has been more significant than what you've seen on the liquids market that is more prevalent in developed markets, and that has taken some impact on pricing.

The Mexican situation, you know, we saw a change in consumer sentiment after the elections. Some incentives put by the government before that has disappeared.

But we believe that this is a short-term issue.

And it is a bit dependent also in the development of the US economy in the medium term.

In Argentina, the government is putting measures in place. The fiscal adjustment has been dramatic with some impact on the economic activity, but our performance in competitive terms is really spectacular there. We are growing significantly ahead of the market.

Jemma Spalton

The next question comes from Tom Sykes at Deutsche Bank.

Tom Sykes

Thanks, Jemma. Good morning, everybody. So, firstly, just in the follow-up to the question on Indonesia, you had previously spoken

about a very high proportion of your EBIT coming from maybe a quarter or less of your countries you operate in.

Do you think you'll be taking stronger interventions in the tail of smaller countries that you operate in, and is that something that we ought to think about as potentially a drag on organic growth at all over the next couple of years, notwithstanding there may be other things that you're doing to improve performance, but is that a factor that we should think about at all, please?

And then, just you're obviously growing at 3% volume, excluding Ice Cream. At some point, maybe, that moderates a little, and you said best in class previously over a decade was 2.5%.

If you do grow at circa 2.5%, could you maybe just talk about the algorithm for you in terms of the gross margin or the drop-through to operating profit that you would see, that you would be able to generate on 2.5% vol/mix.

Hein Schumacher

Thanks, Tom, be for the questions. I will take the first one on Indonesia and your point about smaller countries, and Fernando will take the one on the growth algorithm.

So, I think first of all, I mean, on the smaller countries, I mean, look, what we are doing is we are, we have re-looked at our operating model, and in line with our business groups, global Business Groups, leading operations, we have dedicated much more of our sales resources, most of our sales resources, and, of course, supply chain as well as R&D to our groups in these large countries, so we are very

dedicated in the large countries — think of countries like the United States, UK, China, Brazil, but also Indonesia.

In small countries, we actually operate more in an efficient way, so, we tend to work there as we call it as One Unilever, so we don't have a dedicated go-to-market for categories, we go more efficient.

I would not expect therefore the smaller countries to be a drag on profitability. I would say the reverse. We will always look for improvements, and I think in combination with the productivity exercise that we are currently doing, I think that should not lead to a drag as you asked. Fernando, on the growth algorithm?

Fernando Fernandez

Yes, we believe that in the medium term, the markets will come to a more normalised level on balance between volume and pricing.

We are investing to put the business in a consistent path of more than 2% volume growth. As you can see, we've been having four quarters now of positive volume and improving volume growth in the business. We expect pricing after two or three quarters to come back to more normalised levels closer to the CPI that in the case of our weighted CPI is more in the territory of 3%, or something like that.

With that, we know that to be a top third TSR company in the sector, we need to deliver high single digit earnings growth. In the long run, we believe the algorithm we have mentioned to the market, with the guidance we've given for the long-term, it will bring us into that kind of level.

Jemma Spalton

Next question from Guillaume at UBS. Go ahead.

Guillaume Delmas

Thanks, Jemma, and morning Hein and Fernando. 2 questions for me please. First one: the unchanged margin outlook for the year.

Fernando, I think at the time of the first half results, you mentioned that you wanted to remain cautious, and you were listing three reasons for that.

You were talking about competitive environments, return of some inflation, and the depreciation of some currencies. So you were basically seeing 18% as a prudent floor at the time. So my question is: with only two months to go before the end of the year, do you see 18% as cautious or have things changed on the BMI, the FX or the commodity front?

Then my second question is on the separation of Ice Cream. I think Hindustan yesterday indicated that you will determine the mode of separation by the end of the year.

Could you confirm that, and related to this, as you're making now some strong progress towards this separation, do you have better visibility on the stranded costs, and maybe if you could provide some broad indication on the potential tax leakage that would arise from a sale of the business versus a separate listing? Thank you very much.

Hein Schumacher

Thanks, Fernando will take the one on Ice Cream and add something on the one discussion that you had before. Let me make a few remarks up front. We are leaving the guidance indeed unchanged.

I think what is important for us, we've seen a very strong gross margin expansion in the first half of the year that will not repeat in the second half.

I think we talked about that. I mean, the first half includes some carry-over pricing, also some deflationary impact so that helped. The second half is more around us driving net productivity, which is an important part of the agenda.

But it wouldn't have that tailwind necessarily.

At the same time, we are very keen to continue our investment behind our brands. You know, and, of course, we are resetting some operations, so we really want to set up the company to be successful in the medium and the long term.

And that is one reason why we couldn't change our guidance at this point.

Fernando Fernandez

Yes, on that, we are comfortable with our gross margin development, and this has given us space to continue investing in our brands strongly. We will not comment any more on guidance.

You know, the guidance is the one that we have given, and we will not make any additional comment on that.

Regarding Ice Cream separation: we are very pleased with the improvement in performance in Ice Cream. We believe this is absolutely critical to drive a stronger performance while we proceed with the separation.

Separation at the global level is on track. We are working in the legal entities set up in 57 countries in which we are separating the business, setting up the standalone operating model and preparing the carve-out financials, and everything is on track by the end of 2025.

Regarding the announcement of Hindustan Unilever yesterday. In September, the Board of Hindustan Unilever set up a committee of independent directors to assess the best way forward of the business after the announcement of Unilever in March.

Yesterday, they have announced that they will proceed with the separation like the parent company has done. As you know, each one is a public company and it needs to follow appropriate governance in line with local law.

They've confirmed their intention to separate, and the mode of separation will be confirmed before the end of the year.

Jemma Spalton

Thank you. Next question comes from Jeff Stent at BNP. Go ahead, Jeff.

Jeff Stent

Just looking at Nutrition, looking at the line on the charts just trending down, it feels like we are kind of going back to the old days. Heiko has been in for a while now.

Is there anything that is going to be radically different from the past in terms of strategy for Nutrition. Is there any reason we should start to be more optimistic like a transformation of Nutrition?

Hein Schumacher

Thanks, Geoff, you were hard to hear, but I take it was about Nutrition and the transformation of Nutrition, and the results of Nutrition, so let me make some comments.

I mean, first of all, indeed, Heiko has been in since June. We are focused in Nutrition on restoring competitiveness in our core categories and those are condiments and cooking aids.

And, of course, continuing to drive our food solutions business globally, so these are the pillars on the Nutrition business, and very important that we continue to transform the Nutrition business to a more focused portfolio.

We are improving competitiveness particularly on condiments and so happy with that.

We did drive additional promotional intensity on that business.

The Food Solutions Business expects to grow in line with what we expect, so a mid-single digit.

Then the Indian food business which is a very local food business.

Amongst others, it is tea and coffee, as well as Horlicks functional nutrition, so it is more of a beverage business.

That had some negative pricing in the third quarter. So, I would say overall, better competitiveness, we have invested behind that, we are focusing harder and more behind our core pillars, condiments, cooking aids, and food solutions, and we are determined to grow our Indian food business going forward.

Jemma Spalton

Right. Next question from Victoria at Bank of America.

Vika Petrova

Thank you very much. I have one form of question. When you talk about palm oil, I'm not sure I fully understand. Is it good or bad for you? Because, when palm oil prices were down, you had the massive local competitive pressure from producers, India and Indonesia and other countries.

Now you're talking about palm oil price going up and its impact on margins. How should we think about it in the context of your Asia performance mostly?

My second question is: in terms of your focus on constant currency EPS growth going forward, how should we think about it in the context of current results, and the additional headwinds on the currency side of it?

Is there any renewed hedging strategy, any stronger focus on selected markets? Anything just to keep in mind on this metric? Thank you so much.

Hein Schumacher

Thank you for your question, Victoria. I will take the first one on palm, and then Fernando will talk about the FX question. As you say, when palm is really in deflationary mode, we see a lot of new local companies coming to the market. They are coming in with low prices and so forth.

Actually, we see palm increasing in the fourth quarter, so at this point in time, it is still at a very high price level, so there is a lot of competitive intensity.

That is what we always have.

So the way we deal with it first of all is of course driving unmissable brand superiority as we say, so we simply have to be better than the competition.

If I look at the shares on Personal Care, and mainly in countries where this is the case — I mean Indonesia, we talked about Indonesia as well as in the last three months, we talked about India, I think it is holding up quite well.

If you look forward with moderate inflation, we should be in a good position.

So, yes, it could affect competitive intensity somewhat but I don't think it is a very material difference. We simply need to provide great brands, great products, and so forth.

On FX, Fernando?

Fernando Fernandez

On FX, we are conscious of the importance of developing our growth in hard currency, and this is a key element of our strategy now. We will not make fundamental changes to our hedging strategy.

Our hedge has the intention of fundamentally giving us a reasonable bit of time to put pricing in the market when there is currency evaluation, particularly in D&E markets.

When it comes to the short-term, year to date, our currency impact is negative around 1.9%, year to date, and it was worse than that in the Q3, but we expect the full year to be at around 1.5%.

There is a positive impact in the Q4 that is linked to a very significant devaluation of the Argentinian currency last year in December, and this year, there is an appreciation in real terms of Argentinian peso of a country that is significant for us when it comes to a contribution to sales, so that is everything in our currency.

Jemma Spalton

The next question is from David Hayes at Jeffries. Go ahead.

David Hayes

Good morning, all. Two from me. In terms of the broader question, in terms of the developed markets, 7% volume growth which is amazingly impressive versus emerging markets at 3, something we wouldn't have

seen a few years ago for sure, and certainly pre-Covid developed markets were struggling to get any volume growth.

What is driving that 7% levels? Are there things that you would point to that say that isn't obviously going to be sustainable.

Would you expect into next year a volume growth between developed and emerging markets to balance off to be similar?

Is that what you're predicting in terms of your planning?

And/or, related to that, is there an element of your new action plan over the last year has been focused on developed markets first, you're seeing the benefits there, and emerging markets follow, and that would see a step up as maybe you implement the changes more broadly?

The second question is on market share metric. I may have missed it, so apologies if I did. Can you give us an update on the third quarter market share metric compared to where we were in the first half?

Thank you so very much.

Hein Schumacher

Some remarks on developed versus emerging. On developed markets, a few things that we've done.

First of all, we did put additional emphasis on Europe this year. We are seeing the results of that.

The emphasis has been mainly around the introduction of significant innovation, and we've seen the European consumer respond to that. That is something we are very excited about it.

If you think about it, in Europe, all five business groups have delivered a positive volume growth, and with very strong volume growth, for example, in Home Care, you know, in business that we've historically struggled with in Europe, and we are really turning that.

We are very excited about that. The same by the way on Personal Care.

If you then think about it, in the US, and Europe combined, we are putting emphasis of course on our what we call global business units, and they delivered another quarter of double-digit growth with more so on wellbeing, and less so on Prestige Beauty, but the combination is strong and we are scaling some of those businesses.

Think of Liquid IV going into Europe, which is going well, but also think of brands like Olly being introduced in China which is going quite strong.

And then the third reason is our core US business. As I said, the US consumer is resilient, but we are also investing significantly behind it.

We've completely relaunched our Dove range in the US. That was a very big innovation programme, and I would say there is more to come.

So we feel that the pipeline is now much stronger, so we are actually quite positive about our business in the US. We feel that, in the next quarters, at some point, that European growth will slow down, without a doubt, but we feel we have a very strong momentum.

Then on the emerging markets, if you look at our numbers, they are peculiar if you compare developed versus emerging.

I absolutely agree, but of course these numbers are also impacted by a few very particular things. One is the reset in Indonesia, and we talked

about that. The second one is we are also revamping our go-to-market in China that has some short-term impact, but we are quite confident that that will deliver positive growth in the second half of next year.

That is despite some of the head winds that we are seeing. Then of course India pricing and the particular impact we've seen in Q3 because of one-time effects and so forth.

I think the picture is a bit atypical, but I want to leave the message that we are investing behind Europe, seeing good momentum in the US, emerging markets somewhat softer this time, but there are particular impacts here that we aim to reverse in the course of next year.

Fernando Fernandez

Regarding competitiveness, we will provide a comprehensive assessment of our competitiveness with the full year results, but, as we said, we were expecting sequential improvement in H2, and we see that materialising.

You've seen yesterday Hindustan Unilever communicated that we have turned in competitiveness in India. I know you follow similar market information we follow David in Europe and US, we've seen progress also.

Overall, sequential improvement is starting to materialised in our competitiveness, but the whole assessment will be done and communicated to you with the full-year results.

Jemma Spalton

Our final question is from Ed Lewis at Redburn.

Ed Lewis

Thanks very much. A bigger picture question. Looking back at the when you unveiled the GAP, Hein, you talked about addressing performance culture, one of the three aspects of the plan. Can you share some thoughts on how you're doing, driving change there?

Clearly, when we look across the universe of companies like yours, when you do crack the culture and get your positive change there, it does drive longer term benefits. So any thoughts around that, please?

Hein Schumacher

Thanks for the question.

The change of the company, or transformation of the company, will take a bit of time as I said.

Particularly on culture change, that will take time. I think we are truly pulling all levers now.

I see a much, much more positive momentum in the company than a year ago.

A few examples: the introduction of Unmissable Brand Superiority, which is essentially strong execution around all levers that you could pull around a brand, so price, packaging, promotion, placement, and so forth.

I think it is really there. And I feel that holistic execution is stronger than it was.

Of course, there are still issues, there always will be, but I think it is much more disciplined now than a year ago.

The idea of doing fewer things better and with greater impact, I think we have completely embedded that in our new sustainability strategy which is a much more focused exercise and in tune with what our business really is.

I also feel good about the innovation side.

We have defined 12 platforms this year, think of the introduction and relaunch of Dove that I said, but also think of sugar-free variant in Liquid IV, think of the introduction of Wonder Wash, things that we can truly scale, and scale across our markets.

That is happening, and I'm actually seeing it. And then of course, there are intangible matters. As I mentioned before, we have gathered our leadership here very recently, we are going to drive a very systemic culture change programme in the months to come, and I have to say I'm looking forward to it.

I think we feel more confident now than probably a year ago with four quarters in, but also the momentum that I see in the business. So, that just probably gives you a bit of a feel.

Jemma Spalton

We shall bring the Q&A to a close there, but if there are further questions, please feel free to contact the IR team.

Hein Schumacher

Thanks a lot for joining. As I said, and I think your last question was spot on, I think we are making progress against the Growth Action Plan, but it is a multi-year journey, and there is still a lot to do.

We look forward to share the progress with you in more detail at our investor event in a few weeks' time. We will take the opportunity, then, to set out how we plan to build on the Growth Action Plan to drive consistently improved performance in the years ahead.

We look forward to seeing or obviously to speaking with you then. Enjoy the rest of your day. Thanks a lot for joining.