


1 Michael Treschow Chairman

our aim to increase that percentage, and the introduction of these Non-Executive Directors, should they be elected, will achieve this.

Board evaluation

Following the external evaluation in 2011, our internal process this year suggested minor recommendations to the operation of the Boards and confirmed that no major modifications were required. The process concluded that overall the Boards continued to operate in an effective manner. More information on previous evaluations and this year's agreed actions is found within the Corporate Governance report.

Finally, on behalf of the Boards, I would like to extend my sincere thanks to all of Unilever's 173,000 employees across the world. They have delivered exceptional results in difficult economic conditions while at the same time reinforcing Unilever's growing reputation as a business committed to sustainable and equitable growth.

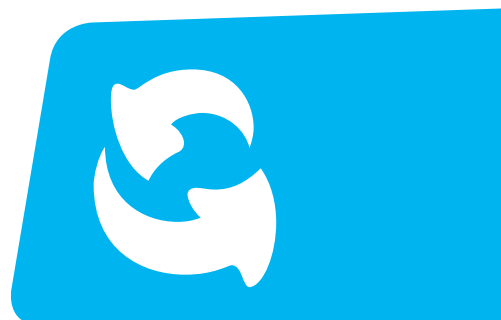


Michael Treschow
Chairman



Shareholder return

2012 has been yet another reliable year under our dividend policy. Unilever's consistent improvement in profits has enabled us to pay a steady increase in dividends year on year. The full-year dividend in 2012 rose to €0.954 – an 8% increase from 2011.



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For Directors' biographies, please see page 42.

The Unilever Group

Unilever N.V. (NV) is a public limited company registered in the Netherlands. It has listings of shares and depositary receipts for shares on Euronext Amsterdam and of New York Registry Shares on the New York Stock Exchange. Unilever PLC (PLC) is a public limited company registered in England and Wales. It 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, regardless of legal ownership, constitute a single reporting entity for the purposes of presenting consolidated financial statements. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated financial statements. The same people sit on the Boards of NV and PLC and other officers are officers of both companies. Any references to the Board in this document mean the Boards of NV and PLC.

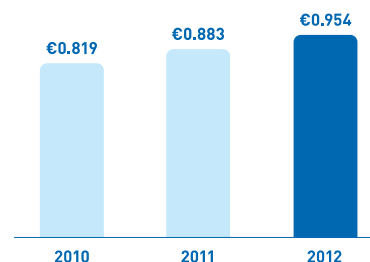
Names are listed in alphabetical order with the exception of the Chairman, Vice-Chairman, Chief Executive Officer and Chief Financial Officer.



2012 HIGHLIGHTS

- Further delivery against our Compass strategy, with sustainable growth despite challenging markets.
- Succession planning leading to the proposal of three new Non-Executive Directors at the 2013 AGMs.
- A consistent dividend that continues to provide a good return to shareholders.

Total dividend per share



Financial overview 2012

Consolidated income statement

(highlights) for the year ended 31 December

	2012	2011	% change
Turnover (€ million)	51,324	46,467	10.5%
Operating profit (€ million)	6,989	6,433	9%
Core operating profit* (€ million)	7,062	6,289	12%
Profit before tax (€ million)	6,683	6,245	7%
Net profit (€ million)	4,948	4,623	7%
Diluted earnings per share (€)	1.54	1.46	5%
Core earnings per share* (€)	1.57	1.41	11%

Turnover at €51.3 billion increased 10.5%, including a positive impact from foreign exchange of 2.2% and acquisitions net of disposals of 1.1%. Underlying sales growth increased to 6.9%, well balanced between volume growth of 3.4% and price contributions of 3.3%. As in the prior year, emerging markets grew strongly, with underlying sales up 11.4% and now representing 55% of total turnover.

Operating profit was €7.0 billion, compared with €6.4 billion in 2011, up 9%. The increase was driven by higher gross profit and improved cost discipline. Core operating profit was €7.1 billion, up 12% from €6.3 billion in 2011, reflecting the additional impact of lower one-off credits within non-core items.

The cost of financing net borrowings was €390 million, €58 million less than in 2011. The average level of net debt increased by €0.7 billion to €8.9 billion, reflecting the full-year impact of financing prior year acquisitions such as Alberto Culver. The average interest rate was 3.5% on debt and 2.9% on cash deposits. The pensions financing cost was a charge of €7 million, compared to a €71 million credit in 2011.

The effective tax rate was 26.4% compared with 26.5% in 2011.

Net profit from joint ventures and associates, together with other income from non-current investments, contributed €91 million in 2012, compared to €189 million in the prior year. Assets related to businesses sold in previous years recorded positive adjustments to fair value in 2011, whilst similar but unrelated assets were impaired in 2012.

Fully diluted earnings per share were €1.54, up 5% from €1.46 in the prior year. Higher operating profit was the key driver with lower profits from business disposals and one-off items, partially offset by higher minority interests and pension costs and a lower contribution from non-current investments. Core earnings per share were €1.57, up 11% from €1.41 in 2011, reflecting the additional impact of lower one-off credits within non-core items.

Key performance indicators*

	2012	2011	2010
Underlying sales growth (%)	6.9	6.5	4.1
Underlying volume growth (%)	3.4	1.6	5.8
Core operating margin (%)	13.8	13.5	13.6
Free cash flow (€ million)	4,333	3,075	3,365

We report our performance against four key financial indicators:

- underlying sales growth;
- underlying volume growth;
- core operating margin; and
- free cash flow.

The performance of the KPIs is described on page 28, on this page and within the segmental commentaries on pages 30 to 31. The KPIs are described on pages 34 to 35. The non-financial KPIs are described on pages 6 and 27.

Acquisitions and disposals

On 30 July 2012 the Group announced a definitive agreement to sell its North America frozen meals business to ConAgra Foods, Inc. for a total cash consideration of US\$265 million. The deal was completed on 19 August 2012. All other acquisitions or disposals during the year were not material.

Further details of acquisitions and disposals during 2011 and 2012 can be found in note 21 on pages 126 and 127.

We have presented some parts of the financial review within other sections of this Annual Report and Accounts, including the financial statements section. We believe this integrated approach provides a better flow of information and avoids duplication.

*Certain measures used in our reporting are not defined under IFRS. For further information about these measures, please refer to the commentary on non-GAAP measures on pages 34 to 35.

Turnover by category



Operating profit by category



Personal Care

	2012	2011	% Change
Turnover (€ million)	18,097	15,471	17.0
Operating profit (€ million)	2,928	2,536	15.5
Core operating margin (%)	17.1	17.6	(0.5)
Underlying sales growth (%)	10.0	8.2	
Underlying volume growth (%)	6.5	4.2	
Effect of price changes (%)	3.3	3.8	

Key developments

- Personal Care grew strongly again in 2012, with market outperforming growth spurred by innovation and the rollout of our brands in new markets, complemented by a strong contribution of the recently acquired brands.
- Underlying sales growth of 10.0% was driven by both higher volumes and a positive price contribution. Market shares increased, benefiting from gains in all geographies and strong performance in the haircare, deodorants and skin cleansing categories.
- Core operating margin was down 0.5%, reflecting continued investments in building beauty capabilities and infrastructure.

Refreshment

	2012	2011	% Change
Turnover (€ million)	9,726	8,804	10.5
Operating profit (€ million)	911	723	26.0
Core operating margin (%)	9.4	7.7	1.7
Underlying sales growth (%)	6.3	4.9	
Underlying volume growth (%)	2.4	1.4	
Effect of price changes (%)	3.9	3.4	

Key developments

- Performance in Refreshment improved in growth momentum as well as profitability. Underlying sales growth of 6.3% reflects good contribution from volume growth and from price changes. Core operating margin improved by 1.7%. This was driven by higher gross margin, strong savings programmes and cost discipline.
- In ice cream, growth momentum was driven by powerful performance in Latin America, Asia, North America and Europe and benefited from innovation behind our global brands such as Magnum, which is now a brand with sales in excess of €1 billion.
- In tea, innovation improved growth momentum in particular in emerging markets, such as Russia, Arabia and India.

Foods

	2012	2011	% Change
Turnover (€ million)	14,444	13,986	3.3
Operating profit (€ million)	2,605	2,693	(3.3)
Core operating margin (%)	17.5	17.5	–
Underlying sales growth (%)	1.8	4.9	
Underlying volume growth (%)	(0.9)	(1.2)	
Effect of price changes (%)	2.7	6.2	

Key developments

- Underlying sales growth in Foods was 1.8%. Volume growth was slightly negative, continuing to reflect the impact of a contracting spreads market and the price rises we took in 2011 to counter significant increases in input prices.
- Growth was supported by the rollout of innovations such as Knorr Jelly Bouillon and Knorr Baking Bags, as well as solid results delivered by our Food Solutions business.
- Core operating margin was flat with lower gross margin, reflecting the impact of higher commodity costs, offset by improved cost discipline and savings delivery.

Home Care

	2012	2011	% Change
Turnover (€ million)	9,057	8,206	10.4
Operating profit (€ million)	545	481	13.3
Core operating margin (%)	5.9	5.4	0.5
Underlying sales growth (%)	10.3	8.1	
Underlying volume growth (%)	6.2	2.2	
Effect of price changes (%)	3.9	5.8	

Key developments

- Home Care delivered a strong performance with underlying sales growth of 10.3%, ahead of market growth and balanced between volume growth of 6.2% and price changes contributing 3.9%.
- We improved value market shares in our laundry business across geographies and in particular in a number of highly competitive markets such as UK, France, China and South Africa on the back of continued innovation and the rollout of our brands.
- Household care growth was equally supported by the rollout of new and improved products, driving strong growth momentum for our global brands Domestos, Cif and Sunlight.
- Core operating margin was up by 0.5%, benefiting from successful new business models.

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