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Certain sections of the Unilever Annual Report and Accounts 2004 have been audited. Sections that have been audited are set out on pages 96 to 148, 154 to 170 and 172 to 173. The auditable part of the Directors' Remuneration report as set out on page 89 has also been audited.

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The information is given as of the dates specified, is not updated, and any forward-looking statements are made subject to the reservations specified on page 3 of the Report.

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About Unilever

The figures quoted in the following discussion on pages 10 to 16 are in euros, at **current rates of exchange**, ie. the average or year-end rates of each period.

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.

Business structure

Our operations are currently organised into two global divisions – Foods and Home and Personal Care (HPC) – headed by Divisional Directors. This structure allows the appropriate focus on foods and home and personal care activities at both regional and global levels and allows us to optimise synergies across the product portfolio.

The two divisions' operations are currently organised into business groups on a regional basis, with certain exceptions: the global businesses of prestige, our fragrance business within HPC, and Unilever Foodsolutions within Foods. The regional and global businesses are currently headed by Business Presidents. These businesses remain the driving force behind Unilever, comprising the operating companies which provide the key interface with customers and consumers, allowing quick response to the needs of local markets.

On 10 February 2005 we announced that we will introduce a new, simpler structure in 2005. The existing HPC and Foods regional business groups will be integrated into single regional managements represented by three Regional Presidents who will drive business unit performance, have profit and loss responsibility and strong customer/go-to-market focus. In addition there will be two Category Presidents responsible for developing category strategies and brand positioning, and driving innovation. The new structure will be effective from April 2005.

Full details of significant acquisitions and disposals can be found on pages 20 and 21.

Foods

Unilever is one of the leading food companies in the world. Its mission is to add vitality to life by meeting everyday needs of people everywhere, through branded products that make people enjoy food, enjoy health, enjoy life.

Savoury and dressings

We are the global leader in savoury and dressings, with strong brands rooted in chefmanship and taste, including *Knorr*, *Hellmann's*, *Calvé*, *Wishbone*, *Amora* and *Bertolli*.

Our leading savoury brand, *Knorr*, is Unilever's biggest brand, and is sold in over 100 markets. Its product range includes soups, bouillons, sauces, snacks, noodles, frozen food and meal solutions. Our wider savoury product range is marketed around the world under a variety of brand names. Our combined dressings business is the biggest in the world. With *Bertolli*, which began as a leading Italian olive oil brand, we are building on the qualities associated with Italian food to extend the brand into spreads, dressings and pasta sauces.

Spreads and cooking products

We lead the spreads and cooking products category with two key brand families with increasingly consistent positionings around the world. Healthy heart brands *Becel* and *Flora* deliver strong growth, particularly with *pro•activ*, through health benefits enabling people to enjoy life to the full. Family brands including *Rama*, *Blue Band* and *Country Crock* are building a positioning based on tasty, nutritious foods for the family.

Beverages

We lead the market in tea-based beverages with *Lipton*, the global market leader in leaf and ready-to-drink tea. Innovations, including *Lipton Ice Tea Green* and *Lipton Aquae*, target the growing market for healthy, refreshing beverages. Our joint venture, the Pepsi Lipton International partnership, helps us to extend the reach of our brands through a distribution network complementary to our own supply chain. Consumers increasingly demand healthier options in their food and drinks. We respond with products and brands across our portfolio including *Slim•Fast*, whose range includes meal replacement drinks, soups and snack bars. In developing and emerging markets, we meet consumers' needs for good nutrition in affordable formats with *Annapurna* and, under *AdeS*, a range of tasty, nutritional, soy-based drinks.

Ice cream and frozen foods

We are the world's leading producer of ice cream, with sales in more than 40 countries. Ice cream products under the *Heart* brand, including *Cornetto*, *Magnum*, *Carte d'Or* and *Solero*, are sold internationally. *Breyers*, *Ben & Jerry's*, *Klondike* and *Popsicle* are leading North American-based brands. *Ben & Jerry's* is also sold in Europe.

Our frozen foods business is number one in Europe, focused on the *Iglo/Birds Eye/Findus* brand family.

Unilever Foodsolutions

Although not a separate reporting category as its results are reported within the categories above, Unilever Foodsolutions is our global food service business providing solutions for professional chefs and caterers. For example, it provides pre-prepared ingredients that save time and new ways of serving food on a large scale at consistent quality.

Home and Personal Care

Unilever Home and Personal Care has some of the world's most successful brands, such as *Dove*, *Lux*, *Omo* and *Surf*. All its brands are about looking good, feeling good and getting more out of life. With a strong heritage in hygiene and personal care, combined with deep consumer insights, our brand portfolio adds vitality to life and delivers value to our business.

Home care

We are market leaders in laundry products in developing and emerging markets, and hold number two positions in North America and most of Europe. Our products have been developed to meet the diverse range of consumer needs to clean and care for their clothes. They include tablets for convenience, traditional powders and liquids for washing by hand or machine. Tailored products, including soap bars, are available for lower income consumers.

About Unilever (continued)

Our brands include *Comfort*, *Omo*, *Radiant*, *Skip*, *Snuggle* and *Surf*, and they are available in over 100 countries.

Our household care products are designed to meet most cleaning and hygiene needs around the home. In this category, our heartland is Europe, where *Cif* and *Domestos* hold strong positions in the key markets in which they operate.

Personal care

We lead the global deodorants and skin cleansing markets, and are in the top three in daily hair care and mass-market skin care. Six global brands – *Axe*, *Dove*, *Lux*, *Pond's*, *Rexona* and *Sunsilk* – are the core of our business in these categories. They are complemented by *Suave*, mainly in North America, and 'health brands' such as *Clear*, *Lifebuoy* and *Vaseline*, together with a selection of regional and local 'jewels'.

In oral care we have strong positions in a number of countries in Europe and in developing and emerging markets, particularly with our *Signal* and *Close Up* toothpaste brands.

Our global prestige fragrance business is based on the *Calvin Klein* range, which includes *ck one*, *Eternity* and *Obsession*, complemented by ranges developed with other designers.

Other operations

To support our consumer brands, we have invested in tea plantations in India and Africa and palm oil plantations in Africa.

Corporate venture activities

In 2004 Unilever reviewed the progress of its venturing activities and decided to increase the funds available for investment to €250 million and to extend the period to five years (2002-2006). These funds are invested in venturing activities to build business opportunities that fit our core business interests in Foods and Home and Personal Care. Of this, we have committed €97 million to Langholm Capital Partners Fund, which invests in private European companies with above-average longer-term growth prospects. It has invested in Physcience, a French natural food supplements business, and Noiro, the leading company in the mass prestige personal care market in Finland.

Up to €120 million will be invested over the five years, in two venture funds of our own, Unilever Ventures and Unilever Technology Ventures. Unilever Ventures acts as an early stage business development fund for businesses both from within Unilever and from outside. During 2004 its major new investments have been in *Alleggra*, a healthy egg replacement business, *Re-aqua Beauty Centres* in the UK and the *Biotechnology Application Centre* in the Netherlands, a technology spinout from Unilever. Unilever Technology Ventures invests in technology funds and start-up companies. It has invested in a life science and a materials science fund, as well as in companies working in haplotyping genomics technology, systems biology, radio frequency identification, plant science and water purification.

As at 31 December 2004 we have invested €100 million in all our venture activities.

Technology and innovation

In 2004 Unilever spent €1 040 million on research and development, representing 2.6% of our turnover. Our R&D groups respond to emerging consumer needs – revealed in our carefully researched consumer insights – and supply a stream of innovation.

Corporate Research and Unilever Technology Ventures search out and identify new technology, which is fed through to the divisional R&D programmes.

Foods and HPC also use external scientists who are at the forefront of their own fields to review their R&D programmes and ensure that they are at the leading edge of scientific excellence.

In Home Care, we continued to roll out new technologies under the *Omo* brand, including laundry bars optimised for great cleaning performance in Africa and Asia. The *Radiant* brand launched new formulations to improve fabric colour protection in South Africa.

For our *Comfort* fabric conditioner we launched our first-ever 'unit dose' conditioner capsules in the UK, while in Vietnam, we launched a concentrated variant of *Comfort*.

Our *Domestos* bleach business returned to growth in 2004, thanks to an innovation leading to the 'thickest-ever' bleach, which was developed by our global technology centre in Italy.

In personal care, there have been important global initiatives. *Dove* has been relaunched with new graphics and packaging across skin, hair and deodorants. *Lux* launched a new range of bars, with a step change in sensorial benefits, together with outstanding fragrances and new packaging. *Axe* deodorant in North America now offers longer-lasting fragrances, while in other regions *24-7* and the new *Touch* variant have been launched.

In oral care, the family brands *Signal* and *Pepsodent* were relaunched, incorporating a new technology allowing extended protection. The design centre in Italy also launched two new toothbrushes: a top-performance brush with new bristle technology giving superior plaque removal and an affordable four-pack of brushes launched from India.

We have also developed an internet-based system that will bring the power of the net to people in rural India as part of a marketing initiative in Hindustan Lever. The pilot has been very successful and the algorithms developed as part of this project are more widely applicable as a tool for consumer dialogue.

In savoury, R&D has been aligned to the new *Vitality* mission with innovation in soups linked to naturalness and nutrition benefits. Innovations included the launch of chilled soups, together with new pack formats. *Knorr* innovations in cooking aids included *Cubitos* seasoning cubes, powdered seasonings and 'meal makers', targeted at developing and emerging markets.

About Unilever (continued)

In spreads and cooking products, we extended *pro•activ* from cholesterol-lowering spreads into milk, yoghurts and mini yoghurt drinks. Like the original *pro•activ* spread, these new products are all enriched with plant sterols.

In beverages, *Lipton* entered the healthy ('functional') water segment in Europe with *Aquae*. In leaf tea, flavoured and herbal tea extensions are being built on the 'pyramid bag' innovation, and a campaign on tea antioxidants in the US is promoting the health benefits of tea.

In response to the rising consumer trend in healthier eating, ice cream has launched a wide range of 'healthier options' in all regions. Our technology for the molecular control of ice cream ingredients, which allows us to control ice cream 'characteristics' by controlling ice particles, gained regulatory approval in a further six countries in 2004, enabling it to be launched in Asia and the US. Our global roll-out of the technology continues.

Under the *Hellmann's*, *Wishbone*, *Calvé* and *Amora* brands we launched a series of innovations around Vitality, including cholesterol-free mayonnaise in Mexico and extra light mayonnaise in the UK. We also started a market test for chilled ready-to-eat salads under the *Hellmann's* brand in the US.

We have responded to the emerging popularity of low-carb diets in the US. We launched *Carb Smart* low-carb ice creams under the *Breyers*, *Klondike* and *Popsicle* brands. A range of foods, including dressings, peanut butter and snacks, were launched under the *Carb Options* platform. A range of *Carb Options* products were also launched in Australia, Canada and the UK. We also launched the *Optima* range of bars and shakes under the *Slim•Fast* brand.

Bertolli innovations included the relaunched pasta sauce range and we also introduced a range of premium quality pasta sauces. This is part of the transformation of *Bertolli* from an olive oil brand to a world-leading Italian food brand.

Unilever filed a total of 370 new patent applications in 2004, which will lead to innovations during 2005 and beyond.

Information technology

In 2004, there has been a continued drive towards a more simplified business by standardising processes within our transaction systems. Initiatives in Europe, Latin America, sub-Saharan Africa and North America are progressing well.

The Latin American information, process and system harmonisation and simplification programme - 'Orchestra', advanced significantly during 2004. This has been deployed to over 110 sites and 9 400 users in Brazil, Greater Andina, Chile, River Plate and Mexico to cover 60% of the Latin American business. The information management component of this programme has won external recognition for excellence.

In Asia a demand and supply network planning tool is now live in eleven countries, the Unilever standard data warehouse is available in nine countries with twelve countries using the regional e-Commerce hub.

Our sales force strategic automation technology – Siebel – continues to be deployed across the business. Good progress has been achieved in Asia and Latin America, using low-cost handheld devices, sharing learning and best practice across regions. An Asian trade funds management system has been implemented in two units, with the rest of the region to follow in 2005/2006.

In North America we are participating in RFID (radio frequency identification) pilots with Wal-Mart (working as one of their lead suppliers) linked to our broader data synchronisation efforts to improve the quality and speed of information sharing between us and our customers.

We made further progress in the area of information standardisation and management in support of global and regional business processes. We remain committed to the active support for industry data standardisation with strong involvement in key initiatives, which include chairing the Global Data Standards Network organisation, GDSN Inc.

Our outsourced voice, data and mobile communications agreement with BT has been successfully implemented across the globe, delivering both cost and service improvements. This has proved to be a ground breaking and innovative partnership.

The Unilever Portal, a common entry and navigation software technology, has been deployed to over 40 000 users in Europe and 6 000 users in North America. In Europe this has enabled a reduction of over 50 traditional intranet sites. We have agreed upon a global licensing of this technology and will continue deployment to establish one environment for information and access within Unilever.

Environment

We improved our performance in managing the impact of our manufacturing activities on the environment, and our three sustainability initiatives – agriculture, fish and water – continue to make good progress.

Our manufacturing operations use seven parameters to measure the emissions from our factories and set targets for eco-efficiency. In 2003 (latest available figures) we continued to improve on our 2002 performance, meeting four of our targets. We failed to hit our targets for hazardous and non-hazardous waste and CO₂ from energy emissions.

We have reduced the unit load of sulphur oxides emitted from our factories by 64% since 1995. We have also made significant reductions in energy and water consumption and reduced the levels of waste generated by our operations.

About Unilever (continued)

Setting targets and monitoring our progress against them are an important part of our systematic approach to reduce our impact on the environment. Detailed performance information is published in our summary environment report and on our website.

More than two-thirds of the raw materials used in our products come from agriculture. This led us to develop our Sustainable Agriculture Programme, which, together with our partners, we are implementing across our supply chain.

In 2004, the roll-out of our Good Agricultural Practice guidelines (GAP) for our crops gained momentum. We published guidelines in local languages for sustainable tea production in India, Kenya and Tanzania.

We are a founding member of the Roundtable on Sustainable Palm Oil (RSPO), a multi-stakeholder initiative set up in 2003 with the WWF (formerly the Worldwide Fund for Nature). The RSPO now has 55 members and 17 affiliate members, and has produced a draft framework document on the criteria for palm oil sustainability.

The first steps have been taken to extend our agricultural initiatives to all major vegetable oils, including olive, rape, soya and sunflower.

In Europe, we now buy more than half our fish from sustainable fisheries and expect this figure to rise to around 60% in 2005. Although this falls short of the 100% target we set ourselves in 1996, substantial improvements have been made in difficult circumstances, such as the unforeseen length of the certification process. We continue to engage with fisheries that have not yet fully adopted the disciplines of sustainable production and will continue to work with them on improvement programmes.

The Marine Stewardship Council (MSC), which we co-founded with the WWF in 1996 and have supported since it became independent in 1999, has established a global standard for sustainable fisheries. As one of the world's largest buyers of frozen fish, we encourage all our suppliers to work towards the MSC Standard. We currently sell Alaskan pollock, South African hake and New Zealand hoki sourced from fisheries certified to the MSC Standard.

Ensuring clean water supplies is fundamental to our business. As part of our Sustainable Water Initiative, we have looked at our water use through the full life cycle of our products – from sourcing raw materials to consumer use. This has given us a global picture – our imprint – of the way we impact on water resources. It tells us water use is concentrated in the growing of raw materials and in the use of our products by consumers. Our latest figures show that we have more than halved water consumption in our factories since 1995. In Latin America, for example, the Medusa project to improve water efficiency has saved in excess of 700 000 cubic metres of water since June 2003.

In India, Hindustan Lever Limited has launched a handwash laundry product, *Surf Excel Quick Wash*, with a low-foaming formulation, which reduces the amount of water needed for

rinsing by up to two buckets a wash. The launch was combined with a consumer education programme in areas with water shortages.

For more information about Unilever's environmental and social activities, visit www.unilever.com/ourvalues/environmentandsociety/.

Corporate responsibility

We believe by doing business in a responsible way we have a positive social impact. We invest in local economies, develop people's skills and create and share wealth, working in partnership both locally and internationally.

Bringing our values to life – and backing up our commitments with actions – is achieved by engaging with our stakeholders and building relationships with organisations that share our goals. One example is our work with the UN Global Compact, a multi-sector forum that brings together business, international and civil society organisations to tackle poverty and help build sustainability.

We work directly with the Compact at local and international levels and in January 2004 hosted a workshop to share learning on the development of small and medium-sized enterprises. These businesses are a key contributor to economic development by providing employment, developing skills and generating prosperity.

There are many other examples where we share our business expertise and knowledge to benefit the communities in which we operate. In Africa our operating companies have been managing issues caused by the HIV/AIDS epidemic since the 1980s. We have developed education and prevention programmes for our people and have made them freely available to local communities and on the web.

Another example is our *Lifebuoy Swasthya Chetna* programme, which is the biggest rural health and hygiene educational programme ever undertaken in India. Our goal is to help educate people about basic hygiene habits, including washing their hands with soap. We work with parents, health educators, teachers, community leaders and government agencies to spread the message. In 2004 the programme covered 18 000 villages and reached 70 million people.

In 2004, we continued our active engagement in voluntary initiatives, spending €65 million on community projects. The tsunami disaster in South East Asia evoked an immediate response from our companies in the region. We lent manpower and time, threw open our distribution networks and donated appropriate products and money where they were needed most – on the ground in the affected areas. Contributions by employees to the Unilever Disaster Relief Fund were matched by Unilever, to give a total of €1.4 million.

Our oral care brands have signed a partnership with the World Dental Federation that will focus on promoting improved oral health for people around the world. *Becel/Flora* continues to work with the World Heart Federation.

About Unilever (continued)

In December 2004, we joined forces with UNICEF to tackle UN Millennium Development Goal 4, which aims to reduce mortality rates among children under five by two-thirds over the next ten years. We will work closely with UNICEF and bring to the partnership our knowledge of nutrition and hygiene. We have proven ability in delivering affordable products to low-income consumers and experience of contributing to sustainable development in different regions of the world.

Interest in how we manage our own operations now extends to supply chain relations. We want to work with suppliers who have values similar to our own and work to the same standards as we do.

As part of our commitment to this we have developed a Business Partner Code, aligned to our own Code of Business Principles. It comprises 10 principles covering business integrity, and responsibilities relating to employees, consumers and the environment. We are working towards positive assurance of adherence to the Code from all first-tier suppliers by the end of 2005.

The values that inspire us and govern the way we manage our business are clearly set out in our Corporate Purpose and Code of Business Principles. They provide a framework within which our managers can operate and be held accountable. The Code sets out our respect for the human rights of our employees, including freedom of association and labour union membership. Some of our employees are members of such unions.

In 2004, we completed the world-wide roll-out of a confidential ethics hotline, introduced as a way for our people to raise concerns relating to our business principles. We are carrying out 'pulse' checks to ensure that employees are aware of the hotline and understand its importance.

We communicate our performance and the progress we are making through the Environment and Society section of our website and publish summary social and environmental reports. We are also producing a series of articles, 'Global Challenges: Local Actions', on how we are working with a range of external partners to tackle issues such as nutrition, hygiene and sustainable development. For more information visit www.unilever.com/ourvalues/environmentandsociety/.

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 fuller 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 and prestige fragrances, 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.

About Unilever (continued)

People

Number of employees

Year end in thousands	2004	2003	2002	2001	2000
Europe	52	55	60	71	80
North America	18	20	21	22	39
Africa, Middle East and Turkey	51	52	52	49	48
Asia and Pacific	73	77	82	85	84
Latin America	29	30	32	38	44
Total	223	234	247	265	295

Our people's creativity, energy and passion drive our business. This is most evident during periods of change and under challenging trading conditions. We are working hard to build global teams equipped to deliver business growth.

Unilever is consistently ranked among the world's most admired employers and is known to be a company that puts its people first. We strive to stay connected and carry out world-wide people surveys and 'pulse' checks to gain valuable feedback and insight, which we use to help shape our future direction. In 2004 our biennial Global People Survey had an 86% participation rate.

We want our people to feel directly involved in the performance of the business, so encourage participation in employee share plans; our internal communication processes help ensure that our people relate to the 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 achievements and future challenges.

Unilever is one of the most diverse companies in the world, with 223 000 people in around 100 countries. We believe that as our people grow, each in their own way, so our business grows.

In Unilever, diversity is about inclusion – embracing our differences and creating an environment that inspires people to contribute to our business. We continue to create a community that encourages individuals 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.

In 2004, we launched an online toolkit that helps our managers promote diversity. The toolkit asks managers to take part in a three-step process to 'engage, participate and believe' and provides resources to suit a range of different learning styles.

We have had some success. More than 30% of our managers are women and our senior management team is made up of 32 nationalities.

We encourage our people to learn continuously, to pursue their personal goals and develop professionally. To help achieve this we

have established a community of learning academies for professional skills training in Finance, Human Resources, Information Technology, Marketing, Supply Chain and Customer Development. Increasingly our academies link up and share best practice and learning across the business.

Our HR Academy, through its Business Partners Development Programme, is leading the way in building the skills and competencies of our HR managers who work closely with our business leaders. In 2004, the academy trained 108 HR managers, covering 48 nationalities based in more than 50 countries. A highlight of 2004 was the opening of our refurbished international management training centre, Four Acres. The facility exploits state-of-the-art technology, making it possible for employees to access learning and business presentations from their desktops wherever they are in the world.

A key enabler for our future success is to take our best people and create global teams. We now have global brand teams, in addition to global teams in finance, HR and supply management. These teams are increasingly supported by regional 'shared services' in support functions. This evolving organisation is creating a streamlined structure that is able to focus more on delivering growth.

In 2004 work started on redeveloping our Corporate Centre building in London, following completion of that in Rotterdam. The objective is to stimulate new ways of working together. This has been done to shape our business for future growth and to foster a sense of belonging to a truly international business.

Related party transactions

Transactions with related parties are conducted in accordance with the transfer pricing policies described on page 98 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 2004 or the preceding two years.

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, the Chairman of Unilever PLC, purchased a house from an NV group company. We confirm that the full Boards, acting on the recommendation of the Remuneration Committee and without the 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 31 on page 147. Information concerning guarantees given by the Group is stated in note 25 on page 134 and under 'Mutual guarantee of borrowings' on page 53. Guarantees are also given within the Group by the parent companies, as described on pages 170 and 173.

About Unilever

(continued)

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.

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. See the schedule of principal group companies and fixed investments on page 165 to 168 and details of tangible fixed assets in note 10 on page 114.

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 we expect to 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 €0.05 preference shares as an alternative to a cash dividend. In March 2004 NV announced its intention to convert those preference shares into ordinary NV shares in the first quarter of 2005. A number of holders of these preference shares raised objections to this and asked the Enterprise Chamber of the Amsterdam Court of Appeal to conduct an inquiry. On 21 December 2004 the Enterprise Chamber decided to order an inquiry to be carried out. As at 25 February 2005, this inquiry is ongoing. An additional request to forbid the conversion was rejected by the Enterprise Chamber. Further information is given in note 22 on page 132.

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. As a result of this action we have established a provision 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 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 significant tax claim in respect of prior years. The 2001 reorganisation was comparable to 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.