

UNILEVER PLC
Form 20-F
March 29, 2007

As filed with the Securities and Exchange Commission on March 29, 2007

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 20-F**

(Mark One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)
OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 31 DECEMBER 2005

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from _____ to _____

Commission file number 1-4546

UNILEVER PLC

(Exact name of Registrant as specified in its charter)

ENGLAND

(Jurisdiction of incorporation or organization)

UNILEVER HOUSE, BLACKFRIARS, LONDON, ENGLAND

(Address of principal executive offices)

Securities registered or to be registered pursuant to
Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

American shares (evidenced by Depositary Receipts)

New York Stock Exchange

each representing four Ordinary Shares of the nominal
amount of 1.4p each

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Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of class)

The total number of outstanding shares of the Registrant's capital at the close of the period covered by the Annual Report was 2 911 458 580 ordinary shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark which financial statement item the Registrant has elected to follow.

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At a glance

Turnover (€ million)
Continuing operations

Operating profit (€ million)
Continuing operations

Operating margin (%)
Continuing operations

Earnings per share (€)
Total operations

Dividends

Per Ordinary €0.16 share of
Unilever N.V. (€)

Per Ordinary 3¹/₉p share of
Unilever PLC (pence)

Per €0.16 New York Registry share of
Unilever N.V. (\$)

Per 3¹/₉p American Depositary Receipt of
Unilever PLC (\$)

In addition to the dividends shown above, one-off dividends of the following amounts per share were paid in December 2006: €0.26 per ordinary NV share; 17.66p per ordinary PLC share; \$0.3316 per NV New York Registry share; and \$0.3372 per PLC American Depositary Receipt.

The dividend and earnings per share information given above, including comparative amounts for prior years, is expressed in terms of the nominal share values which have applied since 22 May 2006, following the split of NV shares and the consolidation of PLC shares which were approved at the 2006 AGMs.

Dividend figures for each year comprise dividends declared or proposed for that year. Under International Financial Reporting Standards (IFRS), dividends are only recorded against the year in which they become payable.

Actual dividends payable for 2006 on Unilever N.V. New York Registry Shares and American Depositary Receipts of Unilever PLC may differ from those shown above, which include final dividend values calculated using the rates of exchange ruling on 7 February 2007 (€1.00 = \$1.2987, £1 = \$1.9718) .

The term "shares" as used in this document should, with respect to shares issued by Unilever N.V., be construed to include depository receipts for shares issued by Foundation Unilever NV Trust Office, unless the context otherwise requires or unless it is clear from the context that this is not the case. For further information please refer to page 41.

The Unilever Group

Unilever N.V. (NV) is a public limited company registered in the Netherlands, which has listings of shares and depositary receipts for shares on Euronext Amsterdam and of New York Registry Shares on the New York Stock Exchange.

Unilever PLC (PLC) is a public limited company registered in England and Wales which has shares listed on the London Stock Exchange and, as American Depositary Receipts, on the New York Stock Exchange.

The two parent companies, NV and PLC, together with their group companies, operate as a single economic entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC and their group companies constitute a single reporting entity for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts.

Basis of reporting

Our accounting policies are based on International Financial Reporting Standards (IFRS) as adopted by the EU and UK and Dutch law. These differ in certain respects from accounting principles generally accepted in the United States (US GAAP). Certain measures used in our reporting are not defined under either IFRS or US GAAP. For further information about these measures, and the reasons why we believe they are important for an understanding of the performance of the business, please refer to the Operating review on page 13 and the Financial review on page 23. Variations from United States generally accepted accounting principles (US GAAP) and Securities and Exchange Commission Financial Statement Requirements Regulation S-X are outlined in notes 34 and 35 on pages 124 to 140.

The brand names shown in *italics* in this report are trademarks owned by or licensed to companies within the Unilever Group.

Reporting currency and exchange rates

Details of key exchange rates used in preparation of these accounts are given on page 146, together with Noon Buying Rates in New York for the equivalent dates.

Forward-looking statements

This document contains certain statements that are neither reported financial results nor other historical information. These statements are forward-looking statements, including within the meaning of the United States Private Securities Litigation Reform Act of 1995. For a description of factors that could affect future results, reference should be made to the full "Cautionary Statement" on the inside back cover.

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A changing Unilever

Our mission is to add Vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Unilever is changing □ from the way we are structured and the way we operate, to the choices we make and the priorities we set.

We have a reformed governance, a new structure and a □One Unilever□ programme creating consistency, delivering cost savings and enabling us to leverage our global scale. We are developing and implementing brilliant consumer marketing. We are strengthening our relationships with retail customers. And we are outsourcing transactional operations in IT, finance and HR so we can focus on growing global brands.

In supporting our growth strategy, these changes are all making an impact on performance. 2006 was a year of progress, showing consistent broad-based growth, with all regions and all categories contributing, and savings programmes delivered ahead of plan, helping to offset higher input costs.

Our investment priorities □ personal care, developing and emerging markets, and Vitality □ are fuelling this growth. For example, our Vitality mission is shaping and directing our brand development, our partnerships and the way in which we operate around the world.

On the following pages you will recognise information about many of our world-famous brands and see how our values □ our desire to improve people□s lives, our commitment to the communities in which we operate □ are at the heart of our business. But you will also witness a new purpose, a new confidence and a new hunger to succeed.

Whether serving the world□s most affluent consumers or those with very limited disposable income, we always remember that respect and reputation have to be earned. And retaining the trust and credibility that Unilever has built up over many years is critical to our success in helping people □feel good, look good and get more out of life□.

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Report of the Directors

Chairman's report

In 2006 we regained the initiative in the marketplace resulting in top line growth of 3.8% and a stabilisation of our market shares.

Many initiatives such as "One Unilever" were accelerated and executed with great skill and discipline.

On behalf of the Boards I would like to thank Patrick and his team, as well as all our 179 000 employees around the world, for their hard work and commitment.

Although economic activity has been favourable, in other business areas (for example raw material prices) the going has been tough. Therefore the words of appreciation from the Boards are well deserved.

I would like to report back to you on a number of issues concerning the dual structure, Board composition and Board evaluation.

Dual structure

In 2005 three proposals were put forward to change Unilever's constitutional arrangements. All were approved by shareholders at the two Annual General Meetings (AGMs) which were held in May 2006.

As a result, we now have greater flexibility to allocate assets between the two parent companies. In addition, there is full transparency between our share prices since there is one-to-one equivalence in their economic interests in the Unilever Group. Finally, our shareholders have the right to nominate candidates to the Boards.

All of this means we have simplified the relationship between our NV and PLC shares, and strengthened several elements of Unilever's corporate governance. At the same time, the Group continues to benefit from its dual structure.

I would like to remind you that the dual structure refers to the legal framework of Unilever. When it comes to the day-to-day management of Unilever's operations the Group is run on the principle of one operating unit and as such the vast majority of employees are, quite properly, unaware of our legal structure.

Board succession

During 2006 we continued our search to identify candidates for the Boards who would strengthen its expertise and independence. We are very pleased that Genevieve Berger, Narayana Murthy and Hixonia Nyasulu have expressed their willingness to serve on Unilever's Boards; they will be proposed as Non-Executive Directors at the AGMs in May 2007. Genevieve is a Professor of Biophysics and Medical Imaging at Paris University VI and Chairman of the Advisory Board "Health" for the EU Commission for Research. Narayana is co-founder and Chairman of Infosys Technologies Limited. Hixonia is a Non-Executive Director of Sasol Limited and Anglo Platinum and an Advisory Board Member of JP Morgan South Africa. Their appointments will bring further diversity of background and experience to the Boards and we hope that their nominations will be approved by shareholders.

In addition to welcoming these new members to the Boards, we will be saying goodbye to two of the Directors. First, Rudy Markham. Rudy retires after 39 years of distinguished service with Unilever during which time he has successfully occupied a number of senior executive positions. In 1998 he joined the Boards as Strategy and Technology Director, being appointed Financial Director, now Chief Financial Officer, in 2000. On behalf of the Boards I would like to acknowledge his outstanding career and thank him for the significant contribution he has made to our business throughout that time.

Secondly, Lynda Chalker. Lynda retires as a Non-Executive Director after three terms of three years. She has served as Chair of the Corporate Responsibility and Reputation Committee and throughout her time on the Boards we have benefited from her wise counsel and expert knowledge of developing markets.

On your behalf I thank them both for their service.

In addition, the Nomination Committee led by its Chairman David Simon was given the task of searching for a new Chairman as my successor. We are delighted that Michael Treschow has agreed to succeed me as the first independent Chairman of the Boards of Unilever, subject to his appointment as a Non-Executive Director at the AGMs. Michael is a businessman with a formidable track record gained in some of the world's most competitive consumer industries. He has also proved himself an effective Chairman at both Ericsson and Electrolux, and we trust that his appointment will be approved by shareholders.

When these changes are implemented we will have finalised a complete restructuring of our corporate governance arrangements. This change process was initiated in 2004 and it involved the elimination of Advisory Directors, the phase-out of the dual leadership system, the adoption of a one-tier board structure and the appointment of a fully independent Chairman of the Boards. We feel we will have Boards in place which will measure favourably against the highest corporate governance standards.

Board evaluation

During 2006 a full and thorough evaluation of how the Boards functioned was conducted by a specialist outside firm. Taken as a whole, the outcome was positive as it confirmed that the changes we have made since 2004, the move from Advisory Directors to Non-Executive Directors and the splitting of the Chairman and Chief Executive roles, have strengthened our governance structure. In addition, the amount of time spent on Unilever Board matters compares very favourably with general practice.

These conclusions support our belief that all the alterations to our governance structure and proceedings have been beneficial to Unilever overall and that we meet the very high standards expected of a group of our size and complexity.

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Report of the Directors

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Chairman's report (continued)

Conclusion

I realise I am writing to you for the last time after 35 years of service with Unilever.

The changes within Unilever over this period have been truly transformational both in terms of product portfolio and geographical spread. Our turnover in Western Europe has declined from 65% to 34% of Unilever sales. The expansion has been picked up by the developing countries which represent over 40% of our turnover.

Moreover, 35 years ago 25% of Unilever sales were outside the fast moving consumer goods sector. Spearheaded by disposals and acquisitions such as Chesebrough Pond's and Bestfoods, Unilever turnover is now focused on around 400 brands, all in consumer goods categories. Especially spectacular has been the rise of turnover of our personal care business from 4% of sales in 1972 to 28% of sales today.

Perhaps the most impressive change since the early seventies is the step-up of the quality and strength of our brand portfolio. We have come from a position of no brand achieving a turnover of over €1 billion, to today's position of twelve billion-euro brands, representing around 55% of Unilever's turnover.

All these changes together with the underpinning of our Vitality mission position our company favourably for future growth.

What has not changed over the last four decades is the way Unilever conducts its business: integrity first and foremost in all things we undertake together with a keen interest for the communities and environment in which we work.

It has been a privilege to serve in Unilever over the last 35 years.

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Report of the Directors

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About Unilever

Description of business

Unilever is one of the world's leading suppliers of fast moving consumer goods across Foods and Home and Personal Care categories. Unilever's portfolio includes some of the world's best known and most loved brands.

Strategy and long-term financial targets

At the heart of Unilever's strategy is a concentration of resources on areas where we have leading positions and on high growth spaces, especially in personal care, in developing and emerging markets and in Vitality. While the focus is on developing the business organically, acquisitions and disposals also have a role to play in accelerating the portfolio development.

To execute this strategy the business has been reorganised to simplify the management structure and to improve capabilities in marketing, customer management, and research and development. The result is better allocation of resources, better execution, faster decision-making and greater focus on efficiency. The new organisation, augmented by the successful 'One Unilever' project, allows us to leverage our scale both globally and locally.

Unilever's long-term ambition is to achieve top-third total shareholder return and our targets reflect this. Over the period 2005-2010 we target ungeared free cash flow of €25-30 billion. Disposals made in the past two years, with no significant acquisitions to date, have reduced the cash generation over the period by just over €1 billion. Return on invested capital is targeted to increase over the 2004 base of 11%. We expect underlying sales growth of 3-5% per annum and an operating margin in excess of 15% by 2010 after a normal level of restructuring of 0.5 to 1 percent of sales.

Key performance indicators

Underlying sales growth, operating margin, ungeared free cash flow, return on invested capital and total shareholder return are key performance indicators for the Group.

In the Operating review on pages 13 to 22 and the Financial review on pages 23 to 32 we explain why we regard these as important indicators of our progress against our strategic objectives, describe how we calculate them, and report on the results of these measures for the current and preceding years.

Regions

Three regional teams are responsible for managing Unilever's business in the regions, and for market operations. They are primarily responsible for winning with customers and deploying brand events and innovations effectively. The regions are fully accountable for the profit performance of our business, as well as growth, short-term cash flows and the in-year development of market shares.

The Europe region includes our operations in Western Europe and in Central and Eastern Europe, and in 2006 accounted for approximately 38% of our business on a turnover basis. The Americas region includes our operations in North America and Latin America and represented around 35% of our business. Our Asia Africa region accounted for 27% of our business, and includes our operations in the Middle East, Turkey, Africa, Asia and Australasia.

Categories

Two category teams cover Foods and Home and Personal Care, and are responsible for each category and the brands therein. They are fully responsible for brand development and innovation, including research and development. Categories also lead the strategic elements of the supply chain and are accountable for long-term value creation in the business, as measured by market share development, category growth, innovation metrics and brand health.

For more information about our two categories and their innovation activities during 2006 please refer to pages 20 to 22.

Functions

Our five support functions (Finance, HR, IT, Communications and Legal) provide value-adding business partnership, strategic support and competitive services to the whole business (especially the regional and category organisations). They are organised around the model of business partners, shared services and expertise teams.

Operating environment

Competition

We have a wide and diverse set of competitors in our consumer goods businesses. Many of our competitors also operate on an international scale, but others have a narrower regional or local focus.

Competition is a normal part of business. We aim to compete and give value to our consumers, customers and shareholders in three ways:

- by continually developing new and improved products;
- by sharing our innovations and concepts with our businesses all around the world; and
- by striving to lower the cost of our sourcing, manufacturing and distribution processes while still maintaining, and improving, the quality of our products.

We support efforts to create a more open competitive environment through the liberalisation of international trade. We support the full implementation of the Single European Market and inclusion in the European Union of other countries that fulfil the agreed criteria for membership.

Distribution

Unilever's products are generally sold through its sales force and through independent brokers, agents and distributors to chain, wholesale, co-operative and independent grocery accounts, food service distributors and institutions. Products are distributed through distribution centres, satellite warehouses, company-operated and public storage facilities, depots and other facilities.

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Report of the Directors

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About Unilever (continued)

Exports

We sell our products in nearly all countries throughout the world and manufacture in many of them. We export a wide range of products to countries where we do not make them. For example, inside the European Union we make many of our products in only a few member countries, for sale in all of them. The chosen manufacturing configuration is generally determined by an optimised regional sourcing strategy which takes account of requirements for innovation, quality, service, cost and flexibility.

Seasonality

Certain of our businesses, such as ice cream, are subject to significant seasonal fluctuations in sales. However, Unilever operates globally in many different markets and product categories. No individual element of seasonality is likely to be material to the results of the Group as a whole.

Related party transactions

Transactions with related parties are conducted in accordance with agreed transfer pricing policies and include sales to joint ventures and associates. Other than those disclosed in this report, there were no related party transactions that were material to the Group or to the related parties concerned that are required to be reported in 2006 or the two preceding years.

For more information about related party transactions please refer also to note 30 on page 122.

Resources

Our brands – Foods

Our Foods category manages brands in two main groups:

Savoury, dressings and spreads includes sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings, olive oil, margarines, spreads and cooking products such as liquid margarines and the remaining frozen foods businesses. Among the leading brands are *Knorr*, *Hellmann's*, *Calvé*, *Wish-Bone*, *Amora*, *Bertolli*, our healthy heart *Becel* and *Flora* ranges, and our family brands including *Rama*, *Blue Band* and *Country Crock*.

Ice cream and beverages includes our sales of ice cream under the international *Heart* brand, including *Corretto*, *Magnum*, *Carte d'Or* and *Solero*, and also *Ben & Jerry's*, *Breyers*, *Klondike* and *Popsicle*. It also includes sales of tea, where our brands include *Lipton* and *Brooke Bond*, weight management products, principally *Slim•Fast*, and nutritionally enhanced staples sold in developing markets, including our *Annapurna* and *AdeS* ranges.

Within these groups, our Unilever *Foodsolutions* business is a global food service business providing solutions for professional chefs and caterers. Its results are reported within those for the groups above.

Our brands – Home and Personal Care

Our Home and Personal Care category manages brands in two main groups:

In **Personal Care**, six global brands are the core of our business in the deodorants, skin cleansing, daily hair care and mass-market skin care categories – *Axe*, *Dove*, *Lux*, *Pond's*, *Rexona* and *Sunsilk*. Other important brands include *Suave*, *Clear*, *Lifebuoy* and *Vaseline*, together with *Signal* and *Close Up* in oral care.

Our **Home Care** ranges include a series of laundry products, including tablets as well as traditional powders and liquids for washing by hand or machine. Tailored products including soap bars are available for lower-income consumers. Our brands include *Comfort, Omo, Radiant, Skip, Snuggle* and *Surf*. Our household care products are led by our *Cif* and *Domestos* brands.

Corporate venture activities

Unilever has allocated €350 million to its venturing activities in order to create business opportunities that will help build our core business interests in Foods and Home and Personal Care. These activities include:

- Unilever Technology Ventures, which invests in technology funds and start-up companies;
- Unilever Ventures, which is an early-stage business development fund for businesses from both inside and outside Unilever; and
- Langholm Capital, which is an independent fund investing in private European companies with above-average longer-term growth prospects.

Our employees

We set great store by our people. No matter what their level or individual responsibilities, they all make an important contribution to our success.

The following examples outline some of the initiatives we have instigated to help our people develop their skills, broaden their experience and wherever they are in the world improve their chances of progressing within Unilever.

Talented people are given opportunities to develop at every level. However, our new senior leadership programme, launched in 2006, is aimed at those with potential to reach the top roles. The programme includes a bespoke business simulation, based on one of our skincare businesses. It provides an exceptional opportunity for senior managers rapidly to gain the breadth and depth of business and leadership understanding required for our business's most demanding roles.

We are always looking at new ways of working to drive business effectiveness. One example is in the area of business travel which can be time-consuming and tiring. Our current videoconferencing equipment is being upgraded to state-of-the-art facilities at five major Unilever sites worldwide and is expected to enable us to reduce travel. These facilities mean that complete teams can communicate effectively with one another across continents and time zones without anyone leaving the office – making better use of everyone's time and energy, and limiting time spent away from home.

During 2006, as part of a graduate recruitment programme, Unilever Netherlands set an unusual work-experience challenge. Students spent two weeks in rural India on Hindustan Lever's Project Shakti, helping women in remote areas who have set up small businesses as direct-to-consumer retailers and measuring the project's success. By providing local women with training and business skills, Shakti creates a new distribution channel for our products while providing the women with opportunities to improve their income, standard of living and place in the community. It also helped open Dutch students' eyes to the wide variety of activities that take place across the Unilever world.

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Report of the Directors
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About Unilever (continued)

Unilever employees whose skills are honed in developing and emerging (D&E) markets are reaching senior positions both at home and abroad, and 20% of our top 123 managers are from D&E regions. Andina/Central America, Argentina, Brazil, India, Indonesia, Japan, Mexico, Pakistan, the Philippines and South Africa all have either local nationals as their chairmen, or chairmen from within the D&E regions. Furthermore, 39% of all individuals on international secondment are from developing or emerging countries.

Hindustan Lever, Unilever's business in India, has a Personal Vitality Programme which assesses individual employees' body mass, blood pressure, cholesterol and blood sugar levels. And assistance is provided to those who have nutrition or health issues, or exercise requirements. Although voluntary, over 10 000 employees have taken part so far and each will be followed up annually to ensure they have every opportunity to improve their health.

Strong, effective leadership is at the heart of our transformation programme and is the key to sustaining high levels of business performance. Our new global Standards of Leadership framework clearly sets out the behaviours needed to align 'hearts and minds', inspire people to achieve excellence in strategy execution and develop the skills and capabilities we need for the future.

Maintaining health and fitness can be challenging for senior managers in demanding roles. During 2006, several senior leadership teams – including the Unilever Executive – took part in a well-being programme. Each received their own individual health and Vitality check, which was then used to design a personal plan to enhance their habits and practices in physical activity, nutrition and mental resilience. In 2007 a further ten leadership teams are expected to participate in a well-being programme.

Our total employee numbers over the last five years were as follows:

Year end in thousands	2006	2005	2004	2003	2002
Europe	44	49	52	55	60
The Americas	45	47	47	50	53
Asia Africa	90	110	124	129	134
Total	179	206	223	234	247

Of the overall reduction in numbers during 2006 of 27 000, the sale of a plantations business in India accounted for a reduction of 18 000. A further 3 000 resulted from the sale of the majority of our European frozen foods businesses, with the remainder of the reduction arising from other business disposals and a range of restructuring projects.

Included in the total reported numbers for 2006 were 26 000 part-time or seasonal employees (2005: 33 000).

Diversity

Diversity in Unilever is about inclusion, embracing differences, creating possibilities and growing together for better business performance. We embrace diversity in our workforce; this means giving full and fair consideration to all applicants and continuing development to all employees, regardless of gender, nationality, race, creed, disability, style or sexuality. Diversity plays a vital role in ensuring we understand consumers' needs.

The commitment to diversity is set right at the top of our business. An important legacy of our Chairman, Antony Burgmans, is that he is leaving the most diverse Unilever Board in our history. Going forward, Group Chief Executive Patrick Cescau will lead our global diversity board that will drive the diversity strategy within the business.

Unilever is one of the world's most culturally diverse companies with 24 different nationalities represented among our top 123 managers worldwide.

In 2006 we focused on practical diversity initiatives. These included the quarterly measurement and tracking of diversity against objectives and the integration of our diversity agenda into our people processes.

Gender continues to be the primary focus of our diversity strategy, as well as a way of improving business performance. Between 2000 and 2006, we have increased our female management profile from 25% to 33% and most of our senior leadership teams, such as Foods, Europe, The Americas and human resources include female leaders.

Information technology

Unilever IT is a global function headed by the Global Chief Information Officer with a strategy to deliver simpler, more cost effective IT solutions to support the business. Common technology framework and standards for architecture, key technologies, process, information and services, allow Unilever to leverage its scale. For example, this approach is supporting the integration of our businesses in each country under the "One Unilever" programme, as well as the setting up of regional shared service centres for "back-office" operations, which in some cases are being outsourced.

The development of "destination IT architecture" is another example of simplifying and leveraging scale. The destination IT architecture is essentially a long-term view on the IT application and technology landscape for Unilever. This also fundamentally changes the way IT works with the business.

Unilever partners with a few major suppliers to develop the minimum number of non-overlapping systems needed to deliver the business objectives. This promotes radical simplification with flexibility and agility, faster implementation and reduced costs.

Intellectual property

We have a large portfolio of patents and trademarks, and we conduct some of our operations under licences which are based on patents or trademarks owned or controlled by others. We are not dependent on any one patent or group of patents. We use our best efforts to protect our brands and technology.

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Report of the Directors

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About Unilever (continued)

Property, plant and equipment

We have interests in properties in most of the countries where there are Unilever operations. However, none is material in the context of the Group as a whole. The properties are used predominantly to house production and distribution activities and as offices. There is a mixture of leased and owned property throughout the Group. There are no environmental issues affecting the properties which would have a material impact upon the Group, and there are no material encumbrances on our properties. Any difference between the market value of properties held by the Group and the amount at which they are included in the balance sheet is not significant. Please refer to the schedule of principal group companies and non-current investments on page 147 and 148 and details of property, plant and equipment in note 10 on page 90.

We currently have no plans to construct new facilities or expand or improve our current facilities in a manner that is material to the Group.

Laws and regulation

Unilever businesses are governed by laws and regulations designed to ensure that products may be safely used for their intended purpose and that labelling and advertising are truthful and not misleading. Unilever businesses are further regulated by data protection and anti-trust legislation. Important regulatory bodies in respect of our businesses include the European Commission and the US Food and Drug Administration.

We have processes in place to ensure that products, ingredients, manufacturing processes, marketing materials and activities comply with the above-mentioned laws and regulations.

Legal proceedings

We are not involved in any legal or arbitration proceedings which might lead to material loss or expenditure in the context of the Group results. Similarly we do not have any material obligations under environmental legislation. None of our Directors or Officers is involved in any legal proceedings which are material as aforesaid.

Preference shares

In 1999, NV issued 211 473 785 €0.05 (Fl.0.10) cumulative preference shares, with a notional value of €6.58 (Fl.14.50), as an alternative to a cash dividend. In March 2004, NV announced its intention to convert part (€6.53 □ equivalent to Fl.14.40) of the notional value of the preference shares, in accordance with its Articles of Association, into NV ordinary shares in the first quarter of 2005. A number of holders of preference shares raised objections to the conversion, claiming that NV had created legitimate expectations that it would buy the preference shares back for an amount of €6.58, the amount of the cash dividend in 1999. A group of holders of preference shares requested the Enterprise Chamber of the Amsterdam Court of Appeal to conduct an inquiry into the course of affairs surrounding the preference shares. On 21 December 2004, the Enterprise Chamber ordered an inquiry; an additional request to forbid NV to convert the preference shares was rejected.

On 15 February 2005 NV converted part of the notional value of the preference shares into NV ordinary shares. The value, which the holders of the preference shares received upon conversion, was €4.55 for each preference share.

As a consequence of the conversion, the notional value of the preference shares was reduced to €0.05 (Fl.0.10) and pursuant to the Articles of Association of NV the preference shares could be cancelled upon repayment of this remaining notional value. On 4 May 2005, the Enterprise Chamber of the Amsterdam Court of Appeal rejected another request of a group of holders of preference shares who had bought their preference shares after 24 March 2004, which was aimed to prohibit NV from cancelling the preference shares. On 10 May 2005, NV's Annual General Meeting decided to cancel the preference shares and cancellation took effect on 13 July 2005.

On 8 September 2006, the investigators published a report. Criticisms made in this report related to how Unilever had communicated with the preference shareholders but the criticisms did not extend to NV's decision to convert part of the notional value of the preference shares into ordinary shares.

On 8 November 2006 NV announced that it had agreed a settlement with the main parties in the legal dispute over the preference shares. The settlement includes all former preference shareholders who had initiated the inquiry procedure. Unilever has provided €300 million in respect of the settlement. Further information is given in note 19 on page 102.

The group of former preference shareholders who had bought their preference shares after 24 March 2004 and who are not entitled to the settlement, have requested the Enterprise Chamber to rule that the report of the investigators demonstrates mismanagement of NV. They have requested an additional inquiry into the policy and affairs of NV in the period after 24 March 2004. This group of former preference shareholders has also instituted claims with the Rotterdam District Court for nullification of the NV Board's decision to convert the preference shares and NV's Annual General Meeting decision to cancel the preference shares. The Enterprise Chamber and the Rotterdam District Court have not yet decided on these claims.

On the grounds of NV's alleged attributable failure to buy back the preference shares at €6.58, they also claim damages in the amount of approximately €81 million, which amount is based on the difference between €6.58 and €4.55, the value holders of the preference shares received upon conversion for each preference share. These claims will be vigorously contested.

Other

Unilever has businesses in many countries and from time to time these are subject to investigation by competition and other regulatory authorities. One such matter concerns ice cream distribution in Europe, notably the issues of outlet and cabinet exclusivity. In October 2003, the Court of First Instance in Luxembourg (CFI) ruled in favour of the European Commission's decision banning Unilever's Irish ice cream business, HB Ice Cream, from seeking freezer cabinet exclusivity for their products in the Irish market. HB Ice Cream submitted an appeal to the European Court of Justice in Luxembourg (ECJ) against the decision of the CFI. On 28 September 2006 the ECJ dismissed the appeal. Following the CFI decision freezer exclusivity in Ireland has not been enforceable from October 2003 onwards, in outlets which only have HB freezers. From 2003 Unilever Ireland has complied with the Commission decision. With the ECJ judgement this position has now become final. Similar consequences may apply in specific European markets with equivalent structures to those described in the Commission and CFI decisions. There is a

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Report of the Directors
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About Unilever (continued)

possibility of claims for damages, in the event of which Unilever will defend its position vigorously. The case between HB Ice Cream and Masterfoods, which has been before the Irish Courts since 1990 and which had been deferred pending the final determination of the appeal against the Commission decision, has been reopened at the request of Masterfoods. It is noted that in the UK since 2000, when cabinet exclusivity was effectively abandoned following undertakings given by Unilever to the UK competition authorities, there has not been any material change in Unilever's relevant market share.

In 2006 the French competition authorities commenced an inquiry into potential competition law infringements in France involving a number of consumer goods companies in the home and personal care sector, including Unilever France and Lever Faberge France, both subsidiaries of the Unilever Group. To date, no statement of objections has been lodged against either Unilever France or Lever Faberge France and accordingly the potential financial implications, if any, of this investigation for such companies cannot yet be assessed.

On 8 March 2007 representatives from the Portuguese Competition Authority carried out an inspection at the offices of Unilever Jeronimo Martins and such company's ice-cream factory in Portugal. The inspection was in relation to impulse ice-cream in Portugal. It is the policy of the Unilever Group to comply fully with the legal procedures involved in such inspections and any subsequent enquiry. It should be noted that no written statement of objections or other allegations has been received by Unilever Jeronimo Martins in respect of this matter and accordingly the potential financial implications, if any, of this inspection for such company cannot yet be assessed.

On 14 March 2007 representatives from the German Federal Cartel Office carried out an inspection at the offices of Unilever Deutschland GmbH in Hamburg. The inspection was in relation to the oral-care market in Germany. It is the policy of the Unilever Group to comply fully with the legal procedures involved in such inspections and any subsequent enquiry. It should be noted that no written statement of objections or other allegations has been received by Unilever Deutschland GmbH in respect of this matter and accordingly the potential financial implications, if any, of this inspection for such company cannot yet be assessed.

During 2004 the Federal Supreme Court in Brazil (local acronym STF) announced a review of certain cases that it had previously decided in favour of taxpayers. Because of this action we established a provision in 2004 for the potential repayment of sales tax credits in the event that the cases establishing precedents in our favour are reversed. Since that time we have continued to monitor the situation and have made reductions as appropriate to the amount provided.

Also during 2004 in Brazil, and in common with many other businesses operating in that country, one of our Brazilian subsidiaries received a notice of infringement from the Federal Revenue Service. The notice alleges that a 2001 reorganisation of our local corporate structure was undertaken without valid business purpose. If upheld, the notice could result in a tax claim in respect of prior years. The 2001 reorganisation was comparable with that used by many companies in Brazil and we believe that the likelihood of a successful challenge by the tax authorities is remote. This view is supported by the opinion of outside counsel but there can be no guarantee of success on the merits.

Corporate responsibility

We seek to manage and grow our business around the world in a responsible and sustainable way. The values and standards by which we expect to be judged are set out in our Code of Business Principles.

We aim to share these standards and values with our suppliers and contractors through our Business Partner Code, which sets out standards on ten key points of business integrity, labour standards, consumer safety and the environment.

The long-term success of our business is intimately linked with the vitality of the environment and communities in which we operate. Each year we report on our contribution to sustainable development. This is available online at the Environment & Society section of www.unilever.com. Our report describes how we are working in partnership to address issues such as poor nutrition and hygiene, how we continue to work on reducing our environmental impacts, and our contributions of €78 million to communities. The strength of our commitment to sustainable development is reflected in our leadership of the food industry category of the Dow Jones Sustainability Indexes for the eighth year running.

In our Operating review on pages 13 to 22 we give a glimpse of the ways in which our brands are addressing consumers' social and environmental concerns.

Risk management

The following discussion about risk management activities includes "forward-looking" statements that involve risk and uncertainties. The actual results could differ materially from those projected. See the "Cautionary Statement" on the inside back cover.

Unilever's system of risk management is outlined on page 66. Responsibility for establishing a coherent framework for the Group to manage risk resides with the Boards. The remit of the Boards is outlined on page 34.

Particular risks and uncertainties that could cause actual results to vary from those described in forward-looking statements within this document, or which could impact on our ability to meet our published targets, have been identified. In this context the following specific risks have been identified as areas of focus in 2007.

Sales and profit growth

The increasingly competitive environment, the further consolidation in the marketplace and continued growth of discounters could adversely impact our rate of sales growth and our profit margins. In the light of this, we will continue to invest in selected brands and high growth market areas to ensure that we deliver profitable sales growth. Our continued sales and profit growth depends in large part on our ability to generate and implement a stream of consumer-relevant improvements to our products. The contribution of innovation is affected by the level of funding that can be made available, the technical capability of the research and development functions, and the success of operating management in rolling out quickly the resulting improvements. Our focus will continue to be on developing our brands in ways that are distinctive and are relevant for our customers.

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Report of the Directors

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About Unilever (continued)

We have a number of large global brands, including 12 with an annual turnover greater than €1 billion, which often depend on global or regional development and supply chains. Any adverse event affecting consumer confidence or continuity of supply of such a brand could have an impact in many markets. The carrying value of intangible assets associated with our brands is significant, and depends on the future success of those brands. There remains a risk that events affecting one or more of our global brands could potentially impair the value of those brands.

As the retail market place through which our products are distributed continues to evolve, our growth and profitability can be threatened if we do not adapt our strategies and enhance our operational capabilities. It is important that we continue to build and deepen relationships with our customers. Plans to raise our effectiveness in the trade, where necessary, receive increasing attention at all levels.

Change initiatives

The continuing restructuring of the business which is designed to simplify our operations and leverage our scale more effectively, includes outsourcing back office support operations and converging regional processes and systems, and requires continuing close management attention in 2007. Building on the experiences of 2006, we will continue to manage the risks in this area diligently and ensure that there are clear action plans to mitigate them. Key to this is the establishment and maintenance of project management processes to monitor progress against milestones and targets together with appropriate communication programmes.

People

Unilever's performance targets require it to have the right calibre of people at all levels. We must compete to obtain capable recruits for the business, and then train them in the skills and competencies that we need to deliver profitable growth. At a time of substantial change in the business there is a particular focus on creating alignment and energetic leadership, evidenced by the senior leadership programme that was launched in 2006.

Corporate reputation

Unilever has created a strong corporate reputation over many years and many of our businesses have a high local profile. This reputation is underpinned by ensuring that all employees embrace the principles prescribed in our Code of Business Principles. Unilever products carrying our well-known brand names are sold in over 100 countries. Should we fail to meet high product safety, social, environmental and ethical standards in all our operations and activities, Unilever's corporate reputation could be damaged, leading to the rejection of our products by consumers, damage to our brands and diversion of management time into rebuilding our reputation.

Potential economic instability

Around 40% of Unilever's turnover comes from the developing and emerging economies. We have long experience in these markets, which are also an important source of our growth. These economies are typically more volatile than those in the developed

world, and there is a risk of downturns in consumer demand that would reduce the sales of our products. We will continue to monitor closely performance in the most volatile markets and respond quickly to protect our business. In cases of extreme social disruption, protecting our people is always the priority.

Price and supply of raw materials and commodities contracts

Prices of raw materials and commodities increased significantly throughout 2006, adversely impacting margin where we were unable to pass on increased costs. To mitigate such risks, and where appropriate, we purchase forward contracts for raw materials and commodities, almost always for physical delivery. Where appropriate we also use futures contracts to hedge future price movements; however, the amounts are not material.

Insurance of risks

As a multinational group with diverse product offerings and operations in more than 100 countries, Unilever is subject to varying degrees of risk and uncertainty. It does not take out insurance against all risks and retains a significant element of exposure to those risks against which it does insure. However, it insures its business assets in each country against insurable risks as it deems appropriate.

Financial risks

In addition to the above, Unilever is exposed to various specific risks in connection with its financial operations and results. These include the following:

- The impact of movement in equity markets, interest rates and life expectancy on net pension liabilities;
- Maintenance of group cash flows at an appropriate level;
- Exposure of debt and cash positions to changes in interest rates;
- Potential impact of changes in exchange rates on the Group's earnings and on the translation of its underlying net assets;
- Liquidity and counterparty risks; and
- Risks associated with the holding of our own shares in connection with share-based remuneration schemes.

Further information about these, including sensitivity analysis to changes in certain of the key measures, is given in note 17 on pages 100 and 101 and note 20 on page 105.

Other risks

Unilever's businesses are exposed to varying degrees of risk and uncertainty related to other factors including competitive pricing, consumption levels, physical risks, legislative, fiscal, tax and regulatory developments, terrorism and economic, political, and social conditions in the environments where we operate. All of these risks could materially affect the Group's business, our turnover, operating profit, net profit, net assets and liquidity. There may be risks which are unknown to Unilever or which are currently believed to be immaterial.

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Report of the Directors
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Group Chief Executive

We are grateful to those shareholders and other stakeholders who responded to our invitation on the Unilever website to post questions for Patrick Cescau. A number of their questions are reflected in the Q&A below.

How do you look back on 2006?

We are on a journey to restore Unilever's competitiveness and growth potential. That journey is ongoing but I think we can look back on 2006 with some pride and satisfaction.

The improving top-line performance recorded during the year suggests that the wide-ranging changes we made to the business in 2004 and 2005 – both to our organisation and to our strategy – were the right ones for Unilever. They are putting us firmly on the road to sustained growth.

I also believe that we will look back on 2006 as the year when the business regained its confidence and self-belief after the setbacks of recent years. There is a new energy and optimism flowing through the Group.

What pleased you most about the Group's performance last year?

The quality and the broad-based nature of our growth. All parts of the business – all regions and all categories – contributed to healthy underlying sales growth of 3.8%. Our cash flow position in 2006 was also strong, and it was a sign of the growing financial health of the business that we were able to return an additional €750 million to shareholders in the form of a one-off dividend.

Our performance was particularly strong in those areas we had identified as growth priorities and where we had invested accordingly – for example, in developing and emerging markets (D&E) and in our personal care business, which grew by an impressive 6.3%. This is particularly pleasing and encouraging because it suggests the strategy we are following – investing heavily in order to obtain leadership positions in high growth areas – is the right one to take us forward.

I would also highlight our performance in Europe, which has been a tough market for us in recent years. Last year we re-doubled our efforts and this was rewarded in steadily improving results and a return to modest growth levels.

Were there any areas where you had hoped to make greater progress during 2006?

Restoring Unilever's competitiveness has involved making a lot of changes to the business. In order to deliver sustained growth and create value for shareholders, we have reformed our governance, overhauled our organisation and put in place a whole new strategy to take the business forward.

Inevitably, changes on this scale are going to proceed at differing speeds. Overall I am satisfied with where we are at this stage in the transformation of the Group. Equally, I know that we have some challenges ahead, in particular delivering more profitable growth. While our operating margin in 2006 was satisfactory, we must strive for a better performance in the year ahead. We weren't helped in 2006 by higher than expected costs resulting from sharp increases in commodity prices, but that has merely served to highlight the importance of the measures we are taking to simplify our business and to squeeze out unnecessary costs.

Since becoming Group Chief Executive you have embarked on a significant programme of organisational change and restructuring. Do you feel that you now have the right organisation in place to drive Unilever's growth?

It is the nature of things today that you have to keep the workings of any organisation under constant review. As a business, that is the only way to ensure you are best serving the interests of shareholders and other stakeholders.

But yes, I do believe we are well advanced with the organisational changes needed to support the next stage of our development.

Indeed, we are already deriving significant benefits from the changes we have made, not least from our more streamlined governance and management structures. Furthermore, our "One Unilever" programme continues to deliver both greater clarity and significant savings as it is steadily rolled out across the whole business. These are all helping to deliver the speed and the scale we need to compete more effectively and could be seen reflected last year in more global brand platforms, the faster roll-out of products and the launch of bigger and better innovations.

But we are not complacent. We know that we will have to quicken the pace of change even further in the year ahead if we are to meet our goal of moving from competing to winning in the marketplace.

You have put the concept of "Vitality" at the heart of the Group's mission. What evidence is there that it has had a direct impact on performance in 2006?

Vitality is about directing our business towards the increasing desire and emphasis on the part of consumers the world over to feel good, look good and to get more out of life. As a business whose brands deliver health, hygiene and nutritional benefits, we are perhaps uniquely well placed to respond to these evolving consumer trends.

To that end, Vitality is already directly impacting our performance. It is a key element in guiding us to those high growth spaces we now regard as critical to Unilever's long-term success. It is also perhaps the single biggest factor driving our innovation programme. The successful launch in the UK last year of *AdeZ* – a soya-based fruit drink – is a good example, one that can be traced directly to our Vitality mission and our determination to continue developing products with proven nutritional benefits.

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Report of the Directors

(continued)

Group Chief Executive (continued)

What did you mean when you said last year that the successful brands of the future would be those that not only satisfied consumers' functional needs, but also addressed their concerns as citizens?

We have always believed that the health and prosperity of our business is linked to the health of the communities we serve, which is why we contributed €78 million to communities last year. However, we also know that consumers increasingly expect companies and brands to play a role in responding to their concerns as citizens around issues such as climate change, or helping to address poor nutrition and disease in some of the most impoverished parts of the world.

Working in partnership with governments, international agencies and NGOs is often the most effective way to help address these major global threats, and Unilever has already embarked on a number of such partnerships, including for example with UNICEF and with the United Nations World Food Programme.

However, individual brands can and do make a difference. The remarkable success of *Surf Excel* in India, for example, which is helping to reduce the amount of water used in laundry in some of the country's most water-stressed regions, is a good case in point. So is our success in combating iodine deficiency in parts of Africa through our iodised salt brand *Annapurna*. These and other initiatives demonstrate that it is possible to do good and do well, and they have convinced us that this is the right direction for Unilever to take.

How do you intend to position Unilever so that it can benefit most from the huge rise in markets like China and India?

There is no doubt that the most significant growth opportunities for Unilever lie in the D&E economies, and not just in China and India. Already, D&E markets account for more than 40% of Unilever's turnover and that proportion is set to go on rising.

Our history in these countries, going back to the very origins of the Group, combined with our existing scale and reach across much of the developing world, means we are very well positioned to benefit from the shifts taking place in the global economy. Our performance in 2006 certainly gives grounds for optimism. Last year, we grew by nearly 8% in D&E markets. That included some spectacular performances, not least in China where growth of nearly 30% was powered directly by the changes we are making to the business.

Unilever's first independent Non-Executive Chairman takes up position in May. What are your expectations?

I think it marks a significant stage in the life of the Group. It is the latest in a series of important governance reforms that are bringing us into line with best corporate practice. At the personal level, I am very much looking forward to working with Michael Treschow, who brings a wealth of relevant experience to bear. We are all excited by his appointment. At the same time, I would like to thank Antony Burgmans, our current Chairman, for his significant contribution to Unilever over the last 35 years. I would also like to thank two members of the Unilever Executive who have also made a significant contribution to Unilever over a long period who will leave us in 2007 – Rudy Markham and John Rice.

What are your ambitions for Unilever as you look ahead to 2007 and beyond and what do you think will present the biggest challenges?

We have made clear that our long-term ambition is to be among the top third of our peer group in terms of total shareholder return (TSR). That is a stretching but achievable goal. In 2007 our aim is to continue delivering sustained underlying sales growth while at the same time improving our operating margin. We are all focused on that task.

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One of the other key challenges we face in 2007 will be to ensure that we obtain an even greater return on the significant investment we have made in upgrading our skills and capabilities in those areas identified as critical to the long-term success of the business — marketing, customer management, and research and development. We have made enormous strides in each of these areas in recent years, but really have the opportunity now in 2007 to accelerate the level of performance.

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Report of the Directors

(continued)

Operating review by region

Basis of reporting

In this Operating review we comment on our changes in revenue on the basis of underlying sales growth (USG). This measure reflects the change in revenue at constant rates of exchange, (average exchange rates for the preceding year) excluding the effects of acquisitions and disposals. It is a measure that provides valuable additional information on the underlying performance of the business. In particular, it presents the organic growth of our business year on year and is used internally as a core measure of sales performance.

USG is not a measure which is defined under either IFRS or US GAAP. It should not be considered in isolation from, or as a substitute for, financial information presented in compliance with either IFRS or US GAAP. This measure as reported by us may not be comparable with similarly titled measures reported by other companies.

The reconciliation of USG to turnover for each of our reporting regions is given in the following section, and for the Group in total on page 25.

The reporting in this section is based on results for continuing operations. Following the disposal of the majority of our European frozen foods businesses during 2006, the operations which we classify under this heading are different from those which were included as continuing operations in our Report and Accounts 2005.

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Report of the Directors (continued)

Operating review by region Europe

Europe

Turnover (€ million)
Continuing operations

Operating profit (€ million)
Continuing operations

Operating margin (%)
Continuing operations

	€ million	€ million	€ million	Year on year change at current exchange rates		Year on year change at constant exchange rates	
	2006	2005	2004	2006 vs 2005	2005 vs 2004	2006 vs 2005	2005 vs 2004
Continuing operations at current rates of exchange							
Turnover	15 000	14 940	15 252	0.4%	(2.0)%	0.2%	(2.4)%
Operating profit	1 903	2 064	2 045	(7.7)%	0.8%	(7.9)%	0.6%
Operating margin	12.7%	13.8%	13.4%				
Restructuring, business disposals, impairment charges and one-time gain on UK pension plans included in operating margin	(1.4)%	(0.9)%	(2.7)%				

	2006 vs 2005	2005 vs 2004
Turnover and underlying sales growth		
Underlying sales growth (%)	1.0	(0.4)
Effect of acquisitions (%)	0.1	0.0
Effect of disposals (%)	(0.9)	(2.1)
Effect of exchange rates (%)	0.2	0.4
Turnover growth (%)	0.4	(2.0)

2006 compared with 2005

Turnover at current rates of exchange rose by 0.4%, after the impact of acquisitions, disposals and exchange rate changes as set out in the table above. Operating profit at current rates of exchange fell by 7.7%, after including a favourable currency movement of 0.2%. The underlying performance of the business after eliminating these exchange translation effects and the impact of acquisitions and disposals is

France remained a difficult market with sales lower in spreads, laundry and hair care. New management is now in place and there was an improvement in the second half of the year.

Sales in Germany held up better in 2006. There was good growth for personal care brands but some

discussed below at constant exchange rates.

We have done much work in Europe to make our business more competitive. In particular there has been a single-minded drive to improve the value we offer consumers, plus a strong innovation programme targeted at the core of our portfolio. Simultaneously, the implementation of our "One Unilever" programme, the building of capabilities and changes in leadership are all resulting in better execution.

These differences, combined with improved consumer demand, returned the region to modest growth. Underlying sales grew by 1% in the year – entirely from volume. Market shares were broadly stable with gains in ice cream, soups, deodorants and body care. However, there were losses in laundry, hair care and tea.

The UK, our largest European business, returned to growth in the year with good results across most Foods and personal care ranges. Although laundry sales declined, there have been promising signs of progress in recent market shares with *Persil* regaining its position as the country's leading laundry brand.

The Netherlands had a strong year. A pioneer of "One Unilever", it benefited from operating as a single company. Highlights were rapid growth for *Lipton*, *Dove*, *Rexona* and *Axe*.

turnover in *Lipton* ice tea was lost following changes in rules for bottle returns.

Central and Eastern Europe continued to do well, driven by double-digit growth in Russia.

The sale of the majority of our European frozen foods businesses to Permira was successfully completed during the year.

Our 2006 innovation programmes have resulted in our Foods brands wholeheartedly embracing the concept of Vitality, with new products designed to deliver the health benefits that consumers seek. *Rama/Blue Band Idea!* spreads with added nutrients which are beneficial to children's mental development – was launched in 2006 and is being rapidly rolled out in 2007. Throughout 2007 cause-related promotional activities associated with these brands will support the United Nations World Food Programme, improving awareness of child hunger and raising funds to alleviate it.

A range of *Knorr* bouillon cubes with selected natural ingredients and a better, richer taste has been rolled out across the region, while *Vie* one-shot fruit and vegetable products are now available in 12 countries. Meanwhile, Latin America's *AdeS* drink, a healthy blend of fruit juices and soya, has been launched successfully in the UK as *AdeZ*.

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**Report of the
Directors (continued)**

Operating review by region Europe (continued)

2006 compared with 2005 (continued)

Product launches with clear functional or emotional benefits in Home and Personal Care brands are being rolled out rapidly across the region. A range of new *Dove* launches included the moisturising self-tan *Dove Summer Glow*. Meanwhile in household care, *Domestos 5x* continues to kill germs even after several flushes and the cleaning power of *Cif* has been applied to a series of power sprays.

The operating margin, at 12.7%, was 1.1 percentage points lower than a year ago, with higher net costs for restructuring, disposals and impairments, partially offset by a one-time gain of €120 million from changes to the UK pensions plan. Before these items, the operating margin would have been 0.6 percentage points lower than in 2005. Margins in Foods were lower than in 2005 as we absorbed significant increases in commodity costs which were only partly compensated by savings programmes.

2005 compared with 2004

Turnover at current rates of exchange fell by 2.0%, mainly due to disposals, and including a positive impact from currency movements of 0.4%. Operating profit at current rates of exchange rose by 0.8%, 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 was to regain momentum and improve competitiveness. The focus was on enhancing the value to consumers of our products through keener pricing, improved quality and more and better innovation.

Marketing support was raised to a more competitive level with additional spend deployed against our best opportunities, and the organisation was streamlined.

We made progress during the year. Volume was slightly positive, but investment in pricing meant that underlying sales declined by 0.4% 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 in France, Germany and 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.

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

New product launches in 2005 included *Knorr Vie* mini shots, extensions of the *Becel/Flora pro-activ* heart health range, soups fortified with vitamins and low-fat soups.

We introduced a *Rexona Sport* variant in deodorants, *Axe* shower gel and *Sunsilk* hair styling products. We 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 13.8%, was 0.4 percentage points higher than in 2004. 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 0.9% were 1.8 percentage points lower than in 2004.

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Report of the Directors (continued)

Operating review by region The Americas

The Americas

Turnover (€ million)
Continuing operations

Operating profit (€ million)
Continuing operations

Operating margin (%)
Continuing operations

	€ million	€ million	€ million	Year on year change at current exchange rates		Year on year change at constant exchange rates	
	2006	2005	2004	2006 vs 2005	2005 vs 2004	2006 vs 2005	2005 vs 2004
Continuing operations at current rates of exchange							
Turnover	13 779	13 179	12 296	4.6%	7.2%	3.1%	3.4%
Operating profit	2 178	1 719	896	26.7%	91.9%	25.0%	83.6%
Operating margin	15.8%	13.0%	7.3%				
Restructuring, business disposals, impairment charges and one-time gain on US healthcare plans included in operating margin	0.0%	(3.4)%	(9.2)%				

	2006 vs 2005	2005 vs 2004
Turnover and underlying sales growth		
Underlying sales growth (%)	3.7	4.1
Effect of acquisitions (%)	0.1	0.0
Effect of disposals (%)	(0.7)	(0.7)
Effect of exchange rates (%)	1.4	3.6
Turnover growth (%)	4.6	7.2

2006 compared with 2005

Turnover at current rates of exchange rose by 4.6%, after the impact of acquisitions, disposals and exchange rate changes as set out in the table above. Operating profit at current rates of exchange rose by 26.7%, after including a favourable currency movement of 1.4%. 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

Sales in Mexico were lower for the year, affected by a combination of a decline in the traditional retail trade and local low-priced competition. In addition, there were several operational issues which have since been addressed. The business returned to growth in the fourth quarter. Elsewhere there was good growth in Argentina, Central America and Venezuela. Taken together, sales in Latin America were ahead by 5.8% with Home and Personal Care brands continuing to do

rates.

Overall, we have maintained share in the US in markets which are growing at around 3%. Underlying sales growth in the US was 2.4%, partly reflecting the effect of trade de-stocking in personal care brands during the first half of the year and in ice cream in the second half. *Degree*, *Dove* and *Axe* – our three main deodorants brands – all gained share. The launch of *Sunsilk* drove growth in haircare. In laundry we initiated the move to concentrated liquids but have lost further share in conventional detergents.

Bertolli frozen meals, Lipton ready-to-drink tea, in our joint venture with Pepsi, and *Slim•Fast* all gained share in the US with the latter making weight loss accessible, affordable and achievable for consumers everywhere. Our share for the year as a whole was also up in ice cream, although sales were down. The sector has been heavily promoted in recent years but in 2006 the level of promotional intensity reduced. As a result, the trade used up stocks and bought less.

Sales in Brazil picked up well after a slow start, with very good innovation-driven performances in hair, deodorants and laundry. Indeed, *Omo*'s brand share was at its highest level for many years.

well. However, there was more modest growth in Foods brands due to tough local competition.

New products introduced in the US included *Wish-Bone Salad Spritzers* with one calorie per spray, further development of the *Bertolli* premium frozen meal range, and *Lipton* pyramid tea bags. Across the region, new *Knorr* soups and bouillons cater for local tastes. The highly successful *AdeS* nutritional drink has been extended with a "light" variant, new fruit flavours and the launch of soymilk in Brazil and Mexico.

We strengthened our hair portfolio with the launch of *Sunsilk*, improved both the *Suave* and *Dove* haircare lines and sold the *Aquanet* and *Finesse* brands. We had a good sales response to *all Small & Mighty* concentrated liquid detergents. These use reduced-size packaging to save water, cardboard and energy use in production, packaging and transport. They are also easier for consumers to carry, pour and store. We then applied *all Small & Mighty*'s product technology to fabric conditioners, creating *Snuggle Exhilarations* – a three-times more concentrated premium sub-range delivering superior fragrance. In Brazil, *Omo* has been further strengthened with a new top-performance product including baby and foam control variants.

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**Report of the
Directors (continued)**

Operating review by region The Americas (continued)

2006 compared with 2005 (continued)

The operating margin, at 15.8%, was 2.8 percentage points higher than a year ago. There were lower costs for restructuring, disposals and impairments, and a one-time benefit in 2006 of €146 million from changes to US healthcare plans. In 2005 there was a gain on the sale of an office. Before these items the operating margin would have been 0.3 percentage points lower than last year. Innovation-driven marketing mix, pricing and productivity offset high commodity costs. Advertising and promotions were increased to support major brand launches.

2005 compared with 2004

Turnover at current rates of exchange rose by 7.2%, including a positive impact from currency movements of 3.6%. 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 was driven by good consumer response to our initiatives, including Vitality innovation and consistent support. This was 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 were also 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 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.

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Report of the Directors (continued)

Operating review by region Asia Africa

Asia Africa

Turnover (€ million)
Continuing operations

Operating profit (€ million)
Continuing operations

Operating margin (%)
Continuing operations

	€ million	€ million	€ million	Year on year change at current exchange rates		Year on year change at constant exchange rates	
	2006	2005	2004	2006 vs 2005	2005 vs 2004	2006 vs 2005	2005 vs 2004
Continuing operations at current rates of exchange							
Turnover	10 863	10 282	9 620	5.7%	6.9%	6.8%	6.9%
Operating profit	1 327	1 291	1 040	2.8%	24.1%	4.0%	24.7%
Operating margin	12.2%	12.6%	10.8%				
Restructuring, business disposals and impairment charges included in operating margin	(0.3)%	0.0%	(2.9)%				

	2006 vs 2005	2005 vs 2004
Turnover and underlying sales growth		
Underlying sales growth (%)	7.7	8.7
Effect of acquisitions (%)	0.0	0.0
Effect of disposals (%)	(0.8)	(1.6)
Effect of exchange rates (%)	(1.1)	0.0
Turnover growth (%)	5.7	6.9

2006 compared with 2005

Turnover at current rates of exchange rose by 5.7%, after the impact of acquisitions, disposals and exchange rate changes as set out in the table above. Operating profit at current rates of exchange rose by 2.8%, after including an adverse currency movement of 1.2%. 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.

Australia experienced a much improved performance with share gains in a number of areas. In Japan, *Lux Super Rich* – the leading brand – performed well despite the launch of a competitor's major brand. However, *Dove* and *Mod*'s lost share.

Savoury, ice cream, laundry and household care brands were the main drivers of strong growth in Turkey, while sales in Arabia were well ahead.

Markets remained buoyant in most of the key countries though there was a slowdown in consumer spending in Thailand. Underlying sales growth of 7.7% was broadly based and our aggregate market shares remained stable.

India grew well across major sectors. A mix of global, regional and local brands is driving growth, notably *Wheel* and *Surf Excel* in laundry, and *Clinic* in haircare. A second year of excellent growth in China, stemmed from a combination of market growth, better distribution and innovations behind global brands such as *Omo*, *Lux* and *Pond's*, as well as the local toothpaste brand, *Zhonghua*. Indeed, Unilever Oral Care and *Zhonghua* exhibited at the FDI World Dental Federation Congress in China to showcase "Live, Learn, Laugh" - Unilever's global partnership with the Federation to improve oral health globally.

Indonesia sustained good momentum, not only in the large Home and Personal Care ranges but also in Foods as a result of strong performances in ice cream and savoury. Thailand had a disappointing year through weak demand and intense competition. A major programme of activities is under way to correct this.

In South Africa, aggressive price promotions by a local competitor have reduced laundry sales, but there were strong growth and share gains in Foods.

Innovation is increasingly being driven globally and regionally, rather than locally. The new *Sunsilk* range has been introduced in most major markets and in laundry, the *Dirt is Good* positioning is now in place across the region. *Pond's Age Miracle*, incorporating unique technology and designed specifically for Asian skin, has been launched in four countries. Meanwhile the latest global *Axe/Lynx* fragrance, *Click*, has been introduced in Australia and New Zealand.

As in the rest of the world, the Foods innovation programme focused on *Vitality Moo*, a wholesome children's ice cream range based on the goodness of milk, has been very well received by mothers and children alike and has proven a real success story in South East Asia. Healthy green tea innovations are being rolled out extensively, while in South Africa marketing for *Rama* margarine now communicates the product's healthy oils. Addressing the needs of lower income consumers, low-priced *Knorr* stock cubes - already successful in Latin America - were also introduced in the region.

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Report of the Directors
(continued)

Operating review by region Asia Africa (continued)

2006 compared with 2005 (continued)

The operating margin at 12.2% was 0.4 percentage points lower than a year ago. Before the impact of restructuring, disposals and impairments, the operating margin would have been in line with last year. The benefits to margin of strong volume growth and savings programmes were fully offset by higher commodity costs and other cost inflation which could not be fully recovered in pricing.

2005 compared with 2004

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 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 selectively to recover increased commodity costs, especially in home care.

Growth was underpinned by a range of innovations. In skin care in India, *Lux* was 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 haircare 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 substantially strengthened the *Brooke Bond* brand in India, while *Lipton* benefited 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.

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Report of the Directors
(continued)

Operating review □ categories

We are passionate about developing great global brands and bringing them to market brilliantly. Our Foods and Home and Personal Care teams invest heavily in world-class innovation in order to create global brand ideas that can be rolled out fast. This involves close collaboration between our marketing and research teams, in order to develop breakthrough ideas that meet the changing needs of consumers the world over and fulfil our mission of adding Vitality to life.

Faster roll-out

Changes to our structure, our □One Unilever□ programme, and better collaboration across our business are helping us get new products to market faster than ever before, and this is having a big impact on brand growth.

Our Dirt is Good positioning including the *Omo* laundry brand now has sales of over €2.5 billion thanks to an alignment of the brand positioning and the rapid roll-out in Asia, where it delivered not only growth, but record market shares.

The new *Rama/Blue Band Idea!* spread was launched in 14 countries within only five months. *Idea!* is a breakthrough innovation with an advanced nutrient mix that supports children□s mental development □ an issue of interest to parents around the globe, both in developed and developing markets.

Dove Summer Glow self-tanning lotion was rolled out across four European countries in just a few weeks. It became our most successful personal care innovation in Europe in 2006, gaining sector leadership in most markets through an outstanding team effort involving marketing, supply chain, R&D and customer development.

Brands with global missions

Throughout 2006 we continued to build brands with global missions and distinctive points of view. Our brands aim to communicate ideas that can be expressed wherever and whenever consumers encounter them, and play an active role in consumers□ lives.

Axe/Lynx is one of the best-known examples: the □Axe/Lynx effect□ □ giving guys the edge in the dating game □ underpins all the brand□s campaigns. In 2006 this led to an innovative launch for *Axe Click*, our most successful anti-perspirant variant since *Pulse*. More than 4 million consumers claimed a free hand-held clicker to keep track of the flirtatious looks they attracted as a result of using *Axe Click*, helping drive the brand□s growth in France, Germany and Mexico.

Overall, our deodorants business continues to grow. *Rexona*, with its □won□t let you down□ promise, played a big role in this success, and reached a major milestone by breaking the €1 billion sales barrier.

Flora/Becel has been fighting the spread of cardiovascular disease for over 40 years. Since 2003 the brand has joined forces with the World Heart Federation to educate consumers and encourage them to make heart-healthy changes to their diet and lifestyle. *Flora/Becel pro•activ* is the world□s best-selling cholesterol-lowering food brand and in 2006 the Three Week Challenge engaged with consumers in a number of countries to demonstrate to them the product□s effectiveness in lowering cholesterol.

Throughout the year, the *Dove Campaign for Real Beauty* continued to challenge conventional definitions of beauty. The strength of this global mission led to great examples of regional execution. For example, the Evolution advertisement, which exposed some of the tricks of the beauty trade, prompted much media attention in North America and was downloaded from YouTube.com a million times in a two-week period.

The *Dove Self Esteem Fund* works in partnership with schools and organisations such as Girl Scouts of America and the Eating Disorders Association to inspire girls to feel more confident about the way they look. So far, *Dove* self-esteem programmes have reached more than 750 000 young people and sales of *Dove* products are growing rapidly.

Lipton is committed to ensuring consumers everywhere are aware of the 'goodness of tea', which is rich in theanine and antioxidants, and has zero calories. Popular all over the world, *Lipton* is the leading global tea brand. In 2006, the brand grew strongly, with leaf tea increasing by around 5% and ready-to-drink products, including sales through our joint venture with Pepsi, up by 25%.

Research & Development

We currently employ more than 6 000 scientists and product developers in Research & Development (R&D) worldwide, delivering total product solutions for Vitality innovations. In 2006 we spent over €900 million on R&D worldwide.

Following our Science & Technology Review, which looked at all aspects of our R&D activities, we are focusing resources on world-class R&D capabilities, working with clear innovation targets and concentrating on fewer – but bigger – projects, which in many cases involve patented technology. We have also embraced Open Innovation, which has involved creating new working relationships between our R&D teams, suppliers, customers, universities and other institutes worldwide.

Launched in Turkey in December, *Amaze Brainfood* is the result of four years of development, long-term clinical trials and €40 million of research. The range of lunchbox snacks and milk drinks contains one-third of the nutrients children need daily for brain development. It was developed through collaboration between our product development teams and the Unilever Food & Health Research Institute.

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Report of the Directors
(continued)

Operating review □ categories (continued)

In the Asia skincare market, *Pond*□s launched *Age Miracle*, a breakthrough patented innovation containing a plant extract called CLA (conjugated linoleic acid) which helps reduce signs of ageing and yields exceptional results in Asian complexions. *Age Miracle* has gone on sale across Asia, helping build *Pond*□s profile in fast-growing D&E markets.

We also developed *Surf Excel*, which enables consumers to achieve the same laundry cleaning results with less rinsing □ a big advantage in areas where water supply is limited.

Following the theme of □less is more□ in laundry, new technology helped create *all Small & Mighty* concentrated liquid detergents, which were launched in the US. *Small & Mighty* is three times more concentrated than regular detergents, so you get a full load clean with just one-third of the amount. That means fewer packaging materials, cheaper transport and less space needed for storage □ good news for consumers, retailers and the environment. During 2007 *Small & Mighty* will be rolled out across Europe.

In June we submitted a dossier to the UK FSA (Food Standards Agency) to seek regulatory approval under the EC Novel Foods Regulation for the use of Ice Structuring Protein (ISP) in ice cream products in Europe. This breakthrough ISP technology enables a multitude of innovations in ice cream, including significantly healthier options and better quality ice cream.

New *Domestos 5x* contains a molecule called C-TAC which clings to the toilet bowl flush after flush, killing germs up to five times longer than any other bleach or toilet product. As part of its launch, consumers were supplied with a test strip to prove how long it remains effective. *Domestos 5x* is due to be launched in all key countries for the brand.

Vitality

Our Vitality mission is at the heart of everything we do. It provides clear direction for meeting consumers□ changing needs, and helps us identify major growth opportunities for our Foods and Home and Personal Care brands.

For example, *Knorr Vie* shots pack lots of nutrition into each handy 100ml bottle. These smoothie-style products made from fruit and vegetables provide half the minimum daily intake of fruit and vegetables recommended by the World Health Organization. Launched in 2005, they are now available in 12 European countries □ over 100 million bottles have been sold so far.

AdeZ □ our soya-based drink with fruit juices □ delivers 35% of the daily recommended intake of vitamins B6 and C, magnesium and calcium. *AdeZ* provides the goodness of soya in a great tasting range of flavours. *AdeZ* started in South America and, with the launch in the UK, this successful product has now been brought to Europe.

When it comes to hygiene, *Lifebuoy* has already helped around 70 million people in India become more aware of the importance of hand-washing with soap to control the spread of diarrhoeal disease and respiratory infections. The brand has been working in partnership with organisations such as the World Bank and UNICEF to promote hand-washing in other countries and as part of its roll-out in Africa.

In early 2005 we made a commitment to reduce the amount of fats, salt and sugar in our products □ a pledge which won the praise of the European Health Commissioner. Since then we have achieved our original targets: by the end of 2006 we had assessed more than 16 000 products and taken out more than 37 000 tonnes of trans and saturated fats, 3 000 tonnes of sodium and 17 000 tonnes of sugars □ without compromising flavour. This work continues through our ongoing Nutrition Enhancement Programme.

A great example is the nutritional improvements to our ice cream products. We have removed artificial colours and flavours, increased the fruit content and reduced sugar levels in water ices across our kids' portfolio in Western Europe. It is an ongoing improvement process which will extend to more products and regions in the future.

Through our global partnership with the FDI World Dental Federation we are helping to improve oral health around the world with practical, sustainable community programmes. To support these initiatives we have developed a low-cost toothbrush, the *Pepsodent Fighter*, which retails at a price equivalent to just €0.20 and is proving a great success in India and Indonesia.

Meanwhile our Choices programme is helping busy shoppers make quick purchasing decisions for healthier eating. The front-of-pack stamp helps identify products which are in line with international recommendations for trans fats, saturated fats, salt and sugar. The programme has been launched in the Netherlands, Belgium and the US, and is now being rolled out globally to a total of 40 countries. We are also encouraging its adoption more widely in the foods industry.

Innovations in 2006

The following are some examples of our brand innovations and similar activities in 2006.

Lipton, the world's biggest tea brand, is creating drinks that help people live healthier lives. The brand has been rolling out a communication programme to inform consumers of its antioxidant health benefits and is influencing the wider tea industry with its commitments to sustainability – for example, sustainable farming practices – and education and health. In 2006 Unilever Tea Kenya won a Global Business Coalition on HIV/AIDS award for its work on the education, prevention and treatment of HIV/AIDS in the workplace and beyond. The brand has shown consistent high growth over the past few years.

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Report of the Directors
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Operating review □ categories (continued)

Dove Summer Glow self-tanning lotion keeps a body beautiful all year round. A great example of how a strong global platform can help a brand extend into new categories, *Dove Summer Glow* was launched in the US and rolled out in four European countries in a matter of weeks. Its advertising continued to target women who, through earlier campaigns, already know that *Dove* is committed to real beauty for real women. *Dove Summer Glow* helps them feel good about their skin, whatever the weather.

The healthy-heart foods market is growing fast. And backed by our Goodness of Margarine campaign, *Flora/Becel* continues to lead the way. Unilever has been a partner of the World Heart Federation since 2003, and works closely with them to increase awareness of cardio-vascular disease. Throughout 2007, *Flora/Becel* is planning to take the message further than ever before, with its global Love Your Heart campaign which is intended to inspire and empower people to make heart-healthy choices.

Backed by a passion-packed advertising campaign linked to the energy and excitement of football and the 2006 World Cup, *Rexona* scored this year when annual sales passed the €1 billion mark for the first time. The goal now is to promote the brand's market-leading body-responsive deodorant, with its technology-based "won't let you down" promise, and turn *Rexona* into an iconic brand worldwide for men and women.

Test-marketed in Ireland and Belgium in 2006, *Frusi* □ our new frozen snack □ is proving very popular. *Frusi* was created to provide guilt-free pleasure for people who take their health seriously. With *Frusi* they have the best of both worlds: real natural goodness without compromise on taste, pleasure or convenience. Sales of *Frusi* have beaten targets for market penetration and share, and repeat purchases. Following the success of this test-market, *Frusi* is being rolled out to more countries in 2007.

Developed with "empty nesters" in mind and launched in the UK in January 2006, *Comfort Crème* has shown thousands of older women that it's good to wear softer clothes that help you look and feel great. With its gold-topped bottles and fragrances of

jojoba and sweet almond oil, *Comfort Crème* is now used in over a million UK households. Its success has overturned the idea that fabric conditioners are only popular with mothers with young children.

With each bottle able to dress more salad than a bottle twice its size □ 26 salads in all □ *Wish-Bone Salad Spritzers* are helping Americans count the calories. The easy-to-use bottles allow consumers to dress their salads perfectly with just one calorie per spray. Available in three flavours □ Italian, Balsamic Breeze and Red Wine Mist □ *Wish-Bone Salad Spritzers* are good for salads, vegetables □ and waistlines.

Bad hair dramas are becoming a thing of the past for America's 20-something women. Launched nationwide in 2006 with a witty, \$200 million campaign, the *Sunsilk* "Get Hairapy" approach to the dramas of kinky, flat or frizzy hair is bringing this global brand to an entirely new market. Backed by innovative marketing, the campaign has led to more and more women solving their hair issues with some serious "hairapy".

In 2001, when Unilever signed a joint venture with Indonesia's Kecap company, *Bango* soy sauce had a national market share of less than 5%. Today, following an imaginative programme designed to preserve Indonesia's culinary heritage and enhance the livelihood of the country's soy bean farmers, the brand has sales of around €100 million □ and is growing by 10% year on year. Unilever's guaranteed market, technical assistance and access to finance, combined with improved work opportunities for women and localised community involvement, have all helped develop the brand.

Right across Asia, from Pakistan to