Disclaimer

This PDF is a section of the Unilever Annual Report and Accounts 2006 provided to Unilever's shareholders. It does not contain sufficient information to allow a full understanding of the results of the Unilever Group and the state of affairs of Unilever N.V., Unilever PLC or the Unilever Group. For further information the Unilever Annual Report and Accounts 2006 should be consulted.

Certain sections of the Unilever Annual Report and Accounts 2006 have been audited. Sections that have been audited are set out on pages 70 to 123, 129 to 130, 132 to 134 and 137 to 139. The auditable part of the Directors' Remuneration report as set out on page 49 has also been audited.

The maintenance and integrity of the Unilever website is the responsibility of the Directors; 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.

The Financial review for the year ended 31 December 2006 is presented below. The Financial review is presented to provide an overview of key influences on Unilever's financial performance for the year and the financial position as at 31 December 2006. Background sections, such as the overview of Unilever's critical accounting policies and non-GAAP measures are included to provide some additional context.

Critical accounting policies

The accounts presented comply in all material respects with IFRS and UK and Dutch 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 and intangible assets

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 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 sub-product group. We have reviewed the carrying value of this cash generating unit by considering expected future cash flows based on historical experience and planned growth rates and margins for this product group. No significant impairment losses have been identified in 2006.

Please refer also to note 9 on page 88.

Financial instruments

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 75 for a description of each of these categories.

Derivative financial instruments are reported at fair value, with changes in fair values booked through profit or loss unless the derivatives are designated and effective as hedges 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.

Pensions and similar obligations

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, mortality rates and expected long-term rates of return on assets. Information about sensitivity to certain of these assumptions is given in note 20 on page 105.

The following table sets out these assumptions (except for mortality rates), as at 31 December 2006, in respect of the four largest Unilever pension plans. Further details of assumptions (including mortality rates) made are given in note 20 on pages 103 and 104.

	% UK	% Netherlands	% United States	% Germany
Discount rate	5.1	4.6	5.8	4.6
Inflation	2.9	1.9	2.5	1.9
Expected long-term rate of return:				
Equities	8.0	7.6	8.3	7.6
Bonds	5.2	4.4	5.2	4.4
Property	6.5	6.1	6.8	6.1
Others	7.2	4.0	4.8	3.0

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 20 on page 104.

Provisions
Provision is made, amongst other reasons, for legal matters, disputed indirect taxes, employee termination costs and restructuring 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 at the rates of tax prevailing at the year-end unless future rates have been substantively enacted, as detailed in note 1 on page 76. 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 3⅑p = €0.16 (see Corporate governance on page 39).

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 IFRS 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.

In the following sections we set out our definitions of the following non-GAAP measures and provide reconciliations to relevant GAAP measures:

- Underlying sales growth;
- Ungeared free cash flow;
- Return on invested capital; and
- Net debt.

We set out 'Measures of long-term value creation' as an introduction to the following section, in order to explain the relevance of the above measures. At the end of this section on non-GAAP measures, we summarise the impact on Total Shareholder Return (TSR) which is our key metric.

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 Group.

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 IFRS 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 the 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 page 26, we reconcile each as follows: UFCF to cash flow from operating activities and also to net profit; ROIC to net profit.

Caution

Unilever cautions that, while UFCF and ROIC are widely used as tools for investment analysis, they are not defined terms under IFRS 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:

- We recognise that the usefulness of UFCF and ROIC as indicators of investment value is limited, as such measures are based on historical 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 but represents cash generated by the business and broadly available to the providers of finance, both debt and equity.

Underlying sales growth

USG reflects the change in revenue from continuing operations 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:

	2006 vs 2005	2005 vs 2004
Underlying sales growth (%)	**3.8**	3.4
Effect of acquisitions (%)	**0.1**	0.0
Effect of disposals (%)	**(0.8)**	(1.5)
Effect of exchange rates (%)	**0.3**	1.4
Turnover growth (%)	**3.2**	3.3

Ungeared free cash flow

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 and, in 2006, for the impact on profit on sales of frozen foods businesses), but before the financing of pensions.

In 2006, UFCF was €4.2 billion (2005: €4.0 billion). The reconciliation of UFCF to the GAAP measures net profit and cash flow from operating activities is shown on page 26.

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 2006 the income statement tax charge on this basis is materially impacted by the tax effect of non-cash charges for the provision for preference shares and certain other non-cash items. UFCF based on actual cash tax paid would be €4.5 billion (2005: €3.7 billion).

Return on invested capital

Return on invested capital (ROIC) expresses the returns generated on capital invested in the Group. 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 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.

In 2006, ROIC was 14.6% (2005: 12.5%). The reconciliation of ROIC to the GAAP measure net profit is shown on page 26.

ROIC reported in 2005 and 2006 has been based on total business profit, including profit on disposals. The impact on profit after tax of material disposals was €1 170 million (2005: €458 million). ROIC excluding this impact is 11.5% (2005: 11.3%).

Ungeared free cash flow	€ million 2006	€ million 2005	€ million 2004
Net profit	**5 015**	3 975	2 941
Taxation	**1 332**	1 301	836
Share of net profit of joint ventures/associates and other income from non-current investments	**(144)**	(55)	(95)
Net finance costs	**725**	618	631
Depreciation, amortisation and impairment	**982**	1 274	2 063
Changes in working capital	**87**	193	547
Pensions charges in operating profit less payments	**(1 038)**	(532)	(472)
Movements in provisions less payments	**107**	(230)	574
Elimination of profits on disposals	**(1 620)**	(789)	(308)
Non-cash charge for share-based compensation	**120**	192	218
Other adjustments	**8**	(23)	(10)
Cash flow from operating activities	**5 574**	5 924	6 925
Less charge for share-based compensation	**(120)**	(192)	(218)
Add back pension payments less pension charges in operating profit	**1 038**	532	472
Less net capital expenditure	**(934)**	(813)	(869)
Less tax charge adjusted to reflect an ungeared position	**(1 336)**	(1 440)	(964)
Taxation on profit	**(1 332)**	(1 301)	(836)
Taxation on profit on sales of frozen foods businesses	**159**	–	–
Tax relief on net finance costs	**(163)**	(139)	(128)
Ungeared free cash flow	**4 222**	4 011	5 346

Return on invested capital	€ million 2006	€ million 2005	€ million 2004
Net profit	**5 015**	3 975	2 941
Add back net interest expense net of tax	**365**	424	431
Add back impairment charges net of tax[(a)]	**15**	245	536
Profit after tax, before interest and impairment of goodwill and indefinite-lived intangible assets	**5 395**	4 644	3 908
Year-end positions for invested capital:			
Property, plant and equipment and other non-current investments	**7 142**	7 333	6 966
Software and finite-lived intangible assets	**608**	642	623
Inventories	**3 796**	4 107	3 756
Trade and other receivables	**4 667**	5 185	4 410
Trade payables and other creditors due within one year	**(8 513)**	(8 782)	(8 232)
Elements of invested capital included in assets and liabilities held for sale	**15**	200	–
Goodwill and indefinite-lived intangible assets at gross book value	**20 705**	21 621	19 854
Total	**28 420**	30 306	27 377
Add back cumulative goodwill written off directly to reserves	**6 427**	6 870	7 246
Year-end invested capital	**34 847**	37 176	34 623
Average invested capital for the year	**36 850**	37 012	36 444
Return on average invested capital	**14.6%**	12.5%	10.7%

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

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 2006	€ million 2005
Total borrowings	**(8 601)**	(12 399)
Borrowings due within one year	**(4 362)**	(5 942)
Borrowings due after one year	**(4 239)**	(6 457)
Cash and cash equivalents as per balance sheet	**1 039**	1 529
Cash and cash equivalents as per cash flow statement	**710**	1 265
Add bank overdrafts deducted therein	**329**	265
Less cash and cash equivalents in assets/liabilities held for sale	**–**	(1)
Other financial assets	**237**	335
Derivatives and finance leases included in other receivables and other liabilities	**(198)**	33
Net debt	**(7 523)**	(10 502)

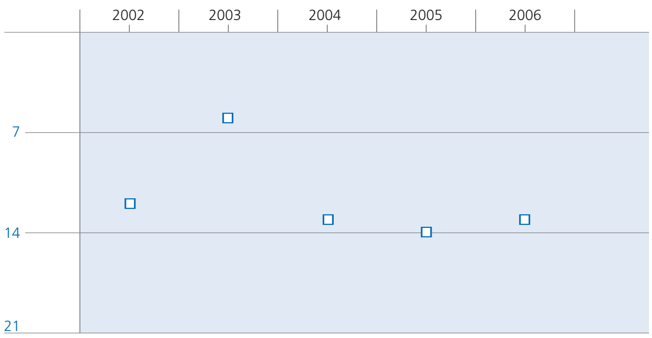
Total Shareholder Return

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 2005 we were positioned 14th, and at the end of 2006 the ranking was 13th. In 2006, the following companies formed the peer group of comparative companies:

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

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.

Results and earnings per share

The following discussion summarises the results of the Group during the years 2004, 2005 and 2006. The figures quoted are in euros, at current rates of exchange, being 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 128.

The results reflected in the consolidated income statement and supporting notes arise from the Group's continuing operations. In November 2006, we successfully completed the sale of the majority of our European frozen foods businesses. The results of the businesses disposed of have been presented as discontinued operations for 2004 and 2005, and in 2006, for the period up to the date of sale. During July 2005, we completed the sale of Unilever Cosmetics International (UCI) to Coty Inc., United States. The results of UCI are presented as discontinued operations for the 2004 year and, in 2005, for the period up to the date of sale.

	€ million 2006	€ million 2005	€ million 2004
Continuing operations:			
Turnover	**39 642**	38 401	37 168
Operating profit	**5 408**	5 074	3 981
Net profit	**3 685**	3 335	2 728
Net profit from discontinued operations	**1 330**	640	213
Net profit – total	**5 015**	3 975	2 941

	€ 2006	€ 2005	€ 2004
EPS – continuing operations	**1.19**	1.07	0.87
EPS – total	**1.65**	1.29	0.94

Results for 2006 compared with 2005

Turnover for the period increased by 3.2% to €39 642 million. The increase is driven by underlying sales growth of 3.8%, with contributions from both volume and price, as well as favourable currency effects of 0.3%. Offsetting the increase is the impact of disposals (0.8)% in the period.

Operating profit for the period increased by 7% to €5 408 million with operating margin increasing to 13.6%, up by 0.4 percentage points compared with 2005. This was after charging restructuring, disposals and impairments costs equivalent to 1.3 percentage points of sales (compared with 1.5 percentage points in 2005). It also included €266 million of one-off gains from changes to US healthcare and UK pension plans, equivalent to 0.7 percentage points of sales. Before these items, and the profit on the sale of an office in the US in 2005, the operating margin would have been 0.3 percentage points lower than last year. Gross margins held steady during the year, with supply chain savings programmes, pricing action and a positive mix fully offsetting around €600 million of higher input costs. Investment in advertising and promotions increased by nearly €300 million, from 12.8% to 13.1% of sales. An overview of performance by regions is included in the Operating review on pages 13 to 19.

Net finance costs were 18% higher in the year at €721 million. 2006 includes the provision of €300 million relating to preference shares. The costs of financing net borrowings were lower than last year with the benefit of a lower level of debt. Pensions financing, which was a net expense of €53 million in 2005, showed a net income of €41 million in 2006, reflecting a lower gross pension fund deficit.

The tax rate for the year was 24%, compared with 26% in 2005, including the benefits of a better country mix.

Share of net profit from joint ventures was ahead of last year due to the continued growth in the partnerships between *Lipton* and Pepsi for ready-to-drink tea. Share of net profit from associates increased significantly compared with prior year, principally because of the placement of equity by one of our venture capital fund investments.

Net profit and earnings per share from continuing operations grew by 10% and 11% respectively in the year. Including the profits of the discontinued operations, net profit and earnings per share increased by 26% and 27% in the year, respectively.

Return on invested capital (ROIC) increased from 12.5% in 2005 to 14.6% in 2006. Both years included significant profits from the sale of discontinued operations. Excluding these, the ROIC increased from 11.3% to 11.5%.

Results for 2005 compared with 2004

Reported turnover grew by 3.3% in the year to €38 401 million. This increase includes a favourable effect from movements of the average euro exchange rate against the basket of Unilever currencies, which amounted to 1.4% 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 3.4% was the result of volume increases.

Operating profit increased by 27% in the year to €5 074 million with operating margin increasing to 13.2% (2004: 10.7%). Before the impact of net costs of restructuring, business disposals and impairments, the operating margin for 2005 would have been 0.9 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 review on pages 13 to 19.

Net finance costs were 2% lower in the year at €613 million, through lower levels of borrowings.

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 21% 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 22% and 23% 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

2006

On 4 September 2006, Unilever announced a public offer to purchase all ordinary shares of Elais-Unilever S.A. held by third party shareholders. Elais-Unilever S.A. is reported as a subsidiary and is Unilever's main foods business in Greece. The offer price was €24.50 per share, with the public offer closing on 25 October 2006. A total of 2 234 692 shares were purchased by the end of 2006, increasing Unilever's ownership of Elais-Unilever S.A. to 83.52%.

On 3 November 2006 we announced the completion of the sale of the majority of our frozen foods businesses in Europe to the Permira Funds. Unilever received proceeds of €1.7 billion, and recorded a profit on disposal of €1.2 billion. The businesses sold included operations in Austria, Belgium, France, Germany, Ireland, the Netherlands, Portugal and the United Kingdom.

In 2006 we disposed of various other businesses and brands with a combined turnover of around €280 million, including Mora in the Netherlands and Belgium, Finesse in North America and Nihar in India.

2005

There were no material acquisitions during 2005.

On 11 July 2005, we completed 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.

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 March 2005 Unilever carried out a 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%. See page 123 for further details on the Portuguese businesses whose ownership was further reorganised as at 1 January 2007.

2004

There were no material acquisitions during 2004.

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.

For further information on the impact of acquisitions and disposals refer to note 26 on page 113.

Dividends and market capitalisation

Dividends per share

	Per €0.16 NV ordinary share € 2006	Per €0.16 NV ordinary share € 2005	Per 3 1/9p PLC ordinary share £ 2006	Per 3 1/9p PLC ordinary share £ 2005
Interim	**0.23**	0.22	**15.62**	15.04
Final	**–**	0.44	**–**	30.09
Proposed final	**0.47**	–	**32.04**	–
	0.70	0.66	**47.66**	45.13
One-off	**0.26**	–	**17.66**	–
	0.96	0.66	**65.32**	45.13

Final dividends for 2006 are subject to approval at the Annual General Meetings. If approved, this will bring the total regular dividend, excluding the additional one-off payment, to €0.70 per share for NV and 47.66p for PLC, an increase of 6% in each case. In accordance with IFRS, no provision for the amount of this dividend, estimated as €1 358 million, has been recognised in the financial statements for the year ended 31 December 2006. The additional one-off dividend of €751 million was paid during December 2006.

Unilever's combined market capitalisation at 31 December 2006 was €63.4 billion (2005: €57.5 billion).

Balance sheet

	€ million 2006	€ million 2005
Goodwill and intangible assets	**17 206**	18 055
Other non-current assets	**10 365**	10 303
Current assets	**9 501**	11 142
Current liabilities	**(13 884)**	(15 394)
	23 188	24 106
Non-current liabilities	**11 516**	15 341
Shareholders' equity	**11 230**	8 361
Minority interest	**442**	404
	23 188	24 106

Goodwill and intangibles as at 31 December 2006 were €0.8 billion lower than in 2005. This was almost solely a consequence of currency movements. Currency movements also explain the reduction of inventories and trade receivables when compared with prior year. The other significant movements in non-current assets relate to pension assets for funded schemes in surplus and deferred tax assets. The increase in pension fund assets was due to improvements in asset yields and increased contributions. The decrease of non-current deferred tax assets from €1.7 billion as at 31 December 2005 to €1.3 billion as at 31 December 2006 was a result of the decrease in pension liabilities.

The overall funding shortfall before tax of pensions and health care plans reduced significantly from €5.6 billion at the end of 2005 to €3.1 billion at the end of 2006. Within this, there was at 31 December 2006 an aggregated surplus of €0.3 billion on our funded plans, reflecting a combination of strong equity returns, increased contributions and higher real interest rates, partly offset by increased life expectancy assumptions. The value of our unfunded obligations reduced from €4.2 billion to €3.4 billion due to rises in interest rates, favourable exchange movements and changes to various retiree medical benefits.

We made a number of changes to our pensions and post-retirement healthcare plans during 2006. In particular, in the US retiree healthcare plan we introduced an annual cap on the benefits which each participant can claim. In the UK we updated assumptions on pension commutations and now reduce some deferred pensions if they are taken early, to align with market practice. See page 32 for details on Unilever's pension investment strategy.

Total equity has increased by €2.9 billion in the year. Net profit added €5.0 billion and currency and fair value/actuarial gains added €0.5 billion. Dividends paid in the year totalled €2.7 billion.

As at 31 December 2006, cash and cash equivalents and other financial assets amounted to €1.3 billion, a decrease of €0.6 billion. Borrowings, (including finance leases amounting to €0.2 billion and the negative fair value of derivatives relating to borrowings) amounted to €8.8 billion a reduction of €3.8 billion.

The net debt position, see page 27, as at 31 December 2006 was €7.5 billion, a reduction of €3.0 billion since 1 January 2006. This was driven by the cash generated by the business during the year, the proceeds of disposals (particularly from the sale of the majority of the European frozen foods businesses) and currency effects, specifically the weakening of the US dollar.

Unilever manages interest rate and currency exposures based on the net debt position. Taking into account the various cross currency swaps and other derivatives, 81% of Unilever's net debt was in US dollars (2005: 60%) and 25% in euros (2005:17%) and ((33)% - financial assets) in sterling, with the remainder spread over a large number of other currencies. The currency distribution of total borrowings was as follows: 70% in US dollars (2005: 51%), and 24% in euros (2005: 20%) with the remainder spread over a large number of other currencies. Further details of the currency analyses are given in note 15 on page 95 and note 16 on page 98.

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 2006 were: bilateral committed credit facilities totalling US $4.6 billion, bilateral notes commitments totalling US $0.2 billion and bilateral money market commitments totalling US $1.4 billion. Further details regarding these facilities are given in note 16 on page 98.

During 2006, a US $300 million bond with a fixed interest rate of 6.15% was repaid, as was a €1 billion bond with a fixed interest rate of 5.125% and a US $500 million bond with a fixed interest rate of 5.125%. Three floating rate bonds denominated in Japanese yen for a total of ¥37 billion (approximately €250 million) were repaid and Unilever issued a new floating rate bond for a similar amount with a maturity date of June 2008.

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 2006 included capital expenditure commitments, borrowings, lease commitments and other commitments. A summary of certain contractual obligations at 31 December 2006 is provided in the table below. Other long-term commitments have increased compared with prior year due to the outsourcing contracts which Unilever has entered into during 2006. Further details are set out in the following notes to the accounts; note 10 on page 90, note 16 on page 96, note 17 on pages 99 to 101 and note 25 on page 112.

Contractual obligations at 31 December 2006

	€ 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	**6 183**	**1 944**	**696**	**1 346**	**2 197**
Operating lease obligations	**1 617**	**342**	**537**	**338**	**400**
Purchase obligations[(a)]	**233**	**156**	**58**	**16**	**3**
Finance leases	**296**	**71**	**90**	**27**	**108**
Other long-term commitments	**1 547**	**315**	**395**	**312**	**525**

(a) Raw and packaging materials and finished goods.

Off-balance sheet arrangements

IFRS 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 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 25 on page 112.

Cash flow

	€ million 2006	€ million 2005	€ million 2004
Net cash flow from operating activities	**4 511**	4 353	5 547
Net cash flow from/(used in) investing activities	**1 155**	515	(120)
Net cash flow from/(used in) financing activities	**(6 572)**	(4 821)	(5 938)
Net increase/(decrease) in cash and cash equivalents	**(906)**	47	(511)

Cash and cash equivalents at 31 December 2006 were €0.6 billion lower than as at 31 December 2005. Cash from operating activities was €0.3 billion lower than in 2005 due to significantly higher contributions to pension schemes. This was offset to some extent by the improvements in the level of working capital, with a further reduction of €0.1 billion as at 31 December 2006. Income tax paid was substantially lower through a combination of tax relief on the higher pension contributions, structural improvements in the tax rate and timing differences. As a result, net cash flow from operating activities was €0.2 billion higher than last year.

Net cash flow from investing activities was €0.6 billion higher due to the impact of the disposals in the year which had a positive impact of €1.8 billion (2005: €0.8 billion), offset by increased capital expenditure of €0.1 billion compared with the prior year.

Net cash flow used in financing activities increased by €1.8 billion, reflecting dividend payments and repayment of debt.

Finance and liquidity

Unilever aims to be in the top third of a reference group including 20 other international consumer goods companies for Total Shareholder Return, as explained on page 27. 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 acquisitions that we fund out of current cash flows;
- 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, Unilever Finance International BV 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 74. The use of leveraged instruments is not permitted.

Other relevant disclosures are given in notes 15, 16 and 17 on pages 95, 96 and 99.

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 17 on pages 100 and 101.

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 pension funds also have a proportion of assets invested in property, bonds and cash. The majority of the assets are managed by a number of external fund managers with a small proportion managed in-house. Unilever has a pooled investment vehicle (Univest) which it believes offers its pension plans around the world a simplified externally managed 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.

Significant changes after the balance sheet date

On 1 January 2007, Unilever completed the restructuring of its Portuguese businesses. The result of the reorganisation is that Unilever now has a 55% share of the consolidated Portuguese entity, called Unilever Jerónimo Martins. The consolidated business includes the foods and home and personal care businesses. The remaining 45% interest is held by Jerónimo Martins Group. The structure of the agreement is such that there is joint control of the newly formed entity and so it will be accounted for by Unilever as a joint venture.