UNILEVER N V
Form 20-F
March 29, 2006

As filed with the Securities and Exchange Commission on March 29, 2006

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 1-4547

UNILEVER N.V.
(Exact name of Registrant as specified in its charter)

THE NETHERLANDS
(Jurisdiction of incorporation or organization)

WEENA 455, 3013 AL, ROTTERDAM, THE NETHERLANDS
(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
Ordinary shares of the nominal amount of 0.51 euro (€0.51) each*	New York Stock Exchange

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 571 575 900 ordinary shares

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of 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.

Item 17 Item 18

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* For Unilever N.V. share capital, the euro amounts shown above and in the Unilever Annual Report and Accounts 2005 on Form 20-F and other official documents are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying share capital in Dutch guilders, which have not been converted into euros in Unilever N.V. s Articles of Association. Until conversion formally takes place by amendment of the Articles of Association the entitlements to dividends and voting rights are based on the underlying Dutch guilder amounts.

Back to Contents

Back to Contents

Our corporate purpose

Unilever s 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.

Our deep roots in local cultures and markets around the world give us our strong relationship with consumers and are the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers a truly multi-local multinational.

Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively, and to a willingness to embrace new ideas and learn continuously.

To succeed also requires, we believe, the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact.

This is our road to sustainable, profitable growth, creating long-term value for our shareholders, our people, and our business partners.

Back to Contents

Contents

Back to Contents

At a glance

Turnover (€ million)
Continuing operations

Europe The Americas Asia Africa

Operating profit (€ million)
Continuing operations

Europe The Americas Asia Africa

Earnings per share and dividends[a]

2005 2004

Per Ordinary €0.51 share of Unilever N.V. (€)[b]

Per Ordinary 1.4p share of Unilever PLC (€ cents)

Per Ordinary 1.4p share of Unilever PLC (pence)

Per €0.51 New York share of Unilever N.V. ($)[b]

Per 5.6p American Depositary Receipt of Unilever PLC ($)

(a) Earnings per share are stated on a total operations basis. Dividend figures for each year comprise dividends declared or proposed for that year. Under International Financial Reporting Standards (IFRSs), dividends are only recorded against the year in which they become payable. For further information please refer to note 35 on page 145.
(b) For Unilever N.V. share capital, the euro amounts shown above and elsewhere in this document are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying share capital in Dutch guilders, which have not been converted into euros in Unilever N.V. s Articles of Association. Until conversion formally takes place by amendment of the Articles of Association, the entitlements to dividends and voting rights are based on the euro equivalent of the underlying Dutch guilder according to the official euro exchange rate. The term shares as used in this document should, with respect to shares issued by Unilever N.V., be construed to include depositary receipts for shares issued by Stichting Administratiekantoor Unilever N.V., unless the context otherwise requires or unless it is clear from the nature of the notification that this is not the case. For further information please refer to page 44.
(c) Rounded to two decimal places.
(d) Actual dividends payable for 2005 on Unilever N.V. New York 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 8 February 2006 (€1.00 = $1.1948, £1.00 = $1.7427).

Back to Contents

Report of the Directors

Back to Contents

General information

The Unilever Group

Unilever N.V. (NV) is a public limited company registered in the Netherlands, which has listings of shares or certificates (depositary receipts) of NV on the stock exchanges in Amsterdam, New York, Frankfurt and Zürich.

Unilever PLC (PLC) is a public limited company registered in England 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.

Publications

This publication is produced in both Dutch and English and comprises the full Annual Report and Accounts for 2005 of the Unilever Group. This document complies with Netherlands and United Kingdom regulations. It also forms the basis of the NV and PLC Annual Reports on Form 20-F to the Securities and Exchange Commission in the United States for the year ended 31 December 2005, and cross references to Form 20-F are set out on page 191. It is made available to all shareholders who request or elect to receive it, and on our website at
www.unilever.com/investorcentre.

The separate publication, Unilever Annual Review 2005 , containing a Summary Financial Statement with figures expressed in euros, with translations into pounds sterling and US dollars, is also published in Dutch and English. It is a short form document that is prepared in accordance with the United Kingdom regulations for Summary Financial Statements. The Unilever Annual Review 2005 is mailed to all registered shareholders and to other shareholders who are either entitled or have asked to receive it, and is also made available on the website at
www.unilever.com/investorcentre.

Accounting standards

With effect from 1 January 2005, Unilever adopted International Financial Reporting Standards (IFRSs) as adopted by the EU, with a transition date of 1 January 2004. For further details of this change please refer to note 35 on page 144. For Unilever, there are currently no differences between IFRSs as issued by the International Accounting Standards Board (IASB) and IFRSs as adopted by the EU, and therefore no reconciliation is presented.

Reporting currency and exchange rates

Details of key exchange rates used in preparation of these accounts are given on page 156, together with Noon Buying Rates in New York for the equivalent dates.

Basis of discussion and analysis

In parts of this document, notably the Group Chief Executive s discussion on pages 6 and 7 and the review of operations by region on pages 26 to 28, discussion of performance is based on constant rates of exchange. This removes the impact of currency movements on translation into euros, and more clearly portrays the underlying performance of the operations themselves. The constant rate used is the annual average rate for the prior year. The year-on-year trend in euros is the same as that which would arise if the results were shown in sterling or US dollars at constant exchange rates.

€s used in this report to denote amounts in euros.

£ and **p** are used in this report to denote amounts in pounds sterling and pence respectively.

Fl. is used in this report to denote amounts in Dutch guilders.

$ is used in this report to denote amounts in United States dollars, except where specifically stated otherwise.

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

Cautionary statement

This document may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as expects , anticipates , intends or the negative of these terms and other similar expressions of future performance or results and their negatives are intended to identify such forward looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, among others, competitive pricing and activities, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Group operates and new or changed priorities of the Boards. Further details of potential risks and uncertainties affecting the Group are described in the Group s filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report and Accounts on Form 20-F. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Group s expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Back to Contents

Chairman s foreword

2005 was the first year when Patrick and I worked together as respectively Group Chief Executive and Chairman. I've been delighted with how successfully our combination has developed.

I d like to congratulate Patrick and his Executive, as well as all the staff at Unilever, for the progress made during the year. Although there is still work to do to release the full growth potential of our powerful portfolio of brands, the business has stabilised its aggregate market share, a key objective in 2005.

To ensure the business has the best structure and governance processes to deliver long-term shareholder value in the top third of our peer group, I set myself three objectives at the start of last year. These were reviewing Unilever s dual NV/PLC structure, evaluating its corporate governance procedures and preparing for a series of Board departures over the next couple of years.

Dual structure strengths

The review of Unilever s structure, which I led with the support of two Non-Executive Directors, as well as a team of leading independent financial and legal advisers, involved over six months of hard work. As one independent adviser commented: It was one of the most exhaustive and thorough reviews that I have seen undertaken .

Three important principles guided the review. First, Unilever s commercial operations should be advanced and not prejudiced by any change. Second, any change should have tangible benefits for shareholders. Lastly, any change should improve transparency and flexibility. These principles were designed to ensure that any resulting structure serves the best interests of both the business and our shareholders.

Based on these criteria and an in-depth analysis, the Boards unanimously concluded that Unilever s current dual structure, with some important changes, meets the needs of the business for the foreseeable future. While this conclusion might seem somewhat unexpected in an age of constant change, it is totally consistent with the review s three guiding principles. The current structure has been and still serves as a framework by which we can benefit from the best of many cultures and influences.

Moving to a unitary structure would not only be costly and disruptive to the business but in our case would not yield the material advantages to justify it. As a result of changes made to our Boards and leadership structures at the beginning of 2005, Unilever already has operational and governance unity, with a single Chairman, a single Board with a majority of Non-Executive Directors, a single Group Chief Executive and one Executive team. The current structure does not hinder the operation of the business, its decision-making ability or organisational efficiency. Unilever might also in moving to a unitary structure lose some of the fiscal flexibility that it has under its dual structure.

Changes

This does not mean, of course, that we cannot improve our existing arrangements. The Boards will be proposing to shareholders at the May 2006 AGMs three changes to enhance balance sheet and capital structure flexibility, as well as strengthen elements of its corporate governance.

These include adapting Unilever s constitutional arrangements to allow greater flexibility for allocating assets between both parent companies. This will ensure that the Group continues to be able to return capital to shareholders and pay dividends in the most efficient manner. To simplify the relationship between our NV and PLC shares, and provide greater transparency, we also propose establishing a one-to-one equivalence in their underlying value by

splitting the NV shares and consolidating the PLC shares. Finally, we intend to allow shareholders the right to nominate candidates to the Boards, taking into account the need to ensure the unity of management. Details of all these changes are set out in the Notices convening the AGMs.

Board succession

As I mentioned earlier, one of my objectives was to prepare for Board succession. Three Non-Executive Directors will be retiring in

2006 Bertrand Collomb, Oscar Fanjul and Hilmar Kopper. I would like to thank them for their enormous contribution over the years. This presents us with both a challenge and an opportunity to re-populate the Boards with new members who can build on our retiring members strengths and help take Unilever forward.

After a thorough search I am pleased to announce the nomination of four new Non-Executive Directors, all with extensive financial and business experience, to take over from the Board members retiring this year and Claudio Gonzalez who retired at the 2005 AGMs. These are Charles Golden, Executive Vice-President and CFO of Eli Lilly and Company, Byron Grote, CFO of BP p.l.c., Jean-Cyril Spinetta, Chairman/CEO of Air France-KLM S.A. and Kornelis (Kees) Storm, former Chairman of the Executive Board of AEGON N.V.

We engaged the services of two highly reputable independent search firms to help us in this task and they are also leading the evaluation of potential candidates to succeed me as Chairman in 2007.

Governance study

During 2005, we also commissioned a review of Unilever s governance arrangements to ensure that these were best in class.

The review was conducted by independent consultants who concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in the first quarter of 2006, and a range of minor changes in terms of the day-to-day operation of the Boards will be introduced during the balance of the year.

A particular pleasure for me this year has been to work with our social and environmental partners, for example with UNICEF s Child Nutrition programme and the World Business Council for Sustainable Development. Ensuring the vitality of the societies and environments in which we operate is essential for Unilever to sustain its long-term growth.

It is good to see that the many changes that were initiated over the last 12 months have not impeded the progress of Unilever in the market place. All this progress would not be possible without the commitment and the hard work of all our 206 000 employees. Without their dedication we could not add vitality to the lives of our consumers across the globe. On behalf of the Boards I would like to convey my thanks to all of them.

Antony Burgmans
Chairman

Back to Contents

Group Chief Executive

Here Patrick Cescau, Group Chief Executive, talks about performance in 2005 and looks ahead to what needs to be achieved over the next 12 months.

What was the key challenge for 2005?

At the start of 2005 it was clear what we had to do. We had to restore our competitiveness in the market and get the business growing again.

But we had to do it in a way that we can sustain for the long term, creating value and unlocking our full potential.

How did you set about tackling this challenge?

Our approach was simple to focus on three things that matter.

First, to make our portfolio work harder for us, with sharper priorities and resource allocation. Secondly, better execution, especially in the areas of marketing and customer management. And, finally, create a more agile One Unilever organisation, aligned behind a single strategy, with the right people in the right jobs, delivering quality and speed of execution.

What were the priorities and why did you focus on these areas?

We focused on building on our strengths in developing and emerging (D&E) markets, vitality and Personal Care. They are areas of strength for Unilever where we have performed well, with good growth and profitability.

Regaining momentum in Europe was an equally important priority.

Overall, what results have been achieved by following this approach?

We have made real progress. In 2005 underlying sales growth was 3.1%, significantly ahead of a flat 2004, and in line with our markets. Growth momentum has improved steadily throughout the year and has been driven by volume.

I m also pleased to report that our growth rates improved across most of our major markets and in most categories. These figures are a real testament to the hard work of our people, the strength of our brands and the resilience of our business.

Restoring growth required a step up in investment behind our brands. In 2005, we invested an extra €500 million in advertising and promotions. We also invested significantly to reduce prices, especially in Europe, and offer better value to the consumer in selected categories and markets.

Our savings programmes generated more than €700 million in 2005 and helped fund the additional investment in our brands and absorb the impact of higher input costs.

Why has Personal Care played a key role in the strategy?

Personal Care is one of our traditional strengths and accounts for around a quarter of sales, so it was vital we delivered real growth.

Over the last year or so, Personal Care has been achieving growth levels that are up with the best at more than 6%. And we have delivered broad-based share gain across most of our biggest markets and strong profitability.

Key to this success are our brands. The big global brands such as *Axe*, *Dove*, *Lux*, *Rexona* and *Sunsilk* all performed and delivered growth. Smaller, more local brands such as *Clear* and *Lifebuoy* also pulled their weight.

What role has vitality played in the progress that s been achieved?

Vitality unites us as a mission and resonates with our customers and consumers.

Our mission is to help people feel good, look good and get more out of life and this underpins everything we do.

It is the inspiration for innovations that are driving growth across the entire product portfolio. *Lipton* and *AdeS* healthy and refreshing beverages; *Dove* the Campaign for Real Beauty; and healthier choices in ice cream.

In Foods, for instance, our *Knorr Vie* mini shots, which help you on your way towards your daily fruit and vegetable needs, have done extremely well in Europe. We have revitalised *Lipton* in the US by stressing its natural health benefits with its AOX antioxidant seal, and this has produced good share gain especially in the ready-to-drink market.

In Home and Personal Care our *Dove* Campaign for Real Beauty, which offers consumers a broader, healthier view of female beauty, has played a central role in the brand s continued growth, while programmes to encourage hygienic handwashing in India have improved sales of *Lifebuoy*.

You mentioned developing and emerging markets. Why are these so important to Unilever?

D&E are rapidly growing markets the forecast is that they will account for 90% of the world s population by 2010. We have long-established local roots in these markets, which gives us a competitive advantage, and we need to capitalise on this opportunity.

In 2005 we delivered a strong performance in all major D&E markets in Foods, Home Care and Personal Care. And for the first time, our D&E sales, at 38%, exceeded our sales in Western Europe.

The reason for our success here is partly due to our well-established distribution strength in both the traditional and modern trade and also to our ability to adapt excellent global brand concepts, such as the *Omo* Dirt is Good campaign, to local markets. In Turkey, for instance, this enabled us to regain market leadership with double-digit growth.

But what has been achieved in Europe and North America?

Our sustained recovery in the US is great news for us. In one of the world s most competitive markets we grew by 3.2% with strong performances from both Foods and Home and Personal Care.

Europe has been an area that needed our attention. A healthy European business matters to Unilever. It delivers a large proportion of our sales 41% in 2005 and is an important source of profit.

Looking at our performance, Central and Eastern Europe performed strongly in 2005 with Russia, for example, delivering around 20% growth. So the challenge is Western Europe. And the issue here is growth, not profitability.

Western Europe is an extremely tough competitive environment and to turn the business around we are having to do things differently. We have addressed pricing in selected markets and categories and by doing so are now offering consumers better value.

Back to Contents

Group Chief Executive
(continued)

We are also increasing choice by extending our product portfolio ice cream value ranges, for example and by moving into a wider range of channels. And we are delivering innovation new heart health ranges and *Sunsilk* styling are just two examples, which are being backed by increased marketing investment.

What are you doing to build capabilities across the business?

This is another area we are investing in. Customer management is a strategic priority and our team is implementing an improvement programme market by market, with outstanding results.

An important element of this programme is combining our Foods and HPC sales teams so that we can present a single, integrated face to our customers and leverage our scale. The programme developed in the USA has been rolled out in France, Germany and the Netherlands and will be extended to other markets in 2006.

By working closely with our customers such as Carrefour, Tesco and Wal-Mart we are increasing the value that we can gain by doing business together.

We are also improving our marketing capabilities. For example, we will craft more of our global brand mixes to the standards set by the best of our brands. And we intend to get more out of the investment in our brands whether it be in advertising or in R&D.

In 2004 you announced One Unilever as a way of simplifying the business and generating savings. Has it achieved this?

Our One Unilever programme is all about making us fit to compete. It has achieved a great deal in simplifying our business and leveraging our scale more effectively.

We have merged our operations in countries so that, at the end of 2005, almost 80% of our turnover is managed through One Unilever organisations.

We will continue with its implementation in 2006 with our priorities being to put in place a single management team in all markets. Most of our top 20 markets report directly to UEx. There will be a further reduction in the management headcount and simplified, standardised business services up and running, with a substantial proportion outsourced.

By the end of 2006, One Unilever will deliver €700 million savings and €1 billion by the end of 2007. But the biggest benefit for us is that we now have one face for our customers and consumers, as well as being faster and more disciplined. In other words we are fit to compete.

What is driving the decisions you are making relating to the portfolio?

In 2005 we reviewed and sharpened our portfolio strategy. It is an essential building block that gives us clarity it identifies the best opportunities for sustainable long-term growth, enables us

to make choices and to allocate resources according to those choices. It then allows us to drive disciplined execution.

We had to take decisive action on parts of our portfolio where we had reached a strategic cross-roads.

The sale of UCI (Unilever Cosmetics International) and the recent announcement of our intention to sell the majority of our European frozen foods business were tough decisions. We made them because it was clear we would not be able to grow these businesses in the long term which is fundamental to future value creation. We felt we had better opportunities to invest in and that these businesses would perform better in the hands of owners to whom they were a top priority.

As we move forward we will continue to invest behind our best growth opportunities, channelling more of our resources into building leading positions in high growth areas.

Continuing to look forward, what are your priorities for 2006 and beyond?

Our priorities will not change. We will continue to build on the stronger focus we now have. UEx believes that the portfolio is in good shape; all parts of our business have an important role to play in delivering growth, but it s not always the same role.

Obviously I can t disclose all our intentions in detail. But I would like to give you some insight into our priorities for 2006.

You will not be surprised to hear that our plans include capitalising on the high-growth potential of D&E markets such as China, India and Russia. Or that in Personal Care, we will be building on our leading market positions in deodorants and personal wash. And that vitality will continue to be at the heart of our innovation programme.

Unilever is now in better shape, with increased competitiveness and growth. What s your summary of 2005?

We have achieved a tremendous amount in 2005 organisational change, improved capabilities and restored growth. Our people have much to make them proud.

The Unilever team has worked together to create a momentum that will help us rise to the challenges of the year ahead. There is still a great deal to do, but we know the categories, segments, brands and countries that will drive growth. And we are now rigorously deploying our funds and resources behind our best opportunities.

We have the right structure to deliver and the processes in place to make sure that we execute against our priorities. Our people are clear about what they need to do.

We will build on what we achieved in 2005 and deliver the results we have promised for 2006. This will unlock more of the unique potential of Unilever. I passionately believe that we can now compete to win.

Back to Contents

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Back to Contents

Report of the Directors
About Unilever

Back to Contents

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:

Savoury 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.

Back to Contents

About Unilever
(continued)

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.

Back to Contents

About Unilever
(continued)

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

Back to Contents

About Unilever
(continued)

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.

Back to Contents

About Unilever
(continued)

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**.**

Back to Contents

Report of the Directors
Financial and operating reviews

Back to Contents

Financial Review
Non-GAAP measures

Certain discussions and analyses set out in this Annual Report and Accounts include measures which are not defined by generally accepted accounting principles (GAAP) such as IFRSs or US GAAP. We believe this information, along with comparable GAAP measurements, is useful to investors because it provides a basis for measuring our operating performance, ability to retire debt and invest in new business opportunities. Our management uses these financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance and value creation. Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in compliance with GAAP. Non-GAAP financial measures as reported by us may not be comparable to similarly titled amounts reported by other companies. Definitions of non-GAAP measures and reconciliations to GAAP measures are provided on pages 17 to 19.

Measures of long term value creation

Unilever s ambition for the creation of value for shareholders is measured by Total Shareholder Return over a rolling three year period compared with a peer group of 20 other companies. Unilever believes that the contribution of the business to this objective can best be measured and communicated to investors through the following measures:

- The delivery, over time, of Ungeared Free Cash Flow (UFCF), which expresses the translation of profit into cash, and thus longer term economic value; and

- The development, over time, of Return on Invested Capital (ROIC), which expresses the returns generated on capital invested in the company.

Unilever communicates progress against these measures annually, and management remuneration is aligned with these objectives. The UFCF over a three year period is incorporated as a performance element of Unilever s management incentive scheme.

UFCF and ROIC are non-GAAP measures under IFRSs and US GAAP. We include them in this respect since they are the way in which we communicate our ambition and monitor progress towards our longer-term value creation goals and in order to:

- Improve transparency for investors;

- Assist investors in their assessment of the long-term value of Unilever;

- Ensure that the measures are fully understood in light of how Unilever reviews long-term value creation for shareholders;

- Properly define the metrics used and confirm their calculation;

- Share the metrics with all investors at the same time; and

- Disclose UFCF as it is one of the drivers of management remuneration and therefore management behaviour.

As investor measures, we believe that there are no GAAP measures directly comparable with UFCF and ROIC. However, in the tables on pages 17 and 18, we reconcile each as follows: UFCF to cash flow from operating activities and also to net profit; ROIC to net profit.

Unilever cautions that, while UFCF and ROIC are widely used as tools for investment analysis, they are not defined terms under IFRSs or US GAAP and therefore their definition should be carefully reviewed and understood by investors. Investors should be aware that their application may vary in practice and therefore these measures may not be fully comparable between companies. In particular:

- Unilever recognises that the usefulness of UFCF and ROIC as indicators of investment value is limited, as such measures are based on historical cost information;

- UFCF and ROIC measures are not intended to be a substitute for, or superior to, GAAP measures in the financial statements;
- The fact that ROIC is a ratio inherently limits its use, and management uses ROIC only for the purposes discussed above. The relevance and use of net profit for the year (being the most relevant comparable GAAP measure) is clearly more pervasive; and
- UFCF is not the residual cash available to pay dividends. It is broadly available to cover the servicing of debt along with other non-discretionary expenditures that have not been deducted from this measure.

Back to Contents

Financial Review
Non-GAAP measures (continued)

Ungeared free cash flow

UFCF expresses the generation of profit by the business and how this is translated into cash, and thus economic value. It is therefore not used as a liquidity measure within Unilever. The movement in UFCF is used by Unilever to measure progress against our longer-term value creation goals as outlined to investors.

UFCF is cash flow from group operating activities, less capital expenditure, less charges to operating profit for share-based compensation and pensions, and less tax (adjusted to reflect an ungeared position), but before the financing of pensions.

The reconciliation of UFCF to the GAAP measures net profit and cash flow from operating activities is as follows:

	€ million 2005	€ million 2004
Net profit	**3 975**	2 941
Taxation	**1 301**	836
Share of net profit of joint ventures/associates and other income from non-current investments	**(55)**	(95)
Net finance costs	**618**	631
Depreciation, amortisation and impairment	**1 274**	2 063
Changes in working capital	**193**	547
Pensions charges in operating profit less payments	**(532)**	(472)
Movements in provisions less payments	**(230)**	574
Elimination of profits on disposals	**(789)**	(308)
Non-cash charge for share-based compensation	**192**	218
Other adjustments	**(23)**	(10)
Cash flow from operating activities	**5 924**	6 925
Less charge for share-based compensation	**(192)**	(218)
Add back pension payments less pension charges in operating profit	**532**	472
Less net capital expenditure	**(813)**	(869)
Less tax charge adjusted to reflect an ungeared position	**(1 440)**	(964)
Taxation on profit	**(1 301)**	(836)
Tax relief on net interest expense	**(139)**	(128)
Ungeared free cash flow	**4 011**	5 346

The tax charge used in determining UFCF can be either the income statement tax charge or the actual cash taxes paid. Our consistently applied definition uses the income statement tax charge in order to eliminate the impact of volatility due to the variable timing of payments around the year end. For 2005 and 2004 the income statement tax charge on this basis is materially impacted by the tax effect of non-cash charges for the impairment of *Slim•Fast* and certain other non-cash items. UFCF based on actual cash tax paid would be €3.7 billion (2004: €4.8 billion).

UFCF reported in the 2004 Annual Report and Accounts was based on cash flow from group operating activities, less capital expenditure and financial investment less a tax charge adjusted to reflect an ungeared position. This measure is the same as defined above in all respects except for the non-cash charge for share-based compensation less payments of €545 million (2004: €(114) million), the non-cash charge for pensions less payments of €(532) million (2004: €(472) million) and net financial investment of €33 million (2004: €43 million), resulting in UFCF on this basis of €4 057 million (2004: €4 803 million).

Back to Contents

Financial Review
Non-GAAP measures (continued)

Return on invested capital

Return on invested capital (ROIC) expresses the returns generated on capital invested in the company. The progression of ROIC is used by Unilever to measure progress against our longer-term value creation goals outlined to investors.

ROIC is profit after tax but excluding net interest on net debt and impairment[a] of goodwill and indefinite-lived intangible assets both net of tax, divided by average invested capital for the year. Invested capital is the sum of property, plant and equipment and other non-current investments, software and finite-lived intangible assets, working capital, goodwill and indefinite-lived intangible assets at gross book value and cumulative goodwill written off directly to reserves under an earlier accounting policy.

The reconciliation of ROIC to the GAAP measure net profit is as follows:

	€ million 2005	€ million 2004
Net profit	**3 975**	2 941
Add back net interest expense net of tax	**424**	431
Add back impairment charges net of tax[a]	**245**	536
Profit after tax, before interest and impairment of goodwill and indefinite-lived intangible assets	**4 644**	3 908
Year-end positions for invested capital:		
Property, plant and equipment and other non-current investments	**7 333**	6 966
Software and finite-lived intangible assets	**642**	623
Inventories	**4 107**	3 756
Trade and other receivables	**5 061**	4 410
Trade payables and other creditors due within one year	**(8 658)**	(8 232)
Elements of invested capital included in assets and liabilities held for sale	**200**	
Goodwill and indefinite-lived intangible assets at gross book value	**21 621**	19 854
Total	**30 306**	27 377
Add back cumulative goodwill written off directly to reserves	**6 870**	7 246
Year-end invested capital	**37 176**	34 623
Average invested capital for the year	**37 012**	36 444
Return on average invested capital	**12.5%**	10.7%

(a) Excluding write-downs of goodwill and indefinite-lived intangible assets taken in connection with business disposals.

Back to Contents

Financial Review
Non-GAAP measures (continued)

Underlying sales growth

USG reflects the change in revenue at constant rates of exchange, 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.

The reconciliation of USG to the GAAP measure turnover is as follows:

	2005 vs 2004
Underlying sales growth (%)	**3.1**
Effect of acquisitions (%)	**0.1**
Effect of disposals (%)	**(1.6)**
Effect of exchange rates (%)	**1.3**
Turnover growth (%)	**2.9**

Net debt

Net debt is defined as the excess of total borrowings, bank overdrafts, relevant derivatives and finance leases over, cash, cash equivalents and financial assets, excluding amounts held for sale. It is a measure that provides valuable additional information on the summary presentation of the Group s net financial liabilities and is a measure in common use elsewhere.

The reconciliation of net debt to the GAAP measure total borrowings is as follows:

	€ million 31 December 2005	€ million 1 January 2005	€ million IAS 32/39 and IFRS 5 adjustments	€ million 31 December 2004
Total borrowings	**(12 399)**	(13 669)	(1 621)	(12 048)
Borrowings due within one year	**(5 942)**	(6 448)	(1 293)	(5 155)
Borrowings due after one year	**(6 457)**	(7 221)	(328)	(6 893)
Cash and cash equivalents as per balance sheet	**1 529**	1 582	(8)	1 590
Cash and cash equivalents as per cash flow statement	**1 265**	1 406		1 406
Add bank overdrafts deducted therein	**265**	184		184
Less cash and cash equivalents in assets/liabilities held for sale	**(1)**	(8)	(8)	n/a
Other financial assets	**335**	533	(480)	1 013
Derivatives and finance leases included in other receivables and other liabilities	**33**	369	587	(218)
Net debt	**(10 502)**	(11 185)	(1 522)	(9 663)

Back to Contents

Financial review

Basis of reporting and discussion

Our accounting policies are based on International Financial Reporting Standards (IFRSs) and UK and Netherlands law. These differ in certain respects from United States GAAP. The principal differences are described on pages 158 to 161. We have shown reconciliations to net income and equity under US GAAP on page 157.

International Financial Reporting Standards

Unilever has adopted International Financial Reporting Standards (IFRSs) as adopted by the EU with effect from 1 January 2005, with a transition date of 1 January 2004. Unilever has applied the exemption in IFRS 1 relating to business combinations, as explained in note 35 on page 144. IAS 32 and IAS 39 in respect of financial instruments and IFRS 5 in respect of non-current assets and asset groups held for sale have been applied with effect from 1 January 2005.

The most significant impacts of the transition to IFRS on Unilever s restated consolidated financial statements relate to the timing of the recognition of items in the income statement. Reported net assets are impacted as a result of these timing changes, but there is no impact on the underlying cash flows generated by Unilever.

The key changes in our accounting policies as a result of our adoption of IFRSs are described in note 35 on pages 144 and 145. These changes, unless otherwise stated, have been applied retrospectively in arriving at the opening balance sheet under IFRSs as at 1 January 2004.

Reconciliations of our equity as at the transition date and 31 December 2004 and the profit for the year then ended are given in note 35 on pages 146 to 151. For further details of these and other changes in Unilever s reporting please refer to our website at www.unilever.com/investorcentre.

Turnover definition

Until 31 December 2004, promotional couponing and trade communication costs were included in the cost of advertising and promotions. From 1 January 2005, these costs are deducted from turnover and treated as part of the price element in the variance analysis of sales growth, together with other trade promotion costs which are already deducted from turnover. Comparatives have been restated to reflect this change.

The effect of this change in presentation is a reclassification from advertising and promotions expenditure to a deduction from turnover for the year ended 31 December 2004 amounting to €1 061 million. This change in accounting policy does not have any impact on operating profit or net profit.

Critical accounting policies

Unilever complies with IAS 1, which requires that the most appropriate accounting policies are selected in all circumstances. The accounts comply in all material respects with IFRS and UK and Netherlands law. To prepare these accounts, we are required to make estimates and assumptions, using judgement based on available information, including historical experience. These estimates and assumptions are reasonable and are re-evaluated on an ongoing basis. However, actual amounts and results could differ. Critical accounting policies are those which are most important to the portrayal of Unilever s financial position and results of operations. Some of these policies require difficult, subjective or complex judgements from management, the most important being:

Goodwill, intangible assets and property, plant and equipment

Impairment reviews in respect of goodwill and indefinite-lived intangible assets are performed at least annually. More regular reviews, and impairment reviews in respect of other assets, are performed if events indicate that this is necessary. Examples of such triggering events would include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses, or negative cash flows.

Impairment reviews are performed following the guidance in IAS 36. Such reviews are performed by comparing the carrying value of the asset concerned to that asset s recoverable amount (being the higher of value in use and fair value less costs to sell). Value in use is a valuation derived from discounted future cash flows. Significant assumptions, such as long-term growth rates and discount rates, are made in preparing these forecast cash flows; although these are believed to be appropriate, changes in these assumptions could change the outcomes of the impairment reviews.

The most significant balances of goodwill and intangible assets relate to the global savoury and dressings product group. We have reviewed the carrying value of this cash generating unit by considering expected future cash flows based on actual and planned growth rates and margins for this product group. No impairment loss has been identified.

We have reviewed the carrying value of the *Slim•Fast* business in light of the continued decline in the weight management market segment throughout 2005. Over the last few years, consumer tastes in this group have changed frequently, featuring low-calorie, low-carbohydrate, low-salt, low-sugar and other products. The business declined in 2005 but maintained leadership of the market segment by refreshing its product range and offering a more personalised diet plan. The impairment review of the business resulted in an impairment loss of €363 million (2004: €791 million) reflected in operating profit for the Americas region. The impairment review was based on determining the value in use of the global *Slim•Fast* business incorporating a number of important assumptions regarding the future performance of the *Slim•Fast* business. For further details, refer to note 10 on page 99.

Back to Contents

Financial review
(continued)

Financial instruments

From 1 January 2005, we account for financial instruments in accordance with IAS 32 and 39. Financial instruments are classified according to the purpose for which the instruments were acquired. This gives rise to the following categories: held-to-maturity investments, loans and receivables, available-for-sale financial assets and financial assets at fair value through profit or loss. Please refer to note 1 on page 83 for a description of each of these categories.

Based on IAS 32 and 39, we report derivative financial instruments at fair value. Changes in fair values are booked through profit or loss unless the derivatives are designated and effective as hedge of future cash flows, in which case the changes are recognised directly in equity. At the time the hedged cash flow results in the recognition of an asset or a liability, the associated gains or losses on the derivative that had previously been recognised in equity are included in the initial measurement of the asset or liability. For hedged items that do not result in the recognition of an asset or liability, amounts deferred in equity are recognised in the income statement in the same period in which the hedged item affects net profit or loss.

Changes in fair value of net investment hedges in relation to foreign subsidiaries are recognised directly in equity.

The most important change associated with the implementation of IAS 32 relates to the treatment of our preference share capital. Under the new accounting rules we treat the preference shares as third-party borrowings and the dividends are reported as interest costs through profit or loss.

Retirement benefits

We account for pensions and similar obligations in accordance with IAS 19 Employee Benefits . Under this standard, the assets and liabilities of the plans are recognised at fair values in the balance sheet.

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the income statement. These figures are particularly sensitive to assumptions for discount rates, inflation rates and expected long-term rates of return on assets. The following table sets out these assumptions, as at 31 December 2005, in respect of the four largest Unilever pension plans. Further details of assumptions made are given in note 22 on pages 115 and 116.

	% UK	% Nether-lands	% United States	% Germany
Discount rate	4.7	4.0	5.5	4.0
Inflation	2.7	1.8	2.4	1.8
Expected long-term rate of return:				
Equities	7.6	7.0	8.0	7.0
Bonds	4.5	3.7	4.8	3.7
Property	6.1	5.5	6.5	5.5
Others	6.7	3.7	4.2	3.7

These assumptions are set by reference to market conditions at the valuation date. Actual experience may differ from the assumptions made. The effects of such differences are recognised through the statement of recognised income and expense.

Demographic assumptions, such as mortality rates, are set having regard to the latest trends in life expectancy, plan experience and other relevant data. The assumptions are reviewed and updated as necessary as part of the periodic actuarial valuation of the pension plans. Mortality assumptions for the four largest plans are given in more detail in note 22 on page 116.

Share-based compensation

In accordance with IFRS 2 we include a non-cash charge against operating profit to reflect the fair value to the employee of share options and awards granted. In determining the additional charge, we apply a valuation based on modified Black-Scholes or multinomial models spread over the vesting period. The fair value so calculated depends on certain assumptions which are described in note 31 on page 132. The assumptions made in respect of share price volatility and expected dividend yields are particularly subjective. Unilever considers these and all other assumptions to be appropriate, but significant changes in assumptions could materially affect the charge recorded.

Provisions

Provision is made, among other reasons, for environmental and legal matters and for employee termination costs where a legal or constructive obligation exists at the balance sheet date and a reliable estimate can be made of the likely outcome.

Advertising and promotion costs

Expenditure on items such as consumer promotions and trade advertising is charged against profit in the year in which it is incurred. At each balance sheet date, we are required to estimate the part of expenditure incurred but not yet invoiced based on our knowledge of customer, consumer and promotional activity.

Deferred tax

Full provision is made for deferred taxation, as required under IAS 12, at the rates of tax prevailing at the year end unless future rates have been enacted, as detailed in note 1 on page 84. Deferred tax assets are regularly reviewed for recoverability, and a valuation allowance is established to the extent that recoverability is not considered likely.

Reporting currency and exchange rates

Foreign currency amounts for results and cash flows are translated from underlying local currencies into euros using annual average exchange rates; balance sheet amounts are translated at year-end rates except for the ordinary capital of the two parent companies. These are translated at the rate prescribed by the Equalisation Agreement of £1 = Fl.12, and then to euros at the official rate of €1.00 = Fl.2.20371 (see Corporate Governance on page 41).

Back to Content

Financial review
(continued)

The figures quoted in the following discussion are in euros, at current rates of exchange, ie. the average or year-end rates of each period, unless otherwise stated. Information about exchange rates between the euro, pound sterling and the US dollar is given on page 156.

Results for 2005 compared with 2004

The results reflected in the consolidated income statement and supporting notes arise from the continuing operations of the Group. During July 2005, we completed the sale of Unilever Cosmetics International (UCI) to Coty Inc., United States. The results of UCI have been presented separately as discontinued operations for the 2004 year and, in 2005, for the period up to the date of sale.

Reported turnover grew by 2.9% in the year to €39 672 million. This increase includes a favourable effect from movements of the average euro exchange rate against the basket of Unilever currencies, which amounted to 1.3% of turnover. The net impact of disposals less acquisitions was a decline in turnover of 1.5% . This arose principally from the sale of European olive oil and other foods businesses. Underlying sales growth in the year of 3.1% was the result of volume increases.

Operating profit increased by 25% in the year to €5 314 million with operating margin increasing to 13.4% (2004: 11.0%) . Before the impact of net costs of restructuring, business disposals and impairments, the operating margin for 2005 would have been 0.8 percentage points lower than the previous year. Advertising and promotions were 1.1 percentage points of sales higher than last year. Cost savings and an improved mix more than offset the effect of an increase of nearly €600 million in input costs. Operating charges for restructuring, business disposals and impairments include the impairment of the *Slim•Fast* business in both 2005 and 2004 amounting to €363 million and €791 million respectively. An overview of performance by region is included in the operating reviews on pages 26 to 28.

Net finance costs were 2% lower in the year at €618 million, through lower levels of borrowings. This also reflects a reduction in the finance costs associated with pensions which were €55 million.

A reduced contribution was generated from our shares in joint ventures and associates, most significantly from our associate JohnsonDiversey. Profit from discontinued operations includes the gain of €458 million arising from the sale of UCI.

The Group s effective tax rate of profit for the year was 26%, compared with 22% in 2004, which reflected resolution of a higher level of outstanding prior year tax issues.

Net profit and earnings per share from continuing operations increased by 21% and 22% respectively in the year. Including the profits of the discontinued operations, total earnings per share increased by 37% in the year.

Return on invested capital (ROIC) for the year was 12.5%, up from 10.7% in 2004. This reflects the lower restructuring costs and higher profits on business disposals included in net profit. ROIC retains all goodwill and intangibles in invested capital, regardless of impairment.

Acquisitions and disposals

There were no material acquisitions during 2004 or 2005.

In March 2005 Unilever completed the restructuring of its Portuguese foods business. Before the restructuring Unilever Portugal held an interest in FIMA/VG Distribuição de Produtos Alimentares, Lda. (FIMA) foods business, a joint venture with Jerónimo Martins Group, in addition to its wholly owned Bestfoods business acquired in 2000. As a result of the transaction the two foods businesses FIMA and Unilever Bestfoods Portugal were unified and the joint venture stakes were re-balanced so that Unilever now holds 49% of the combined foods business and Jerónimo Martins Group 51%.

On 11 July 2005, we announced the completion of the sale of our Prestige fragrance business, UCI, to Coty Inc. of the United States. Unilever received US $800 million in cash, with the opportunity for further deferred payments contingent upon future sales.

On 20 December 2005, Unilever announced its intention to sell its Mora business to Ad van Geloven in the Netherlands, for an undisclosed sum. The agreement is subject to approval by competition authorities and advice from work councils. The proposed transaction relates to the Mora brand and to factories in Maastricht and Mol (Belgium).

Other business disposals in 2005 included Stanton Oil in the UK and Ireland, Dextro in various countries in Europe, Opal in Peru, Karo and Knax in Mexico, spreads and cooking products in Australia and New Zealand, Crispa, Mentadent, Marmite, Bovril and Maizena in South Africa, frozen pizza in Austria, Biopon in Hungary and tea plantations in India. The combined annual turnover of these businesses was approximately €200 million.

In 2004 we disposed of more than 20 businesses with total turnover in excess of €700 million. Significant disposals included the sale of certain household care brands in North America, our edible oils business under the Capullo, Inca and Mazola brands in Mexico, the Dalda brand in Pakistan and the sale of our European frozen pizza and baguette business. Our chemicals business in India (Hindustan Lever Chemicals) was merged with Tata Chemicals.

Back to Contents

Financial review
(continued)

On 9 February 2006 Unilever announced its intention to sell the majority of its frozen foods businesses in Europe. The intended sale includes the frozen food portfolio under the *Iglo* and *Birds Eye* brands in Austria, Belgium, France, Germany, Greece, Ireland, the Netherlands, Portugal, Spain and the United Kingdom.

For further information on the impact of acquisitions and disposals refer also to the cash flow section of this review on page 24 and to note 28 on page 128.

Dividends and market capitalisation

The proposed final dividend of €1.32 per €0.51 share brings the dividends paid and proposed on the NV ordinary capital to €1.98 per €0.51 share (2004: €1.89), an increase of 5% per share. The proposed final dividend of 13.54p per 1.4p share brings the dividends paid and proposed on the PLC ordinary capital to 20.31p per 1.4p share (2004: 19.15p), an increase of 6% per share. The 2005 final proposed and interim paid dividends of €1 905 million (2004: €1 832 million) represented 51% (2004: 66%) of net profit attributable to shareholders equity for the year.

Unilever s combined market capitalisation at 31 December 2005 was €57.5 billion (2004: €49.3 billion).

Balance sheet

Goodwill and intangible assets at 31 December 2005 were €1 048 million higher than in 2004. Currency movements added €1 575 million, offset by *Slim•Fast* impairment, disposals and the reclassification of assets held for sale. Inventories and current trade receivables were €1 050 million higher, reflecting currency movements and the low position achieved at the end of 2004.

Total equity has increased by €2 250 million since 1 January. Net profit added €3 975 million and currency retranslation and fair value gains €540 million. Treasury stock, which is deducted from equity, was used for the conversion of the €0.05 preference shares. This reduced borrowings by €1 380 million and increased equity by €930 million. Subsequent purchases of treasury stock and parent company dividends reduced equity by €1 262 million and €1 867 million respectively.

The net debt position (see page 19) at 31 December 2004 was €9 663 million which increased on 1 January 2005 to €11 185 million as a result of the application of IAS 32/39 and IFRS 5 from this date. Closing net debt was €10 502 million, a decrease of €683 million since 1 January. Purchases of treasury stock were €1 276 million (including the share buy-back program of €500 million) and proceeds of business disposals were €804 million. The €1 380 million net debt reduction on conversion of the €0.05 preference shares was largely offset by currency movements.

At 31 December 2005, cash and cash equivalents and financial assets (including the positive fair value of derivatives relating to borrowings amounting to €250 million) amounted to €2 114 million (2004: €2 603 million); borrowings, including finance leases, amounted to €12 616 million (2004: €12 266 million). The net of these cash and borrowing positions, being the net debt, amounted to €10 502 million (2004: € 9 663 million).

Unilever manages the related interest rate and currency exposures based on this net debt position. Taking into account the various cross currency swaps and other derivatives, 60% of Unilever's net debt was in US dollars (2004: 96%) and 17% in euros (2004: (28)% financial assets), with the remainder spread over a large number of other currencies. The currency distribution of total borrowings was as follows: 51% in US dollars (2004: 58%) and 20% in euros (2004: 15%) with the remainder spread over a large number of other currencies. Further details of the currency analyses are given in note 17 on page 106 and note 18 on page 109.

Unilever has committed credit facilities in place to support its commercial paper programmes and for general corporate purposes. The undrawn committed credit facilities in place at the end of 2005 were: bilateral committed credit facilities totalling US $4 292 million, bilateral notes commitments totalling US $200 million and bilateral money market commitments totalling US $1 725 million. Further details regarding these facilities are given in note 18 on page 109.

In September, a total of €750 million of term financing was raised through issuance of a 10 year Eurobond.

Unilever is satisfied that its financing arrangements are adequate to meet its working capital needs for the foreseeable future.

Unilever s contractual obligations at the end of 2005 included capital expenditure commitments, borrowings, lease commitments and other commitments. A summary of certain contractual obligations at 31 December 2005 is provided in the table below. Further details are set out in the following notes to the accounts: note 11 on page 100, note 18 on page 108, note 19 on pages 110 to 112 and note 27 on page 127.

Contractual obligations at 31 December 2005

	€ million Total	**€ million** Due within one year	**€ million** Due in 1-3 years	**€ million** Due in 3-5 years	**€ million** Due in over 5 years
Long-term debt	8 447	1 990	2 229	1 884	2 344
Operating lease obligations	1 931	339	564	431	597
Purchase obligations[(a)]	240	165	55	20	
Finance leases	330	75	116	27	112
Other long-term commitments	591	200	330	43	18

(a) Raw and packaging materials and finished goods.

Back to Contents

Financial review
(continued)

In 2005, pension liabilities less plan assets amounted to €5 581 million (2004: €5 454 million).

In November 2001, NV entered into a forward purchase contract with a counterparty bank to buy 10 000 000 PLC shares at 559p per share in November 2006 to meet the obligation to employees under share option plans. Depending on the market value of this forward purchase contract, a cash collateral must be placed with the counterparty bank at a minimum of €8 million. At 31 December 2005, €16 million of collateral had been placed with the counterparty.

Off-balance sheet arrangements

IFRSs interpretation SIC 12 and US GAAP FIN 46R require that entities with which we have relationships are considered for consolidation in the consolidated accounts based on relative sharing of economic risks and rewards rather than based solely on share ownership and voting rights. We periodically review our contractual arrangements with potential special purpose entities (SPEs) or variable interest entities (VIEs) as defined by SIC 12 and FIN 46R respectively. The most recent review has concluded that there are no significant SPE or VIE relationships which are not already appropriately reflected in the accounts. Information concerning guarantees given by the Group is stated in note 27 on page 127.

Cash flow

Cash and cash equivalents at 31 December 2005 were at a similar level to the end of 2004. Net cash flow from operating activities, at €4 353 million, was €1 194 million lower than in the previous year. This includes the effects of additional marketing investment, a lower inflow from working capital compared with last year, and higher cash costs of restructuring, pensions and tax.

Net cash flow from investing activities was €635 million higher than last year, reflecting higher disposal receipts (including €623 million from the sale of UCI) and net movements in investments with maturity greater than three months. Net cash flow used in financing activities fell by €1 117 million, reflecting borrowing activity offset by increased purchases of own shares.

Share buy-back

In 2005 we completed a share buy-back program of €500 million. This was in addition to the purchase of €776 million of shares to partially replenish treasury stock used for the conversion of the €0.05 NV preference shares.

Finance and liquidity

Unilever aims to be in the top third of a reference group of 21 international consumer goods companies for Total Shareholder Return, as explained on page 25. The Group s financial strategy supports this objective and provides the financial flexibility to meet its strategic and day-to-day needs. The key elements of the financial strategy are:

- Appropriate access to equity and debt capital;
- Sufficient flexibility for tactical acquisitions;
- A1/P1 short-term credit rating;
- Sufficient resilience against economic turmoil; and
- Optimal weighted average cost of capital, given the constraints above.

Unilever aims to concentrate cash in the parent and finance companies in order to ensure maximum flexibility in meeting changing business needs. Operating subsidiaries are financed through the mix of retained earnings, third-party borrowings and loans from parent and group financing companies that is most appropriate to the particular country and business concerned. Unilever maintains access to global debt markets through an infrastructure of short-term debt programmes (principally US domestic and euro commercial paper programmes) and long-term debt programmes (principally a US Shelf registration and euromarket Debt Issuance Programme). Debt in the international markets is, in general, issued in the name of NV, PLC or Unilever Capital Corporation. NV and PLC will normally guarantee such debt where they are not the issuer.

Treasury

Unilever Treasury s role is to ensure that appropriate financing is available for all value-creating investments. Additionally, Treasury delivers financial services to allow operating companies to manage their financial transactions and exposures in an efficient, timely and low-cost manner.

Unilever Treasury operates as a service centre and is governed by policies and plans approved by the Boards. In addition to policies, guidelines and exposure limits, a system of authorities and extensive independent reporting covers all major areas of activity. Performance is monitored closely. Reviews are undertaken by the corporate internal audit function.

The key financial instruments used by Unilever are short- and long-term borrowings, cash and cash equivalents and certain straightforward derivative instruments, principally comprising interest rate swaps and foreign exchange contracts. The accounting for derivative instruments is discussed in note 1 on page 83. The use of leveraged instruments is not permitted.

Other relevant disclosures are given in note 2 on pages 86 to 87, and notes 17, 18 and 19 on pages 105 to 113.

Unilever Treasury manages a variety of market risks, including the effects of changes in foreign exchange rates, interest rates and liquidity. Further details of the management of these risks are given in note 2 on pages 86 and 87.

Back to Contents

Financial review
(continued)

Pensions investment strategy

The Group s investment strategy in respect of its funded pension plans is implemented within the framework of the various statutory requirements of the territories where the plans are based. The Group has developed policy guidelines for the allocation of assets to different classes with the objective of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost to the company of the benefits provided. To achieve this, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The plans invest the largest proportion of the assets in equities, which the Group believes offer the best returns over the long term commensurate with an acceptable level of risk. The Group also keeps a proportion of assets invested in property, bonds and cash. Most assets are managed by a number of external fund managers with a small proportion managed in-house. In December 2005, Unilever launched a pooled investment vehicle (Univest) which will offer its pension plans around the world a simplified investment solution to implement their strategic asset allocation models initially for equities. The aim is to provide a high quality, well diversified risk controlled solution.

Total Shareholder Return

Total Shareholder Return (TSR) measures the returns received by a shareholder, capturing both the increase in share price and the value of dividend income (assuming dividends are re-invested). Unilever s TSR performance is compared with a peer group of competitors over a three-year rolling performance period. This period is sensitive enough to reflect changes but long enough to smooth out short-term volatility. The return is expressed in US dollars, based on the equivalent US dollar share price for NV and PLC. US dollars were chosen to facilitate comparison with companies in Unilever s chosen reference group. The choice of currency affects the absolute TSR but not the relative ranking.

Unilever s TSR target is to be in the top third of a reference group including 20 other international consumer goods companies on a three-year rolling basis. At the end of 2004 we were positioned 13th, and at the end of 2005 the ranking was 14th. In 2005, the following companies formed the peer group of comparative companies:

Altria	Kao
Avon	Lion
Beiersdorf	L Oréal
Cadbury Schweppes	Nestlé
Clorox	Orkla
Coca-Cola	Pepsico
Colgate	Procter & Gamble
Danone	Reckitt Benckiser
Gillette	Sara Lee
Heinz	Shiseido

From 2006, Kraft will replace Altria and Kimberly-Clark will replace Gillette in the peer group.

Unilever s position relative to the TSR reference group

The reference group, including Unilever, consists of 21 companies. Unilever s position is based on TSR over a three-year rolling period.

Significant changes after the balance sheet date

We announced on 9 February 2006 our decision to put the majority of the frozen foods businesses in Europe up for sale. The intended sale includes the frozen food portfolio under the *Iglo* and *Birds Eye* brands in Austria, Belgium, France, Germany, Greece, Ireland, the Netherlands, Portugal, Spain and the United Kingdom.

Back to Contents

Operating review by region

Europe

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

Turnover and underlying sales growth (at constant 2004 rates)	**2005 vs 2004**
Underlying sales growth (%)	**(0.8)**
Effect of acquisitions (%)	**0.2**
Effect of disposals (%)	**(2.3)**
Turnover growth (%)	**(3.0)**

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

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

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

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

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

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

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

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

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

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

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

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

Back to Contents

Operating review by region
The Americas

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

Turnover and underlying sales growth (at constant 2004 rates)	**2005 vs 2004**
Underlying sales growth (%)	**4.1**
Effect of acquisitions (%)	**0.0**
Effect of disposals (%)	**(0.7)**
Turnover growth (%)	**3.4**

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

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

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

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

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

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

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

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

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

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

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

Back to Contents

Operating review by region

Asia Africa

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

Turnover and underlying sales growth (at constant 2004 rates)	**2005 vs 2004**
Underlying sales growth (%)	**8.7**
Effect of acquisitions (%)	**0.0**
Effect of disposals (%)	**(1.6)**
Turnover growth (%)	**6.9**

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

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

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

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

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

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

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

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

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

Back to Contents

Operating review by category
Foods

Highlights in 2005 included:

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

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

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

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

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

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

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

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

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

Back to Contents

Operating review by category
Home and Personal Care

Highlights in 2005 included:

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

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

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

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

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

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

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

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

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

Back to Contents

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 page 04.

Unilever s system of risk management is outlined on page 74. 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 35.

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 2006.

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. In 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.

We have a number of large global brands, including 12 with an annual turnover of 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 many of 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 further restructuring of the business (including the outsourcing of back office support operations and convergence of regional processes and systems through the One Unilever initiative) require continuing close management attention in 2006. We have experience of managing such risks and have clear action plans to mitigate them, including 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.

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 150 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. Examples of initiatives to manage key social and environmental risks are mentioned on pages 11 and 12.

Potential economic instability

More than a third 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 closely monitor 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.

Back to Contents

Risk management
(continued)

Price and supply of raw materials and commodities contracts

Where appropriate, we purchase forward contracts for raw materials and commodities, almost always for physical delivery. We may also use futures contracts to hedge future price movements; however, the amounts are not material. With the adoption of IFRSs from 1 January 2005, we are required to recognise financial derivatives (which include forward contracts) at their fair value on the balance sheet.

Insurance 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 2 on pages 86 and 87 and note 22 on page 114.

Other risks

Unilever s businesses are exposed to varying degrees of risk and uncertainty related to other factors including competitive pricing, commodity, raw and packaging material 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.

Back to Contents

Report of the Directors
Corporate governance

Back to Contents

Corporate governance

Introduction

The Unilever Group

Unilever N.V. and Unilever PLC are the two parent companies of the Unilever Group. NV was incorporated under the name Naamlooze Vennootschap Margarine Unie in the Netherlands in 1927. PLC was incorporated under the name Lever Brothers Limited in Great Britain in 1894. The two companies have different shareholder constituencies and shareholders cannot convert or exchange the shares of one company for shares of the other. NV is listed in Amsterdam, New York, Frankfurt and Zürich. PLC is listed in London and New York.

NV and PLC together with their group companies operate effectively as a single economic entity. This is achieved by a series of agreements between NV and PLC (the Foundation Agreements, see below), together with special provisions in the Articles of Association of NV and PLC. NV and PLC have the same directors and adopt the same accounting principles. Shareholders of both companies receive dividends on an equalised basis. 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.

NV and PLC have agreed to co-operate in all areas and to ensure that all group companies act accordingly. NV and PLC are holding and service companies, and the business activity of Unilever is carried out by their subsidiaries around the world. Shares in group companies may ultimately be held wholly by either NV or PLC, or jointly by the two companies, in varying proportions.

The Equalisation Agreement

The Equalisation Agreement regulates the mutual rights of the shareholders of NV and PLC. Its objective is to ensure that the position of these shareholders is, as far as possible, the same as if they held shares in a single company. Under the Equalisation Agreement, NV and PLC must adopt the same financial periods and accounting policies. Further information on the Equalisation Agreement is given on page 41.

The Deed of Mutual Covenants

The Deed of Mutual Covenants provides that NV and PLC and their respective subsidiary companies shall co-operate in every way for the purpose of maintaining a common operating policy. In addition, they shall exchange all relevant information about their respective businesses   the intention being to create and maintain a common operating platform for the Unilever Group throughout the world. The Deed of Mutual Covenants illustrates some of the information which makes up this common platform, such as the mutual exchange and free use of know-how, patents, trade marks and all other commercially valuable information. The Deed contains provisions which indicate, without laying down any rigid constraints, which operation according to geography shall be held ultimately by either NV or PLC. These arrangements were designed to create a balance between the two parent companies and the funds generated by them, for the benefit of their respective sets of shareholders.

The Agreement for Mutual Guarantees of Borrowing

Under the Agreement for Mutual Guarantees of Borrowing between NV and PLC, each company will, if asked by the other, guarantee the borrowings of the other. The two companies can also agree jointly to guarantee the borrowings of their subsidiaries. These arrangements are used, as a matter of financial policy, for certain significant public borrowings. They enable lenders to rely on our combined financial strength.

Corporate Policies

Unilever policies are characterised by being universally applicable within the Unilever Group. They are mandatory in effect and have been developed to ensure consistency in key areas within our world-wide operations. They cover operational and functional matters, and govern how we run our business, in order to comply with applicable laws and regulations.

Unilever corporate policies include: the Code of Business Principles; policies on positive assurance and risk management; policies on environmental strategy and reporting, social and ethical matters, including in respect of human rights; corporate social responsibility; the Unilever share dealing code; and a procedures manual for the timely release of price sensitive information.

The Code of Business Principles sets out the standards of behaviour we require from all of our employees. We also have a Code of Ethics that applies to the senior executive, financial and accounting officers and comprises the standards prescribed by the US Securities and Exchange Commission (SEC). The Code of Ethics comprises an extract of the relevant provisions of Unilever s Code of Business Principles and the more detailed rules of conduct that implement it. Copies of the Code of Business Principles and the Code of Ethics are posted on our website at www.unilever.com/investorcentre/corpgovernance.

Our internal risk management and control systems are described on page 31.

Developments in corporate governance

Unilever constantly keeps its corporate governance arrangements under review. NV and PLC are subject to different corporate governance requirements and best practice codes, the most relevant being those in the Netherlands, the United Kingdom and the United States. It is Unilever's practice to comply, where practicable, with the highest level of these codes, and respond to developments appropriately.

Developments in 2004

Following a review of our governance arrangements in 2004, the NV and PLC shareholders adopted proposals to create a one-tier board with a majority of independent Non-Executive Directors.

Back to Contents

Corporate governance
(continued)

Developments in 2005

In 2005 the Boards announced a series of further changes to streamline management and leadership. These were approved by our shareholders at the Annual General Meetings (AGMs) in 2005. A separate Non-Executive Chairman and Group Chief Executive were appointed. The Group Chief Executive established the Unilever Executive (UEx) which comprises three Regional Presidents (for Europe, The Americas, Asia Africa), two Category Presidents (for Foods and Home and personal care) the Chief Financial Officer and the Chief HR Officer. The regions are responsible for performance, implementing proven brand mixes in their region and focusing on building capabilities with customers. The categories are responsible for the entire brand development process including innovation, brand positioning and communication and category strategies. The interdependence between the regions and categories allows us to exploit our global scale, while building on our deep roots in local markets. Our HR and Finance functions concentrate on excellence in human capabilities and cost-efficiencies across the Group.

In 2005, we also announced that we would undertake a thorough review of our corporate structure to see if any change should be made. The review team was led by the Chairman, Antony Burgmans, and included Non-Executive Directors David Simon and Jeroen van der Veer. On 19 December 2005, the conclusions of the structure review were announced. The Boards decided that Unilever would retain its current structure with some important changes (see below). Reference is made to the announcement text on our website at www.unilever.com/ourcompany/investorcentre.

Proposed Developments for 2006

The changes in our structure that the Boards wish to propose to our shareholders at the AGMs in 2006 are:

- to adapt Unilever s constitutional arrangements to allow greater flexibility to allocate assets between both parent companies;
- to simplify the relationship between our NV and PLC shares by establishing a one-to-one equivalence in their economic interest in the Unilever Group; this will be achieved by a split of the NV shares and a consolidation of the PLC shares; and
- to allow shareholders the right to nominate candidates to the Boards, taking into account the need to ensure the unity of management.

The above proposals will require changes to the Articles of Association of NV and PLC, to the Deed of Mutual Covenants, and to the Equalisation Agreement.

More information on these proposals can be found in the notices to these AGMs, which can be found at www.unilever.com/investorcentre/agms.

The text that follows describes the corporate governance arrangements since the 2005 AGMs. More information on our corporate governance arrangements is set out in The Governance of Unilever, the Boards statement of their internal arrangements, which can be found at
www.unilever.com/investorcentre/corpgovernance.

The Boards

The Boards of NV and PLC comprise the same Directors. The Chairman and all of the Directors are Directors of both NV and PLC. This ensures unity of governance and management. In order to operate as nearly as practicable as a single entity it is important for the Boards of NV and PLC to operate as far as possible as one Board. This ensures that all matters are considered by the Boards as a single intellect, reaching the same conclusions on the same set of facts.

The Boards are one-tier boards, comprising Executive Directors and, in a majority, Non-Executive Directors. The Boards have ultimate responsibility for the management, general affairs, direction and performance of the business as a whole. The responsibility of the Directors is collective, taking into account their respective roles as Executive Directors and Non-Executive Directors. The Executive Directors have additional responsibilities for the operation of our business as determined by the Group Chief Executive.

Our Directors have set out a number of areas of responsibility which are reserved to themselves and other areas for which matters are delegated to the Group Chief Executive and committees whose actions are regularly reported to and monitored by the Boards. These are described on pages 37 to 39.

Further details of how our Boards effectively operate as one board, govern themselves and delegate their authorities are set out in The Governance of Unilever, which can be found at www.unilever.com/investorcentre/corpgovernance.

Appointment of Directors

In order to try to ensure that NV and PLC have the same Directors, the Articles of Association of NV and PLC contain provisions which ensure that both NV and PLC shareholders are presented with the same candidates for election as Directors. This is achieved through a nomination procedure operated by the Boards of NV and PLC through Unilever s Nomination Committee.

As mentioned above, proposals will be made to the AGMs in 2006 to allow shareholders the right to nominate directors. Below, we describe our current system used in 2005.

Back to Contents

Corporate governance
(continued)

Currently, in the case of NV, the Articles of Association grant to the holders of the special ordinary shares numbered 1-2 400 inclusive the right to draw up a nomination list for shareholders to vote upon at the General Meeting. In the case of PLC, this right of nomination is given by the Articles of Association to the holders of PLC s deferred stock. The joint holders of both the NV special ordinary shares and the PLC deferred stock are N.V. Elma and United Holdings Limited, which are joint subsidiaries of NV and PLC. The boards of N.V. Elma and United Holdings Limited comprise the members of the Nomination Committee. Only persons who have offered themselves for election to the Boards of both NV and PLC are eligible to be elected as Directors of NV and PLC.

The interests of our shareholders are protected because all the Directors submit themselves for election every year and shareholders can remove any of them by a simple majority vote. Thus, as a practical matter, the Boards cannot perpetuate themselves contrary to the will of the shareholders.

In addition, shareholders can overrule Director nominations. In the case of NV, this can be done by a resolution adopted by at least a two-thirds majority of the votes cast, which majority must represent more than one half of NV s issued share capital. If this happens, a new meeting can be held and a new Director can be appointed with an absolute majority of the votes cast. In the case of PLC, shareholders can overrule nominations with resolutions passed at General Meetings to alter the nomination rights attached to the Deferred Shares and to alter the Articles of Association. The former resolution would require a two-thirds majority of those voting, so long as that majority comprises not less than half of the issued PLC shares. The latter resolution would require a three-quarters majority of those voting.

Board meetings

Our Boards meet at least seven times a year to consider important corporate events and actions, such as:

- approval of corporate strategy;
- approval of the corporate Annual Plan;
- review of risks and controls;
- authorisation of major transactions;
- review of the functioning of the Boards and their Committees;
- preparation of the Annual Report and Accounts;
- declaration of dividends;
- agreement of quarterly results announcements;
- convening of shareholders meetings;
- nominations for Board appointments; and
- approval of Board remuneration policy.

In 2005 the Boards of NV and PLC met ten times. All our Executive Directors attended all meetings. All the Non-Executive Directors attended all meetings, except for Hilmar Kopper and David Simon who each missed one meeting and Jeroen van der Veer and Oscar Fanjul who each missed two meetings.

Board meetings are held either in London or Rotterdam and chaired by the Chairman. The Chairman is assisted by the Joint Secretaries, who ensure the Boards are supplied with all the information necessary for their deliberations. The Chairman and the Joint Secretaries involve the Senior Independent Director (see page 38) in the arrangements for Board Meetings.

Board induction and training

Upon election, Directors receive a comprehensive Directors Manual and are briefed thoroughly on their responsibilities. Updates on corporate governance developments and investor relations matters are frequent items at Board meetings. They receive presentations, either as Directors of the Boards or as a member of a Board Committee, on relevant aspects of the Unilever business. In addition, during 2005 the Boards received two separate teach-ins, one on the new market abuse regime in the Netherlands and the UK and the other on Directors indemnification (see page 40) and Directors and Officers insurance cover.

Board evaluation

The terms of reference of each Board Committee provide that the Committees conduct an annual self-assessment of their performance, which includes taking the views of the Boards on the performance of the Committee. The Chairman of the Committee reports to the Boards on the results of the process.

2005 was the first year of our new Boards operation. To ensure optimal functioning of the Board and the individual Directors and compliance with the most recent developments in best practice, the Nomination Committee commissioned Spencer Stuart to carry out a full review of the functioning of the Boards and of its governance arrangements. This review concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in February 2006 and a range of minor changes in terms of the day-to-day operations of the Boards will be introduced during the balance of the year. A Board evaluation and Chairman and individual director appraisal process is scheduled for the second quarter of 2006. Thus, the changes following the said review can be taken into account in the evaluations.

Board support

The Joint Secretaries are available to advise all Directors and ensure that Board procedures are complied with. They are appointed and can be removed by the Boards.

A procedure is in place to enable Directors, if they so wish, to seek independent professional advice at Unilever s expense.

Board changes

The current Directors, with their biographies, are shown on page 49. All the Executive Directors held office throughout the year, with the exception of Ralph Kugler, who was elected as a Director at the 2005 AGMs.

Antony Burgmans took up the role of Non-Executive Chairman of NV and PLC at the 2005 AGMs and Patrick Cescau became Group Chief Executive in April 2005.

Back to Contents

Corporate governance
(continued)

Leon Brittan, Lynda Chalker, Bertrand Collomb, Wim Dik, Oscar Fanjul, Hilmar Kopper, David Simon and Jeroen van der Veer were nominated for re-election as Non-Executive Directors of NV and PLC at the 2005 AGMs. Their biographies are set out on page 49.

In 2005, Bertrand Collomb, our Senior Independent Director, became Vice-Chairman of NV and PLC, Wim Dik joined the Audit Committee, and Antony Burgmans joined the External Affairs and Corporate Relations Committee.

At the 2005 AGMs, Clive Butler, Keki Dadiseth and André van Heemstra retired as Executive Directors and Claudio Gonzalez retired as Non-Executive Director.

At the 2006 AGMs, all of the Executive Directors and the Non-Executive Directors, with the exception of Bertrand Collomb, Oscar Fanjul and Hilmar Kopper, will be nominated for re-election.

Bertrand Collomb, Oscar Fanjul and Hilmar Kopper will retire as Non-Executive Directors at the 2006 AGMs and their colleagues wish to thank them for their advice during the period of their appointments.

In addition at the 2006 AGMs, Charles Golden, Executive Vice-President and CFO of Eli Lilly and Company, Byron Grote, CFO of BP p.l.c., Jean-Cyril Spinetta, Chairman/CEO of Air France-KLM S.A., and Kornelis (Kees) Storm, former Chairman of the Executive Board of AEGON N.V. will be nominated as Non-Executive Directors. Biographical details for the new Non-Executive Directors are contained in the 2006 AGM Notice s of Meeting, and on our website at www.unilever.com/ourcompany/investorcentre.

Chairman and Group Chief Executive

Since the 2005 AGMs Unilever has had a separate Non-Executive Chairman and Group Chief Executive. There is a clear division of responsibilities between their roles. The Chairman is primarily responsible for leadership of the Boards, ensuring their effectiveness and setting their agendas. He is also responsible for ensuring that the Boards receive accurate, timely and clear information.

The Group Chief Executive has been entrusted, within the parameters set out in the Articles of Association of NV and PLC and The Governance of Unilever, with all the Boards' powers, authorities and discretions in relation to the operational management of Unilever. The Group Chief Executive has the authority to determine which duties regarding the operational management of the companies and their business enterprises will be carried out under his responsibility by one or more Executive Directors or by one or more other persons. This provides a basis to the Unilever Executive team (UEx) that reports to the Group Chief Executive. For UEx members biographies see page 50. For our business structure, please refer to About Unilever on page 10.

Executive Directors

All four Executive Directors are members of the UEx: the Group Chief Executive, the Chief Financial Officer, the President Europe and the President Home and personal care. Details on their responsibilities can be found in The Governance of Unilever at www.unilever.com/investorcentre/corpgovernance.

The Executive Directors are full-time employees of Unilever. Information about their remuneration can be found in the report of the Remuneration Committee and on our website at www.unilever.com/investorcentre/corpgovernance.

The current Executive Directors are long-serving Unilever executives who can reasonably expect, subject to satisfactory performance, to be employed by Unilever until retirement. The Remuneration Committee takes the view that the entitlement of the Executive Directors to the security of twelve months notice of termination of employment is in line both with the practice of many comparable companies and the entitlement of other senior executives within Unilever.

The Remuneration Committee s aim is always to deal fairly with cases of termination while taking a robust line in minimising any compensation.

The Executive Directors submit themselves for re-election at the AGMs each year. The Nomination Committee carefully considers each nomination for reappointment.

The Directors stop holding executive office on ceasing to be Directors. Those appointed prior to 2004 retire at the latest by the age of 62. Appointees from 2004 onwards retire at an age between 60 and 65, as decided by either them or Unilever.

At the AGMs of 2001 our shareholders adopted the remuneration policy for Executive Directors. Further changes were made at the AGMs in 2005. We do not grant our Executive Directors any personal loans and guarantees.

There are no family relationships between any of our Executive Directors, other key management personnel or Non-Executive Directors. None of our Executive Directors are elected or appointed under any arrangement or understanding.

Executive Directors are to obtain approval from the Chairman for all outside Board appointments. Normally not more than one such appointment should be accepted. For Executive Directors biographies see page 49.

Non-Executive Directors

The Non-Executive Directors share responsibility for the execution of the Board s duties, taking into account their specific responsibilities, which are essentially supervisory. In particular, they comprise the principal external presence in the governance of Unilever, and provide a strong independent element. See page 49 for their biographies.

Back to Contents

Corporate governance
(continued)

Role and Responsibility

The key elements of the role and responsibilities of our Non-Executive Directors are:

- supervision of and advice to the Group Chief Executive;
- developing strategy with the Group Chief Executive;
- scrutiny of performance;
- controls;
- reporting of performance;
- remuneration of and succession planning for Executive Directors; and
- governance and compliance.

Our Non-Executive Directors are chosen for their broad and relevant experience and international outlook, as well as their independence. They form the Audit Committee, the Nomination Committee, the Remuneration Committee and the External Affairs and Corporate Relations Committee. The roles and membership of these key Board committees are described on page 39. The profile set by the Boards for the Non-Executive Directors and the chart used for orderly succession planning can be seen on our website at
www.unilever.com/investorcentre/corpgovernance.

Meetings

The Non-Executive Directors meet regularly as a group, without the Executive Directors present, under the chairmanship of the Senior Independent Director. In 2005 they met three times as a group. In addition, the Non-Executive Directors usually meet before each Board meeting with the Chairman, the Group Chief Executive and the Joint Secretaries.

Senior Independent Director

Our Non-Executive Directors have appointed Bertrand Collomb as Senior Independent Director. He acts as their spokesman. The Senior Independent Director is consulted by the Chairman on the agenda and arrangements for Board Meetings. He is also, in appropriate cases, a point of contact for shareholders and other stakeholders. In 2005 Bertrand Collomb was appointed Vice-Chairman of NV and PLC. Mr Collomb will be retiring at the AGMs in 2006.

Tenure

Our Non-Executive Directors submit themselves for re-election each year. Their nomination for re-election is subject to continued good performance which is evaluated by the Boards, based on the recommendations of the Nomination Committee. The Nomination Committee carefully considers each nomination for reappointment. The Non-Executive Directors normally serve for a maximum of nine years.

Remuneration

The remuneration of the Non-Executive Directors is determined by the Boards, within the overall limit set by the shareholders at the AGMs in 2004, and it is reported on page 68. Details of the engagement of our Non-Executive Directors can be seen on the Unilever website at
www.unilever.com/investorcentre/corpgovernance.

Independence

Taking into account the role of Non-Executive Directors, which is essentially supervisory, and the fact that they make up the key committees of the Board, it is important that our Non-Executive Directors can be considered to be independent.

Our definition of independence for Directors is set out in The Governance of Unilever. It is derived from the applicable definitions in use in the Netherlands, UK and US. Our current Non-Executive Directors are considered to be independent of Unilever, with the exception of Antony Burgmans. Our Boards reached this conclusion after conducting a thorough review of all relevant relationships of the Non-Executive Directors, and their related or connected persons.

A number of relationships, such as non-executive directorships, exist between several of our Non-Executive Directors and companies that provide banking, insurance or financial advisory services to Unilever. Our Boards considered in each case the number of other companies that also provide or could readily provide such services to Unilever, the significance to those companies of the services they provide to Unilever, the roles of the Non-Executive Directors within those companies and the significance of that role to our Non-Executive Directors. It concluded that none of these relationships threaten the independence of the Non-Executive Directors concerned.

For example, the Boards have satisfied themselves that Leon Brittan s position at UBS Investment Bank does not involve him in any way in its broking relationship with Unilever. They have noted that Lynda Chalker s involvement in consultancy services for Unilever had been terminated before she was elected a Non-Executive Director in May 2004. The Boards have formed the view that the fact that Antony Burgmans is a member of the Supervisory Board of ABN AMRO, and David Simon is Senior Advisor of Morgan Stanley Dean Witter, was not material. The Board considers that the Chairmanship of Bertrand Collomb and the Non-Executive Directorship of Oscar Fanjul, and Lynda Chalker's membership of the International Advisory Board, of Lafarge, do not affect their status as independent in relation to their Non-Executive Directorships of Unilever.

Antony Burgmans, who before May 2005 was an Executive Director, is not considered to be independent. The Nomination Committee and the Boards nominated him for election as a Non-Executive Director in 2005 because of his thorough knowledge of Unilever and its operations. In addition to his role as Chairman, the Boards considered his knowledge of the business to be essential to see through the changes resulting from the structure review. We expect Antony Burgmans to be succeeded by an independent Chairman in 2007.

None of our Non-Executive Directors are elected or appointed under any arrangement or understanding.

Back to Contents

Corporate governance
(continued)

Board committees

The Boards have established the following committees, all formally set up by Board resolution with carefully defined remits. They are comprised of Non-Executive Directors and report regularly to the Boards. The remits can be found on our website at www.unilever.com/investorcentre/corpgovernance.

Audit Committee

The Audit Committee comprises a minimum of three independent Non-Executive Directors. It is chaired by Hilmar Kopper, and its other members are Oscar Fanjul and Wim Dik, who replaced Claudio Gonzalez at the AGMs in 2005. The Committee met five times in 2005, and the members attended all meetings. Hilmar Kopper and Oscar Fanjul will retire at the AGMs in 2006. The Boards have satisfied themselves that all the current and intended members of the Committee are competent in financial matters and have recent and relevant experience and that, for the purposes of the US Sarbanes-Oxley Act of 2002, Hilmar Kopper is the Audit Committee s financial expert. The Committee s meetings are attended, by invitation, by the Chief Financial Officer, the General Counsel, the Deputy Chief Financial Officer, the Chief Auditor and our external auditors.

The Audit Committee assists the Boards in fulfilling their oversight responsibilities in respect of the integrity of Unilever s financial statements; risk management and internal control arrangements; compliance with legal and regulatory requirements; the performance, qualifications and independence of the external auditors; and the performance of the internal audit function. The Committee is directly responsible, subject to local laws regarding shareholder approval, for the nomination, compensation and oversight of the external auditors.

The Audit Committee is fully compliant with the rules regarding audit committees that are applicable in the Netherlands, UK and US. The Committee s responsibilities and powers are fully aligned with all requirements in the UK, US and the Netherlands.

The Audit Committee is supplied with all information necessary for the performance of its duties by the Chief Auditor, Chief Financial Officer, and Deputy Chief Financial Officer. Both the Chief Auditor and the external auditors have direct access to the Audit Committee separately from management.

See page 70 for the Report of the Audit Committee to the shareholders.

Nomination Committee

Our Nomination Committee comprises a minimum of three independent Non-Executive Directors. It is chaired by Bertrand Collomb and its other members are David Simon, Jeroen van der Veer and Antony Burgmans. It met six times in 2005 and the members attended all meetings except that Jeroen van der Veer was absent for one meeting. The Committee recommends to the Boards candidates for the positions of Director. It also has responsibilities for succession planning and oversight of corporate governance matters. It is supplied with information by the Joint Secretaries.

See page 52 for the Report of the Nomination Committee to the shareholders.

Remuneration Committee

Our Remuneration Committee comprises three independent Non-Executive Directors. It is chaired by Bertrand Collomb and its other members are David Simon and Jeroen van der Veer. It met six times in 2005 and the members attended all meetings except that David Simon and Jeroen van der Veer were absent for one meeting.

The Committee reviews Directors remuneration and is responsible for the executive share-based incentive plans. It determines, within the parameters set by our shareholders, specific remuneration arrangements for each of the Executive Directors, the remuneration scales and arrangements for Non-Executive Directors and the remuneration of the tier of management directly below the Board. The Committee is supplied with information by Jan van der Bijl, Joint Secretary of Unilever.

The detailed report to shareholders on Directors remuneration is on pages 53 to 69.

External Affairs and Corporate Relations Committee

The External Affairs and Corporate Relations Committee currently comprises four Non-Executive Directors. It is chaired by Lynda Chalker and its other members are Leon Brittan, Wim Dik and Antony Burgmans. The Committee oversees our Code of Business Principles, which sets out the standards of behaviour we require from all of our employees. It also advises on external matters of relevance to the business, including issues of corporate social responsibility, and reviews our corporate relations strategy.

Routine business committees

Committees are also set up to conduct routine business as and when they are necessary. They comprise any two of the Directors and certain senior executives and officers. They administer certain matters previously agreed by our Boards or the UEx. The Joint Secretaries are responsible for the operation of these committees.

Disclosures Committee

The Board has set up a Disclosures Committee which is responsible for helping the Boards ensure that financial and other information that ought to be disclosed publicly is disclosed in a timely manner and that the information that is disclosed is complete and accurate. The Committee comprises the Deputy Chief Financial Officer, the Joint Secretaries and the Group Treasurer.

Back to Contents

Corporate governance
(continued)

Directors   Various formal matters

The borrowing powers of NV Directors on behalf of NV are not limited by the Articles of Association of NV. PLC Directors have the power to borrow on behalf of PLC up to three times the adjusted capital and reserves of PLC, as defined in its Articles of Association, without the approval of shareholders by ordinary resolution.

The Articles of Association of NV and PLC do not require Directors of NV or Directors of PLC to hold shares in NV or PLC. However, the remuneration arrangements applicable to our Executive Directors require our Executive Directors to build and retain a personal shareholding in Unilever equal to at least 150% of their annual base pay.

Directors   Indemnification

Directors   indemnification, including the terms thereof, is provided for in article 19 of NV s Articles of Association.

The power to indemnify directors is provided for in PLC s Articles of Association. Deeds of indemnity were issued to all PLC Directors during 2005.

Appropriate Directors   and Officers   liability insurance is in place for all Unilever Directors.

Directors   Conflicts of interest

We attach special importance to avoiding conflicts of interest between NV and PLC and their Directors. In the case of a conflict of interest between NV and PLC and any of our Directors, all applicable laws, regulations and corporate governance codes are complied with. Conflicts of interest are not understood to include transactions and other activities involving companies in the Unilever Group.

Directors are not permitted to take part in any discussion or decision-making that involves a subject or transaction in relation to which they have a conflict of interest with the company. All transactions in which there are conflicts of interest with Directors must be agreed on terms that are customary in the sector concerned.

As a formal matter, under Dutch law Directors are able to vote on transactions in which they are materially interested so long as they are acting in good faith. In general, PLC Directors cannot vote in respect of contracts in which they know they are materially interested, unless, for example, their interest is shared with other shareholders and employees. In 2005 no conflict of interests transactions took place between the Directors and NV and PLC.

Shareholder matters

Relations with shareholders and other investors

We believe it is important both to explain our business developments and financial results to investors and to understand their objectives.

The Chief Financial Officer has lead responsibility for investor relations, with the active involvement of the Group Chief Executive. They are supported by our Investor Relations department which organises presentations for analysts and investors. Such presentations are generally made available on our website. Briefings on quarterly results are given via teleconference and are accessible by telephone or via our website. For further information visit our website at www.unilever.com/investorcentre.

The Boards are regularly briefed on reactions to the quarterly results announcements. They, or the relevant Board Committee, are briefed on any issues raised by shareholders that are relevant to their responsibilities.

Our shareholders can, and do, raise issues directly with the relevant Executive Director or the Chairman and, if appropriate, a relevant Non-Executive Director or the Senior Independent Director.

Both NV and PLC communicate with their respective shareholders through the AGMs as well as responding to their questions and enquiries during the course of the year. We take the views of our shareholders into account and, in accordance with all applicable legislation and regulations, may consult them in an appropriate way before putting major new proposals at our AGMs.

General Meetings of shareholders

The business to be conducted at the AGMs of NV and PLC is set out in the separate Notices of AGM for NV and PLC. It includes appointment of Directors, declaration/approval of final dividend, appointment of external auditors, approval of changes to the Articles of Association, and authorisation for the Boards to allot and repurchase shares, and to restrict pre-emptive rights of shareholders.

General Meetings of shareholders of NV and PLC are held at times and places decided by our Boards. NV meetings are held in Rotterdam and PLC meetings are held in London on consecutive days. The notices calling the meeting normally go out more than thirty days prior to the meetings and include further information on how to gain access to the AGMs and how to vote by proxy.

At the AGMs, a full account is given of the progress of the business over the last year and there is a review of current issues. Shareholders are encouraged to attend the meetings and ask questions, and the question-and-answer sessions form an important part of the meetings in both Rotterdam and London. We welcome our external auditors to the AGMs and they are entitled to address the meetings.

Back to Contents

Corporate governance
(continued)

We are committed to efforts to establish more effective ways of communication with our shareholders around the AGMs. Electronic communication is becoming an important medium for shareholders, providing ready access to shareholder information and reports, and for voting purposes.

NV was one of the founders of the Dutch Shareholders Communication Channel. NV shareholders participating in the Dutch Shareholders Communication Channel are able to appoint electronically a proxy to vote on their behalf at the NV AGM and NV shareholders who wish to participate should contact their bank or broker. Shareholders of PLC in the United Kingdom can choose to receive electronic notification that the Annual Review, Annual Report and Accounts and Notice of AGMs have been published on our website, instead of receiving printed copies, and can also electronically appoint a proxy to vote on their behalf at the AGM. Registration for electronic communication by shareholders of PLC can be made at www.unilever.com/shareholderservices.

Voting rights

To be entitled to attend and vote at NV General Meetings shareholders must hold their NV shares on the record date, which is set by the Directors and is not more than seven days before the meeting. Shareholders do not need to block their shares.

Shareholders can vote in person or by proxy, and can cast one vote for each €0.51 (Fl. 1.12) nominal amount of NV ordinary shares, NV preference shares or NV New York shares. Similar arrangements apply to holders of depositary receipts issued for NV shares (see pages 43 and 44).

PLC shareholders can cast one vote for each PLC ordinary 1.4p share they hold. Shareholders can vote in person at the meeting or by proxy. Proxies should be submitted to the Registrars, Computershare Investor Services PLC, whose details can be found on page 190, at least 48 hours before the AGM.

More information on the exercise of voting rights can be found in NV s and PLC s Articles of Association and in the respective notices of meetings.

Holders of NV New York shares or PLC American Depository Receipts of shares will receive a proxy form enabling them to authorise and instruct ABN AMRO N.V. or Citibank N.A. respectively to vote on their behalf at the shareholders meeting of NV or PLC.

N.V. Elma and United Holdings Limited (the holders of NV s special shares), other group companies of NV which hold ordinary or preference shares, and United Holdings Limited, which owns half of PLC s deferred stock, are not permitted to vote at General Meetings.

The proxy vote is published at the meetings and the outcome of the votes, including the proxy votes, is put on Unilever s website.

Shareholder proposed resolutions

Shareholders of NV may propose resolutions if they individually or together hold 1% of NV s issued capital in the form of shares or depositary receipts for shares, or if they individually or together hold shares or depositary receipts worth at least €50 million. They must submit these requests at least 60 days before the date of the General Meeting, and the request will be honoured unless, in the opinion of the Board, it is against a substantive interest of the Company. Shareholders who together represent at least 10% of the issued capital of NV can also requisition Extraordinary General Meetings to deal with specific resolutions.

Shareholders who together hold shares representing at least 5% of the total voting rights of PLC, or 100 shareholders who hold on average £100 each in nominal value of PLC capital, can require PLC to propose a resolution at a General Meeting. PLC shareholders holding in aggregate one tenth of the issued ordinary shares of PLC are able to convene a general meeting of PLC.

Required majorities

Resolutions are usually adopted at NV and PLC shareholder meetings by an absolute majority of votes cast, unless there are other requirements under the applicable laws or NV s or PLC s Articles of Association. For example, there are special requirements for resolutions relating to the alteration of the Articles of Association, the liquidation of NV or PLC and the alteration of the Equalisation Agreement (see below).

Right to hold shares

There are no limitations on the right to hold NV and PLC shares.

Equalisation Agreement

The Equalisation Agreement makes the position of the shareholders of NV and PLC, as far as possible, the same as if they held shares in a single company. The Agreement regulates the mutual rights of the shareholders of NV and PLC. Under the Equalisation Agreement, NV and PLC must adopt the same financial periods and accounting policies. Dividends are paid in accordance with a formula relating to the nominal values of NV s and PLC s issued share capital.

The Equalisation Agreement sets out the rights and benefits accruing to each unit of ownership in NV in relation to each unit of ownership in PLC. Under the Equalisation Agreement we compare the ordinary share capital of the two companies in units: a unit made up of €5.445 nominal of NV s ordinary capital carries the same weight as a unit made up of £1 nominal of PLC s ordinary capital. For every unit (€5.445) you have of NV you have the same rights and benefits as the owner of a unit (£1) of PLC. NV s ordinary shares currently each have a nominal value of €0.51, and PLC s share capital is divided into ordinary shares of 1.4p each. This means that a €5.445 unit of NV is made up of approximately 10.7 NV ordinary shares of €0.51 each and a £1 unit of PLC is made up of approximately 71.4 PLC ordinary shares of 1.4p each. Consequently, one NV ordinary share equates to about 6.67 ordinary shares of PLC.

Back to Contents

Corporate governance
(continued)

When we pay ordinary dividends we use this formula. On the same day, NV and PLC allocate funds for the dividend from their parts of our current profits and free reserves. We pay the same amount on each NV share as on 6.67 PLC shares calculated at the relevant exchange rate. For interim dividends this exchange rate is the average rate for the quarter before we declare the dividend. For final dividends it is the average rate for the year. In arriving at the equalised amount we include any tax payable by the Company in respect of the dividend, but calculate it before any tax deductible by the Company from the dividend.

The Equalisation Agreement provides that if one company had losses, or was unable to pay its preference dividends, the loss or shortfall would be made up out of:

- the current profits of the other company (after it has paid its own preference shareholders);
- then its own free reserves; and
- then the free reserves of the other company.

If either company could not pay its ordinary dividends, we would follow the same procedure, except that the current profits of the other company would only be used after it had paid its own ordinary shareholders and if the Directors thought this more appropriate than, for example, using its own free reserves.

So far, NV and PLC have always been able to pay their own dividends, so we have never had to follow this procedure. If we did, the payment from one company to the other would be subject to any United Kingdom and Netherlands tax and exchange control laws applicable at that time.

Under the Equalisation Agreement, the two companies are permitted to pay different dividends in the following exceptional circumstances:

- If the average annual sterling/euro exchange rate changed so substantially from one year to the next that to pay equal dividends at the current exchange rates, either NV or PLC would have to pay a dividend that was unreasonable (ie. substantially larger or smaller in its own currency than the dividend it paid in the previous year); or

- The governments of the Netherlands or the United Kingdom could in some circumstances place restrictions on the proportion of a company s profits which can be paid out as dividends. This could mean that in order to pay equal dividends one company would have to pay out an amount which would breach the limitations in place at the time, or that the other company would have to pay a smaller dividend.

In either of these rare cases, NV and PLC could pay different amounts of dividend if the Boards thought it appropriate. The company paying less than the equalised dividend would put the difference between the dividends into a reserve: an equalisation reserve in the case of exchange rate fluctuations, or a dividend reserve in the case of a government restriction. The reserves would be paid out to its shareholders when it became possible or reasonable to do so, which would ensure that the shareholders of both companies would ultimately be treated the same.

If both companies were to go into liquidation, NV and PLC would each use any funds available for shareholders to pay the prior claims of their own preference shareholders. Then they would use any surplus to pay each other s preference shareholders, if necessary. After these claims had been met, they would pay out any equalisation or dividend reserve to their own shareholders before pooling the remaining surplus. This would be distributed to the ordinary shareholders of both companies, once again on the basis that the owner of €5.445 nominal NV ordinary share capital would get the same as the owner of £1 nominal PLC ordinary share capital. If one company were to go into liquidation, we would apply the same principles as if both had gone into liquidation simultaneously.

In principle, issues of bonus shares and rights offerings can only be made in ordinary shares. Again we would ensure that shareholders of NV and PLC received shares in equal proportions, using the ratio of €5.445 NV nominal share capital to £1 PLC nominal share capital. The subscription price for one new NV share would have to be the same, at the prevailing exchange rate, as the price for 6.67 new PLC shares.

Neither company can issue or reduce capital without the consent of the other.

The Articles of Association of NV establish that any payment under the Equalisation Agreement will be credited or debited to the income statement for the financial year in question.

Under Article 2 of the Articles of Association of NV and Clause 3 of the Memorandum of Association of PLC, each company is required to carry out the Equalisation Agreement with the other. Both documents state that the Agreement cannot be changed or terminated without the approval of shareholders. For NV, the General Meeting can decide to alter or terminate the Equalisation Agreement at the proposal of the Board. The necessary approval of the General Meeting is then that at least one half of the total issued ordinary capital must be represented at an ordinary shareholders meeting, where the majority must vote in favour; and (if they would be disadvantaged or the agreement is to be terminated), at least two-thirds of the total issued preference share capital must be represented at a preference shareholders meeting, where at least three-quarters of them must vote in favour. For PLC, the necessary approval must be given by the holders of a majority of all issued shares voting at a General Meeting and the holders of the ordinary shares, either by three-quarters in writing, or by three-quarters voting at a General Meeting where the majority of the ordinary shares in issue are represented.

In addition, Article 3 of the PLC Articles of Association states that PLC s Board must carry out the Equalisation Agreement and that the other provisions of the Articles of Association are subject to it. We are advised by counsel that these provisions oblige our Boards to carry out the Equalisation Agreement, unless it is amended or terminated with the approval of the shareholders of both companies. If the Boards fail to enforce the Agreement, shareholders can compel them to do so under Netherlands and United Kingdom law.

Back to Contents

Corporate governance
(continued)

As mentioned on page 35, a proposal to amend the Equalisation Agreement will be put to shareholders at the 2006 AGMs. More information on this proposal can be found in the notices to these AGMs which can be found at www.unilever.com/investorcentre/agms.

Combined earnings per share

Because of the Equalisation Agreement and the other arrangements between NV and PLC, we calculate earnings per share on a combined basis. The calculation is based on the average amount of NV s and PLC s ordinary share capital in issue during the year. In the calculation, we apply the formula contained in the Equalisation Agreement to arrive at the appropriate total number of shares in issue for the combined business, expressed separately in terms of NV shares of €0.51 shares and PLC shares of 1.4p. The net profit attributable to ordinary shares is divided by each of these combined share numbers to arrive at an earnings per share figure expressed in terms of each of the two share types.

Further information about these calculations, and about the calculation of earnings per share on a diluted basis, can be found in note 8 on page 97.

Despite the Equalisation Agreement, NV and PLC are separate companies, and are subject to different laws and regulations governing dividend payments in the Netherlands and the United Kingdom. In our combined earnings per share calculation, we assume that both companies will be able to pay their dividends out of their part of our profits. This has always been the case in the past, but if we did have to make a payment from one to the other it could result in additional taxes, and reduce our combined earnings per share.

Share capital

NV s issued share capital on 31 December 2005 was made up of:

- €291 503 709 split into 571 575 900 ordinary shares of €0.51 each;
- €1 089 072 split into 2 400 ordinary shares numbered 1 to 2 400, known as special shares; and
- €120 280 425 split into several classes of cumulative preference shares.

PLC s issued share capital on 31 December 2005 was made up of:

- £40 760 420 split into 2 911 458 580 ordinary shares of 1.4p each; and
- £100 000 of deferred stock.

For NV share capital, the euro amounts quoted in this document are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying share capital in Dutch guilders, which have not been converted into euros in NV s Articles of Association or in the Equalisation Agreement. Until conversion formally takes place by amendment of the Articles of Association, the entitlements to dividends and voting rights are based on the euro equivalent of the underlying Dutch guilder according to the official euro exchange rate.

As mentioned on page 35, proposals to simplify the relationship between the NV and PLC shares by establishing a one-to-one equivalence in their underlying economic value will be put to shareholders at the 2006 AGMs. More information on this proposal can be found in the notices to these AGMs and these can be found at www.unilever.com/investorcentre/agms.

Stichting Administratiekantoor Unilever N.V. (Foundation NV Trust Office)

N.V. Nederlandsch Administratie- en Trustkantoor (Nedamtrust), an independent trust company under the Netherlands law, had an agreement with NV to issue depositary receipts against NV shares. As part of its corporate objects Nedamtrust was able to:

- issue depositary receipts;
- carry out administration for the shares which underlie the depositary receipts it has issued; and

- exercise voting rights for these underlying shares.

The depositary receipts issued by Nedamtrust against NV shares were known as Nedamtrust certificates. They were traded and quoted on Euronext Amsterdam and other European stock exchanges. Nedamtrust had issued certificates for NV s ordinary and NV 7% cumulative preference shares, and almost all the NV shares traded and quoted in Europe were in the form of these certificates. The exception is that there are no certificates for NV s 4% and 6% cumulative preference shares.

In October 2005, Nedamtrust held a meeting of the holders of Nedamtrust certificates to approve the transfer of the administration of the underlying shares to a new trust office, Stichting Administratiekantoor Unilever N.V. (Foundation NV Trust Office). These proposals were made in order for the trust office to be fully compliant with the Dutch Corporate Governance Code. The holders of the Nedamtrust certificates approved the transfer of the administration of the NV shares held by Nedamtrust to the new Foundation NV Trust Office with a majority of 99.6% of the votes cast; approximately 23% of all outstanding Nedamtrust certificates were represented. The meeting furthermore expressed its confidence in the board of the Foundation.

The Foundation NV Trust Office was incorporated on 31 October 2005. The transfer of the administration of the NV shares from Nedamtrust to the Foundation took place on 13 January 2006. The Foundation NV Trust Office and its arrangements are fully compliant with the Dutch Corporate Governance Code.

The text that follows describes the arrangements of the new Foundation NV Trust Office following acceptance by the certificate holders of the transfer of the administration of the underlying NV shares.

Back to Contents

Corporate governance
(continued)

Depositary receipts for shares

As at 28 February 2006, the majority (around 71%) of NV s ordinary shares and around 34% of NV s 7% cumulative preference shares are held by the Foundation NV Trust Office. As part of its corporate objects, the Foundation issues depositary receipts in exchange for these shares. The depositary receipts of NV ordinary shares are listed on Euronext Amsterdam, as are the NV ordinary shares themselves, and on the stock exchanges in Frankfurt and Zürich. The depositary receipts for the NV 7% preference shares are listed on Euronext Amsterdam, as are the NV 7% preference shares.

Holders of depositary receipts can under all circumstances exchange their depositary receipts for the underlying shares (or vice versa).

Holders of depositary receipts are entitled to dividends that are paid on the underlying shares held by the Foundation.

Voting by holders of depositary receipts

Although the depositary receipts themselves do not formally have voting rights, holders of depositary receipts are in practice equated with shareholders. Holders of depositary receipts can attend NV s General Meetings, either personally or by proxy, and will then automatically, without limitation and under all circumstances receive a voting proxy on behalf of the Foundation NV Trust Office to vote on the underlying shares.

Holders of depositary receipts not attending a shareholders meeting and who participate in the Dutch Shareholders Communication Channel can also issue binding voting instructions to the Foundation. The Foundation is obliged to follow these instructions. The same applies to holders of depositary receipts that instruct the Foundation NV Trust Office outside the Shareholders Communication Channel.

Voting by the Foundation NV Trust Office

Shares for which the Foundation NV Trust Office has not granted voting proxies or for which it has not received voting instructions, are voted on by the Foundation in such a way as it deems to be in the interests of the holders of the depositary receipts. This voting policy is laid down in the Conditions of Administration that apply to the depositary receipts. Both the Articles of Association and the Conditions of Administration can be found on www.unilever.com/ourcompany/investorcentre. Specific provisions apply in the event that a meeting of holders of NV preference shares is convened.

If a change to shareholders rights is proposed, Foundation NV Trust Office will let shareholders know if it intends to vote, at least 14 days in advance if possible. It will do this by advertising in the press.

Hitherto the majority of votes cast by ordinary shareholders at NV meetings have been cast by the trust office. Unilever and the Foundation NV Trust Office have a policy of actively encouraging holders of depositary receipts to exercise their voting rights in NV meetings.

Foundation NV Trust Office s Board

The Foundation NV Trust Office is an independent trust office with a board independent from Unilever. The members of the board are Mr J H Schraven (Chairman), Mr P P de Koning, Prof Dr L Koopmans and Mr A A Olijslager.

The trust office shall report periodically, but at least once a year, on its activities.

Foundation NV Trust Office s shareholding

Foundation NV Trust Office s shareholding fluctuates daily its holdings on 28 February 2006 were:

- NV ordinary shares of €0.51: 408 312 848 (71.44%)
- NV 7% cumulative preference shares of €453.78: 9 821 (33.87%)
- NV 6% cumulative preference shares of €453.78: 5 (0.00%)

- NV 4% cumulative preference shares of €45.38: 23 (0.00%)

Further information on Foundation NV Trust Office, its arrangements and its activities can be found on www.unilever.com/ourcompany/investorcentre.

Leverhulme Trust

The first Viscount Leverhulme was the founder of the company which became PLC. When he died in 1925, he left in his will a large number of PLC shares in various trusts.

When the will trusts were varied in 1983, the interests of the beneficiaries of his will were also preserved. Four classes of special shares were created in Margarine Union (1930) Limited, a subsidiary of PLC. One of these classes can be converted at the end of the year 2038 into 157 500 000 PLC ordinary shares of 1.4p each. These convertible shares replicate the rights which the descendants of the first Viscount would have had under his will. This class of the special shares only has a right to dividends in specified circumstances, and no dividends have yet been paid. PLC guarantees the dividend and conversion rights of the special shares.

The first Viscount wanted the trustees of the trusts he established to be Directors of PLC. On 28 February 2006 the trustees of the charitable trusts were:

- Sir Michael Angus former Chairman
- Sir Michael Perry former Chairman
- Mr N W A FitzGerald former Chairman
- Dr J I W Anderson former Director
- Dr A S Ganguly former Director

On 28 February 2006, in their capacity as trustees of the two charitable trusts, they held approximately 5% of PLC s issued ordinary capital.

Back to Contents

Corporate governance
(continued)

Requirements and compliance general

Unilever is subject to corporate governance requirements in the Netherlands, the UK and the US as a Foreign private issuer. In the following section we set out areas of non-compliance with the corporate governance regulations and best practice codes applicable in the Netherlands, the UK and we also describe compliance with corporate governance regulations in the US.

The preceding description of our governance arrangements and the text on compliance that follows reflect Unilever s governance arrangements following the changes adopted at the Shareholder Meetings in May 2005. They also reflect our Boards intentions for 2006 and 2007. The Boards reserve the right, in cases where they decide such to be conducive to the interests of the companies and the enterprise connected therewith, to depart from that which is set out in the present and previous sections in relation to our corporate governance. Further changes will be reported in future Annual Reports and Accounts and, when necessary, through changes to the relevant documents published on our website. As appropriate, proposals for change will be put to our shareholders for approval.

Further information can be found in The Governance of Unilever, the Boards own constitutional document, on our website at www.unilever.com/investorcentre/corpgovernance. This describes the terms of reference of our Board Committees, including their full responsibilities. It will be kept up to date with changes in our internal constitutional arrangements that our Boards may make from time to time.

Requirements the Netherlands

General

NV is required to state in its Annual Report and Accounts whether it complies or will comply with the Principles (P) and best practice provisions (bpp) of the Dutch Corporate Governance Code (the Dutch Code) and, if it does not comply, to explain the reasons for this. As will be clear from the preceding description of our governance arrangements, NV complies with almost all of the principles and best practice provisions of the Dutch Code. The text that follows sets out areas of non-compliance and certain statements that the Dutch Code invites us to give our shareholders that are not included elsewhere in this Annual Report and Accounts.

Board and Committee structures

As already indicated, NV has a one-tier board, consisting of both Executive and, as a majority, Non-Executive Directors. We achieve compliance of our board arrangements with the Dutch Code, which is for the most part based on the customary two-tier structure in the Netherlands, by, as far as is possible and practicable, applying the provisions of the Dutch Code relating to members of a management board to our Executive Directors and the provisions relating to members of a supervisory board to our Non-Executive Directors. Management tasks not capable of delegation are performed collectively by the Board. Reference is made to Ps II and III and corresponding bpps. Our compliance with the Dutch Code in these respects should be seen in the light of our one-tier board structure. Reference is also made to the UK Combined Code on Corporate Governance, which is fully tailored to the one-tier board model (see page 35).

Board evaluation, and Chairman and individual Director appraisals

2005 was the first year of our new Boards operation. To ensure optimal functioning of the Board and the individual Directors and compliance with the most recent developments in best practice, the Nomination Committee commissioned Spencer Stuart to carry out a full review of the functioning of the Boards and of its governance arrangements. This review concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in February 2006 and a range of minor changes in terms of the day-to-day operations of the Boards will be introduced during the balance of the year. A Board evaluation and Chairman and individual director appraisal process is scheduled for the second quarter of 2006. Thus, the changes following the said review can be taken into account in the evaluations (bpp III.1.7).

Role of the Chairman

The Dutch Code recommends that in a one-tier board the chairman should neither be, nor have been, responsible for the day-to-day conduct of the business (bpp III.8.1). Before his appointment as Chairman, Antony Burgmans was jointly responsible for the daily operations of NV and PLC. Thus he is not independent from Unilever. He was nominated as Non-Executive Chairman in 2005 because of his thorough knowledge of Unilever and its operations. In addition to his role as Chairman, the Board considered his knowledge of the business to be essential to see through the changes resulting from the structure review. The Nomination Committee has commenced the search for a new independent Chairman to succeed Antony Burgmans who is due to retire in 2007. A well-reputed search firm has been commissioned by the Nomination Committee to assist them in this process. In addition to the Chairman, the Boards of NV and PLC have a Senior Independent Director who is appointed by the Non-Executive Directors and acts as their spokesperson. Our Senior Independent Director was elected Vice-Chairman by the Boards in 2005.

Nomination of Directors

The Dutch Code recommends that shareholders may resolve by an absolute majority of votes to cancel the binding nature of a nomination for the appointment of a director (bpp IV.1.1). In 2004, NV s shareholders approved an alteration of the Articles of Association to align the arrangements for NV and PLC. This makes it possible for the meeting of shareholders to cancel binding nominations by a majority of two-thirds of the votes cast representing more than one-half of the issued capital. This arrangement is in place in order for NV and PLC to have a unified Board (see page 35). The interests of our shareholders are protected because all the Directors submit themselves for election every year and shareholders can remove any of them by a simple majority vote. Thus, as a practical matter, the Boards cannot perpetuate themselves contrary to the will of the shareholders.

Back to Contents

Corporate governance
(continued)

Following the review of our corporate structure in 2005, proposals will be put to the NV and PLC AGMs in May 2006 to substantially alter these arrangements and bring them fully in line with the Dutch Code (see page 35).

Risk management and control

Reference is made to page 74 where Unilever s control framework is described. This incorporates risk management, internal control procedures and disclosure controls and procedures. Our procedures cover financial, operational, social, and environmental risks and regulatory matters. They are in line with the recommendations of Internal Control Guidance for Directors on the Combined Code published by the Internal Control Working Party of the Institute of Chartered Accountants in England and Wales in September 1999 (The Turnbull Guidance). On pages 31 and 32 we have identified certain specific risks that are areas of focus in 2006. Our internal risk management and control systems cannot provide certainty as to the realisation of all business objectives and they can not always prevent misstatements, inaccuracies, errors, frauds and non compliances with rules and regulations.

The Board considers that the internal risk management and control systems are appropriate for our business and in compliance with bpp II.1.3.

In bpp II.1.4 the Dutch Code invites our Board to make a statement on our internal risk management and control systems. In its report, published on 20 December 2005, the Corporate Governance Code Monitoring Committee has made recommendations concerning the application of this best practice provision. In accordance with its recommendation and in light of the above, the Board believes that, as regards financial reporting risks:

- the risk management and control systems provide reasonable assurance that this Annual Report does not contain any material inaccuracies;
- the risk management and control systems have worked properly in 2005;
- there are no indications that the risk management and control systems will not work properly in 2006;
- no material weaknesses in the risk management and control systems were discovered in the year under review or the current year until the signing of these accounts;

and, as regards operational, strategic, legislative and regulatory risks:

- no important failings in the risk management and control systems were discovered in the year under review.

This statement is not a statement in accordance with the requirements of Section 404 of the US Sarbanes Oxley Act.

Share options

In line with bpp II.2.2, the awards and grants of shares and options to our Directors are in the material cases subject to performance criteria, as referred to on page 55 and 56 of the Report of the Remuneration Committee. The exception is the options over 50 NV shares granted each year to our Executive Directors under the all employee share option plan in the Netherlands, as described on pages 132 and 133. The Directors participation in this plan is seen as a stimulus for all employees to participate. All other awards to our Directors under share based incentive schemes are subject to performance criteria.

Retention period of shares

The Dutch Code recommends that shares granted to executive directors without a financial consideration must be retained for a period of at least five years (bpp II.2.3). In 2001 we introduced a new remuneration policy with shareholder approval which requires our Executive Directors to build and retain a personal shareholding in Unilever equal to at least 150% of their annual base pay. We believe that this is in line with the spirit of the Dutch Code.

Severance pay

It is our policy to set the level of severance payments for Directors to no more than one year s salary, unless the Board, at the proposal of the Remuneration Committee, finds this manifestly unreasonable given circumstances or unless otherwise dictated by applicable law (bpp II.2.7).

During 2005, Clive Butler, Keki Dadiseth and André van Heemstra ceased to be Directors. For their severance arrangements see page 60.

Regulations for transactions in securities in other companies

The Dutch Code recommends in bpp II.2.6 and bpp III.7.3 that a director shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in other Dutch listed companies to the compliance officer. Our Share Dealing Code provides that Directors are required, upon request, to disclose to the compliance officer their holdings and transactions in securities in other listed companies. We believe this requirement constitutes an appropriate arrangement.

Conflicts of interest

In the event of a (potential) conflict of interest, the provisions of the Dutch Code (P II.3 and III.6) are applied. Conflicts of interest are not understood to include transactions and other activities involving other companies in the Unilever Group.

Financing preference shares

NV issued 4%, 6% and 7% cumulative preference shares between 1930 and 1970. Their voting rights are based on their nominal value, as prescribed by Dutch law. The Dutch Code recommends that the voting rights on financing preference shares should, in any event when they are newly issued, be based on their economic value rather than on their nominal value (bpp IV.1.2). NV cannot reduce these voting rights unilaterally.

Back to Contents

Corporate governance
(continued)

Anti-takeover constructions and control over the company

With reference to bpp IV.3.9, NV has no anti-takeover constructions, in the sense of constructions that are intended solely, or primarily, to block future hostile public offers for its shares. Nor does it have any constructions whose specific purpose is to prevent a bidder, after acquiring 75% of the capital, from appointing or dismissing members of the Board and subsequently altering the Articles of Association. The acquisition through a public offer of a majority of the shares in a company does not under Dutch law preclude in all circumstances the continued right of the board of the company to exercise its powers.

Meetings of analysts and presentations to investors

We have extensive procedures for handling relations with and communicating with shareholders, investors, analysts and the media (see description on page 40). Whilst the important presentations and meetings are conducted in accordance with bpp IV.3.1, due to the large number of such presentations and meetings and overlap in information, some of the less important ones are not announced in advance, made accessible to everyone or put on our website.

Provision of information

We consider it important to comply with all applicable statutory regulations on the equal treatment of shareholders and provision of information and communication with shareholders and other parties (P IV.2 and P IV.3). In the communications between us and our shareholders and other parties, we comply with all applicable legislation and regulations.

Requirements the United Kingdom

PLC is required, as a company that is incorporated in the United Kingdom and listed on the London Stock Exchange, to state how it has applied the principles and how far it has complied with the provisions set out in Section 1 of the Combined Code issued in 1998, as revised in 2003 (the Combined Code), appended to the United Kingdom Listing Rules.

In the preceding pages we have complied with the requirement to report on how we apply the Principles and the provisions in the Combined Code.

2005 was the first year of our new Boards operation. To ensure optimal functioning of the Board and the individual Directors and compliance with the most recent developments in best practice, the Nomination Committee commissioned Spencer Stuart to carry out a full review of the functioning of the Boards and of its governance arrangements. This review concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in February 2006 and a range of minor changes in terms of the day-to-day operations of the Boards will be introduced during the balance of the year. A Board evaluation and Chairman and individual director appraisal process is scheduled for the second quarter of 2006. Thus, the changes following the said review can be taken into account in the evaluations.

Antony Burgmans, who before May 2005 was an Executive Director, is not considered to be independent. The Nomination Committee and the Boards nominated him for election as a Non-Executive Director in 2005 because of his thorough knowledge of Unilever and its operations. In addition to his role as Chairman, the Board considered his knowledge of the business to be essential to see through the changes resulting from the structure review.

The Board considers that the Chairmanship of Bertrand Collomb and the Non-Executive Directorship of Oscar Fanjul, and Lynda Chalker s membership of the International Advisory Board, of Lafarge, do not affect their status as independent in relation to their Non-Executive Directorships of Unilever.

Due to the requirement for Unilever to hold two AGMs for its respective companies on consecutive days, it may not always be possible for all Directors and possibly the Chairmen of the Audit, Remuneration and Nomination Committees to be present at both meetings. The Chairman therefore ensures that a majority of Directors attend both meetings and that at least one member of each Committee attends each AGM.

Requirements   the United States

Both NV and PLC are listed on the New York Stock Exchange and must therefore comply with such of the requirements of US legislation, such as the Sarbanes-Oxley Act of 2002, regulations enacted under US securities laws and the Listing Standards of The New York Stock Exchange as are applicable to foreign private issuers. In some cases the requirements are mandatory and in other cases the obligation is to comply or explain .

We have complied with the requirements concerning corporate governance that were in force during 2005. Attention is drawn in particular to the remit of the Audit Committee on page 39 and the Report of the Audit Committee on page 70.

Actions already taken to ensure compliance that are not specifically disclosed elsewhere or otherwise clear from reading this document include:

- the issuance of a Code of Ethics for senior financial officers;
- the issuance of instructions restricting the employment of former employees of the audit firm; and
- the establishment of a policy on reporting requirements under the SEC relating to the standards of professional conduct for US attorneys.

In each of these cases, existing practices were revised and/or documented in such a way as to conform to the new requirements.

Back to Contents

Corporate governance
(continued)

The Code of Ethics applies to the senior executive, financial and accounting officers and comprises the standards prescribed by the US Securities and Exchange Commission (SEC), and a copy has been posted on our website at www.unilever.com/investorcentre/corpgovernance. The Code of Ethics comprises an extract of the relevant provisions of Unilever s Code of Business Principles and the more detailed rules of conduct that implement it. The only amendment to these pre-existing provisions and rules that was made in preparing the Code of Ethics was made at the request of the Audit Committee and consisted of a strengthening of the explicit requirement to keep proper accounting records. No waiver from any provision of the Code of Ethics was granted to any of the persons falling within the scope of the SEC requirement in 2005.

We are required by US securities laws and the Listing Standards of the New York Stock Exchange, with effect from 1 August 2005, to have an Audit Committee that satisfies Rule 10A-3 under the Exchange Act and the Listing Standards of the New York Stock Exchange. We are fully compliant with these requirements. We are also required to disclose any significant ways in which our corporate governance practices differ from those typically followed by US listed companies. In addition to the information we have given you in this document about our corporate governance arrangements, further details are provided in The Governance of Unilever, which is on our website at www.unilever.com/investorcentre/corpgovernance.

We are fully compliant with the Listing Standards of the New York Stock Exchange applicable to foreign issuers. Our corporate governance practices do not significantly differ from those followed by US companies listed on the New York Stock Exchange. However, the New York Stock Exchange listing standards for US issuers require that all members of the Nomination Committee must (but not foreign issuers such as Unilever) be independent. Our Chairman is not independent and he is a member of the Nomination Committee.

The changes we have made in 2005, in particular with the appointment of a Group Chief Executive on the Board and the creation of a Unilever Executive that is immediately below Board level, have brought our arrangements closer to those of a typical model for US issuers, where the most senior executives draw their authority primarily from their corporate office rather than their appointment, if any, as a director. However, the situation remains that the laws in the Netherlands and the UK only give limited recognition to the existence of any corporate officer other than that of a Director.

We would also confirm that it is our practice, in accordance with our home country laws and practices, to give our shareholders the opportunity to vote on equity compensation plans.

Report of the Directors

Corporate governance
Biographical details

Executive Directors

Patrick Cescau
Group Chief Executive
Nationality: French. Aged 57. Group Chief Executive since April 2005. Joined Unilever 1973. Appointed Director 4 May 1999. Previous posts include: Chairman, Unilever PLC and Vice-Chairman, Unilever N.V. 2004-2005. Foods Director 2001. Financial Director 1999. Controller and Deputy Financial Director 1998-1999. President, Lipton USA 1997-1998. President and CEO, Van den Bergh Foods USA 1995-1997. Chairman, Indonesia 1991-1995. External appointments include: Non-Executive Director, Pearson plc and Conseiller du Commerce Extérieur de la France in the Netherlands.

Kees van der Graaf
President Europe
Nationality: Dutch. Aged 55. President Europe since April 2005. Joined Unilever 1976. Appointed Director 12 May 2004. Previous posts include: Foods Director 2004, Business Group President, Ice Cream and Frozen Foods 2001. Executive Vice-President, Foods and Beverages Europe 1998. Senior Vice-President, Global Ice Cream category 1995. External appointments include: Board member, ECR (Efficient Consumer Response) and Member, IAB (International Advisory Board of the City of Rotterdam).

Ralph Kugler
President Home and personal care
Nationality: British. Aged 50. President Home and personal care since 1 April 2005. Joined Unilever 1979. Appointed Director 11 May 2005. Previous posts include: President Home and Personal Care Europe 2001. Business Group President, Latin America 1999. Chairman, Unilever Thai Holdings 1995. Chairman, Unilever Malaysia 1992. External appointments include: Non-Executive Director, InterContinental Hotels Group PLC.

Rudy Markham
Chief Financial Officer
Nationality: British. Aged 59. Chief Financial Officer since April 2005. Joined Unilever 1968. Appointed Director 6 May 1998. Previous posts include: Financial Director 2000. Strategy & Technology Director 1998. Business Group President, North East Asia 1996-1998. Chairman, Nippon Lever Japan 1992-1996. Chairman, Unilever Australasia 1989-1992. Group Treasurer 1986-1989. External appointments include: Non-Executive Director, Standard Chartered PLC, Member, EAN International Management Board.

Non-Executive Directors

Antony Burgmans[1,2]
Chairman
Nationality: Dutch. Aged 59. Appointed 2005. Joined Unilever 1972. Appointed Director 8 May 1991. Previous posts include: Chairman, Unilever N.V. and Vice-Chairman, Unilever PLC 1999-2005. Vice-Chairman, Unilever N.V. 1998. Business Group President, Ice Cream and Frozen Foods Europe and Chairman, Unilever Europe Committee 1996-1998. Responsible for South European Foods business 1994-1996. Personal Products Co-ordinator 1991-1994. External appointments include: Member,

Supervisory Board of ABN AMRO Holding N.V., Non-Executive Director, BP p.l.c. and Member, International Advisory Board of Allianz AG.

Bertrand Collomb[4,5,6]
Vice-Chairman
Nationality: French. Aged 63. Appointed 1994. Chairman, Lafarge S.A. Director, Total S.A. and Atco. Member, Advisory Board of Banque de France.

The Rt Hon The Lord Brittan of Spennithorne QC, DL[2]
Nationality: British. Aged 66. Appointed 2000. Vice-Chairman, UBS Investment Bank and Chairman, UBS Limited. Member, International Advisory Committee of Total. Member, European Commission and Vice-President 1989-1999. Member, UK Government 1979-1986. Home Secretary 1983-1985 and Secretary of State for Trade and Industry 1985-1986.

The Rt Hon The Baroness Chalker of Wallasey[3]
Nationality: British. Aged 63. Appointed 1998. Non-Executive Director, Freeplay Energy Group, Group 5 (Pty) Ltd. and Equator Energy Limited. Member, International Advisory Board of Lafarge S.A. and Merchant Bridge & Co Ltd. UK Minister of State at the Foreign and Commonwealth Office 1986-1997.

Professor Wim Dik[2,7]
Nationality: Dutch. Aged 67. Appointed 2001. Professor at Delft University of Technology. Chairman, Supervisory Boards of Tele Atlas N.V. and N.V. Casema. Non-Executive Director, Aviva plc and LogicaCMG plc. Chairman and CEO, Koninklijke PTT Nederland (KPN) 1988-1998 and Koninklijke KPN N.V. (Royal Dutch Telecom) 1998-2000. Minister for Foreign Trade, Netherlands 1981-1982.

Oscar Fanjul[7]
Nationality: Spanish. Aged 56. Appointed 1996. Vice-Chairman, Omega Capital. Director, Marsh & McLennan Companies, the London Stock Exchange and Acerinox S.A. Non-Executive Director, Lafarge. Member, Advisory Board of Sviluppo Italia S.p.A. and Senior Advisor of the Carlyle Group. International Advisor to Goldman Sachs and Trustee of the International Accounting Standards Committee Foundation. Chairman and CEO, Repsol 1986-1996.

Hilmar Kopper[8]
Nationality: German. Aged 70. Appointed 1998. Chairman, Supervisory Board of DaimlerChrysler AG. Non-Executive Director, Xerox Corp. Chairman, German Advisory Board of Spencer Stuart. Member, Advisory Board of Sviluppo Italia S.p.A. Former CEO and former Chairman, Supervisory Board of Deutsche Bank AG.

The Lord Simon of Highbury CBE[1,9]
Nationality: British. Aged 66. Appointed 2000. Non-Executive Director, Suez Group. Senior Advisor, Morgan Stanley International. UK Government Minister 1997-1999. Group Chief Executive, BP p.l.c. 1992-1995 and Chairman 1995-1997.

Jeroen van der Veer[1,9]
Nationality: Dutch. Aged 58. Appointed 2002. Chief Executive Royal Dutch Shell plc. Former Member, Supervisory Board of De Nederlandsche Bank 2000-2004.

1 Member Nomination Committee
2 Member External Affairs and Corporate Relations Committee
3 Chairman External Affairs and Corporate Relations Committee
4 Chairman Nomination Committee
5 Chairman Remuneration Committee
6 Senior Independent Director
7 Member Audit Committee
8 Chairman Audit Committee
9 Member Remuneration Committee

Back to Contents

Corporate governance
Biographical details (continued)

Unilever Executive (UEx)*

Patrick Cescau
Group Chief Executive
(see previous details on page 49)

Vindi Banga
President Foods
Nationality: Indian. Aged 51. Appointed President Foods April 2005. Joined Unilever 1977. Previous posts include: Business Group President Home and personal care Asia 2004 in addition to Non-Executive Chairman, Hindustan Lever 2004-2005. Chairman and Managing Director Hindustan Lever 2000-2004.

Kees van der Graaf
President Europe
(see previous details on page 49)

Ralph Kugler
President Home and personal care
(see previous details on page 49)

Harish Manwani
President Asia Africa
Nationality: Indian. Aged 52. Appointed President Asia Africa April 2005. Joined Unilever 1976. He is also Non-Executive Chairman, Hindustan Lever. Previous posts include: Business Group President, Home and Personal Care, North America 2004. Business Group President, Home and Personal Care, Latin America 2001 and Senior Vice President, Hair Care and Oral Care 2000.

Rudy Markham
Chief Financial Officer
(see previous details on page 49)

Sandy Ogg
Chief Human Resources Officer
Nationality: American. Aged 52. Appointed Chief HR Officer April 2005. Joined Unilever 2003. Previous posts include: SVP Human Resources, Foods 2003. Prior to joining Unilever he worked for Motorola in Change Management/Organisation Effectiveness to assist in the transformation of all Communications businesses.

John Rice
President The Americas
Nationality: American. Aged 54. Appointed President The Americas April 2005. Joined Unilever 1981. Previous posts include: Business Group President, Unilever Foods, North America 2002 and Unilever Bestfoods Latin America 2000.

* UEx members are treated as executive officers and senior management for US purposes and key management personnel for IFRS purposes. Although Unilever intends to offer service agreements to members of UEx, the agreements are still under negotiation with these individuals. All members of the UEx have existing agreements with varying terms, some of which are from their prior roles. All agreements include a notice period of twelve months. Details of the remuneration paid and share awards are shown in aggregate in note 33 on page 142.

Back to Contents

Report of the Directors
Reports of Board committees

Back to Contents

Report of the Nomination Committee

Composition

In 2005 the Nomination Committee comprised three Independent Non-Executive Directors and the Chairman of the Boards. Bertrand Collomb chaired it throughout 2005. Other members throughout 2005 were David Simon, Jeroen van der Veer and Antony Burgmans. The Joint Secretaries act as secretaries to the Committee.

The composition of the Committee, having a majority of Independent Non-Executive Directors, ensures that these Directors control the procedure for nominating the candidates for election as Directors of NV and PLC. To ensure that the candidates presented for election as Directors of NV and PLC are the same, the members of the Nomination Committee are also the Directors of N.V. Elma and United Holdings Limited. These two companies jointly own the Special Shares of NV and the Deferred Shares of PLC which carry the right to nominate persons for election as Directors of NV and PLC at general meetings. In December 2005 it was announced that we will propose to change this process to allow shareholders the right to nominate candidates to the Board, taking into account the need for the Boards of NV and PLC to be the same to ensure unity of management. Further information on these proposals can be found in the notices to the 2006 AGMs.

The Boards are of the view that it is appropriate that the Chairman is included as a member of the Committee on the express condition that he did not participate in any discussion of his own position.

Remit

The primary role of the Committee is the recommendation to the Boards of candidates for the positions of Director, both Executive and Non-Executive, and Chairman and Vice-Chairman, and Senior Independent Director, and this includes a responsibility to concern itself with succession planning within the Boards. In addition it has a responsibility for the oversight of all matters relating to corporate governance, bringing any issues to the attention of the Boards. Under its remit, the Committee is entitled to use the services of recruitment consultants and other external experts at the expense of Unilever. It is also to conduct a process of evaluation of its own performance each year. The full remit is on the Unilever website at www.unilever.com/investorcentre/corpgovernance, as is the information used by the Committee for succession planning.

Also on that website is The Governance of Unilever, which, amongst other matters, sets out the procedures for evaluating the Boards and individual Directors. These are designed to enable the results of the evaluations to be provided to the Nomination Committee when it discusses the nominations for election as Directors of NV and PLC at the next Annual General Meeting.

Meetings of the Committee

The Committee met six times in 2005. It agreed to the separation of the roles of Chairman and Chief Executive and recommended to the Boards the appointment of Antony Burgmans as Chairman, and Patrick Cescau as Group Chief Executive. It also proposed the nomination of all those Directors offering themselves for re-election at the 2005 AGMs and to the nomination of Ralph Kugler as an additional Executive Director.

It carried out the Committee s annual review of its terms of reference and performance of its responsibilities and commenced its evaluation of its performance in 2004.

Succession planning for the Non-Executive Directors, one of whom retired at the 2005 AGMs and three of whom are retiring at the 2006 AGMs was also considered by the Committee during 2005. Specialist recruitment firms have been commissioned to assist in finding individuals with the appropriate skills and expertise who will be nominated as Non-Executive Directors at the AGMs in 2006 and 2007.

During 2005, the Committee also commenced the search for a new Chairman to succeed Antony Burgmans who is due to retire in 2007. A well-reputed search firm has been commissioned by the Committee to assist them in this process. Further work on this will be carried out during 2006.

2005 was the first year of our new Boards operation. To ensure optimal functioning of the Boards and the individual Directors and compliance with the most recent developments in best practice, the Nomination Committee commissioned Spencer Stuart to carry out a full review of the functioning of the Boards and of their governance arrangements. This review concluded that our arrangements stood comparison with our peers. A full report was made to the Boards in the first quarter of 2006 and a range of minor changes in terms of the day-to-day operations of the Boards will be introduced during the balance of the year. A Board evaluation and Chairman and individual director appraisal process is scheduled for 2006. Thus, the changes following the said review can be taken into account in the evaluations.

The Committee also met early in 2006. It decided to nominate all those Directors offering themselves for re-election at the 2006 AGMs and four new Directors to be appointed as Non-Executive in place of Claudio Gonzalez who retired at the 2005 AGMs and of Bertrand Collomb, Oscar Fanjul and Hilmar Kopper who are retiring at the 2006 AGMs. The new Non-Executive Directors were chosen specifically for their financial and/or general business expertise.

The Committee s annual Report to Shareholders was approved.

Bertrand Collomb Chairman of the Nomination Committee
Antony Burgmans
David Simon
Jeroen van der Veer

Back to Contents

Report of the Remuneration Committee

2005 was a year of far-reaching and important changes to the way Unilever is run. These changes have had an important impact on the work of the Remuneration Committee.

The most significant change was the ending of the dual chairmanship and the creation of the single chief executive role. At the AGMs in May 2005 Antony Burgmans was appointed to the new role of Non-Executive Chairman, and Patrick Cescau took on the new role of Group Chief Executive. This change improved our governance and organisational effectiveness.

At the AGMs in May 2005, three Executive Directors retired after long and distinguished careers with Unilever. Clive Butler, Keki Dadiseth and Andre van Heemstra all agreed to retire to allow the creation of a new executive team. Each agreed to retire at the age of 60. Unilever continued to pay their base salary and benefits, in lieu of notice, for a maximum of one year, fulfilling its contractual obligations.

Antony Burgmans stepped down as Executive Director at the 2005 AGMs and assumed the new role of Non-Executive Chairman. In fulfilment of contractual obligations he continues to receive his salary and benefits until June 2006. However, he is no longer entitled to any annual or long-term incentives. After June 2006, he will receive a fee for his services as Chairman.

Given the new Board structure and Unilever s longer-term strategy, the Committee reviewed the existing reward packages for each of the current Executive Directors during the year. Base salaries have been adjusted to reflect the new roles and responsibilities in line with the market. The revised salary levels are set out on page 56.

Annual incentives criteria for 2005 were underlying sales growth, trading contribution (Unilever s version of economic value added) and individual performance targets. Taking into account the actual delivery of sales growth and trading contribution in 2005, the annual incentive Executive Directors earned for 2005 were roughly half maximum levels. No awards vested in 2005 for Executive Directors under the TSR plan as Unilever s TSR performance over the period 2002-2004 fell short of requirements. Following shareholder approval, we operated the Global Performance Share Plan for the first time. Its clearly defined performance criteria focus management on top-line growth and cash flow generation. For 2006, we retained the same criteria as in 2005 for annual incentive, and we reviewed individual performance targets to ensure these reflect, next to corporate performance, each Executive Director s responsibility for delivering specific growth objectives.

All this was done to create the greatest possible alignment between the various elements of the remuneration package and Unilever s longer-term strategy.

Finally, we have revised the Report of the Remuneration Committee to improve its transparency in respect of the arrangements.

Bertrand Collomb Chairman of the Remuneration Committee
David Simon
Jeroen van der Veer

Back to Contents

Report of the Remuneration Committee
(continued)

Remuneration policy 2006 and beyond   Executive Directors

Main principles

Unilever s objective in its remuneration policy for Executive Directors is to drive performance and to set reward in support of the achievement of its goals. Therefore it is important to recruit key executives who can drive the business forward and achieve the highest results for shareholders. This is essential to the successful leadership and effective management of Unilever as a major global company. To meet this objective the Remuneration Committee follows three key principles, supported by shareholders:

- A significant proportion of the Executive Directors   total reward is linked to a number of key measures of company performance to create alignment with the strategy and business priorities;
- The reward policy is benchmarked regularly against arrangements of other global companies based in Europe. This ensures that Executive Directors   reward levels remain competitive; and
- An internal comparison is made with the reward arrangements for other senior executives within Unilever to support consistent application of Unilever s executive reward policies.

Each element of the Executive Directors   reward package focuses on supporting different business objectives. The table below provides an overview of all the elements of reward (excluding pension), the key drivers, the resulting performance measures and indicative levels. In setting targets for the performance measures, the Committee is guided by what needs to happen to drive underlying performance and this is reflected in both the short-term and long-term performance targets.

Unilever reward policy table

Short-term (one year)

Element	Payment method	Indicative levels at face value as % of base pay	Plan objectives/Key drivers	Performance measures
Base salary	Cash	Market competitive	Attraction and retention of key executives	Individual performance
Annual incentive	Cash (75%) Shares (25%)	Executive Director: 60% on target (range of 0% 100%) Group Chief Executive: 90% on target (range of 0 150%)	Delivery of trading contribution (Unilever s primary internal measure of economic value added) and top-line growth targets Individual responsibility for key Unilever business objectives	Trading contribution (Executive Director: 40%, Group Chief Executive: 50%) Underlying sales growth (Executive Director: 40%, Group Chief Executive: 50%) Individual contribution to Unilever business strategy (Executive Director 20%,

				Group Chief Executive: 50%)
Long-term (three year)				
Global performance share plan	Shares	Grant level: c. 25% Vesting level: 0 200% of grant	Ungeared Free Cash Flow as the basic driver of Unilever shareholder returns Top-line growth as essential to Unilever s long-term value creation	Ungeared Free Cash Flow (50%) Underlying sales growth (50%)
TSR plan	Shares	Grant level: c. 60% Vesting level: 0 200% of grant	Shareholder return at upper half of peer group with 20 other companies	Relative total shareholder return
Share matching plan	Shares	25% of annual incentive paid	Alignment with shareholders interests	

Depending on the level of performance the variable component could vary between 0 and around 80% of the total reward package (excluding pensions).

Some of the Executive Directors serve as a non-executive on the Board of another company. Unilever requires that all remuneration and fees earned from outside directorships are paid directly to Unilever.

Back to Contents

Report of the Remuneration Committee
(continued)

Base salary

The Remuneration Committee reviews base salary levels annually, taking into account external benchmarks in the context of company and individual performance.

Annual incentive

The annual incentive arrangement rewards Executive Directors for the delivery of trading contribution (Unilever s primary internal measure of economic value added) and top-line growth targets, as well as for their individual contribution to Unilever s business strategy.

In 2005, shareholders approved changes to the corporate performance criteria for the annual incentive arrangement, to ensure continuing alignment with business priorities, and a maximum opportunity for the Group Chief Executive of 150% of base salary. The maximum level is only payable in the case of exceptional performance. The annual incentive opportunity for other Executive Directors remains between 0 and 100%.

The performance criteria for the annual incentive are now:

- Trading contribution (40%, for Chief Executive maximum 50% of base salary). This is Unilever s primary internal measure of economic value added. Increases reflect the combined impact of top-line growth, margin improvement and capital efficiency gains. It is well aligned with our objective of a progressive improvement in return on invested capital and with shareholder value creation;

- Underlying sales growth (40%, for Chief Executive maximum 50% of base salary). This focuses on the organic growth of Unilever s turnover; and

- Individual business targets (20%, for Chief Executive maximum 50% of base salary). The individual performance targets are tailored to each individual s responsibilities to deliver certain business objectives supporting the strategy. Individual contributions are subject to robust measures and targets to ensure objectivity of achievement.

The annual incentive is calculated at the end of each financial year and payable in the following March. Part of the annual incentive (25%) is delivered to the Executive Directors in the form of shares in NV and PLC, which are matched by a conditional award of matching shares , as further described under long-term incentives below.

Long-term incentives

In 2005 shareholders also approved the replacement of the Executive Option Plan with the Unilever Global Performance Share Plan (GPSP). The long-term incentives for Executive Directors now consist of three elements, all of which are delivered in shares:

- Global Performance Share Plan;
- TSR Long-Term Incentive Plan; and
- Share Matching Plan (linked to the annual incentive).

The policy in respect of each of the plans is described below, details for 2005 are set out on page 57 and in the tables on pages 61 to 64.

Executive Directors are required to demonstrate a significant personal shareholding commitment to Unilever. Within five years of appointment, they are expected to hold shares worth 150% of their annual base salary. This reinforces the link between the executives and other shareholders.

Global Performance Share Plan (GPSP)

Under the GPSP conditional rights over shares in NV and PLC are awarded annually to Executive Directors. For Executive

Directors the value of a grant of conditional shares will not exceed 50% of base salary. The number of shares actually received at the end of the performance periods of the three years depends on the satisfaction of the performance targets.

The performance measures for vesting are underlying sales growth (for 50% of the award) and ungeared free cash flow (for 50% of the award). These are key performance measures in Unilever s external reporting. Underlying sales growth focuses on the organic growth of Unilever s turnover. Ungeared free cash flow expresses the translation of profit into cash and thus longer term economic value.

In respect of performance targets, there is a minimum and a maximum performance range for each of the two measures and associated vesting levels. Each year, the Remuneration Committee reviews the performance targets by taking account of market conditions and internal financial planning. The Remuneration Committee will conduct a review of these targets at the start of 2006 and ensure that those attached to awards to be made in 2006 are appropriate and challenging.

Total Shareholder Return (TSR) Long-Term Incentive Plan

This plan rewards Executive Directors for creating more value for Unilever s shareholders when compared with the investment returns generated by competitors.

Under this plan conditional rights over shares in NV and PLC are awarded annually to Executive Directors.

The current level of conditional annual awards is as follows:

- Group Chief Executive: Shares in NV and PLC to the combined value of €800 000; and

- Other Executive Directors: Shares in NV and PLC to the combined value of €500 000.

Vesting is subject to Unilever s relative Total Shareholder Return (TSR) performance. TSR measures the returns received by a shareholder, capturing both the increase in share price and the value of dividend income (assuming dividends are re-invested). Unilever s TSR performance is compared with a peer group of competitors over a three-year performance period. The TSR results are compared on a single reference currency basis.

No shares will vest if Unilever is ranked below position 11 of the TSR ranking table over the three-year period. Between 25% and 200% of the shares will vest if Unilever is ranked in the top half of the table as shown below:

Back to Contents

Report of the Remuneration Committee
(continued)

TSR peer group ranking	Vested award (% of original conditional award that will vest)
12th to 21st	0%
10th or 11th	25%
8th or 9th	50%
5th to 7th	100%
3rd or 4th	150%
1st or 2nd	200%

Peer Group:

Altria	Kao
Avon	Lion
Beiersdorf	L Oréal
Cadbury Schweppes	Nestlé
Clorox	Orkla
Coca-Cola	Pepsico
Colgate	Procter & Gamble
Danone	Reckitt Benckiser
Gillette	Sara Lee
Heinz	Shiseido

Kraft will replace Altria and Kimberly-Clark will replace Gillette in the peer group.

Share Matching Plan (linked to the annual incentive)

The Share Matching Plan enhances the alignment with shareholder s interests and supports the retention of key executives. In addition, the necessity to hold the shares for a minimum period of three years supports the shareholding requirements set out on page 55.

As mentioned earlier, the Executive Directors receive 25% of their annual incentive in the form of NV and PLC shares. These are matched with an equivalent number of matching shares. The matching shares will vest after three years provided that the underlying shares have been retained during this period and the Executive Director has not resigned or been dismissed.

The Remuneration Committee considers that there is no need for further performance conditions on the vesting of the matching shares because the number of shares is directly linked to the annual bonus (which is itself subject to demanding performance conditions). In addition, during the three-year vesting period the share price of NV and PLC will be influenced by the performance of Unilever which, in turn, will affect the ultimate value of the matching shares on vesting.

Executive Directors pensions

Executive Directors are provided with a defined benefit final salary pension, which is consistent with the pension provision for other Unilever Netherlands and UK employees. The Executive Directors arrangement provides a pension of a maximum of two-thirds of final pensionable pay if they retire at age 60 or later.

As stated in last year s report, the Remuneration Committee decided that annual incentive would no longer be part of pensionable pay for new Executive Directors appointed as from 2005. For Executive Directors appointed prior to 2005, annual incentive is pensionable up to a maximum of 20% of base salary.

Other benefits and allowances

Executive Directors enjoy similar benefits to many other employees of Unilever. For example, like other employees, Executive Directors are able to participate in the UK Employee ShareSave Plan, the UK Share Incentive Plan (ShareBuy) and the All

Employee Option Plan, in the Netherlands.

Future developments

The Remuneration Committee intends to continue monitoring trends and changes in the market. It keeps a watching brief on the continuing alignment between Unilever s strategic objectives and the reward policy for Executive Directors. The Committee is continuing its review of the pension arrangements for Executive Directors during 2006.

Commentary on Executive Directors Remuneration paid in 2005

The tables on pages 60 to 67 give details of the specific elements of the Executive Directors reward package in 2005. However, the following additional comments may be helpful in understanding the various tables. The first sections cover the arrangements for current Executive Directors, followed by an explanation of the arrangements for former Executive Directors.

Base salary

Following the AGMs in May 2005, the number of Executive Directors and their responsibilities changed substantially. The Committee therefore reviewed base salary levels in light of these changes. The salary levels were benchmarked against those paid in other major global companies based in Europe, excluding companies in the financial sector. The increases for 2005 reflect the change in the composition and responsibilities of the Executive Directors, market levels as well as individual and company performance. The total salary figure compared with that for last year has reduced significantly as a consequence of the reduction in the number of Executive Directors. The current annual base salary levels for the Executive Directors are set out below:

Executive Director	Current annual base salary levels
Based in the UK	
Patrick Cescau	£935 000
Ralph Kugler	£570 000
Rudy Markham	£645 000
Based in the Netherlands	
Kees van der Graaf	€760 000

Back to Contents

Report of the Remuneration Committee
(continued)

Annual incentive

The annual incentive awards for 2005 were subject to achievement of underlying sales growth and trading contribution targets in combination with individual key strategic business targets. The Committee measured the results against the targets set and determined the annual incentive amounts for 2005.

Long-term incentive arrangements

- Global Performance Share Plan

  The first award under this new plan was made to Executive Directors in 2005. The performance period of this award is 1 January 2005 to 31 December 2007 and therefore no award vested in 2005.

- TSR Plan

  Vesting of the conditional award made in 2002 was based on the TSR performance of Unilever (when ranked against its defined peer group with competitors) over the three-year performance period ended 31 December 2004. For this period, Unilever was ranked 13 in this peer group and therefore no vesting occurred for this award in March 2005. The conditional shares awarded in 2002 lapsed.

- Share Matching Plan

  The matching shares originally granted in 2000 and 2002 on a conditional basis vested in 2005, subject to fulfilment of the retention conditions.

- Executive Share Options

  The grants of executive share options made in 2002 became exercisable as from 2005. As the size of the 2002 grants was based on Unilever s EPS performance, the options at vesting were subject to no further conditions.

Pensions

In response to changes in the pension tax regimes in both the Netherlands and the UK:

- The projected value of the Netherlands-based Executive Director s final benefit has been converted from a reasonable expectation to a vested benefit, consistent with the treatment adopted for other Netherlands senior executives with similar expectations; and

- UK-based Executive Directors and other potentially affected employees have been informed that the company will offer them the option of capping their benefit provided by the Unilever UK Pension Fund at their personal Lifetime Allowance and receiving the balance of their benefit directly from the company.

For Executive Directors appointed since 2005, the annual incentive no longer forms part of pensionable salary.

Arrangements for former Executive Directors in 2005

At the AGMs in May 2005, Antony Burgmans stepped down as Executive Director of the Boards of Unilever NV and PLC and was appointed in a new role as Chairman of both Boards. In line with the provisions of his contract, Mr Burgmans is receiving salary and benefits until June 2006. From June 2006 he will start to receive a Chairmanship fee. While he has received a pro-rated annual incentive payment for his service to the 2005 AGMs, he has no further annual incentive entitlements. Equally, he received no long-term incentive awards after the AGMs in May 2005 and will receive no further new awards. His existing long-term incentives are subject to relevant provisions in the plan rules. Mr Burgmans retirement date will be June 2006, then being 59, and from this date he will receive a full pension as if he had retired at 60.

Clive Butler, Keki Dadiseth and André Van Heemstra stepped down as Executive Directors at the AGMs in May 2005. Each has received a pro-rated annual incentive payment for service to the 2005 AGMs. None received any new long-term incentive awards for the period after May 2005 and their existing long-term incentives are subject to relevant provisions in the plan rules. The company is respecting its contractual obligations and has provided for each director to be paid their base salary and benefits for the maximum of one year. Clive Butler and Keki Dadiseth have received their payments as lump sums. André Van Heemstra is receiving his payments on a monthly basis. They receive their full pension benefits at 60 as if they had retired on this date.

Non-Executive Directors

The Non-Executive Directors receive fees and (where appropriate) an attendance allowance from both NV and PLC. No other remuneration is given in respect of their Non-Executive duties from either NV or PLC, such as annual incentives, share-based incentives or pension benefits.

The level of their fees reflects their commitment and contribution to the companies. The levels were last reviewed in 2004 against fees payable by comparable companies in the UK and continental Europe, to ensure Unilever s levels reflected current market practice and their increased responsibilities as Directors. The current fee levels are set out below:

Non-Executive Role	Fees payable by NV	Fees payable by PLC
Senior Independent Director	€48 000	£36 000
Committee Chairman	€38 000	£29 000
Other Non-Executive Directors	€32 000	£24 000

Back to Contents

Report of the Remuneration Committee (continued)

Other items

Unilever s share performance relative to broad-based equity indices

The UK Companies Act 1985 (schedule 7A) requires us to show Unilever s relative share performance, based on Total Shareholder Return, against a holding of shares in a broad-based equity index for the last five years. The Remuneration Committee has decided to show Unilever s performance against two indices, namely the FTSE 100 Index, London, and the Euronext AEX Index, Amsterdam as these are the most generally used indices in the UK and the Netherlands, where we have our principal listings.

Five-Year Historical TSR Performance

Growth in the value of a hypothetical £100 holding over five years FTSE 100 comparison based on 30 trading day average values

Five-Year Historical TSR Performance

Growth in the value of a hypothetical investment over five years AEX comparison based on 30 day average values

Remuneration committee

Tasks and responsibilities

The Committee is responsible for making proposals to the Boards on the reward policy for Executive Directors. It is also responsible for setting individual reward packages for Executive Directors and for monitoring and approving all share-based incentive arrangements. The Committee meets at least three times a year and, during 2005, it met on 6 occasions.

Structure and role

The Chairman of the Committee is Bertrand Collomb. The other two Non-Executive Directors of the Committee are David Simon and Jeroen van der Veer.

The Non-Executive Directors are chosen for their broad experience and international outlook.

Advice and assistance

The Committee does not formally retain remuneration consultants. It seeks professional advice from external advisers as and when required. During 2005, the Committee sought advice from Towers Perrin (an independent firm of human resources specialists) on market data, reward trends and performance-related pay. Towers Perrin also provides general consultancy advice to Unilever group companies on employee rewards, pension, communications and other human resource matters.

The Committee is supplied with information by Jan van der Bijl, who is also one of the Joint Secretaries of Unilever.

The Group Chief Executive can be invited to attend Committee meetings to provide his own insights to the Committee on business objectives and the individual performance of his direct reports. Naturally, he does not attend when his own remuneration is being discussed.

The Non-Executive Chairman can, in his role as Chairman of the Board, also attend the meetings.

Report of the Remuneration Committee (continued)

The following section contains detailed information on the Executive Directors annual remuneration, long-term incentives, pension benefits and share interests in respect of 2005.

Aggregate remuneration for Executive Directors

The following table gives details of the aggregate remuneration (including long-term incentives) received by Executive Directors as a group.

	€ 000 2005	€ 000 2004
Annual emoluments[(1)]		
Base salary	**5 219**	7 927
Allowances and other payments:		
Allowances	**255**	750
Other payments[(2)]	**2 586**	1 806
Value of benefits in kind	**264**	665
Performance-related payments (annual incentive)[(3)]	**2 752**	1 027
Sub-total of annual emoluments	**11 076**	12 175
Other income arising from long-term incentives[(4)]		
Gains on exercise of share options	**10**	4 267
Vesting of matching shares	**1 149**	782
Vesting of TSR Long-Term Incentive Plans		4 105
Total of annual emoluments and other income arising from long-term incentives	**12 235**	21 329

(1) Annual emoluments include: base salary; allowances; other payments (see footnote 2); and the value of benefits in kind earned in respect of 2005. It also includes the annual incentive (both the cash element and the element paid in shares) payable in March 2006 relating to the performance year 2005.
(2) Other payments include payments to Antony Burgmans, Clive Butler, Keki Dadiseth and André van Heemstra following contractual obligations to provide salary and benefits.
(3) The value of matching shares awarded on a conditional basis in respect of 2005 is not included. This will be reported in 2009 when the shares vest.
(4) Other income includes the gains realised in 2005 following the exercise of share options granted in earlier years and the value of matching shares vested in 2005. No value is attributed to TSR Long-Term Incentive Plan as the shares which were conditionally granted in 2002 did not vest and lapsed in 2005.

Back to Contents

Report of the Remuneration Committee (continued)

Remuneration for individual Executive Directors

The following table gives details of the total remuneration (including long-term incentives) received by each Executive Director.

	Annual Emoluments 2005[1]						Other income arising from long-term incentives in 2005[2]			**Total of annual**	Total of annual
Name and Base Country	Base salary	Allowances and other payments[3]	Value of benefits in kind[4]	Annual incentive[5]	**Total annual emoluments 2005**	Total annual emoluments 2004	Gains on exercise of share options in 2005	Vesting of matching shares in 2005	Vesting of TSR/LTIP in 2005 (performance period 2002-2004)	**emoluments and other income arising from long-term incentives in 2005**	emoluments and other income arising from long-term incentives in 2004
	€ 000	€ 000	€ 000	€ 000	**€ 000**	€ 000	€ 000	€ 000	€ 000	**€ 000**	€ 000
Current Executive Directors											
Patrick Cescau[6] (UK)	1 336	94	98	1 016	**2 544**	1 779		198		**2 742**	3 897
Kees van der Graaf (NL)	751	7	23	338	**1 119**	600		54		**1 173**	600
Ralph Kugler[7] (UK)	556	15	7	239	**817**		10			**827**	
Rudy Markham (UK)	943	22	35	425	**1 425**	1 091		185		**1 610**	1 644
Position changed in 2005											
Antony Burgmans[8] (NL)	592	913	31	266	**1 802**	1 732		241		**2 043**	2 573
Former Executive Directors (2005)											
Clive Butler[9] (UK)	323	776	20	145	**1 264**	860		172		**1 436**	1 484
	414	583	38	186	**1 221**	1 144		137		**1 358**	1 659

Keki Dadiseth[10] (UK)									
André van Heemstra[11] (NL)	304	431	12	137	**884**	851	162	**1 046**	1 645

(1) Annual emoluments includes base salary, allowances and other payments (see footnote 3) and the value of benefits in kind earned in respect of 2005. It also includes the annual incentive (both the cash element and the element paid in shares) payable in March 2006 relating to the performance year 2005. The value of the matching shares conditionally awarded in 2006 in respect of the performance year 2005 is not included as these form part of the long-term incentives and the value will be reported when they vest in 2009.

(2) Other income includes the gains realised in 2005 following the exercise of share options granted in earlier years. It also includes the value of the matching shares vested in 2005, which were originally granted in 2000 and 2002. No vesting occurred in 2005 with respect to the TSR LTIP shares granted in 2002 (performance period 2002 to 2004) as Unilever was ranked 13 in the peer group and therefore no value is reported here.

(3) Allowances include the following payments: allowances in lieu of company car; entertaining allowance; blind trust fees ; and allowance to compensate for loss of net income suffered because part of the income was paid in the Netherlands. All allowances are taxable in the country of residence of the Executive Director concerned apart from the entertaining allowance which is currently tax free in the Netherlands. For the Former Executive Directors who stepped down at the AGMs in 2005 the allowance and other payments figures include the contractual provisions.

(4) Includes the value of the following benefits in kind: benefits for company car; housing; medical insurance benefit; and private use chauffeur driven cars. Included are the taxable benefits which are taxable in the country of residence of the Executive Director.

(5) Part of the annual incentive is paid in the form of shares in NV and PLC. The value of these shares is included in the figures of the annual incentive shown above. In addition to these shares, each Executive Director is awarded, on a conditional basis, an equivalent number of matching shares which are not included above. The value of these matching shares will be reported when they vest in 2009.

(6) Group Chief Executive from AGMs 2005.

(7) Appointed as an Executive Director on 11 May 2005. Remuneration shown above covers the period from date of appointment.

(8) Executive Director until 11 May 2005. Base salary reflects payments up until May 2005. Under allowances and other payments and value of benefits in kind, following contractual provisions, received base salary between June to December 2005 (€828 000); June to December benefits (€18 000); allowances (€16 000). From June 2006, he will receive a Chairmanship fee.

(9) Executive Director until 11 May 2005. Base salary reflects payments up until May 2005. Under allowances and other payments the total amount received as a lump sum payment of €775 000 (comprising period June 2005 to June 2006) in accordance with contractual provisions.

(10) Executive Director until 11 May 2005. Base salary reflects payments up until May 2005. Under allowances and other payments the total amount received as a lump sum payment of €557 000 (comprising period June to December 2005) in accordance with contractual provisions.

(11) Executive Director until 11 May 2005. Base salary reflects payments up until May 2005. Under allowances and other payments and value of benefits in kind the total received as monthly payments amounting to €426 000 comprising salary June to December 2005, also for June to December 2005 €7 000 benefits and allowances €3 000 in accordance with contractual provisions.

Figures have been translated into euros using the following exchange rate: €1 = £0.6837.

Back to Contents

Report of the Remuneration Committee
(continued)

Executive Directors Global Performance Share Plan

The following conditional shares were outstanding, awarded or vested during 2005 under the Global Performance Share Plan:

		Balance of conditional shares at 1 January 2005	Conditional grant made 18 May 2005 (Performance period 2005 to 2007[1])		Balance of conditional shares at 31 December 2005
	Share type	No. of shares	No. of shares	Price at award	No. of shares
Patrick Cescau	NV		3 000	€53.00	3 000
	PLC		20 000	538.50p	20 000
Kees van der Graaf	NV		2 000	€53.00	2 000
	PLC		13 500	538.50p	13 500
Ralph Kugler	NV		2 000	€53.00	2 000
	PLC		13 500	538.50p	13 500
Rudy Markham	NV		2 000	€53.00	2 000
	PLC		13 500	538.50p	13 500

(1) Each award of performance shares is conditional and vests subject to certain conditions (ungeared free cash flow performance and top-line growth performance) three years after the date of the award. The 2005 awards are subject to the performance period 1 January 2005 to 31 December 2007.

Back to Contents

Report of the Remuneration Committee
(continued)

Executive Directors conditional share awards under the TSR Long-Term Incentive Plan

Conditional rights to ordinary shares in NV and PLC were outstanding, granted or vested/lapsed in 2005 as shown in the table below:

			Conditional award made 21 March 2005 (Performance period 2005 to 2007)[1]		Conditional awards lapsed 21 March 2005 (Performance period 2002 to 2004)[2]			
Name	Share type	Balance of conditional shares at 1 January 2005 No. of shares	No. of shares	Price at award	No. of shares	Market price at vesting	Original price at award	Balance of conditional shares at 31 December 2005 No. of shares
Current Executive Directors								
Patrick Cescau	NV	12 895	7 890	€50.70	(3 737)	€50.70	€66.90	17 048
	PLC	87 306	54 960	505p	(26 450)	505p	583p	115 816
Kees van der Graaf	NV	7 739	4 931	€50.70	(2 243)	€50.70	€66.90	10 427
	PLC	52 376	34 352	505p	(15 870)	505p	583p	70 858
Ralph Kugler[3]	NV	10 427						10 427
	PLC	70 858						70 858
Rudy Markham	NV	12 895	4 931	€50.70	(3 737)	€50.70	€66.90	14 089
	PLC	87 306	34 352	505p	(26 450)	505p	583p	95 208
Position changed in 2005								
Antony Burgmans	NV	20 634			(5 980)	€50.70	€66.90	14 654[4]
	PLC	139 680			(42 319)	505p	583p	97 361[4]
Former Executive Directors (2005)								
Clive Butler	NV	12 895			(3 737)	€50.70	€66.90	9 158[4]
	PLC	87 306			(26 450)	505p	583p	60 856[4]
Keki Dadiseth	NV	12 895			(3 737)	€50.70	€66.90	9 158[4]
	PLC	87 306			(26 450)	505p	583p	60 856[4]
André van Heemstra	NV	12 895			(3 737)	€50.70	€66.90	9 158[4]
	PLC	87 306			(26 450)	505p	583p	60 856[4]

(1) The end date of the performance period in respect of the conditional award made in 2005 is 31 December 2007.
(2) The conditional awards made in 2002, which vested in 2005 were based on the TSR performance of Unilever (when ranked against its defined peer group) over the three-year performance period ending 31 December 2004. For this period, Unilever was ranked 13 out of its peer group and therefore no vesting occurred for this award in March 2005 and the awarded shares of the award 2002 lapsed.

(3) Balance of conditional shares as from the date of appointment as Executive Director. Awards and vestings before are included in the balance.
(4) Stepped down as Executive Director in May 2005. Balance is at May 2005.

TSR ranking of Unilever shares against its defined peer group of companies for period 2003 to 2005

The following graph shows Unilever s position relative to the TSR peer group of companies for each of the three performance periods ending 31 December 2003, 2004 and 2005.

Unilever s position relative to the TSR reference group

The reference group, including Unilever, consists of 21 companies. Unilever s position is based on TSR over a three-year rolling period.

Back to Contents

Report of the Remuneration Committee
(continued)

Executive Directors Share Matching Plan

The following conditional shares were outstanding, awarded or vested during 2005 under the share matching plan:

Name	Share type	Balance of conditional shares at 1 January 2005	Conditional shares awarded in 2005[1]		Shares vested during 2005: Shares vested on 21 March 2005[2]			Shares vested on 21 March 2005[3]			Balance of conditional shares at 31 December 2005
		No. of shares	No. of shares	Price at award	No. of shares	Market price at vesting	Original price at award	No. of shares	Market price at vesting	Original price at award	No. of shares
Current Executive Directors											
Patrick Cescau	NV	4 255	271	€50.70	(421)	€50.70	€49.90	(1 461)	€50.70	€66.90	2 644
	PLC	29 042	1 896	505p	(3 327)	505p	392.80p	(10 342)	505p	583p	17 269
Kees van der Graaf	NV	1 715	238	€50.70	(97)[6]	€50.70	€53.70	(425)	€50.70	€66.90	1 431
	PLC	11 940	1 664	505p	(726)[6]	505p	432.75p	(3 008)	505p	583p	9 870
Ralph Kugler[4]	NV	1 453									1 453
	PLC	9 567									9 567
Rudy Markham	NV	3 657	328	€50.70	(436)	€50.70	€49.90	(1 324)	€50.70	€66.90	2 225
	PLC	25 095	2 282	505p	(3 445)	505p	392.80p	(9 370)	505p	583p	14 562
Position changed in 2005											
Antony Burgmans	NV	5 259	337	€50.70	(525)	€50.70	€49.90	(1 768)	€50.70	€66.90	3 303[5]
	PLC	35 877	2 342	505p	(4 147)	505p	392.80p	(12 516)	505p	583p	21 556[5]
Former Executive Directors (2005)											
Clive Butler	NV	3 357	94	€50.70	(481)	€50.70	€49.90	(1 151)	€50.70	€66.90	1 819[5]
	PLC	23 120	657	505p	(3 802)	505p	392.80p	(8 148)	505p	583p	11 827[5]
Keki Dadiseth	NV	3 462	121	€50.70				(1 318)	€50.70	€66.90	2 265[5]
	PLC	23 220	841	505p				(9 327)	505	583p	14 734[5]
André van Heemstra	NV	3 044	90	€50.70	(588)	€50.70	€49.90	(953)	€50.70	€66.90	1 593[5]

PLC	20 910	627	505p	(4 417)	505p	392.80p	(6 745)	505p	583p	10 375(5)

(1) Each award of matching shares is conditional and vests three years after the date of the award subject to certain conditions. The 2005 award was made on 21 March 2005 and will vest on 21 March 2008.
(2) The conditional shares awarded on 21 March 2000 (relating to the 1999 performance period) vested on 21 March 2005.
(3) The conditional shares awarded on 21 March 2002 (relating to the 2001 performance period) vested on 21 March 2005.
(4) Balance of conditional shares as from the date of appointment as Executive Director.
(5) Balance is at May 2005 when they stepped down as Executive Director.
(6) Conditional shares awarded 15 May 2000.

The closing market prices of ordinary shares at 31 December 2005 were €57.85 (NV shares) and 576.5p (PLC shares). During 2005 the highest market prices were €60.80 and 602.5p respectively, and the lowest market prices were €48.39 and 487.5p respectively.

Back to Contents

Report of the Remuneration Committee
(continued)

Executive Directors   share options

Details of the option plans under which Executive Directors and employees are able to acquire ordinary shares of NV and PLC are shown in note 31 on pages 132 to 141.

Options to acquire NV ordinary shares of €0.51 each and options to acquire PLC ordinary shares of 1.4p each were granted, exercised, lapsed and held during 2005 as follows:

						Options outstanding below market price at 31 December 2005		Options outstanding above market price at 31 December 2005			
Name	Share type	Balance of options at 1 January 2005	Number of options granted in 2005	Number of options exercised/ lapsed in 2005	Balance of options at 31 December 2005	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price	First exercisable date	Final expiry date
Current Executive Directors											
Patrick Cescau											
Executive Plan	NV	86 193	1 500 (1) 2 029 (2)		89 722	45 079	€52.99	44 643	€66.25	08/05/01	08/11/15
Executive Plan	PLC	581 666	10 000 (1) 14 925 (2)		606 591	364 551	499.4p	242 040	607.74p	08/05/01	08/11/15
NL All-Employee Plan	NV	200	50 (3)		250	150	€52.60	100	€66.28	12/06/02	17/05/10
Kees van der Graaf											
Executive Plan	NV	43 950	600 (1) 600 (2)		45 150	27 750	€54.90	17 400	€65.81	24/03/02	08/11/15
Executive Plan	PLC	293 000	4 000 (1) 4 000 (2)		301 000	169 000	506.651p	132 000	585.568p	24/03/02	08/11/15
NL All-Employee Plan	NV	250	50 (3)	(50)(4)	250	150	€52.60	100	€66.28	12/06/02	17/05/10
UK ShareSave Plan	PLC		3 054 (5)		3 054	3 054	541p			01/10/10	31/03/11

Ralph Kugler											
Executive Plan	NV	58 875[8]			58 875	40 200	€54.56	18 675	€66.12	24/03/02	20/03/15
Executive Plan	PLC	392 500[8]			392 500	232 000	481.065p	160 500	584.729p	24/03/02	20/03/15
NL All-Employee Plan	NV	[8]	50[3]		50	50	€53.00			18/05/05	17/05/10
UK ShareSave Plan	PLC	3 970[8]	3 054[5]	(3 970)[6]	3 054	3 054	541p			01/10/10	31/03/11
Rudy Markham											
Executive Plan	NV	86 550	1 500[1]		88 050	52 500	€51.08	35 550	€66.63	02/06/00	20/03/15
Executive Plan	PLC	609 292	10 000[1]		619 292	367 292	460.49p	252 000	610.43p	06/12/99	20/03/15
NL All-Employee Plan	NV	250	50[3]	(50)[4]	250	150	€52.60	100	€66.28	12/06/02	17/05/10
UK ShareSave Plan	PLC	6 336		(3 283)[7]	3 053	3 053	535.5p			01/10/09	31/03/10
Position changed in 2005											
Antony Burgmans											
Executive Plan	NV	103 200	2 400[1]		105 600	67 800	€52.82	37 800	€65.33	24/03/02	20/09/08
Executive Plan	PLC	688 000	16 000[1]		704 000	440 000	486.02p	264 000	585.57p	24/03/02	20/09/08
NL All-Employee Plan	NV	250		(50)[4]	200	100	€52.40	100	€66.28	12/06/02	12/05/09
Former Executive Directors (2005)											
Clive Butler											
Executive Plan	NV	89 252	1 500[1]		90 752[9]	54 752	€50.74	36 000	€66.64	02/06/00	20/09/08
Executive Plan	PLC	803 384	10 000[1]		813 384[9]	558 384	408.682p	255 000	610.588p	11/12/98	20/09/08
NL All-Employee Plan	NV	250			250[9]	150	€52.62	100	€66.28	12/06/02	12/05/09
Keki Dadiseth											
Executive Plan	NV	63 150	1 500[1]		64 650[9]	43 800	€52.10	20 850	€66.71	02/06/00	20/09/08
Executive Plan	PLC	426 892	10 000[1]		436 892[9]	246 892	461.551p	190 000	597.853p	29/05/99	20/09/08
NL All-Employee Plan	NV	100			100[9]	100	€52.40			02/06/03	12/05/09
UK ShareSave Plan	PLC	2 744			2 744[9]			2 744	603p	01/06/05	30/11/05

André van Heemstra									
Executive Plan	NV	55 650	55 650[9]	33 600	€55.11	22 050	€65.59	24/03/02	31/01/08
Executive Plan	PLC	371 000	371 000[9]	197 000	514.513p	174 000	586.379p	24/03/02	31/01/08
NL All-Employee Plan	NV	200	200[9]	100	€52.40	100	€66.28	12/06/02	12/05/09

Back to Contents

Report of the Remuneration Committee
(continued)

Footnotes for table on preceding page:

(1) Premium grants made under the Executive Plan on 21 March 2005 at an option price of €50.70 (NV shares) and 505p (PLC shares).
(2) Premium grants made under the Executive Plan on 9 November 2005 at an option price of €56.85 (NV shares) and 563p (PLC shares).
(3) Grants made under the Netherlands All-Employee Option Plan on 18 May 2005 at an option price of €53.00 (NV shares).
(4) Options exercised on 3 June 2005 at a market price of €54.70 (NV shares). The options were originally granted in 2000 at an option price of €53.05.
(5) Options granted on 7 June 2005 at an option price of 541p per share.
(6) Options exercised on 5 October 2005 at a market price of 592.5p. The options were originally granted on 9 June 2000 at an option price of 425p.
(7) Options lapsed without value on 31 March 2005.
(8) Newly appointed as an Executive Director in May 2005. Balances shown are as at date of appointment.
(9) Stepped down from the Boards in May 2005. Balances shown are as at date of retirement from the Boards.

The value, calculated in accordance with an adjusted Black-Scholes pricing method in respect of options granted in 2005 to the current Executive Directors was as follows: Patrick Cescau €85 550; Kees van der Graaf €33 193; Rudy Markham €32 157; and Ralph Kugler €5 507.

The term Executive Plan refers to options granted under the PLC, NV or North America Executive Option Plans.

The closing market prices of ordinary shares at 31 December 2005 were €57.85 (NV shares), 576.5p (PLC shares). During 2005 the highest market prices were €60.80 and 602.5p respectively, and the lowest market prices were €48.39 and 487.5p respectively.

Back to Contents

Report of the Remuneration Committee (continued)

Executive Directors pensions[1]

Pension values for the year ended 31 December 2005 are set out below.

Name and base country	Age at 31/12/05	Accrued pension at 31/12/04[2] € 000pa	Increase in accrued pension during 2005[3] € 000pa	**Accrued pension at 31/12/05[2] € 000 pa**	Transfer value of accrued pension at 31/12/04[4] € 000	Increase in transfer value during 2005 (less individual contributions) € 000	Individual contributions made during 2005 € 000	**Transfer value of accrued pension at 31/12/05[4] € 000**
Current Executive Directors								
Patrick Cescau (UK)	57	873	60	**933**	14 459	2 239	72	**16 770**
Kees van der Graaf[5] (NL)	55	331	207	**538**	4 158	2 776	8	**6 942**
Ralph Kugler[6] (UK)	49	338	58	**396**	3 647	1 733	31	**5 411**
Rudy Markham (UK)	59	678	74	**752**	13 347	1 746	54	**15 147**
Position changed in 2005								
Antony Burgmans[7] (NL)	58	959	155	**1 114**	14 151	3 738	16	**17 905**
Former Executive Directors (2005)								
Clive Butler[8] (UK)	59	570	48	**618**	10 959	1 260	17	**12 236**
Keki Dadiseth[8] (UK)	60	750	43	**793**	15 156	1 058	23	**16 237**
André van Heemstra[8] (NL)	59	566	18	**584**	8 609	624	8	**9 241**

The increase in transfer value during 2005 includes the effect of salary increases, additional service, benefit enhancements and any changes in actuarial bases.

(1) Figures have been translated into euros where necessary using the following exchange rates: 31 December 2004 €1.00 = £0.7069; 31 December 2005 €1.00 = £0.6864; and average for the year ended 31 December 2005 €1.00 = £0.6837.
(2) Calculated on a deferred basis using the Executive Directors service to 31 December 2004 and 31 December 2005 respectively on the basis that the Executive Directors remain in service until at least age 60 and that the pension payment commences at that time. It includes all pensions provided from Unilever pension plans. In the event that an Executive Director leaves service prior to age 60 and the payment of pension commences earlier than age 60, the pension payable would be on a reduced basis. The Netherlands-based Executive Director s arrangements, which previously operated on the basis of a justifiable expectation and did not provide vested deferred entitlement, have been converted to a vested benefit, consistent with the treatment adopted for other Netherlands senior executives with similar expectations.
(3) Includes the effect of inflation on the accrued pension at 31 December 2004.
(4) For the Netherlands-based Executive Director s arrangement calculated on the basis used by the Unilever Netherlands pension plan (Progress), as prescribed by the Netherlands Ministry of Social Affairs and Employment. For the UK based Executive Directors arrangement calculated on the market related basis used by the Unilever United Kingdom pension plan (UUKPF), in line with the GN11 guidance note published by the Institute and Faculty of Actuaries in the United Kingdom. Changes in the bases during 2005 had the effect of significantly increasing transfer values for the UK based Executive Directors.
(5) Reached age 55 during the year, hence values at 31 December 2005 include the NV arrangement (see footnote 2 above).
(6) Joined the Boards in May 2005. Figures shown in the table above relate to the date of joining the Boards, or the period starting on that date, as appropriate. Figures at 10 May 2005 include pension, and the transfer value of pension, accrued prior to becoming an Executive Director.
(7) Changed from Executive to Non-Executive Director in May 2005. Figures shown in the table above are at the date of change or the period ending on that date, as appropriate.
(8) Stepped down from the Boards in May 2005. Figures shown in the table above are at the date they stepped down, or the period ending on that date, as appropriate.

The Listing Rules of the Financial Services Authority are different from the Directors Remuneration Report Regulations 2002 and require the following disclosures for defined benefit pension plans which are calculated on an alternative basis to those disclosed in the table above:

- Increase in accrued pension during 2005 (excluding the effect of inflation on the accrued pension at 31 December 2004): Patrick Cescau €37 000; Kees van der Graaf €204 000; Ralph Kugler €38 000; Rudy Markham €35 000; Antony Burgmans €147 000; Clive Butler €15 000; Keki Dadiseth €nil; and André van Heemstra €13 000; and

- Transfer value at 31 December 2005 of the increase or decrease in accrued pension during 2005 (excluding the effect of inflation on the accrued pension at 31 December 2004 and less individual contributions): Patrick Cescau €585 000; Kees van der Graaf €2 571 000; Ralph Kugler €490 000; Rudy Markham €661 000; Antony Burgmans €2 353 000; Clive Butler €264 000; Keki Dadiseth €(29 000); and André van Heemstra €172 000.

The Dutch Corporate Governance Code requires the following disclosure of pension service costs charged to operating profit: Patrick Cescau €693 000; Kees van der Graaf €676 000; Ralph Kugler €162 000; Rudy Markham €275 000; Antony Burgmans €1 684 000; Clive Butler €257 000; Keki Dadiseth €386 000; and André van Heemstra €268 000.

Back to Contents

Report of the Remuneration Committee
(continued)

Executive Directors interests share capital

The interests in the share capitals of NV and PLC and their group companies of those who were Executive Directors at 31 December 2005 and of their immediate families were as shown in the table below:

Name	Share type(1)	Shares held at 1 January 2005 (excluding unvested matching shares)	Shares held at 31 December 2005 (excluding unvested matching shares)
Patrick Cescau(2)	NV	20 964	23 117
	PLC	51 123	89 400
Kees van der Graaf	NV	5 426	6 236
	PLC	21 066	26 750
Ralph Kugler(3)	NV	13 876	13 876
	PLC	36 123	36 144
Rudy Markham	NV	40 210	42 348
	PLC	128 180	143 571

(1) NV shares are ordinary €0.51 shares and PLC shares are ordinary 1.4p shares.
(2) Balances include under NV 12 905 NV New York shares and under PLC 5 678 ADRs (22 712 PLC) shares.
(3) Opening balance for Ralph Kugler is at appointment as Executive Director in May 2005.

The Executive Directors, in common with other employees of PLC and its United Kingdom subsidiaries, had beneficial interests in 48 888 961 PLC ordinary shares at 1 January 2005 and 43 232 118 PLC ordinary shares at 31 December 2005, acquired by the Unilever Employee Share Trust (Jersey) for the purpose of satisfying options and vesting of shares under various group share plans (including the PLC Executive Option Plans and the UK Employee ShareSave Plan). Further information, including details of the NV and PLC ordinary shares acquired by certain group companies in connection with other share-based compensation plans, is given in note 31 on pages 132 to 141.

The voting rights of the Directors who hold interests in the share capitals of NV and PLC are the same as for other holders of the class of shares indicated. None of the Directors or other executive officers shareholdings amounts to more than 1% of the issued shares in that class of share. Except as stated above, all shareholdings are beneficial.

The only changes in the interests of the Executive Directors and their families in NV and PLC ordinary shares between 31 December 2005 and 28 February 2006 were that:

- The holding of the Unilever Employee Share Trust (Jersey) has reduced to 42 486 540 PLC ordinary shares;
- Kees van der Graaf, Ralph Kugler and Rudy Markham each acquired further interests in 43 PLC ordinary shares during January and February due to monthly ShareBuy purchases; and

- Patrick Cescau purchased on 10 February 1 150 Unilever N.V. shares.

Back to Contents

Report of the Remuneration Committee
(continued)

Non-Executive Directors remuneration

The total fees payable to each Non-Executive Director in 2005 are set out below. Figures for 2004 include those fees payable prior to May 2004 in their capacity as Advisory Directors.

Name	€ **Fees payable in 2005**(9)	€ **Attendance allowance**(9)	€ **Total fees paid in 2005**(9)	€ Total fees paid in 2004(9)
Bertrand Collomb(1)	**100 654**		**100 654**	85 726
Leon Brittan(2)	**67 102**		**67 102**	62 133
Lynda Chalker(3)	**80 415**		**80 415**	71 049
Wim Dik(2)(4)	**67 102**		**67 102**	63 261
Oscar Fanjul(4)	**67 102**		**67 102**	63 261
Hilmar Kopper(5)	**80 415**		**80 415**	72 177
David Simon(6)	**67 102**		**67 102**	62 133
Jeroen van der Veer(6)	**67 102**		**67 102**	63 261
Claudio Gonzalez(4)(8)	**27 959**	**25 770**	**53 729**	99 001
Antony Burgmans(2)(7)				

(1) Senior Independent Director, Vice Chairman NV and PLC, and Chairman of Nomination Committee and Remuneration Committee.
(2) Member of External Affairs and Corporate Relations Committee.
(3) Chairman of External Affairs and Corporate Relations Committee.
(4) Member of Audit Committee.
(5) Chairman of Audit Committee.
(6) Members of Nomination Committee and Remuneration Committee.
(7) Chairman NV and PLC, and Nomination Committee member. Non-Executive Director as from AGMs 2005. Antony Burgmans did not receive a fee as Chairman in 2005. For further details of his remuneration please refer to page 60.
(8) Stepped down at 2005 AGMs.
(9) Covers total fees received from both NV and PLC.

Back to Contents

Report of the Remuneration Committee
(continued)

Non-Executive Directors interests share capital

The interests in the share capitals of NV and PLC and their group companies of those who were Non-Executive Directors as at 31 December 2005 (including those of their immediate families) were as shown below:

Name	Share Type(1)	Shares held at 1 January 2005	Shares held at 31 December 2005
Antony Burgmans(2)	NV	37 941	44 616
	NV(3)	7 750	
	PLC	89 465	130 026
Bertrand Collomb	NV	111	111
	PLC		
Leon Brittan	NV		
	PLC		
Lynda Chalker	NV		
	PLC	2 526	2 526
Wim Dik	NV		
	PLC		
Oscar Fanjul	NV	692	692
	PLC		
Hilmar Kopper	NV		
	PLC		
David Simon	NV		
	PLC	3 051	3 158
Jeroen van der Veer	NV	5 600	5 600
	PLC		

(1) Except where otherwise stated, NV shares are ordinary €0.51 shares and PLC shares are ordinary 1.4p shares.
(2) Balance at 1 January 2005 as Executive Director.
(3) Held as preference shares of €0.05.

There were no changes in the interests of the Non-Executive Directors and their immediate families in NV and PLC ordinary shares between 31 December 2005 and 28 February 2006.

The Report has been approved by the Boards and has been signed on their behalf by the Joint Secretaries, J A A van der Bijl and S G Williams.

By order of the Boards

J A A van der Bijl
S G Williams

Joint Secretaries of Unilever N.V. and Unilever PLC

28 February 2006

Definition of auditable part of the report of the Remuneration Committee

In compliance with the UK Directors Remuneration Report Regulation 2002, and under Title 9, Book 2 of the Civil Code in the Netherlands, the auditable part of the report of the Remuneration Committee comprises the Aggregate remuneration for Executive Directors on page 59, the Remuneration for individual Executive Directors on page 60, the Executive Directors Global Performance Share Plan on page 61, the Executive Directors conditional share awards under the TSR Long-Term Incentive Plan on page 62, the Executive Directors Share Matching Plan on page 63, Executive Directors share options on pages 64 and 65, Executive Directors pensions on page 66, Executive Directors interests share capital on page 67, Non-Executive Directors remuneration on page 68 and Non-Executive Directors interests share capital on page 69.

Back to Contents

Report of the Audit Committee

The role of the Audit Committee is to assist the Unilever Boards in fulfilling their oversight responsibilities regarding the integrity of Unilever s financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors performance, qualifications and independence, and the performance of the internal audit function. During the year ended 31 December 2005 the principal activities of the Committee were as follows:

Financial statements

The Committee considered reports from the Chief Financial Officer on the quarterly and annual financial statements and reviewed the Annual Report and Accounts prior to publication.

Audit of the Annual Accounts

PricewaterhouseCoopers, Unilever s external auditors, reported in depth to the Committee on the scope and outcome of the annual audit. Their reports included accounting matters, governance and control, and accounting developments.

Risk management and internal control arrangements

The Committee reviewed Unilever's overall approach to risk management and control, and its processes, outcomes and disclosure, including specifically:

- Corporate Audit s interim and year-end reports on the Status of Risk Management & Control, and management s response;
- Annual report from the Chief Financial Officer on business risks and positive assurance on operating controls and corporate policies;
- The interim and year-end reports from the Code of Business Principles Compliance Committee;
- Monitoring the resolution of complaints received through the global Ethics hotline which included a procedure for handling complaints and concerns relating to accounting, internal control and auditing matters;
- Monitoring progress of the implementation of the requirements under Section 404 of the Sarbanes-Oxley Act of 2002 with respect to internal controls over financial reporting;
- A review of pensions arrangements;
- Reviewing the management of transition risks arising from changes in the organisation and operating framework;
- A review of treasury and tax matters relating to investment hedging and gearing, and developments on engaging with tax authorities;
- A review of anti-fraud arrangements;
- A review of the *Slim•Fast* impairment and a learning review of the accounting process;
- A review of financing strategy; and
- A review of risk management in the outsourcing projects.

External auditors

The Audit Committee undertakes a periodic formal review of the appointment of external auditors, and the most recent review was completed in November 2005. The Committee has approved the extension of the current external audit contract by one year, and recommended to the Boards the reappointment of the external auditors. On the recommendation of the Audit Committee, the Directors will be proposing the reappointment of PricewaterhouseCoopers at the AGMs in May 2006 (see pages 173 and 178).

Both Unilever and the auditors have for many years had safeguards in place to avoid the possibility that the auditors objectivity and independence could be compromised. The Committee reviewed the report from PricewaterhouseCoopers confirming their independence and objectivity, and also conducted a formal evaluation of the effectiveness of the external audit process.

The committee also reviewed the statutory audit, other audit, audit-related, tax and other services provided by PricewaterhouseCoopers, and compliance with Unilever s policy, which prescribes the types of engagements for which the external auditors can be used. In 2005, the Audit Committee also reviewed and approved the policy regarding the pre-approval of the non-audit services. All non-audit services undertaken by the external auditors were reviewed and authorised by the Committee in line with the policy and further information on all of these services is noted immediately following this report.

The Committee held independent meetings with the external auditors during the year.

The external auditors report to the Directors and the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from Unilever, including, for example, the periodic rotation of key team members. The UK lead partner in charge of the audit, who was appointed in 2001, will rotate off at the 2006 AGM and a new lead partner will be appointed by PricewaterhouseCoopers LLP.

Internal audit function

The Committee engaged in discussion and review of the Corporate Audit Department s audit plan for the year, and approved its budget and resource requirements.

The Committee approved the appointment of a new Chief Auditor arising from the transfer of the previous holder to a new senior finance position following organisational changes.

The Committee carried out a formal evaluation of the performance of the internal audit function and confirmed that they were satisfied with their relationship with the Chief Auditor.

The Committee held independent meetings with the Chief Auditor during the year.

Audit Committee terms of reference

The Audit Committee s terms of reference were updated in 2005 to reflect the realignment of the roles previously carried out by the Corporate Risk Committee, and also to include an annual review of the Group s anti-fraud arrangements. In February 2006, the terms of reference were updated to reflect requirements under the Dutch Corporate Governance Code that the Audit Committee has oversight of the policy of the Group on tax planning, the financing of the Group, and the applications of information and communication technology.

The Audit Committee carried out a self-assessment of its own performance.

The Audit Committee s terms of reference can be viewed on Unilever s website at www.unilever.com/investorcentre/corpgovernance.

Hilmar Kopper Chairman of the Audit Committee
Wim Dik
Oscar Fanjul

Report of the Audit Committee
(continued)

Services provided by external auditors

In overview, our procedures in respect of services provided by PricewaterhouseCoopers are:

Statutory audit:

Procedures in respect of statutory audit services are detailed on page 70. This category includes fees for the statutory audit of Unilever s financial statements and those of its subsidiaries.

Other audit services:

This is audit and similar work that regulations or agreements with third parties require the auditors to undertake. These services include procedures undertaken by our external auditors in connection with borrowings, shareholder and other circulars and various other regulatory reports.

Audit-related services:

This is work that, in their position as the auditors, they are best placed to undertake. It includes internal control reviews, other reports and work in respect of acquisitions and disposals.

Tax services:

In cases where they are best suited, we use the auditors. All other significant tax consulting work is put to tender.

General consulting and other services:

Since early 2002, our policy has been that our external auditors may not tender for any new general consulting work. We use our auditors to perform a limited number of other services, including risk management advisory work and training, where these are compatible with their work and subject to the appropriate level of pre-approval.

The Audit Committee s policy regarding the pre-approval of the above non-audit services lists in detail the particular services which PricewaterhouseCoopers is and is not permitted to provide.

In the case of the types of work which PricewaterhouseCoopers is allowed to perform, the policy provides that they are only appointed to an assignment if proper consideration has been given to other potential service providers, there must be bona fide advantages in using PricewaterhouseCoopers, and, in addition, if the fee is over €100 000, the engagement must be specifically approved in advance by the Chairman of the Audit Committee.

Potential engagements for any services not already covered by this policy must be referred to the Chairman of the Audit Committee for specific pre-approval (to be ratified at the next meeting of the Audit Committee) before PricewaterhouseCoopers can be appointed.

The policy is regularly reviewed and updated in the light of internal developments, external developments and best practice.

See note 4 on page 93 for the actual fees payable to PricewaterhouseCoopers.

Back to Contents

Report of the External Affairs and Corporate Relations Committee

Remit

The Committee s specific responsibilities are:

- to review external developments likely to have significant influence upon Unilever and its ability to conduct its business, and advise on how best to handle them;
- to report to the Boards on Unilever s standing in the external world, particularly among the target audiences identified in the Company s Corporate Relations strategy;
- to oversee issues management, with a particular focus on non- financial risks to the Unilever business and reputation;
- to monitor the effectiveness of Unilever s corporate relations activities including communications, publications, media exposure, government and public relations, and participation in industry initiatives; and
- to review the Company s Corporate Relations strategy and the adequacy of the organisation and resources committed to it.

Meetings

In its four meetings in 2005, the Committee focused particularly on developments on corporate responsibility, review of reported breaches of Code of Business Principles, Unilever s leadership role in the Transatlantic Business Dialogue and policy issues such as risk communication and counterfeiting.

The Committee recommended to the Boards to embed and integrate Corporate Responsibility further into all parts of the business, and highlighted the potential and impact of product brands addressing social challenges. Successful examples are *Dove* leading on inner beauty, and *Lifebuoy* addressing hygiene through its handwashing campaign.

The report on the Code of Business Principles was carefully reviewed and the Committee was satisfied with the actions taken to address reported and verified breaches. The Committee agreed the importance of keeping the Code alive and supported the proposed regular measurement of understanding of the Code across the business.

Unilever s leadership role in the Transatlantic Business Dialogue was discussed. The Committee considered that the issuance of two declarations at the EU/US Summit on transatlantic economic integration and growth, and on fighting global piracy and counterfeiting, underpinned by the political commitment to monitor and report progress on concrete actions, were good outcomes.

Several policy issues impacting Unilever s business and reputation were reviewed, and particular attention was given to the growing problem of counterfeiting for the consumer goods sector. The Committee re-iterated the importance of fighting counterfeiting, through an integrated strategy of raising awareness of the importance of intellectual property protection for future innovation and investment, and through encouraging joint action by Government to ensure consumer safety and legal enforcement.

Lynda Chalker Chairman of the External Affairs and Corporate Relations Committee
Leon Brittan
Antony Burgmans
Wim Dik

Back to Contents

Financial statements

Back to Contents

Statement of Directors responsibilities

Annual accounts

The Directors are required by Title 9, Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Unilever Group, and the NV and PLC entities as at the end of the financial year and of the profit or loss and cash flows for that year.

The Directors consider that in preparing the accounts, the Group, and the NV and PLC entities have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all International Financial Reporting Standards as adopted by the EU (in the case of the consolidated accounts) and United Kingdom accounting standards (in the case of the parent company accounts) which they consider to be applicable have been followed.

The Directors have responsibility for ensuring that NV and PLC keep accounting records which disclose with reasonable accuracy their financial position and which enable the Directors to ensure that the accounts comply with the relevant legislation. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group, and to prevent and detect fraud and other irregularities.

This statement, which should be read in conjunction with the Auditors report, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

A copy of the financial statements of the Unilever Group is placed on our website at www.unilever.com/investorcentre. The maintenance and integrity of the website is the responsibility of the Directors, and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website. Legislation in the United Kingdom and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Going concern

The Directors continue to adopt the going concern basis in preparing the accounts. This is because the Directors, after making enquiries and following a review of the Group s budget for 2006 and 2007, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

Internal and disclosure controls and procedures

Unilever has a well-established control framework, which is documented and regularly reviewed by the Boards. This incorporates risk management, internal control procedures and disclosure controls and procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded, the risks facing the business are being addressed and all information required to be disclosed is reported to the Group s senior management, including where appropriate the Group Chief Executive and Chief Financial Officer, within the required timeframe.

Our procedures cover financial, operational, social and environmental risks and regulatory matters. The Boards of NV

and PLC have also established a clear organisational structure, including delegation of appropriate authorities. The Group s control framework is supported through a Code of Business Principles, which sets standards of professionalism and integrity for its operations worldwide, and through an Operational Controls Assessment process, which requires the senior management in each business unit to assess the effectiveness of financial controls annually and of all other operational controls over a three-year cycle.

The Boards have overall responsibility for establishing key procedures designed to achieve systems of internal control and disclosure control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these procedures and ongoing monitoring of risk and the effectiveness of controls rests with the Group s senior management at individual operating company and regional level. Regions review on an ongoing basis, the risks faced by their group and the related internal control arrangements and provide written reports to the Group Chief Executive.

Unilever s corporate internal audit function plays a key role in providing an objective view and continuous reassurance of the effectiveness of the risk management and related control systems throughout Unilever to both operating management and the Boards. The Group has an independent Audit Committee, entirely comprised of Independent Non-Executive Directors. This

Committee meets regularly with the Chief Auditor and the external auditors.

Unilever has a comprehensive budgeting system with an annual budget approved by the Boards, which is regularly reviewed and updated. Performance is monitored against budget and the previous year through monthly and quarterly reporting routines. The Group reports to shareholders quarterly.

Unilever s system of risk management has been in place throughout 2005 and up to the date of this report, and complies with the recommendations of Internal Control Guidance for Directors on the Combined Code , published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in September 1999. The Boards have carried out an annual review of the effectiveness of the systems of risk management and internal control during 2005 in accordance with this guidance, and have ensured that the necessary actions have been or are being taken to address any weaknesses or deficiencies arising out of that review.

Based on an evaluation by the Boards, the Group Chief Executive and the Chief Financial Officer concluded that the design and operation of the Group s disclosure controls and procedures as at 31 December 2005 were effective, and that subsequently there have been no significant changes in the Group s internal controls, or in other factors that could significantly affect those controls.

It is Unilever s practice to bring acquired companies within the Group s governance procedures as soon as is practicable and, in any event, by the end of the first full year of operation.

At the end of 2006, Unilever will be required by Section 404 of the US Sarbanes-Oxley Act of 2002 to report on the effectiveness of internal control over financial reporting. The evaluation work necessary to meet this specific requirement is under way.

Back to Contents

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Back to Contents

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Back to Contents

Auditors report
United States

Report of the independent registered public accounting firms to the shareholders of Unilever N.V. and Unilever PLC

We have audited the accompanying consolidated balance sheets of the Unilever Group as of 31 December 2005 and 2004, and the related consolidated income statements, cash flow statements and statements of recognised income and expense for each of the two years in the period ended 31 December 2005 as set out pages 78 to 151 and 157 to 168. These financial statements are the responsibility of the companies Directors. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Directors, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position

of the Unilever Group as at 31 December 2005 and 2004, and the results of its operations and its cash flows for each of the two years in the period ended 31 December 2005, in conformity with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

As discussed in note 35 on page 145, the Unilever Group changed the manner in which it accounts for financial instruments upon adoption of International Accounting Standards No. 32 Financial Instruments: Disclosure and Presentation , and No. 39 Financial Instruments: Recognition and Measurement , on 1 January 2005.

IFRSs as adopted by the European Union vary in certain significant respects from accounting principles generally accepted in the United States of America. Information relating to the nature and effect of such differences is presented on pages 157 to 161.

28 February 2006

PricewaterhouseCoopers Accountants N.V.
Rotterdam, The Netherlands
As auditors of Unilever N.V.

PricewaterhouseCoopers LLP
London, United Kingdom
As auditors of Unilever PLC

Back to Contents

Consolidated income statement

Unilever Group for the year ended 31 December

	€ million 2005	€ million 2004
Continuing operations		
Turnover 3	**39 672**	38 566
Operating profit 3	**5 314**	4 239
After charging:		
Impairment of *Slim•Fast*	**(363)**	(791)
Provision for Brazilian sales tax		(169)
Net finance costs 6	**(618)**	(630)
Finance income	**130**	145
Finance costs	**(693)**	(717)
Pensions and similar obligations	**(55)**	(58)
Share of net profit/(loss) of joint ventures	**47**	39
Share of net profit/(loss) of associates	**(25)**	2
Other income from non-current investments 13	**33**	54
Profit before taxation	**4 751**	3 704
Taxation 7	**(1 249)**	(810)
Net profit from continuing operations	**3 502**	2 894
Net profit from discontinued operations 29	**473**	47
Net profit	**3 975**	2 941
Attributable to:		
Minority interests	**209**	186
Shareholders equity	**3 766**	2 755

Combined earnings per share 8

From total operations		
Basic earnings per share:		
Euros per €0.51 of ordinary capital	**3.88**	2.83
Euro cents per 1.4p of ordinary capital	**58.17**	42.46
On a diluted basis the figures would be:		
Euros per €0.51 of ordinary capital	**3.76**	2.72
Euro cents per 1.4p of ordinary capital	**56.40**	40.78
From continuing operations		
Basic earnings per share:		

Euros per €0.51 of ordinary capital	**3.39**	2.78
Euro cents per 1.4p of ordinary capital	**50.87**	41.72
On a diluted basis the figures would be:		
Euros per €0.51 of ordinary capital	**3.29**	2.67
Euro cents per 1.4p of ordinary capital	**49.33**	40.08

References in the consolidated income statement, consolidated statement of recognised income and expense, consolidated cash flow statement and consolidated balance sheet relate to notes on pages 82 to 151, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out in note 1 on pages 82 to 85.

Variations from United States generally accepted accounting principles and Securities and Exchange Commission Financial Statement Requirements Regulation S-X are outlined on pages 158 to 161.

Back to Contents

Consolidated statement of recognised income and expense

Unilever Group for the year ended 31 December

	€ million 2005	€ million 2004
Fair value gains/(losses) net of tax:		
On cash flow hedges	**14**	n/a
On available-for-sale financial assets		n/a
On net investment hedges	**332**	n/a
Actuarial gains/(losses) on pension schemes net of tax	**(49)**	(480)
Currency retranslation gains/(losses) net of tax	**181**	80
Net income/(expense) recognised directly in equity	**478**	(400)
Net profit	**3 975**	2 941
Total recognised income and expense 23	**4 453**	2 541
Attributable to:		
Minority interests	**249**	167
Shareholders equity	**4 204**	2 374

From 1 January 2005, Unilever has adopte