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

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The Annual Report and Accounts does not constitute an invitation to invest in Unilever shares. Any decisions you make in reliance on this information are solely your responsibility.

The information is given as of the dates specified, is not updated, and any forwardlooking statements are made subject to the reservations specified on page 4 of the Report.

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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, home and personal product categories. Unilever's portfolio includes some of the world's best known and most loved brands.

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, 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 2005 accounted for approximately 41% of our business on a turnover basis.

The Americas region includes our operations in North America and Latin America and represented around 33% of our business. Our Asia Africa region accounted for 26% 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, as well as brand and category management. Categories also lead some 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 2005 please refer to pages 29 and 30.

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.

Brands

Our Foods category manages brands in four groups:

Savory and dressings includes sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings and olive oil. Among the leading brands are *Knorr*, *Hellmann's*, *Calvé*, *Wishbone*, *Amora* and *Bertolli*.

Spreads and cooking products includes sales of margarines, spreads and cooking products such as liquid margarines. Our most important brands in this group are our healthy heart *Becel* and *Flora* ranges, together with our family brands including *Rama*, *Blue Band* and *Country Crock*.

Beverages 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.

Ice cream and frozen foods includes our sales of ice cream under the international *Heart* brand, including *Cornetto*, *Magnum*, *Carte d'Or* and *Solero*, and also *Ben & Jerry's*, *Breyers*, *Klondike* and *Popsicle*. Our frozen foods brands include *Iglo*, *Birds Eye* and *Findus*.

In addition to 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 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.

People

Number of employees

Year end in thousands	2005	2004	2003	2002	2001
Europe	49	52	55	60	71
The Americas	47	47	50	53	60
Asia Africa	110	124	129	134	134
Total	206	223	234	247	265

At Unilever our people are at the centre of everything we do. We give priority to their professional fulfilment, their work-life balance and their ability to contribute equally as part of a diverse workforce.

Our people's creativity, energy and passion drive our business. One of our ongoing goals is to help our business leaders connect to our people around the world and achieve a shared understanding of our business objectives and future challenges. In January 2006 at Unilever's leadership forum Group Chief Executive Patrick Cescau presented Unilever's change agenda, a set of common initiatives which will be adopted throughout Unilever.

We want to attract innovative individuals who relish real-life challenges. Questions like "Can you think of 101 new things to do with egg yolks and oil?", which appeared in one of our recent recruitment ads, lie at the heart of a new and competitively different strategy to win the battle for the world's top talent.

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As 'One Unilever' we can now take a holistic view of our global marketing capability and manage and deploy our talent more strategically. Overseen by the new post of Chief Marketing Officer we have developed Group-wide programmes to improve our skills, tools and career paths, with an unprecedented focus on brand building and development to support our new structure. Via our Marketing Academy we have also adopted a more applied, business-led approach to training, underpinned by common toolsets and data.

Unilever's mission is to add vitality to life. That includes encouraging greater vitality among our staff in a programme that encompassed the broad concepts of 'fitness of body' and 'fitness of heart, mind and spirit'. Designed to help them manage their personal energy and resilience in the face of change, as well as striking a good work-life balance, among other objectives, the first step of the programme was an Enjoy Nutrition campaign. This provided staff with important nutritional information, such as advice on how to reduce consumption of sugar, salt and unhealthy fats. We also piloted nutritional training for our chefs and external suppliers so that our canteens and restaurants could offer healthier options.

In today's global markets, Unilever's international heritage helps us compete. Our deep roots in over 100 countries worldwide give us a powerful competitive advantage, enabling us to adapt our global brands to local consumers' needs. To help us understand their needs more fully we've introduced a diversity programme so that our staff reflect our consumers' diversity more closely in gender, ethnicity and many other ways.

Diversity is already very evident. For example, our top 1 000 managers span 45 nationalities. With new initiatives, including local Diversity Boards and toolkits, we hope to encourage diversity deeper into our organisation.

In Unilever, by embracing our differences, we create an environment that inspires people to contribute to our business. We encourage people to be themselves within a framework of shared values and goals. 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.

Unilever's success depends on the economic health of the countries in which it operates. In an extensive research project with Oxfam GB and Novib (Oxfam Netherlands) 'Exploring the links between business and poverty reduction: A case study on Indonesia', we examined the impact our local business has on the country's economic well-being. Unilever Indonesia employs about 5 000 direct employees and contract workers. The research found that indirectly this manufacturing activity supports around 300 000 full-time equivalent jobs in our 'value chain' – the chain that stretches from raw materials suppliers through manufacturing to distribution and retailing to consumers. Such employment and the wealth that it spreads around can make a significant contribution to reducing poverty.

Environment and corporate responsibility

We seek to manage and grow our business around the world in a responsible and sustainable fashion. 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, in turn, is based on our Code of Business Principles. It 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 the communities in which we operate. More than two-thirds of our raw materials come from agriculture, while water and other natural resources play an equally critical role in our business. To ensure we protect these key resources, we have clear, long-term eco-efficiency objectives and targets for our manufacturing operations, as well as three sustainability initiatives on water, agriculture and fish. Over the last ten years, we have continued to improve our eco-efficiency performance across all of our seven key environmental parameters which we use to measure the emissions from our factories and set future reduction targets. In 2004 (the latest year for which figures are available) we continued to improve on our 2003 performance but did not meet all our targets.

The strength of our commitment to sustainability is reflected in the fact that we remain the leading food company in the Dow Jones Sustainability World Index.

In 2005 we spent around €79 million on our voluntary initiatives in communities around the world. This increase on our 2004 contribution of €65 million is partly due to the overwhelming response of our business to the plight of the December 2004 Asian tsunami victims.

Our *Close Up* toothpaste brand launched Project Smile to bring much-needed oral health care products and advice to people in rural Nigeria where only around 60% of the population use toothpaste. The campaign involved retailers of all sizes, including the very smallest, as partners. We created branded kiosks – tiny shops – to promote *Close Up*, and these gave an opportunity to unemployed young people to make a living by creating new long-term outlets, as well as offering existing retailers a way to showcase their wares. The success of the campaign meant it was quickly extended into towns and cities and over the year sales rose by 35%.

With its global supply chain, Unilever has a major role to play in caring for the environment. We believe that acting responsibly creates advantages for our business, as well as helping to address environmental concerns. For example, ensuring a sustainable supply of raw materials, such as palm oil, is essential for the long-term wealth of our business. Of course, due to the scale and complexity of this issue, we cannot do this alone. A multi-stakeholder approach is required, which is why we co-founded the Roundtable on Sustainable Palm Oil (RSPO) in 2004.

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The RSPO, which includes palm oil growers and processors, consumer goods manufacturers, retailers, investors and a number of social and environmental non-governmental organisations, now has over 100 members. As the largest consumer goods company on the RSPO Board, we have gained significant insights. Key developments during 2005 included the adoption of the principles and criteria for Sustainable Palm Oil Production – elements of sustainability ensuring that production is economically viable, environmentally appropriate and socially beneficial.

The widely discussed *Dove* Campaign for Real Beauty has played a key role in highlighting the need for a broader, more inclusive definition of beauty, beyond the stereotypical super-model image. With our *Dove* Self-Esteem Fund, which is a cornerstone of the brand's long-term growth strategy, we're going even further. Together with partners such as the Girl Scouts in the US and the UK's Eating Disorder Association, we're funding educational 'Body Talk' programmes in schools to help young people develop stronger body-related self-esteem. By 2008 our aim is to have reached 1 million children.

In Brazil, a recycling project has created jobs and brought commercial advantages. An exclusive recycling partnership with a major Brazilian retailer, Pao de Acucar, has not only given Unilever's brands greater in-store prominence at no extra cost but also provided employment to more than 300 local people. Under the award-winning scheme, a co-operative of local people collects, recycles and sells used packaging deposited at recycling stations outside the retailer's supermarkets. In addition to having Unilever's logo on the stations, our participating brands, *Hellmann's*, *AdeS*, *Omo* and *Rexona*, appear on point-of-sale information and educational materials, raising their profile.

By reducing waste, Unilever has also succeeded in reducing its costs. Using the same methodology employed in our highly successful Medusa water conservation programme, we expect to reduce waste levels for disposal by 30% from our manufacturing sites in the Asia Africa region between 2005 and 2006. Under our new Triple 'R' (Reduce, Re-use, Recycle) programme, the sites are collaborating to share best practice and setting targets to reduce waste levels and disposal costs. In 2006 we'll launch a similar initiative, Electra, to reduce energy consumption in Latin America.

The health of our staff is a priority for Unilever worldwide. In some regions HIV/AIDS poses a serious risk to our employees and communities. Using the experience gained from dealing with AIDS in our own workplace over the last 25 years, we have worked in partnership to share our learning with international bodies such as the Global Business Coalition on HIV/AIDS. More locally, we work with groups such as the South African Business Coalition on HIV/AIDS, with whom we co-developed a well-respected toolkit to help businesses tackle the disease effectively. In Kenya we have formed a partnership with the German aid agency GTZ to share good practice with the wider community, including schools and smallholder tea growers.

In 2005 we launched a searchable database where consumers can find out exactly what ingredients are used in our Home and Personal Care products in Europe. Access to the database is through Unilever's website at www.unilever.com/ourvalues. Visitors select their country and preferred language before choosing a brand and product. A single click then reveals the full

list of ingredients. Allergy sufferers can check the presence of ingredients to which they could be sensitive. Further help is available through the brand carelines (telephone numbers are listed on the website) and there is additional information on our website about the chemicals Unilever uses in its products.

Millions of people suffer from heart disease every year. The World Heart Federation (WHF) is committed to helping the prevention and control of heart disease and stroke and is made up of over 150 medical societies and heart charities from 100 low and middle-income countries. We are a key sponsor of World Heart Day each September and our *Becel/Flora* brand's partnership with the WHF means that we work together to increase public awareness of heart disease and its risk factors. For example in Greece our *Becel pro-activ* brand teamed up with the Cardiologists Foundation to bring free cholesterol testing, heart checks and health advice direct to people's homes and school halls on the remote Greek islands of the eastern Mediterranean. In Sweden we ran a lecture tour on cholesterol, while in Finland our *Foodsolutions* business worked with the Finnish Heart Foundation to support national Heart Week with healthy food and recipes.

Information technology

We are driving towards regional convergence of systems, processes and organisation to support the operation of the new Unilever business model.

In Europe, we have continued to progress the project to implement the single European Enterprise system. Successful 2005 implementations were performed in France, Germany, the Netherlands and Russia. We have also delivered a further nine countries onto the European customer relationship management system, covering primary sales force support and tele-business for *Foodsolutions*. An artwork management system commenced deployment in HPC and *Foodsolutions*; this system is now used by 2 200 users across Europe. With increasing dependence upon regional applications, resilience and recovery become even more critical. In mitigation we have constructed and commissioned an additional world class data centre to ensure full European backup and recovery capability.

In Latin America, we have made significant progress towards the goal to operate as one business. This will be fully complete in July 2006, delivering a single system, process and information system for all operating companies in Latin America. In North America, we reached a regional agreement with Dell Computer Corp. to provide and manage PC equipment and support, including a technology update. A new regional supply chain planning solution was developed and implemented in the HPC business; *Foods* will go live by the end of the first quarter of 2006.

In Asia Africa, the focus has been to deepen the penetration of the regional standard application portfolio. By the year end we had implemented the demand and supply network planning tool in thirteen countries and the Unilever standard data warehouse in fourteen countries, and twelve countries now use the regional eCommerce hub. In India, a system to manage pricing / promotions into our dealers, with a capability for e-Claims settlement and self-service was successfully rolled out to 1 500 stockists. This is planned for completion at all 6 000 stockists by

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March 2006. We have completed the implementation of an SAP based system, which simplifies and harmonises processes across Arabia, Israel and Turkey – a project successfully delivered in an extremely challenging environment.

An initiative to standardise operational IT processes and procedures globally started in 2005 and has delivered on plan. We have set world-class objectives for this programme and the implementations in 2005 won the 'best project of the year' in the 2005 ITsmf awards. To support the innovation agenda, the internal management system had a significant upgrade and has been deployed to 16 000 users world-wide.

Corporate venture activities

Unilever has allocated €250 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. Investments have been made in haplotyping genomics technology, systems biology, radio frequency identification, water purification and surface chemistry.
- Unilever Ventures, which is an early-stage business development fund for businesses from both inside and outside Unilever. Investments include Persil Services in the UK, Pond's Institute Beauty Centre in Spain and the Biotechnology Application Centre in the Netherlands.
- Langholm Capital, which is an independent fund investing in private European companies with above-average longer-term growth prospects. Investments include Physcience, a supplements business in France, Lumene, a natural personal care business in Finland, Dorset Cereals in the UK and Just Retirement, a financial services business in the UK.

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 of other European countries in the European Union.

Distribution and selling

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.

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 creams, 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 the transfer pricing policies described in note 1 on page 85 and consist primarily of 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 2005 or the preceding year.

In approximately 40 countries, our associated company, JohnsonDiversey Inc., acts as Unilever's sole and exclusive sales agent for professional channels, in respect of cleaning products, in return for which it receives an agency fee. In 2004 Patrick Cescau, Group Chief Executive, purchased a house from a group company ultimately owned by NV. The full Boards, acting on the recommendation of the Remuneration Committee and without participation of Mr Cescau, gave their prior approvals to the purchase, which was made at full market value based on two independent valuations of the property.

Further information is given in note 32 on page 142.

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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Description of our properties

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 167 and 168 and details of property, plant and equipment in note 11 on page 100.

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.

Legal and arbitration proceedings and regulatory matters

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

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 is obliged to 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 decided to order an inquiry; an additional request to forbid NV to convert the preference shares was rejected. NV lodged an appeal with the Dutch Supreme Court against the decision of the Enterprise Chamber, which was dismissed. As at the date of this Report, the inquiry is ongoing.

On 15 February 2005, after close of trading, 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 which was aimed to prohibit NV from cancelling

the preference shares. This group lodged an appeal to the Dutch Supreme Court on 4 August 2005 against the decision given on 4 May 2005. The Dutch Supreme Court has not yet decided on this case. On 10 May 2005, NV's Annual General Meeting decided to cancel the preference shares. Cancellation took effect as of midnight on 13 July 2005.

Both groups of former preference shareholders have requested the Rotterdam District Court to nullify the NV Board's decision to convert the preference shares, claiming that this decision was unreasonable.

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 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 has submitted an appeal against the decision of the Court of First Instance in Luxembourg. If unsuccessful, then freezer exclusivity in Ireland will be unenforceable in outlets which only have HB freezers. Similar consequences may apply in specific European markets with equivalent structures to those described in the decision.

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 of €169 million for the potential repayment of sales tax credits in the event that the cases establishing precedents in our favour are reversed.

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.

Government regulation

Unilever businesses are governed, in particular, by laws and regulations designed to ensure that their products may be safely used for their intended purpose and that their 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.