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Certain sections of the Unilever Annual Report and Accounts 2005 have been audited. Sections that have been audited are set out on pages 78 to 151, 157 to 172 and 174 to 177. The auditable part of the Directors' Remuneration report as set out on page 69 has also been audited.

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Operating review by region

Europe

2005 results compared with 2004 (continuing operations)

	€ million	€ million	€ million	€ million	%	%
	2005 at 2005 rates	Exchange rate effects	2005 at 2004 rates	2004 at 2004 rates	Change at actual current rates	Change at constant 2004 rates
Turnover	16 211	(56)	16 155	16 650	(2.6)%	(3.0)%
Operating profit	2 304	(4)	2 300	2 303	(0.0)%	(0.2)%
Operating margin	14.2%		14.2%	13.8%		
Restructuring, business disposals and impairment charges included in operating margin	(0.8)%		(0.8)%	(2.3)%		

Turnover and underlying sales growth (at constant 2004 rates)

	2005 vs 2004
Underlying sales growth (%)	(0.8)
Effect of acquisitions (%)	0.2
Effect of disposals (%)	(2.3)
Turnover growth (%)	(3.0)

Turnover at current rates of exchange fell by 2.6%, mainly due to disposals, and including a positive impact from currency movements of 0.4%. Operating profit at current rates of exchange was at the same level as in 2004, after including a favourable effect of currency movements of 0.2%. The underlying performance of the business after eliminating these exchange translation effects and the impact of acquisitions and disposals is discussed below at constant exchange rates.

Our priority in Europe is to regain momentum and improve competitiveness. The focus has been on enhancing the value to consumers of our products through keener pricing, improved quality and more and better innovation.

Marketing support has been raised to a more competitive level with additional spend deployed against our best opportunities. The organisation is being streamlined and we are building up stronger capabilities in customer management.

We have made progress over the last year. Volume has been slightly positive (compared with a 2% decline in 2004), but investment in pricing meant that underlying sales declined by 0.8% in the year.

Central and Eastern Europe performed well in buoyant markets, notably in Russia which was ahead by nearly 20%.

Western Europe was challenging, with continued weak consumer demand. Our businesses grew in the Netherlands and Spain, but declined by around 2% in France and Germany and by nearly 4% in the UK.

In Foods, we have held overall market share through the course of the year, with growth across all key categories apart from frozen foods. On 9 February 2006 we announced that we were putting up for sale the majority of our frozen foods business in Europe.

In Home and Personal Care we had a disappointing year and we have lost market share, particularly in the UK.

Overall, there was some pick-up in the fourth quarter, but we are not yet where we want to be.

New product launches this year have included *Knorr Vie* mini shots, extensions of the *Becel/Flora pro-activ* heart health range, soups fortified with vitamins and low-fat soups.

We have introduced a *Rexona Sport* variant in deodorants, *Axe* shower gel and *Sunsilk* hair styling products. We have further improved our Home Care product range with launches that address specific consumer needs, such as 'no-need-to-pre-treat' laundry detergents, *Sun 4-in-1* dishwasher and *Domestos* sink and drain unblocker.

The operating margin, at 14.2%, was 0.4 percentage points higher than last year. Increased advertising and promotions and pricing investment together with higher input costs were partly offset by productivity gains. Net restructuring, disposal and impairment costs, at 0.8% were 1.5 percentage points lower than in 2004.

Operating review by region

The Americas

2005 results compared with 2004 (continuing operations)

	€ million	€ million	€ million	€ million	%	%
	2005 at 2005 rates	Exchange rate effects	2005 at 2004 rates	2004 at 2004 rates	Change at actual current rates	Change at constant 2004 rates
Turnover	13 179	(464)	12 715	12 296	7.2%	3.4%
Operating profit	1 719	(75)	1 644	896	91.9%	83.6%
After charging:						
Impairment of <i>Slim-Fast</i>	(363)	(12)	(375)	(791)		
Provision for Brazilian sales tax	–	–	–	(169)		
Operating margin	13.0%		12.9%	7.3%		
Restructuring, business disposals and impairment charges included in operating margin	(3.4)%		(3.4)%	(9.2)%		

Turnover and underlying sales growth (at constant 2004 rates)

	2005 vs 2004
Underlying sales growth (%)	4.1
Effect of acquisitions (%)	0.0
Effect of disposals (%)	(0.7)
Turnover growth (%)	3.4

Turnover at current rates of exchange rose by 7.2%, including a positive impact from currency movements of 3.8%. Operating profit at current rates of exchange was 92% higher than in 2004, including a favourable impact from currency movements of 8.3%. The underlying performance of the business after eliminating these exchange translation effects and the impact of disposals is discussed below at constant exchange rates.

Underlying sales grew by 4%, all coming from volume gains, broadly based across the region, underpinned by a successful innovation programme.

Consumer demand in the US showed a sustained recovery. Our sales in the US grew by 3.2%, accelerating through the year, and we gained market share in aggregate.

In Brazil and Mexico, a strong first half was followed by relatively weaker demand in the second half of the year. We grew in line with our markets in Home and Personal Care, but saw some share loss in Foods.

Growth in Personal Care across the region has been driven by good consumer response to our initiatives, including vitality innovation and consistent support. This has been particularly evident in the deodorants and personal wash categories, with strong double-digit growth for *Axe*, now the number one deodorant in the US, and for the *Dove* and *Rexona* brands.

Another strong Foods performance in the US was driven by further share gains in ice cream, continued good results from the extension of the *Country Crock* and *Bertolli* brands into new categories, and from *Lipton* ready-to-drink and speciality teas.

Slim-Fast continued to regain share, but in a much contracted weight management market and sales were well below the previous year.

New launches in the US included the well received *Dove Cool Moisture* range and the extension of *Axe* into male shower gels. In Latin America our brands have also been very successful in connecting with younger consumers through *Rexona 'teens'* and innovative communication for *Axe*.

In the US we introduced *all Small & Mighty* laundry detergent, offering the convenience of the same cleaning power in a smaller bottle. We have invested in communication of our *Omo* laundry brands, under the 'Dirt is Good' campaign in southern Latin America.

In Foods, we strengthened the vitality credentials of our brands in the US with *Promise* heart health spread, *Ragú* organic and support for the anti-oxidant properties of *Lipton* teas. *AdeS* continued to build across Latin America with the distinctive nutrition benefits of 'soy with fruit'.

The operating margin at current rates of exchange was 13.0%, 5.7 percentage points higher than in 2004. Net charges for restructuring, disposal and impairment were 3.4%, which was 5.8 percentage points lower than in the prior year. Cost savings offset a higher level of advertising and promotions and increased input costs. There were also gains from the sale of an office in the US, in US healthcare plans and from currency effects on capital reductions.

Operating review by region

Asia Africa

2005 results compared with 2004 (continuing operations)

	€ million	€ million	€ million	€ million	%	%
	2005 at 2005 rates	Exchange rate effects	2005 at 2004 rates	2004 at 2004 rates	Change at actual current rates	Change at constant 2004 rates
Turnover	10 282	(1)	10 281	9 620	6.9%	6.9%
Operating profit	1 291	6	1 297	1 040	24.1%	24.7%
Operating margin	12.6%		12.6%	10.8%		
Restructuring, business disposals and impairment charges included in operating margin	(0.0)%		(0.0)%	(2.9)%		

Turnover and underlying sales growth (at constant 2004 rates)

	2005 vs 2004
Underlying sales growth (%)	8.7
Effect of acquisitions (%)	0.0
Effect of disposals (%)	(1.6)
Turnover growth (%)	6.9

Turnover at current rates of exchange rose by 6.9%, with no net impact from currency movements. Operating profit at current rates of exchange was 24% higher than in 2004, after allowing for an adverse impact from currency movements of 0.6%. The underlying performance of the business after eliminating these exchange translation effects and the impact of disposals is discussed below at constant exchange rates.

We have capitalised on our leading positions and buoyant consumer demand across most of the region, growing underlying sales by nearly 9%, in a competitive environment, and increasing market share in key battlegrounds.

The growth was broad-based in terms of both categories and geographies. There were notable performances in all major developing and emerging countries, including a strong recovery in India with market share gains, and significant contributions from China, which was up by over 20%, and from South East Asia, South Africa, Turkey and Arabia. Japan returned to growth. After a weak first half, Australia improved in the second half of the year.

Most of the increase came from volume, but price growth gained momentum through the year, as we moved to selectively recover increased commodity costs, especially in Home Care.

Growth was underpinned by a range of innovations. In skin care in India, *Lux* has been strengthened with new soap bars from the global range and the introduction of limited editions. Innovations in *Pond's* included a new 'mud' range in China.

In hair care we launched *Dove* in Indonesia, a *Sunsilk* summer range across South East Asia, a new variant for *Lux Super Rich* in China and a strengthened *Sunsilk* range across several key markets in Africa and the Middle East.

New formulations for our laundry products include improved whiteness delivery for *Surf* in Indonesia and *Omo* for sensitive skin in Turkey.

In tea, we have substantially strengthened the *Brooke Bond* brand in India, while *Lipton* is benefiting from strong regional innovations, including Earl Grey and Green Tea variants in markets such as Turkey and Arabia.

The operating margin was 12.6%, 1.8 percentage points higher than in 2004. Increased investment in advertising and promotions was partly offset by productivity gains. The remaining difference was due to net restructuring, disposal and impairment charges which were insignificant in 2005 compared with a net charge of 2.9% in 2004.

Operating review by category

Foods

Highlights in 2005 included:

- The growth of healthier innovations, such as *Becell/Flora pro•activ* and *Knorr Vie*, is a direct result of our vitality strategy.
- We completed our nutritional enhancement programme. Over 16 000 products have been assessed for levels of trans fats, saturated fats, sodium and sugars, and, where necessary, action has been taken to reduce them.
- Our R&D has been restructured to operate as a single, integrated organisation, enabling us to leverage our global scale and allocate resources more productively.

We are embracing vitality at the core of our Foods brands, ensuring they deliver the nutritional and health benefits that consumers are increasingly demanding, as well as that essential ingredient for success – great taste.

Becell/Flora pro•activ is a case in point. Originally launched as a spread to help people reduce their cholesterol, *Becell/Flora pro•activ* has extended rapidly into a range that includes milk drinks, yoghurt products and minidrinks. This no longer relates only to cholesterol, as there is now a mini-drink to help people control blood pressure. In fact, the brand has proved so effective in improving heart health, as part of a balanced diet, that the Netherlands' largest health insurer, VGZ, is rewarding its policy holders financially when they buy *Becell/Flora pro•activ* products.

To help consumers meet their daily nutritional requirements, we also launched *Knorr Vie* mini shots in Europe. Free of preservatives and other additives, these convenient natural drinks help consumers on their way towards their daily fruit and vegetable needs. Other advances included new fruit variants of our nutritionally rich, soy-based drink, *AdeS*, in Latin America. Like so many of our brands that have embraced vitality, *AdeS* has proved a success and will be extended to other markets. Our dedicated new vitality platforms group are actively creating numerous future opportunities such as the ones mentioned above.

In all cases, whether we're communicating the health benefits of *Lipton* tea or the vitality credentials of *Hellmann's*, we only make health and nutrition claims for our brands that are supported by robust, scientifically-validated evidence. This approach is underpinned by a strict claims guidance framework, as well as a commitment to make nutritional information available to consumers.

Improved quality has been another theme of our innovations, reflected in the launch of our gourmet-standard *Bertolli* Dinner for Two frozen range, a major success in the US. *Knorr* has also produced exceptional results in the Netherlands and other European countries with its new, high quality wet soups in pouches (also sold as *Unox*), as has our ice cream business with its new and intensely flavoured *Magnum Five Senses*.

For developing and emerging markets, we have continued to make our products more affordable through packaging and price-per-serving with pioneering products such as *Knorr Cubitos* seasoning cubes.

While consumers increasingly look for ways to eat healthily out of home, they are not willing to sacrifice taste and convenience. This often challenges foodservice operators to offer food that meets all the needs of their customers. Our Unilever *Foodsolutions* business gives foodservice professionals products that deliver delicious taste, consistent quality, convenience and healthier menu options.

In 2005 we launched *Knorr Coulis*, a new innovative range of pure sauces made from freshly mashed vegetables. To be used as a warm or cold sauce or as a natural ingredient, *Knorr Coulis* creatively refines and decorates all types of dishes. With its pure, high quality ingredients, its fresh authentic taste and exciting colours, it is a solution that brings chefmanship and vitality naturally together.

Operating review by category

Home and Personal Care

Highlights in 2005 included:

- The success of *all Small & Mighty* liquid detergent has underlined the power of stronger relationships with our customers.
- *Dove* and *Rexona* extended their leadership with launches such as *Dove Cool Moisture* and *Rexona 'teens'*.
- Technological breakthroughs have spearheaded the recovery of our Home Care business, as well as hair in Asia.
- To make greater inroads in the US skin market, we opened a new \$23 million R&D facility in Connecticut.

Vitality is now central to our Home and Personal Care business. The *Dove Campaign for Real Beauty*, the *Omo Dirt is Good* campaign and the *Lifebuoy* Handwashing campaigns in Asia are tangible programmes that bring Unilever's vitality mission to life in our Home and Personal Care brands.

The success of *Lifebuoy* in India and Indonesia contributed to the performance of our skin business in Asia, as did the launch of *Pond's* whitening platform, which underlines Unilever's strength in the face care sector across Asia.

The new *Dove Cool Moisture* range was launched in North America while the *Dove* firming range was rolled out globally. We also extended the *Dove Campaign for Real Beauty* with the creation of the *Dove Self-Esteem Fund* for young women to educate and inspire girls on a wider definition of beauty.

In South Africa we relaunched *Vaseline* with a range of lotions and creams aligned with the new global packaging. We also launched South Africa's first mass-market male lotion, new *Vaseline 'For Men'*.

To grow our share of the male grooming market, we launched *Axe* shower gel in North America. Within just three years, *Axe* has become the leading deodorant brand in the US. We also launched *Rexona Sport for Men* with an award-winning advertising campaign called 'Stunt City'. *Rexona* is now the number one male deodorant brand in Russia and Ukraine.

In hair, the new *Sunsilk* colour enhancement range in Europe has been designed to increase the brand's appeal among young consumers. In oral care, the world's first centre-filled gel toothpaste was introduced in Vietnam.

Innovation has reinvigorated our laundry business. The *Omo Dirt is Good* campaign was rolled out across most of Asia after its launch in Latin America and Europe, giving us near global coverage. In Europe, we introduced a new gel-layered detergent tablet that helped make *Skip* the fastest growing HPC brand in France by the end of 2005. A new whiteness shading technology in Latin America gave consumers more appealing whites with *Radiant*. The proprietary technology behind the innovation is ensuring we keep ahead of our key competitors. In North America, *all Small & Mighty* is leading the concentrated liquid detergent market. Its success illustrates how great mixes, which have both a consumer-winning innovation and a strong customer benefit, can be successful. In China, we continued to develop the fabric conditioners market where *Comfort* is the market leader.

The level of innovation in household care has been equally creative. *Cif*, for example, rolled out pioneering power cream sprays for the bathroom and kitchen. The traditional offer to the consumer of cream from *Cif* has now been enhanced with an attractive new proposition with the same power of the *Cif* cream in a spray. *Domestos*, meanwhile, extended its 'kill germ' power into a new territory with the sink and drain unblocker that now clears blockages up to twice as fast as the market leader.