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The Summary Financial Statement in the Unilever Annual Review 2007 has been examined by our auditors.

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Group Chief Executive's review



Patrick Cescau
Group Chief Executive

“With a clear growth strategy and an organisational structure to support it, there is growing evidence of improved momentum in our business.”

2007 was a good year for Unilever. We have grown consistently, achieving our best underlying sales growth in a decade. Despite a challenging cost environment, we also delivered an increase in underlying operating margin.

I am pleased to report on a good year for Unilever – one in which we continued to grow competitively, consistently and profitably. With a clear growth strategy and an organisational structure to support it, there is growing evidence of improved momentum in our business.

In 2007 underlying sales grew by 5.5% – the third consecutive year of accelerating sales growth. At the same time, we achieved an underlying improvement in our operating margin, despite sharply rising commodity costs. Our growth was broad-based, across all our major regions and categories.

In Europe we achieved growth of nearly 3% – up from 1% the year before. The benefits of all the structural changes we have made in this region over the past three years are now coming through both in terms of growth and underlying margin.

Russia was the star performer – with growth in the high teens – but all our major European businesses grew in 2007.

In the Americas full year growth was 4%. Brazil and Mexico showed an improving performance during the year, while the US grew solidly at 3%.

In Asia Africa we recorded 11% growth. The performance reflects not just the vibrancy of these markets but also the high priority which we place on building our business in this part of the world. Once again, India and China were important contributors to our success.

The picture was equally strong across our categories, driven by some great innovations.



Growth at a glance

A strategy for growth

Our strategy of focusing resources on brands, categories and countries with the highest potential has delivered three consecutive years of accelerating sales growth.

A leaner, fitter business

The One Unilever programme underpins our growth – creating a leaner, more resilient and flexible organisation, which is better placed than ever before to meet challenges and respond to opportunities.

Expanding D&E markets

Our unparalleled footprint in the developing world helps fuel our growth. We draw on our knowledge of local consumers to create health, hygiene and nutrition products which meet the needs of fast-growing populations.

“In 2007 we focused on bigger innovations and rolled them out faster around the world.”

Home care had a strong year, fuelled by an excellent performance from our laundry business where the Dirt is Good brands strengthened still further on the back of innovations like *Persil Small & Mighty*. We also had great success in household care with innovative new variants of brands like *Cif* and *Domestos*.

Our Foods category also did very well. Our largest brand *Knorr* came close to €4 billion in sales. *Lipton* tea prospered from a series of good innovations and so too did ice cream. Unilever Foodsolutions, our global food service business, also turned in another good performance, confirming the important opportunity that out-of-home consumption offers us.

An endorsement of our strategy

These results are testimony to the fact that our strategy of focusing resources on brands, categories and countries with the highest growth and profit potential is working.

One key area is developing and emerging (D&E) markets. Over the next few years consumer spending in these markets will overtake developed countries in terms of purchasing power parity. Unilever has an unparalleled footprint in the developing world, as well as an extensive knowledge of local consumers and a proven ability to deliver health, hygiene and nutrition products which meet the needs of populations which are growing in size, wealth and aspiration.

Personal care – another strategic priority – saw continued strong growth, at nearly 7%. It continues to be our fastest-growing business, with strong global brands like *Dove*, *Pond's*, *Lux* and *Rexona*.

Our Vitality mission – to help people feel good, look good and get more out of life – remains central to our strategy, inspiring products such as a very low fat variant of *Hellmann's* mayonnaise; *Amaze* snacks, with nutrients to help support the mental development of school-aged children; *Lipton Linea* slimming teas; and the *Dove pro-age* range with benefits for mature women.

Of course, our brands must be constantly refreshed to retain their edge. In 2007, across each of our major categories, growth was driven by a combination of innovation – new products and new mixes – and renovation – the strengthening of existing brands through new variants, new packaging or new marketing.

on the web

www.unilever.com/annualreview/questions

Group Chief Executive's review continued

Shakti

Reaching the world's newest consumers



One in eight people on the planet live in an Indian village. Hindustan Unilever's Shakti Entrepreneur Programme helps women in rural India set up small businesses as direct-to-consumer retailers. The scheme equips women with business skills and a way out of poverty as well as creating a crucial new distribution channel for Unilever products in the large and fast-growing global market of low-spending consumers. By 2010 the Shakti network aims to have reached 600 million consumers.

Unilever Executive

The Unilever Executive (UEX) is responsible for the performance of the Group, guided by the Group Chief Executive.

- 1 **Sandy Ogg**
Chief HR Officer
- 2 **Patrick Cescau**
Group Chief Executive
- 3 **James Lawrence**
Chief Financial Officer
- 4 **Ralph Kugler**
President Home and Personal Care
- 5 **Harish Manwani**
President Asia Africa
- 6 **Kees van der Graaf**
President Europe
- 7 **Vindi Banga**
President Foods
- 8 **Michael Polk**
President Americas

“During the year we made significant progress in reshaping the organisation to create a leaner, more flexible business structure.”

In 2007 we focused on bigger innovations and rolled them out faster around the world. *Clear*, a shampoo with superior anti-dandruff active delivery technology, was launched simultaneously in several countries, including three of the biggest hair care markets in the world – China, Russia and Brazil. We also achieved a better transfer of mixes across continents and cultures, in some cases creating new markets. For example, we successfully launched our male deodorant brand *Axe* in Japan. After just six months it is the leader in its market.

A leaner, fitter business

During the year we made significant progress in reshaping the organisation to create a leaner, more flexible business structure.

Our One Unilever operating model is being implemented in every major country. We are now taking this a step further with the creation of new multi-country organisations – clusters of neighbouring countries with one central management structure, leveraging regional scale through shared services for functions such as HR, IT and Finance. These changes are all part of our accelerated programme of restructuring announced last summer.

We further shaped our portfolio through disposals and acquisitions, including the announced sale of Boursin and Lawry's – brands that offered limited growth potential for Unilever. We also announced agreements to acquire the *Buavita* vitality drinks brand in Indonesia and – only recently – Inmarko, the leading ice cream business in Russia. These transactions accelerate our strategy of building leadership positions in fast-growing markets.

This is the right strategy for Unilever but – like any strategy – it is only as good as the execution. That is why we also continue to build our strengths in critical areas such as consumer marketing and customer development. In both cases our progress was recognised externally. In marketing, we received a clutch of awards at the Cannes International Advertising Festival, with *Dove* and *Axe* achieving three 'Grand Prix' trophies. In customer development, Unilever was named International Supplier of the Year by Tesco for the second year running.

We are also raising our game in research and development (R&D), recognising the crucial role technology can play in the quality of our innovations. Underlining the importance of R&D, we appointed our first Chief Technology Officer, Neal Matheson, in 2007. Neal leads the development of world class capabilities in science and technology and champions excellence in all our innovation activity.

Of course, some changes required difficult decisions. In Europe, the restructuring is leading to significant job losses. But painful as these decisions have been, they are the right ones for the long-term health of the business.



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Accelerating transformation

Our One Unilever programme is already streamlining the business by creating single operating companies for each country and outsourcing parts of our IT, HR and Finance functions. In 2007 we announced plans to accelerate our change programme further by developing more multi-country organisations (MCOs) – clusters of countries with a single centralised management and shared functions. MCOs reduce duplication and free up resources to focus on customers and consumers. All regions announced or continued to implement MCOs in the year. The newly announced MCOs include Benelux; Germany, Austria and Switzerland; UK/Ireland; and Central Africa.

Keeping sustainability at the heart of Unilever

We believe Unilever can only continue to thrive if we conduct our business in a sustainable manner.

Integrating social, economic and environmental considerations therefore sits at the heart of many of our brand strategies. A great demonstration of this was the decision to source all of our tea from sustainable, ethical sources. To support this significant change, we asked the Rainforest Alliance to start auditing our tea suppliers with immediate effect. The aim is to have all *Lipton Yellow Label* and *PG Tips* tea bags sold in Western Europe certified by 2010 and all *Lipton* tea bags sold globally by 2015.

We also set the ambitious target of a further 25% reduction in the business's CO₂ emissions from energy sources used in production by 2012. And we continued to develop our partnerships with key retail customers, sharing our sustainability expertise to support them in achieving their goals. Wal-Mart responded by naming us 2007 Supplier of the Year for Sustainable Engagement.

The year ahead

Notwithstanding some economic uncertainty and the rising costs of many materials, we are confident that Unilever can grow consistently, profitably and competitively in 2008.

The changes we have made in recent years leave Unilever more resilient and better placed than ever before to meet challenges and respond to opportunities. We have a more flexible, dynamic structure, an increasingly powerful brand portfolio, an unparalleled footprint in the developing world, and – in 2008 – we have another exciting programme of innovations and new product launches. Furthermore, we operate in sectors less susceptible than others to the effects of an economic downturn: people will always need to eat, wash and clean their homes.

For all these reasons we remain optimistic about the year ahead and confident of making further progress towards our longer-term financial objectives.

On a personal note I would like to thank two members of the Unilever Executive who will leave us in 2008 – Kees van der Graaf and Ralph Kugler. They have been valued colleagues over many years and I thank them for their contribution. Indeed, I would thank the whole of my Executive team, including two great additions during the year, Mike Polk and Jim Lawrence, the latter joining from outside as our new Chief Financial Officer. Thanks also to my colleagues on the Boards, under our new Chairman, Michael Treschow, and especially to every one of our employees around the world for their invaluable contribution to the business's progress in 2007.

Working together, as One Unilever, I am confident that we can look forward to delivering continued success in 2008.

Global review

Growing brands globally

Our products are chosen by consumers 160 million times every day. On sale in over 150 countries around the world, they meet everyday needs for nutrition, hygiene and personal care.





Our brands are household names in many countries around the world.

We create products that appeal to people's different preferences, based on our deep understanding of consumers' varied habits and lifestyles.

Food and nutrition

We aim to provide foods which both taste great and are good for you, and, in so doing, become the world's leading food and nutrition business.

To fulfil our goal, we are systematically improving the nutritional profile of our product range through our Nutrition Enhancement Programme. By the end of 2007 we had assessed the nutritional composition of all our products – totalling over 22 000 recipes – and removed a further 2 750 tonnes of saturated fat, 170 tonnes of salt and 5 000 tonnes of sugar. This is in addition to the substantial reductions already made by 2006.

We are also committed to ensuring that consumers are able to make informed choices when buying our products. As well as listing nutritional information on the back of packaging, we are implementing the Choices programme, with a front-of-pack stamp that identifies products which meet internationally accepted dietary advice. In 2007 we continued rolling the programme out globally together with other food companies, under the auspices of the Choices International Foundation. This was launched during 2007 and is advised by an independent scientific committee. The stamp can now be found on products in more than 50 countries around the world. See www.choicesinternational.org for more information.



We focus on three key areas of consumer benefit when developing new products: functional foods, lighter options, and naturalness and authenticity. For example, in 2007 we developed *Promise Activ SuperShots*, a Vitality shot with added natural plant sterols, ingredients that are clinically proven to help actively remove cholesterol as part of a diet low in saturated fat and cholesterol.

Meanwhile, *Hellmann's Extra Light* uses citrus fibre to create a great tasting, very low fat mayonnaise. Because of its low fat content the product has a higher margin – particularly valuable at a time of increasing edible oil costs.

Lipton Green Tea in the US, *Lipton Linea* slimming teas in Europe, and *Lipton Milk Tea* in Asia all flourished by exploiting tea's credentials as a healthy beverage. And a new range of restaurant-quality frozen meals from *Bertolli*, which are packed with fresh vegetables and ready to eat in minutes, was a hit with North American consumers.

Landmark pledge on sustainable tea

Unilever took a historic step in 2007 when it committed to buying all its tea from sustainable, ethical sources – transforming the tea industry and improving the crops, income and livelihood of 2 million people across three continents. *Lipton*, the world's largest tea brand, and *PG Tips*, one of the UK's leading brands, became the first to carry the Rainforest Alliance logo, showing they meet the independent organisation's strict sustainability criteria – covering areas such as wildlife protection, water conservation and fair treatment of workers. The first certified tea was supplied to restaurants and the catering trade in Europe; all *Lipton* tea bags sold globally are expected to be certified by 2015.

on the web

www.unilever.com/lipton

Health, hygiene and beauty

The desire to be clean and healthy and to look good is universal. Our home and personal care brands have promoted health, hygiene and beauty since the late 19th century and continue to play a vital role in millions of homes around the world today.

In 2007 our household cleaning business had a particularly successful year, with brands such as *Cif* and *Domestos* helping it grow by 9%. From simple soap bars to the most technically advanced concentrated liquids, our laundry brands are also growing fast.

In skin care, the *Pond's* brand went from strength to strength in South East Asia, China and India, powered in part by the launch of a new anti-ageing range. *Vaseline* was our fastest-growing global skin brand, with underlying sales growth of more than 8%. *Vaseline Cocoa Butter* range was its most successful launch in the US in ten years. The brand also announced the *Vaseline Skin Fund*, which is expected to launch in the UK and the US in 2008 – and give 1 million people better access to information about managing skin complaints.

on the web

www.unilever.com

Senior Executive Seminar

The Senior Executive Seminar, our pioneering leadership development programme, was led this year by leading business academic C K Prahalad. The event brought together 28 of our top leaders to examine key business issues, with a particularly strong external focus. They concentrated on developing and emerging markets, visiting more than 50 companies and 20 NGOs to gain insights into global trends and practices for opening up opportunities at the 'bottom of the economic pyramid'. The group's findings have been shared with the Unilever Executive and Board of Directors, and are helping to shape further our approach in these markets.

Global review continued

Our deodorant brands also made good progress in 2007, with *Axe* and *Rexona* both achieving double-digit growth. *Rexona* is the world's leading deodorant brand and *Axe* holds a leading position in male deodorants (see box, page 21).

Oral Care returned to growth in Europe while continuing its robust performance in Indonesia, China and Africa – aided by innovations such as a combined toothpaste and mouthwash. During the year we announced the extension of our partnership with the FDI World Dental Federation, which represents more than 1 million dentists, and we work together with the FDI in oral health promotion and education programmes.

Science and technology

We are proud of our reputation as a world leader in research and development. In 2007 we achieved growth across our categories both through innovation – new products and new mixes – and through renovation – the strengthening of existing brands with new variants, packaging or advertising.

We strive to bring innovations to market more swiftly than ever before. Following the completion of a major reorganisation of our research and development (R&D) activities, we have concentrated R&D in global and regional centres in order to make the very best use of our resources and create centres which are innovation powerhouses. We are also increasingly working on fewer, larger scale projects, having carefully chosen those that we think will deliver the most value to the business either in terms of product sales or margin improvements.

Recent developments include *Amaze Brainfood* – a range of nutritious snacks and drinks that are specifically designed to support mental development in children. The 2006 launch was the result of a €40 million, four-year R&D project. Already selling well in Turkey, *Amaze* is expected to launch in India in 2008.

We have also developed a breakthrough technology that includes the use of Ice Structuring Proteins (ISP) in ice cream. This enables a wide range of ice cream innovations, including significantly healthier options and better quality ice cream. Ice creams that contain ISP are available in a number of countries in the Americas and Asia Africa regions. For Europe, regulatory approval is being sought under the EC Novel Foods Regulation.

In the kitchen, new *Sunlight* hand dishwashing liquid keeps working on the sponge for longer because it turns to gel on contact with water. Its ultra-concentrated formula uses less water in the production process and less packaging. It is being rolled out in eight countries. And the environmentally friendly lightweight design and fast-drying formulation of our new roll-on deodorant, launched under the *Rexona*, *Axe* and *Dove* brands, also proved popular with consumers.

This year also saw the simultaneous launch in a number of countries of *Clear* anti-dandruff shampoo with superior anti-dandruff active delivery technology (see box, page 15). Its formulation is based on one common 'chassis' with add-on refinements for different scalp and hair types.

Corporate responsibility and sustainability

We aim to manage and grow our business in a responsible and sustainable way.

Our new Brand Imprint programme enables brands to integrate social, economic and environmental drivers into their development plans. An early example of Brand Imprint's potential is our decision to source all our tea sustainably and work with the Rainforest Alliance to achieve certification for our tea estates (see box, page 13).

Our new Brand Imprint programme enables brands to integrate social, economic and environmental drivers into their development plans.

Another significant step was taken by our ice cream brand *Ben & Jerry's*, which announced plans to invest €2.4 million over the five years 2007 to 2012 in reducing its impact on climate change through initiatives covering every stage of its European production process.

During the year we reviewed our sustainability strategies for agriculture (from which about two-thirds of our raw materials come), packaging, water and greenhouse gases. Many of our major retail customers are focusing on sustainability and, by sharing our expertise in this area, we are able to strengthen our relationships with them and grow our business.

For example, the consumer and environmental benefits of our concentrated laundry detergent, *all Small & Mighty*, were promoted by Wal-Mart, helping the brand grow sales in the US to \$140 million in 2007. *Small & Mighty*, which uses less water, less packaging and less fuel for transport, has now launched in Europe across the brand portfolio, for example *Persil*, *Surf* and *Omo*. The success of our ongoing partnership with Wal-Mart led the world's largest retailer to name us 2007 Supplier of the Year for Sustainable Engagement.

Global Diversity Board

Our leaders make diversity a top business priority. Signalling this commitment, the Global Diversity Board draws together 15 leaders from all business functions and is chaired by Group Chief Executive Patrick Cescau. The board focuses on driving the diversity agenda into our business processes and tracking the progress of diversity initiatives. It also champions new ways of working to boost employees' personal vitality.



Brands with missions

Our brands have the power to change people's lives for the better.

The second-biggest preventable killer of children in the world is diarrhoea, and yet simple hand-washing with soap can cut diarrhoeal diseases significantly. In 2007, in partnership with UNICEF, we piloted an education programme for schoolchildren in Uganda highlighting the importance of hand-washing with soap, underpinned by our soap brand *Lifebuoy*. Coupled with this, the Unilever Marketing Academy helped develop health promotion campaigns in Kenya, Tanzania and Uganda. During the year the brand grew by 9%.

Throughout the year, our Goodness of Margarine campaign spread the message in Europe that margarine contains essential fats and vitamins helpful in maintaining a healthy heart. The results were excellent and the campaign is rolling out further in 2008.

The Family Goodness spreads brand is raising funds as part of our three-year partnership with the World Food Programme (WFP) to provide nutritious school meals for children living in poverty. We are also sharing our nutrition and hygiene expertise and helping WFP develop a school education campaign as well as review the need for fortified foods.

Clear thinking goes global

One of our top priorities in 2007 was the simultaneous launch of *Clear* anti-dandruff shampoo in a number of countries – China, Russia, Brazil (three of the biggest hair care markets in the world), the Philippines, Pakistan, Egypt and Arabia. The brand has an innovative formula with superior anti-dandruff active delivery technology and is our first major Asian hair brand mix to go global. Its success shows the power of a centralised, consistent global approach to packaging, formulation and marketing. *Clear* shampoo is now winning consumer preference in all its markets and there are plans to consolidate growth while continuing its global roll-out in 2008.

on the web

www.unilever.pk/clear



Meanwhile, a major healthy eating campaign, *Knorr Eat Colour*, encouraged consumers to eat colourful vegetables, with the help of a range of new colour-themed products. The campaign was based on the insight that vegetables' bright hues indicate the presence of different beneficial antioxidants.

The *Dove* Campaign for Real Beauty made strides in its mission to raise the self-esteem of women. By the end of 2008 the *Dove* Self-Esteem Fund aims to have reached 1 million young girls in 20 countries through partnerships with organisations such as the Eating Disorders Association and Girl Scouts of America. Sales of *Dove* products are growing rapidly.

Our *Dirt is Good* positioning – which is used across countries on our main brands including *Persil*, *Omo* and *Skip* – is also flourishing. It promotes children's learning and development through physical activity – while the brands' innovative formulations mean parents don't need to worry about getting their children's clothes clean after outdoor play.

Putting safety first

We regard safety as an essential element of a successful and sustainable business and take seriously our responsibility to provide a safe workplace. We aim to improve continuously the health, safety and well-being of everyone working for or on behalf of Unilever to a standard on a par with the very best of our peers. A key measure of our progress in this area is our total recordable accident frequency rate, which counts all workplace accidents except those requiring only simple first aid treatment. In 2007 this decreased to 0.26 accidents per 100 000 hours worked, declining from 0.46 in 2004.

on the web

www.unilever.com

Regional performance: Europe

Nowhere is the pace of change greater

A relentless focus on better in-market execution, rejuvenation of the quality and value of our core products, and new innovations.





Growth

The region sustained its improving trend in 2007 with underlying sales growth of 2.8% for the year. The improvement was driven by relentless focus on better in-market execution, rejuvenation of the quality and value of our core products, and an introduction of new innovations. Consumer demand in our categories was steady throughout the year.

Overall we saw improving trends almost everywhere. Russia was the outstanding performer, but all major countries grew in the year, including the UK, Germany, Italy and the Netherlands. In France sales were slightly up in a challenging market.

Profitability

The operating margin, at 11.0% for the year, reflects a higher net charge for restructuring, disposals and one-off items compared with 2006. Before these items, the operating margin showed an underlying improvement of 0.9 percentage points, driven by lower overheads as a result of the One Unilever programme and reduced advertising and promotions costs.

Accelerating change

We made substantial progress with portfolio development and restructuring.

At the start of 2008 we completed the expansion of the successful international partnership for *Lipton* ready-to-drink tea with PepsiCo to include all countries in Europe. We also completed the sale of Boursin, and announced the acquisition of the leading Russian ice cream company Inmarko.

We formed four new multi-country organisations and announced the streamlining or closure of ten factories. The roll-out of a single SAP system across the region continues with two-thirds of turnover in the region now on stream and full implementation expected to be largely completed by the end of 2008.

Magnum tempts European consumers

Magnum Temptation ice cream offered European consumers the ultimate indulgence: a sensual shape containing Madagascan vanilla ice cream, caramel sauce and almond pieces, wrapped in Belgian dark chocolate. It has the highest quantity of 'added extras' ever contained in a *Magnum*, thanks to new technology which involves bringing together two mould halves around the stick. Launched in Italy, Spain, Switzerland and Portugal, *Magnum Temptation* is the first expression of the brand's long-term super premium platform.



on the web
www.unilever.com/heartbrand

No hiding place for toilet germs

European consumers were given a powerful new weapon in the fight against limescale and germs, with the launch of *Domestos Zero Limescale* bleach. Its development was inspired by research showing that many more germs are present in toilets with limescale because germs cluster there, protecting themselves from being washed away. Its three-times-thicker formulation helps *Domestos Zero Limescale* bleach stick to and destroy limescale, even on vertical surfaces.



on the web
www.unilever.com/domestos

Innovation

We continued to target innovations mainly at Vitality opportunities. In ice cream, we introduced *Frusi* frozen yoghurt with wholegrain cereals and real fruit pieces and low calorie *Solero* smoothies. *Lipton Linea* slimming teas were launched in France, Switzerland and Portugal. Growth in *Hellmann's* was boosted by new extra light mayonnaise with citrus fibre technology.

The new *Dove pro-age* range of products is building well in Europe as well as elsewhere, and *Dove Summer Glow* self-tanning and body lotions are now available in most countries. *Clear* anti-dandruff shampoo was launched in Russia, with good consumer response. *Small & Mighty* concentrated liquid laundry detergents were launched in seven European countries.

Highlights – Europe

at current rates of exchange

€ million	2007	2006	Change
Turnover	15 205	15 000	1.4%
Operating profit	1 678	1 903	(11.9)%
Operating margin	11.0%	12.7%	

£ million	2007	2006	Change
Turnover	10 373	10 227	1.4%
Operating profit	1 145	1 298	(11.8)%

\$ million	2007	2006	Change
Turnover	20 740	18 810	10.3%
Operating profit	2 289	2 387	(4.1)%

at constant 2006 rates of exchange

	Change
Turnover	1.3%
Underlying sales	2.8%
Operating profit	(11.7)%

Developing people in innovative ways

We aim to offer our people stimulating ways to broaden their skills and experience while at the same time giving something back to the community. Salvatore Lucia, a Supply Chain Manager from Italy, was one of the Unilever specialists seconded to the World Food Programme (WFP) as part of their professional development. He is helping WFP Ghana deliver its school feeding and nutrition programme – and learning valuable skills to bring back to the business.

on the web
www.unilever.com

Regional performance: The Americas

A solid performance in a tough market

One Unilever is simplifying operations. In 2007 Argentina, Mexico and Brazil moved to single head offices; the US will follow in 2008.





Growth

Underlying sales grew by 4.1% in the year, with an increasing contribution from pricing which was up 2.6% for the year.

In the US, overall consumer demand held up well in our categories. Market growth in home care and personal care slowed somewhat in the second half year, but this was compensated for by robust demand in foods. Our own sales in the US grew solidly, up 3.2% for the year, despite lower sales of ice cream.

Our business in Mexico made good progress in the second half of the year and Brazil showed an improved performance in the fourth quarter. Argentina, Andina and Central America performed well throughout.

Profitability

The operating margin, at 14.7% for the year, was 1.1 percentage points lower than the previous year. Before the impact of restructuring, disposals and one-off items, the margin was 0.4 percentage points lower than last year. This was due to an increase in advertising and promotions and the impact of substantial cost increases, which have not yet been fully offset by price increases and savings programmes.

Accelerating change

The One Unilever programme is simplifying operations throughout the region. Argentina, Mexico and Brazil all moved to single head offices in 2007, while the US will follow in early 2008. Sales force integration is under way in a number of countries. A single SAP system has been implemented in the US, with Latin America already on one system.

We set up a joint venture with Perdigão to develop our heart-health margarine *Becel* in Brazil and disposed of our local Brazilian margarine brands. We also announced an agreement for the disposal of Lawry's

Guilt-free mayonnaise

Mayonnaise lovers in Latin America responded enthusiastically to a campaign highlighting the health benefits of *Hellmann's Light*, a variant of global leader *Hellmann's*. The campaign, aired in Argentina, Chile and Brazil, made consumers aware that three spoonfuls of *Hellmann's Light* mayonnaise contain the same calories as one spoonful of olive oil. Underlying sales growth for the year was outstanding, particularly in Argentina and Brazil.



on the web

www.unilever.com/hellmanns

Dove pro-age woos fabulous fifty-somethings

The newly launched *Dove pro-age* range proved popular among women aged 50 and over in North America and Europe. The multimedia campaign, shot by top celebrity photographer Annie Leibovitz, featured middle-aged women looking natural, gorgeous – and completely naked. The *pro-age* range doesn't make unrealistic anti-ageing promises, but instead meets the specific hair and skin care needs of older consumers.



on the web

www.unilever.com/dove

seasonings, while the sale process of the North American laundry business is under way.

Innovation

New varieties of *Knorr* bouillons and soups in Latin America further advanced the brand's Vitality credentials. *Hellmann's* 'real' campaign highlights its simple ingredients which are naturally rich in Omega 3, in both the US and Latin America. In the US, we introduced *Promise Activ SuperShots*, a Vitality shot with added natural plant sterols, ingredients that are clinically proven to help actively remove cholesterol as part of a diet low in saturated fat and cholesterol.

Innovation in personal care reflected the more global approach. *Clear* anti-dandruff shampoo was successfully launched in Brazil, while the *Dove pro-age* range of skin care, deodorants and shampoos was introduced in the US at the same time as in Europe. In laundry, the *Dirt is Good* platform continued to build across Latin America, now including a variant with built-in fabric softener.

Highlights – The Americas

at current rates of exchange

€ million	2007	2006	Change
Turnover	13 442	13 779	(2.4)%
Operating profit	1 971	2 178	(9.5)%
Operating margin	14.7%	15.8%	

£ million	2007	2006	Change
Turnover	9 170	9 395	(2.4)%
Operating profit	1 344	1 484	(9.4)%

\$ million	2007	2006	Change
Turnover	18 334	17 279	6.1%
Operating profit	2 689	2 731	(1.5)%

at constant 2006 rates of exchange

	Change
Turnover	3.5%
Underlying sales	4.1%
Operating profit	(3.4)%

New ways of working

We are committed to finding fresh ways of working that improve business effectiveness, enhance work-life balance and benefit the environment. We created four 'Telepresence' video-conferencing rooms: in Englewood Cliffs, Rotterdam, London and Singapore. Telepresence uses high-definition video screens with life-size images around a single 'virtual' table, to replicate as closely as possible a face-to-face meeting. It is also the first technology of its kind to be certified by the CarbonNeutral Company. A further eight rooms will be added in 2008.

on the web

www.unilever.com

Regional performance: Asia Africa

Strong growth in all major markets

Bringing the power of our branding, innovation and execution to bear in some of the fastest-growing consumer markets in the world.





Growth

The strong underlying growth of 11.1% for the year reflects both the vibrancy of these markets and the high priority we place on building our business in the region. It includes a healthy balance of volume and price, up by over 7% and 3% respectively.

Growth was consistent throughout the year and was broad-based across categories and countries, including established markets such as India, Indonesia, the Philippines, South Africa and Turkey, which all grew in double digits; significant product areas such as laundry and personal wash; and emerging product areas like ice cream and deodorants. China remains a key priority and grew strongly for the third consecutive year.

We drove growth across all income levels, from highly affordable packs to premium positions. This was supported by new brands and products that leveraged our global platforms and excellent in-market execution.

Profitability

The operating margin, at 13.8%, was 1.6 percentage points higher than last year. This included the €214 million accounting profit resulting from the reorganisation of our shareholdings in South Africa. Before the effects of this transaction, disposals and restructuring charges, the operating margin showed an underlying increase of 0.2 percentage points. The improvement was driven by volume growth, pricing actions and savings programmes which more than offset higher input costs and increased advertising and promotions.

Accelerating change

We announced the acquisition of the *Buavita* brand of fruit-based vitality drinks in Indonesia, which was completed early in January 2008.

As part of the One Unilever programme we now have a single SAP system in place in four countries as the basis for a common

Soup solution causes a stir in China

In Chinese households soup is part of many people's daily diet. *Knorr Bouillon Gel*, launched in China under the *Knorr Dense Soup Treasure* name, captured the imagination of consumers eager to replicate the nutritional benefits of home-boiled soup without the hassle. Made with high-quality fresh ingredients, the gel reverts to dense-textured soup when stirred into boiling water, into which consumers can add their own choice of fresh vegetables.



on the web

www.unilever.com/knorr



Axe/Lynx scores in Japan

Axe/Lynx, the world's second-largest deodorant brand, made a triumphant entry into the Japanese market and quickly became the country's top-selling male deodorant. The launch followed an extensive study of the young Japanese male, examining his attitude towards dating, use of deodorants and purchasing habits. The brand's range was given a substantial makeover in 2007 to ensure packaging and formulations are consistent the world over.

on the web

www.unilever.com/axe

regional platform, while the reorganisation of our shareholdings in South Africa and Israel facilitates the new organisation.

Innovation

The new, more global, approach to innovation was evident in the 2007 programme. *Clear* anti-dandruff shampoo was launched in China, Arabia, Egypt, Pakistan and the Philippines. In Japan, we launched the *Axe* brand and *Dove pro-age* skin care products. An improved range of *Dove* shower products was extended to North East Asia, while *Lifebuoy* soap was launched in South Africa and a new variant brought to India. In laundry, the new *Dirt is Good* product, packaging and communication were introduced to Thailand.

The *Moo* range of ice creams was extended throughout the region. *Knorr* seasonings were rejuvenated with premium ingredients, as in Europe, and in China we launched a new form of *Knorr* bouillons for preparing thick soups. At the same time new, more affordable, tubs and sachets are attracting new users of spreads in several countries.

Highlights – Asia Africa

at current rates of exchange

€ million	2007	2006	Change
Turnover	11 540	10 863	6.2%
Operating profit	1 596	1 327	20.2%
Operating margin	13.8%	12.2%	

£ million	2007	2006	Change
Turnover	7 873	7 406	6.3%
Operating profit	1 089	905	20.3%

\$ million	2007	2006	Change
Turnover	15 741	13 622	15.6%
Operating profit	2 177	1 665	30.8%

at constant 2006 rates of exchange

	Change
Turnover	10.6%
Underlying sales	11.1%
Operating profit	27.6%

Standards of Leadership

Our 'Standards of Leadership' programme is a set of behaviours aimed at ensuring that every manager takes personal responsibility for delivering Unilever's agenda through excellence in strategy execution. During the year, the framework was rolled out globally to an enthusiastic response. In Asia the process was particularly effective, with managers across 15 countries attending interactive workshops. Individuals made personal commitments to 'live the behaviours' and to model them in their daily working lives.

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