Annual Report 2006

PT UNILEVER INDONESIA Tbk

Growing Superior Brands

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Graha Unilever, Jl. Jend. Gatot Subroto Kav 15, Jakarta 12930, Indonesia

Corporate Information

Board of Commissioners

President Commissioner

Louis Willem Gunning

Independent Commissioners

Theodore Permadi Rachmat

Kuntoro Mangkusubroto

Cyrillus Harinowo

Bambang Subianto

Board of Directors

President Director

Maurits Daniel Rudolf Lalisang

Directors

Graeme David Pitkethly (designate)

Desmond Gerard Dempsey (resigned at September 1, 2006)

Muhammad Saleh (resigned at December 1, 2006)

Mohammad Effendi Soeparsono

Joseph Bataona

Surya Dharma Mandala

Debora Herawati Sadrach

Andreas Moritz Egon Rompis

Laercio de Holanda Cardoso Jr

Bernadette Mary Wake

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Our Mission

Unilever's mission is to add Vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life

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

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

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

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

Growing Superior Brands

Unilever's Vitality Mission

Unilever's mission is to add vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

At Unilever Indonesia we take this mission seriously. We know that much of our success is due to two factors, our people and our brands. It is the way in which we bring our brands to life that ensures we are relevant in serving our consumers, our customers and the community.

The Role of Our Business

Today, people are much more aware of the role that a business and its brands can have as a force for positive social change. We believe that people value a business that reflects and supports communities and families, that safeguards the environment and encourages the education of children, the elimination of poverty, the value of women and overall respect for human rights.

At Unilever Indonesia we do this through two routes. The first is our Unilever Peduli Foundation which has a strong and active commitment to four main programmes - Small to Medium-sized Enterprise (SME) Development; Environment Programmes; Humanitarian Aid and Public Health Education. The second route is the development of a social mission for each of our major brands.

Building Brands with a Social Mission

We believe that our brands are much more than just their physical attributes. We want our brands to really stand for something in the eyes of our consumers and our customers; to have social relevance and to meet their desires and needs. We therefore spend time crafting the social missions of our brands, because when we develop a strong social agenda we clearly differentiate our brands from our competitors. This in turn leads to greater growth opportunities for the brands.

Moreover when we bring our brand missions to life we are able to attract the most capable people and can build self-driven teams who are motivated to make a difference promoting the well-being of Indonesians and reaching out to the community.

To keep at the forefront of so many Indonesian consumer goods markets we must continually build our brands and our people. Unilever Indonesia is part of the Indonesian community and we will continue to look for ways to serve that community by bringing our brand social missions to life, contributing to the growth and prosperity of the people of Indonesia who honour us by choosing our brands.

Board of Directors

From left to right :
Laercio de Holanda Cardoso Jr (Director)
Graeme David Pitkethly (Director- designate)
Joseph Bataona (Director)
Debora Herawati Sadrach (Director)
Andreas Moritz Egon Rompis (Director)
Maurits Daniel Rudolf Lalisang (President Director)
Mohammad Effendi Soeparsono (Director)
Bernadette Mary Wake (Director)
Surya Dharma Mandala (Director)

Report of the Board of Commissioners

Board of Commissioners

From left to right :

Bambang Subianto (Independent Commissioner)
Theodore Permadi Rachmat (Independent Commissioner)
Louis Willem Gunning (President Commissioner)
Kuntoro Mangkusubroto (Independent Commissioner)
Cyrillus Harinowo (Independent Commissioner)

The Board of Commissioners monitored the progress of the Company during 2006 through regular meetings with the Directors. We met formally in each quarter to review the performance of the business and discuss economic, environmental, social and other events of relevance to the Company and its markets.

We are pleased with the strong performance of the business in an increasingly competitive environment where consumers' focus on quality brands offering good value is sharper than ever. The business has delivered another year of double-digit top and bottom line growth with market share gains in almost all categories. The Company's commitment to customer, consumer and community focus remains a passion amongst its people and we extend our appreciation to the Board of Directors and the management team for another excellent year.

We have also received regular updates from the Chairman of the Audit Committee, Mr. Cyrillus Harinowo, who presided over regular meetings of the Committee. We note that key focus areas for the Audit Committee in 2006 were the quality of earnings, internal audit reviews, external audit work plans and compliance with regulations regarding corporate governance and internal controls such as the Sarbanes-Oxley Act. We are pleased to report that all issues raised have been addressed and resolved satisfactorily.

We have examined the report of the Board of Directors, along with the corresponding consolidated financial statements for the year ended 31st December 2006, audited by KAP Haryanto Sahari & Rekan (a member firm of PricewaterhouseCoopers) and fully endorse the Board of Directors' proposal on the distribution of profit.

We would like to congratulate the Chairman of the Board of Directors, Mr. Maurits Lalisang, his Board colleagues, management and staff for their commitment to sustainable and profitable growth. Despite intensifying competition and a sometimes volatile economic environment we are confident of their continued efforts to growing the Company's brands and serve the needs of the community in which we live and work.

For and on behalf of the Board of Commissioners

Jakarta, March 23rd 2007

Louis Willem Gunning
President Commissioner

Report of the Board of Directors

2006 saw the economy bounce back from the effects of the fuel price increase of October 2005 and was a year of relative economic stability. Year on year inflation returned to single digit to end the year at 6.6%. Interest rates also entered single digit, with frequent cuts in the SBI rate taking the benchmark rate to 9.75% at the year end. The Rupiah ended the year on a high, up some 9% against the US Dollar to close the year at Rp. 8,990. Economic growth showed some weakness early in 2006, as the effects of the 2005 fuel price increase continued to be felt, but regained momentum in the second half of the year with 5.9% and 6.1% growth in Q3 and Q4 respectively, driven mainly from increased exports and consumer consumption. While continued low inflation and interest rates should support consumer and investment spending through 2007 and provide a solid basis for sustained economic growth.

Against this background we are pleased to report that the company has had an excellent year, with top line sales growth of over 13% and net profit growth of over 19%. As the competitive environment for consumer products continues to intensify, we carefully monitor demand and the relative market share of our products. In 2006 we successfully gained market share in almost all of our key categories. We believe that this reflects not just the underlying strength of our business but also the social mission of our brands and the special place that they hold in the day-to-day lives of Indonesians. The theme of this year's Annual Report is "Growing Superior Brands" and in the next few pages we share with you what we mean by this statement as we try to meet the everyday needs for Indonesians' nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Two categories should be highlighted for their strong contribution to the growth of the business in 2006. Fabric Cleaning (*Rinso* and *Surf*) and Face Care (*Pond's, Citra* and *Dove*) together delivered over one-third of the total growth of the company this year with good innovations delivered to the marketplace with the right marketing mix and great activation. Our "EDGE" programme - which stands for Every Day Great Execution - typifies our approach to the marketplace and the passion we share for delivering relevant products at the right price to our customers and consumers. Our Foods and Ice Cream brands also contributed significantly to our growth this year and the brands *Bango* and *Taro* moved into our list of top-ten growth generators for the first time.

The strong growth in bottom line net profit for the year was delivered against a background of cost increases for many of our raw materials due to higher global commodity prices. This put pressure on our gross margin that we were able to manage through offsetting cost effectiveness projects in our supply chain and with the benefit of a strengthening Rupiah on the cost of dollar-priced commodities. Overall our gross margin increased slightly due to the mix of products sold.

Trade Marketing Investment is the term we use for the money we spend with our customers and distributors to ensure that our products reach shoppers in the most effective way. This investment continued to increase in 2006. We recognise that in a rapidly changing marketplace our products must be available whenever and wherever they are demanded by consumers. This requires good planning and close collaboration with our suppliers, customers and distributors to get our products from the factory to the shopping outlets on time and in the right condition.

Our advertising and promotional expenditures increased again this year in absolute terms but declined as a percentage of sales as we sharpened the focus of our investment during the year. Operating margin remained strong at over 21%.

Our net cash flow from operating activities was Rp 2.2 trillion this year, up from Rp 1.7 trillion. We invested Rp 350 billion mainly in expanding our factory operations during the year and expect to make an even higher level of investment in 2007 to support the growth of the business, particularly in our Skin, Soy Sauce and Ice Cream facilities. Furthermore we are committed to making every effort to secure further investment in our production facilities for export purposes and winning production contracts from other Unilever companies overseas. An increase in the competitiveness of the investment climate in Indonesia relative to other Asian countries is needed to deliver on this ambition. With this in mind we hope that proposed changes in the investment and tax regulations can be progressed swiftly during 2007.

Dividend payments remained high with a total of Rp1.5 trillion paid in 2006, the same as in 2005. With an eye to the investment needs of the business to support continued growth, we remain committed to a high dividend payout policy for the foreseeable future.

We are proud to report that the company's achievements were again recognised externally in 2006, with the receipt of 61 awards during the year including that of Most Admired Knowledge Enterprise from TELEOS and Indonesia's No.1 Leading Company from the Wall Street Journal Asia.

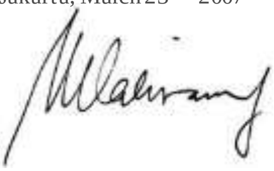
2006 was another year of sound corporate governance. We attach great importance to this and value our reputation for doing business with integrity and respect for the interests touched by our activities. Our Audit Committee has had a very busy year as for the first time we were required to meet the challenge of US Sarbanes-Oxley Act reporting for the Unilever Group internationally. This principally involved a detailed process to assess, document and test the operation of our key controls over financial reporting. Our Code of Business Principles, which describes for all employees and business partners the terms on which we operate and the importance we attach to the honesty and integrity of our dealings, was cascaded to all employees and takes prominent place in all of our operations. A copy of the Code is set out later in this report. In 2006 we also focused our efforts to make Unilever Indonesia a safe environment for our employees, and in 2007 will continue to implement strong health and safety standards at our sites, with a particular focus on road safety.

2006 was a year of change at Board level, with the retirement of our Chief Financial Officer and Vice Chairman Mr. Desmond Gerard Dempsey and our Corporate Relations Director Mr. Muhammad Saleh. Both had long and distinguished 30-year careers in Unilever and made a significant contribution to the development and success of Unilever Indonesia. On behalf of the company we would like to express our heartfelt thanks to them and our best wishes for a long and happy retirement.

As always, we thank our suppliers, distributors, customers, consumers and stakeholders for their contributions and support in 2006. We move into 2007 excited by the opportunities in our local markets and for Indonesia generally.

For and on behalf of the Board of Directors

Jakarta, March 23rd 2007



Maurits Daniel Rudolf Lalisang
President Director

Hygiene

2006 was a great year for our Hygiene business as we recorded strong growth and grew market share in almost all categories despite fierce competition. The key to this success lies in the strength of brands such as *Rinso, Surf, Pepsodent, Close Up* and *Sunlight*.

Our laundry business had an excellent year, with *Rinso* and *Surf* in particular performing well. *Rinso's* goal is to provide effective cleaning, a simpler laundry process and the best clothing experience. This enables people to unleash their potential by having the freedom to get dirty, and this simple message was encapsulated in our highly successful "Dirt is Good" campaign.

The growth of our oral care business in 2006 was underpinned by a series of strong innovations, with *Pepsodent Sensitive* and *Pepsodent Whitening* particularly successful. The strength of *Pepsodent* is based on its mission to improve the oral health of Indonesians and in this context the brand has worked very closely with the Indonesian Government's Health

and Education departments, as well as the local Dentist Association PDGI, for many years. During 2006 we continued to develop our schools programme, which since inception has reached 3.2 million Indonesian children under 12 years old. This programme promotes proper and early habits of brushing teeth to prevent dental problems, especially cavities.

A recent Habit & Attitude survey indicated that only about 34% of Indonesian people brush their teeth before going to bed, even though clinical research has found that oral bacteria counts multiply twice as fast at night than any other time in the day. As a result of these studies, *Pepsodent* has initiated a night brushing campaign designed to encourage Indonesians to brush their teeth before going to bed at night.

For *Close Up* the key event during the year was the launch of the highly innovative "core in sheath" variant, which is specifically designed to give the consumer both fresh breath and healthy teeth. *Close Up* also conducted a series of activities in conjunction with Drugs Prevention Foundation, MTV and Prambors radio with the aim of mobilising Indonesian youth to see, feel, hear and take action to help spread information to prevent HIV/AIDS through the campaign "Brani Ngomong Brani Buktiin" – "Dare to Speak Dare to Prove". These activities were a great success, with over 1.2 million Indonesians wearing the special *Close Up* Dare to Speak Dare to Prove tags.

Our household care category performed well, led by our *Sunlight* and *Domestos Nomos* brands. *Sunlight's* "Agent 1,000" activation, which empowered housewives to discover within them the power that can move people to do better things, was very successful with more than 20,000 housewives taking up the challenge to be a *Sunlight* agent.

Personal Care

The strength of our Personal Care business is built on the strength of such well known brands as *Lifebuoy, Pond's, Citra, Sunsilk, Dove, Clear* and *Lux* which form the core of our portfolio.

During 2006, all our Personal Care brands performed well and as a consequence we were able to record further market share gains across all categories despite often tough and highly competitive market conditions.

In skin cleansing category the key event in 2006 was the relaunch of *Lifebuoy*, which was well received by our consumers. Throughout its long history, *Lifebuoy* strived to help Indonesians feel more secure by helping them to improve their health through better hygiene. The brand's core promise of better protection was at the heart of the highly successful "berbagi sehat" campaign which covered a whole range of health education and hygiene improvement programmes. During 2006, *Lifebuoy* was voted the most socially responsible brand in Indonesia in the Citizen Brand Awards.

Our hair care portfolio of *Sunsilk, Clear, Dove* and *Lifebuoy* again made excellent progress in a highly competitive market. Being a brand that understands women, *Sunsilk* benefited from the "circle of beauty" campaign designed to empower young Indonesian women to progress positively in life and to be acknowledged by society for their contribution.

During 2006 we conducted a series of activities that celebrated a girl's uniqueness and at the same time promoted girl to girl support. A road show was conducted in six large cities to collect signatures from girls at high schools as a symbol of solidarity to those girls in Indonesia who do not yet have the opportunity for education. Rp. 1,000 was donated for every signature collected and the proceeds were donated to the Melati Foundation to conduct a series of skills training programmes for girls in rural areas.

In skin care category, all our brands performed well, with both *Pond's* and *Citra* launching a range of innovations that were well accepted by Indonesian consumers. *Citra's* mission is to help Indonesian women balance their mind and body. *Citra* realises that Indonesian women have multiple roles to perform in their life and that by having a balanced mind and body women can perform their various roles better, leading to a more harmonious relationship with their community. To support this mission, *Citra* launched Rumah Cantik Citra, which is a semi permanent spa house that enables visitors to experience all of the *Citra* products that help manage and beautify the body and the soul.

Our deodorants category again grew faster than the market, with *Rexona* performing particularly well, supported by an activation programme that helps Indonesian consumers better understand how using deodorants gives them the confidence to live their lives to the full.

Foods

2006 was a year of strong growth for our Foods business, which we aim to establish as the strong third pillar of the business alongside Hygiene and Personal Care.

Unilever's global mission is to add vitality to life, to meet the everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life. In pursuit of this mission we believe that we must build total brand value, addressing the social, environmental and economic agenda that surrounds us. We also believe that businesses, and therefore brands, can be a force for positive social change.

Indonesians face many challenges every day, such as providing nutrition for the family, education for children, achieving an adequate standard of living, access to clean water and clean air, and being free from disease and illness. For each of our food brands we have developed a statement of our social mission. It is this social mission - what the brand stands for and how it behaves - which gives meaning to the brand beyond the physical, mental and even emotional elements of the brand.

The social missions of our food brands are as follows :

Empowering Indonesian women and helping them to take care of the nutritional needs of their families.

Preserving the culinary heritage of the Archipelago and to enhance the livelihood of the Indonesian black soy bean farmers.

Helping Mum with the mental and physical development of her children – unlocking their potential.

Truly understanding Indonesians – their values, their roots, their pride, their motivations. The string that connects.

Taro Boy is the hero of kids with his adventurous attitude to life, encouraging kids to mimic his spirit, his love of fun and the way he knows what is the cool right way to do things.

In growing superior brands we bring these brand missions to life. This gives us truly differentiated positions versus our competitors and builds consumer loyalty so that our brands are sought out and loved by Indonesians not just for their delicious tastes and quality but for the roles our brands play in Indonesian communities.

Kecap Bango illustrates how we activate these brand missions in our marketing campaigns: *Bango* Cita Rasa Nusantara showcases the culinary delights of Indonesia in a weekly television programme. Our *Bango* Festival Jajanan is held in major cities and gives Indonesian families the opportunity to taste the best local dishes, provided by the region's iconic food hawkers, in one location. During 2006 over 100,000 Indonesians enjoyed this experience.

In addition, our commitment to develop the local black soy bean farming industry has resulted in an ongoing partnership between Unilever Indonesia and the Gadjah Mada University in Yogyakarta. This partnership is committed to working directly with farmers to guarantee a market for the black soy bean crop, providing technical assistance and giving access to financing.

With such a strong and active social mission it is not surprising that *Bango* has become such a successful part of the Unilever Indonesia's brand portfolio.

The future is bright for our food brands in 2007 and beyond. We will continue to work hard to excite and delight Indonesians so that we contribute to their growth and prosperity and that of our business.

Ice Cream

2006 was a year in which our Ice Cream business grew at a strong double-digit rate for a third consecutive year. This growth was accompanied with a solid bottom line delivery, making Ice Cream a significant profit contributor for Unilever Indonesia.

Wall's through the powerful brands like *Paddle Pop*, *Conello*, and *Moo* has sustained true leadership in the market as reflected in the strong market shares of these brands.

The growth of Ice Cream is a result of the synergies between strong innovations supported by integrated 360 degree activations, continuous improvement in the supply chain and a drive to expand availability and put our products closer to our consumers.

One of the key highlights of 2006 was the strong growth of *Paddle Pop*, which reached its highest growth in the last

three years driven by the launch of two new innovations. One of these innovations, *Magilika*, has been chosen for regional roll-out in countries like Thailand, Singapore, Malaysia and Pakistan. Indonesia has a strong *Paddle Pop* brand, and the success of *Magilika* further strengthened this position.

Another highlight of 2006 was the relaunch of *Conello*, a brand that has grown strongly since its first marketing campaign back in 2003. The relaunched *Conello*, with youthful communication and activation, positioned the brand with a deeper relevance in teenage consumers' lives.

Moo, an innovation first launched in 2005, was selected by the Unilever global team as a mix that represents the Group's Vitality mission. The concept of a healthy snack that gives kids calcium is a proof of how Indonesia's innovation capability can set the global direction.

Our in-home section also made a significant growth contribution in 2006 with right innovations at the right time, in particular during the Ramadhan period. Supported by Ramadhan-themed communication that encourages kids to care about their less-fortunate friends, in-home created the right atmosphere for the occasion.

Ice cream is generally an impulse purchase, therefore availability, visibility and activations are vital. We were able to accelerate the growth of *Wall's* through strong efforts to get the ice cream closer to its consumers with increased availability through cabinet investment.

We continued to maintain our connection with the community in 2006 with the Ice Cream team renovating a school during a community visit. We also continued to open our ice cream factory facilities to many school kids in order to show them how ice cream is manufactured.

Supply Chain

To grow superior brands Supply Chain must ensure that our products are consistently planned, manufactured and delivered to customers on time at the right quantity and quality. Strong, fast growing brands require good innovation and product development. This means dynamic changes in product formulations, packaging designs and the frequent introduction of new products. To meet this challenge we focus our Supply Chain activities in the following key areas: innovation roll out, capacity creation, cost competitiveness and quality, environmental responsibility, corporate social responsibility and people capability.

Innovation roll-out requires early involvement with our marketing, development and customer care teams to prepare factory equipment and production processes with fast and right first time delivery of product innovations. The structured forum of S&OP (Sales & Operation Planning) is a key tool to ensure smooth execution of product launch and re-launch events. S&OP also helps us to reduce stock write-offs and reduce levels of business waste from inefficient planning and operations.

It is essential that additional manufacturing capacity is brought on stream at the right time to support the fast growth of our business. In 2006 we continued to make improvements in operational equipment efficiency and made significant capital investments in several categories, including NSD Powder, Skin Care, Toothpaste, Home Care Liquid, Shampoo, Ice Cream, Tea and Soy Sauce. We also invested in new logistic warehouse infrastructure that enables us to deliver our targeted levels of customer service, which we now monitor through the more stringent measure of CCFOT (Customer Case Fill On Time).

Cost competitiveness remains an important part of our strategic agenda and the whole extended supply chain, from our suppliers through production to logistics. The team has worked hard to sustain our competitiveness in manufacturing costs. This is achieved through the development of new or alternative raw materials and packaging materials, leveraging our global scale in buying, closer collaboration with our supplier business partners, and applying new technology to improve productivity, reduce waste and promote energy conservation in our factories.

Our achievements in sustained cost competitiveness were made without compromising on quality, enhancing the consumer value proposition by, for example, upgrading product benefits or improving packaging.

As part of our environmental responsibility we have improved factory performance by implementing a water conservation programme in our Rungkut factory. Effluent water is treated, fully recycled and then used for utilities such as boiler feed water, chilling units and cooling towers. A similar programme is now underway at our Cikarang production site.

We recognise that we are integral part of the communities that surround our factories and material suppliers, and we carry a responsibility for being a responsible and valuable member of those communities. Various programmes of care for the areas surrounding our Rungkut and Cikarang factories were implemented.

We believe that the growth of superior brands can only be delivered by having superior people and throughout 2006 we continued to invest in our people with professional training, international assignments, and skills development as part of their personal growth journey.

Customer Care

Customer Care committed in 2006 to raise the bar on performance and service, with an emphasis on effective and efficient execution in the marketplace for all of our activations, promotions and merchandising. The essence of this thrust is captured in our programme "Win with Customers". This consists of several elements including Strategic Investing for Growth, Building Brands through Customers, Customer Service Excellence and Win at Point of Purchase. Each element addresses specific issues aimed at building superior brands for our company.

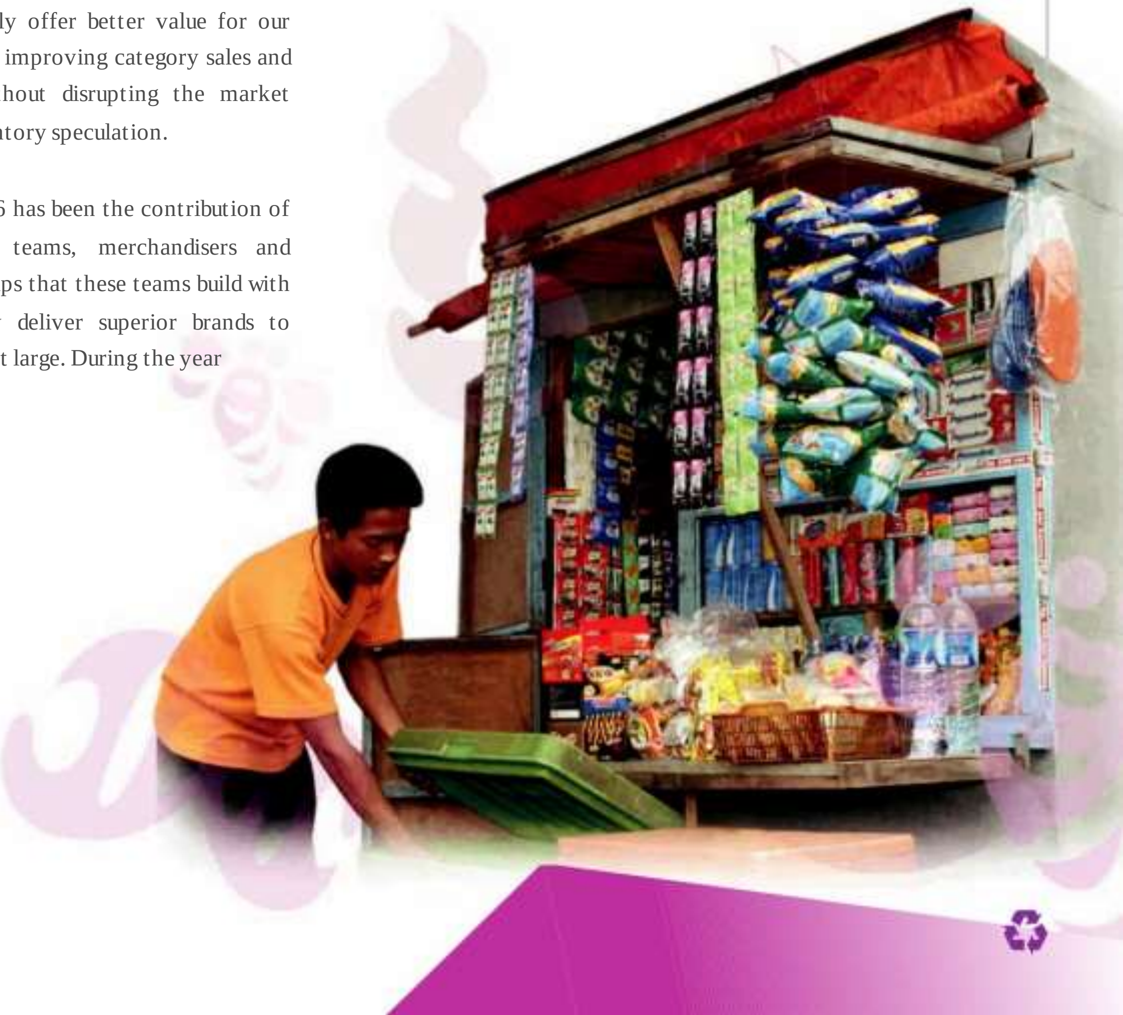
"Strategic Investing for Growth" tries to identify and invest more of our resources with customers who are willing to share their long term vision, to jointly build resources and to develop business partnerships for the long term. An example is the relationship between Unilever Indonesia and its many distributors to serve the traditional market segment. Our partnerships with the leading modern trade operators in Indonesia began in the early 90's and have become stronger year on year.

In "Building Brands through Customers", we work together with customers to go beyond simply promoting brands to generate extra sales but seek to strengthen the brands and their image in store with our customer's shoppers. In-store activation is focused on bringing consumers and shoppers closer to our brands, encouraging them to try our brands if they have not before or building the brand loyalty of existing consumers. During 2006 we conducted many brand activations and corporate social responsibility programmes in our customer's stores and in conjunction with our customers.

The *Pond's* Beauty Counter which have been set up in some hypermarket stores is an example of in-store activation. We improve brand image through strong visibility. Our consumers are able to experience the products at point of purchase and get a better understanding of the products from experts. In-store activation is also conducted in cosmetic stores in the general trade channel. Our beauty advisers are available in the store to help consumers and shoppers to understand the product benefits as well as to choose the right product for them. 63% of the Indonesian population live in rural areas of which 22% in remote areas in the Outer Islands. Unilever Indonesia has initiated projects to reach our consumers in these remote areas, for example a pilot in Sumatra with the objective of coverage extension, improved merchandising and activation. The pilot results were promising and we will extend the programme to other islands in 2007.

"Customer Service Excellence" and "Win at Point of Purchase" are directed firstly at making significant improvements in the way we serve our customers and secondly on ensuring that our products are always present in the right volume and quality of presentation at the shopper's point of purchase. By ensuring high service levels in the most effective and efficient way and continuously improving the way we present our products on shelf we believe we will not only attract more shoppers but also give better information and a better brand experience to our consumers. Our promotional activities not only offer better value for our consumers but are also aimed at improving category sales and profit for our customers, without disrupting the market through price instability or inventory speculation.

The key to our success in 2006 has been the contribution of our sales force, promotion teams, merchandisers and distributors. It is the partnerships that these teams build with our customers that ultimately deliver superior brands to consumers and the community at large. During the year we strengthened our Customer Care resources in terms of number of people, their skills and capabilities. The progress is very promising. Almost all of our brands lead their categories and have gained share in both the traditional and modern trade channels. The journey of winning with customers continues in 2007.



Corporate Relations

To support our company's ambition to grow superior brands, Corporate Relations department works hand in hand with Unilever Indonesia's brands to ensure that Corporate Relations programmes are implemented smoothly.

Through the Unilever Peduli Foundation, we support the brands in implementing their social missions. Through our Communications department we amplify corporate and brand activities in the media, to ensure that the brand messages are clearly presented to our consumers, building trust towards our brands and Unilever Indonesia as a company.

Some of the initiatives implemented by Corporate Relations in 2006 are set out below:

As a part of our strong commitment to the environment, Unilever Green and Clean, a community competition programme focusing on the greenest & cleanest neighbourhood at RT level, was conducted through a collaboration with Jawa Pos, a leading newspaper in East Java. The programme, Surabaya Green & Clean, aimed to create awareness on environmental issues, especially waste management and greening issues, and to encourage people to actively participate in combating environmental problems. The programme was very successful in the Surabaya community, and "Green and Clean" has become a very hot topic in Surabaya. This initiative is now an annual programme for the city.

Another initiative in support of our environment was the return of Energy Globe Award to the people of Surabaya.

"No Us without You" is the best phrase to describe our achievement in winning the Energy Globe Award for our Surabaya Environmental Programme. Unilever Indonesia received a prize of EUR 10,000 from the Energy Globe institution in Canada and we dedicated this money back to the community in the belief that we could not have achieved the award without strong support from the community and our partners. On the Heroic Day (Hari Pahlawan) ceremony in Surabaya, the prize was distributed to twelve RW in Surabaya, witnessed by the Surabaya mayor.

Inline with *Kecap Bango's* social mission, "...to enhance the livelihood of the Indonesian black soybean farmers...", our Black Soybean Farmers Development Programme initiated on the basis of mutually beneficial partnership. As a result we secure a new and growing source of supply of high quality black soybean and farmers have the opportunity to increase their income in between rice-growing seasons by planting black soybean. Through this programme, farmers get a guaranteed price and market. There were around 5,000 farmers involved in this programme in 2006. As *Kecap Bango* grows, we plan to involve more and more farmers in the programme.

Human Resources

The success of our business this year would not have been possible without the support of a great team of people. Our business growth, while built on superior brands, is delivered day to day through our employees. To maintain this growth we continue to build our collective capabilities through many programmes and initiatives targeted at the different functions and groups into which we are organised. During 2006 we continued the roll-out of Brand Building strength in our divisions and Customer Marketing in Customer Care. These professional skills and competency-based training programmes were carefully designed to meet our business needs. Special attention was paid this year to further embedding and improving the Unilever Brand Marketing Planning process that was first introduced in 2005. This process provides a common language and framework for brand planning and plays a critical part in delivering our growth ambitions across the business. It consists of six steps from Brand Audit, Jobs to Be Done, Think Big, Think Tight, Integration and Tracking. In 2006 we completed the roll-out of the process across all brands.

Our passion and commitment to making Unilever Indonesia a true knowledge-based company has again been recognised externally. In 2006, for the second time, we were awarded an Asian MAKE (Most Admired Knowledge Enterprise) award together with fifteen other reputable companies from Australia, Japan, India and South Korea.

Our Human Resources function is in the process of a transformation that involves thorough alignment of all HR activities and programmes with the strategic direction and business needs of the organisation, stronger emphasis on effective business partnering with our colleagues across the business and delegating most of the transactional processes and administrative works to dedicated shared service teams. This transformation will continue through 2007.

We believe that to grow our superior brands we must continuously grow and retain our people. Learning and development programmes are available to enhance professional skills and competencies as well as personal development like our 7 Habits for Highly Effective People and YES (You Empower the Self) workshops.

We make a number of internal awards each year to recognise and celebrate employees who deliver outstanding achievements and become role models in their areas. These include the Chairman's Award, Enterprise Award, Director's Award and the TPM Award.

To build spirit and our corporate culture we provide many energising initiatives which encourage diversity, openness and team working. Examples are our divisional annual conferences, sharing of joy events, day care programme, and family days.

Financial Review

The company has had a strong year with sales growth of over 13%. The largest growth contributions came from our Fabric Cleaning, Skin Care, Savoury, Hair Care and Ice Cream categories. In aggregate, Hygiene and Personal Care grew at 13% with *Rinso, Surf* and *Pond's* as the largest contributors. Foods and Ice Cream grew at 17% with *Bango* and *Taro* generating the most growth.

Gross profit margin improved by 0.4% to 49.7% despite increases in the costs of many of our raw and packing materials due to higher oil, chemical and other commodity prices. Continued cost effectiveness projects in the supply chain together with tight controls on working capital served to offset these effects and there was some gross margin benefit from the mix of products sold in the year.

Both marketing and selling expenses and general and administrative expenses reduced slightly as a percentage of sales, with effective targeting of advertising and promotional spend driving a higher rate of sales growth in competitive markets. Our operating margin remained healthy at over 21%. Other income / expenses were lower than last year as a higher level of interest income on cash deposits was offset by losses on fixed assets taken in the final quarter from supply chain

restructuring projects. Our net profit for the year increased by over 19%, with our net profit margin maintained at around 15%.

Capital expenditures reached Rp 350 billion in 2006, with significant investment in expanding our manufacturing capacity, new logistics infrastructure (including a new distribution centre in Cikarang) and supply chain efficiency improvement projects. We anticipate that capital investment will continue to be high in the coming years in support of the company's growth ambitions.

The company declared and paid an interim dividend of Rp 80 per share in December 2006. The total dividend paid in the year 2006 amounted to Rp 200 per share. We anticipate being able to continue a high dividend payout policy for the foreseeable future. The Total Shareholders Return (TSR) in 2006 reached 57.4% and the earnings per share were Rp 226 .

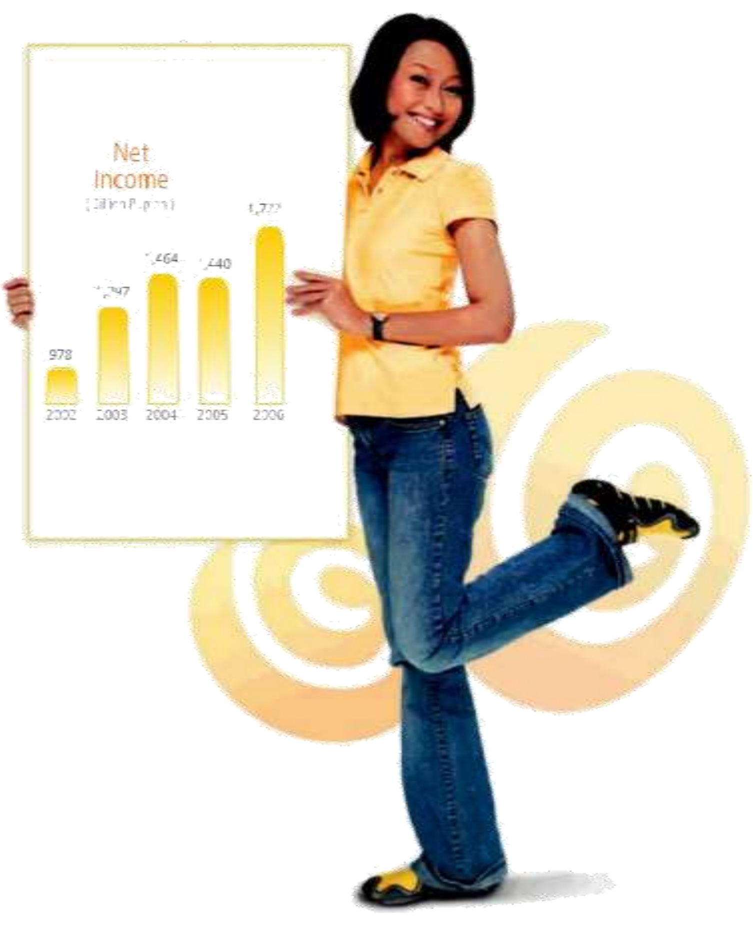
The company remained in a positive funds position throughout the year, with a year-end balance of Rp 1.0 trillion. This was maintained in USD and IDR deposits earning an average net interest of 5% per annum. We continue to operate a conservative foreign exchange policy, hedging all of our foreign currency obligations using forward exchange contracts and USD deposits.

Our outlook for 2007 remains positive, however we expect that the competitive landscape will continue to intensify and that there will be some pressure on our cost base from commodity prices. As many of these costs are ultimately dollar-related, currency exchange rates will continue to bring a degree of volatility to our business results. We are committed to continue investing in our markets and supporting the Indonesian economy for sustainable longer-term growth, generating value for our business partners and stakeholders.


Sales
(Billion Rupiah)
8,124
8,985
9,952
11,335
2004


Operating Income
(Billion Rupiah)
1,777
2,036
2,030
2003


Dividend Paid
1,525
1,526
2004


Net
Income
978
2002
2003
2004
2005

Summary of Salient Financial Data

Presented below is the summary of salient financial data of the company for the five years ended 31st December 2002, 2003, 2004, 2005 and 2006 derived from the company's consolidated financial statements which have been audited by KAP Hadi Sutanto & Rekan for the years 2002 and 2003, and by KAP Haryanto Sahari & Rekan for the years 2004, 2005 and 2006.

Description (in Rupiah billion, except for the number of shares and earnings per share)	**2002**	**2003**	**2004**	**2005**	**2006**
Current Assets	2,129	2,196	1,983	2,030	2,604
Total Assets	3,092	3,416	3,647	3,842	4,626
Current Liabilities	939	1,231	1,232	1,501	2,057
Total Liabilities	1,052	1,312	1,370	1,658	2,249
Equity	2,020	2,096	2,258	2,174	2,369
Net Working Capital	1,190	965	751	529	547
Net Sales	7,015	8,124	8,985	9,992	11,335
Gross Profit	3,369	4,217	4,669	4,926	5,631
Operating Income	1,320	1,777	2,036	2,030	2,435
Net Income	978	1,297	1,464	1,440	1,722
Net Income to Net Sales	13.9%	16.0%	16.3%	14.4%	15.2%
Number of Outstanding Shares (in millions of shares)	763	7,630	7,630	7,630	7,630
Net Income per share	1,282	170	192	189	226
Operating Ratios					
Operating Income to Equity	65.3%	84.8%	90.2%	93.4%	102.8%
Net Income to Equity	48.4%	61.9%	64.8%	66.2%	72.7%
Operating Income to Total Assets	42.7%	52.0%	55.8%	52.8%	52.6%
Net Income to Total Assets	31.6%	38.0%	40.1%	37.5%	37.2%
Financial Ratios					
Current Assets to Current Liabilities	226.7%	178.4%	161.0%	135.2%	126.6%
Liabilities to Equity	52.1%	62.6%	60.7%	76.3%	94.9%
Liabilities to Total Assets	34.0%	38.4%	37.6%	43.2%	48.6%

Share Capital & Ownership

The company's share capital at the end of the year 2006 was 7,630,000,000 shares and is listed on the Jakarta and Surabaya Stock Exchanges. As at December 31, 2006 the composition of the company's shareholders was as follows :

Ownership	Number of Shares	Nominal Values in Thousand Rp.	%
Public	1,145,122,500	11,451,225	15%
Mavibel (Maatschappij voor Internationale Beleggingen) BV, Rotterdam, the Netherlands	6,484,877,500	64,848,775	85%
Total	7,630,000,000	76,300,000	100%

Share Price

	Volume		Highest (Rp)		Lowest (Rp)		Closing (Rp)	
	2005	2006	2005	2006	2005	2006	2005	2006
Quarter 1	155,377,500	67,125,500	3,900	4,525	3,300	4,150	3,825	4,250
Quarter 2	90,196,500	186,569,500	4,650	5,100	3,525	3,625	4,075	4,125
Quarter 3	93,055,500	46,143,000	4,725	4,600	3,725	4,075	4,075	4,600
Quarter 4	66,926,500	64,283,500	4,725	6,850	4,000	4,525	4,275	6,600

Dividends

Details of dividends paid in the years 2005 and 2006 were as follows :

	Rp. per Common Share		Total Dividend in Million Rp.	
	2005	**2006**	**2005**	**2006**
Second interim dividend	60	0	457,800	0
Final dividend	80	120	610,400	915,600
First interim dividend	60	80	457,800	610,400
Total	200	200	1,526,000	1,526,000

Company Profile

Established in Indonesia at 5th December 1933, PT Unilever Indonesia Tbk has grown to be one of the leading suppliers of fast moving consumer products across foods, hygiene and personal care product categories in Indonesia. Its portfolio includes many of the world's best known and well loved brands, such as *Pepsodent, Pond's, Lux, Lifebuoy, Dove, Sunsilk, Clear, Rexona, Vaseline, Rinso, Surf, Molto, Sunlight, Wall's, Blue Band, Royco, Bango* and many more.

Unilever Indonesia became a public company in 1982 and listed on the Indonesian Stock Exchanges (Jakarta and Surabaya). The company ranked seventh in the Jakarta Stock Exchange in terms of market capitalisation at the end of 2006.

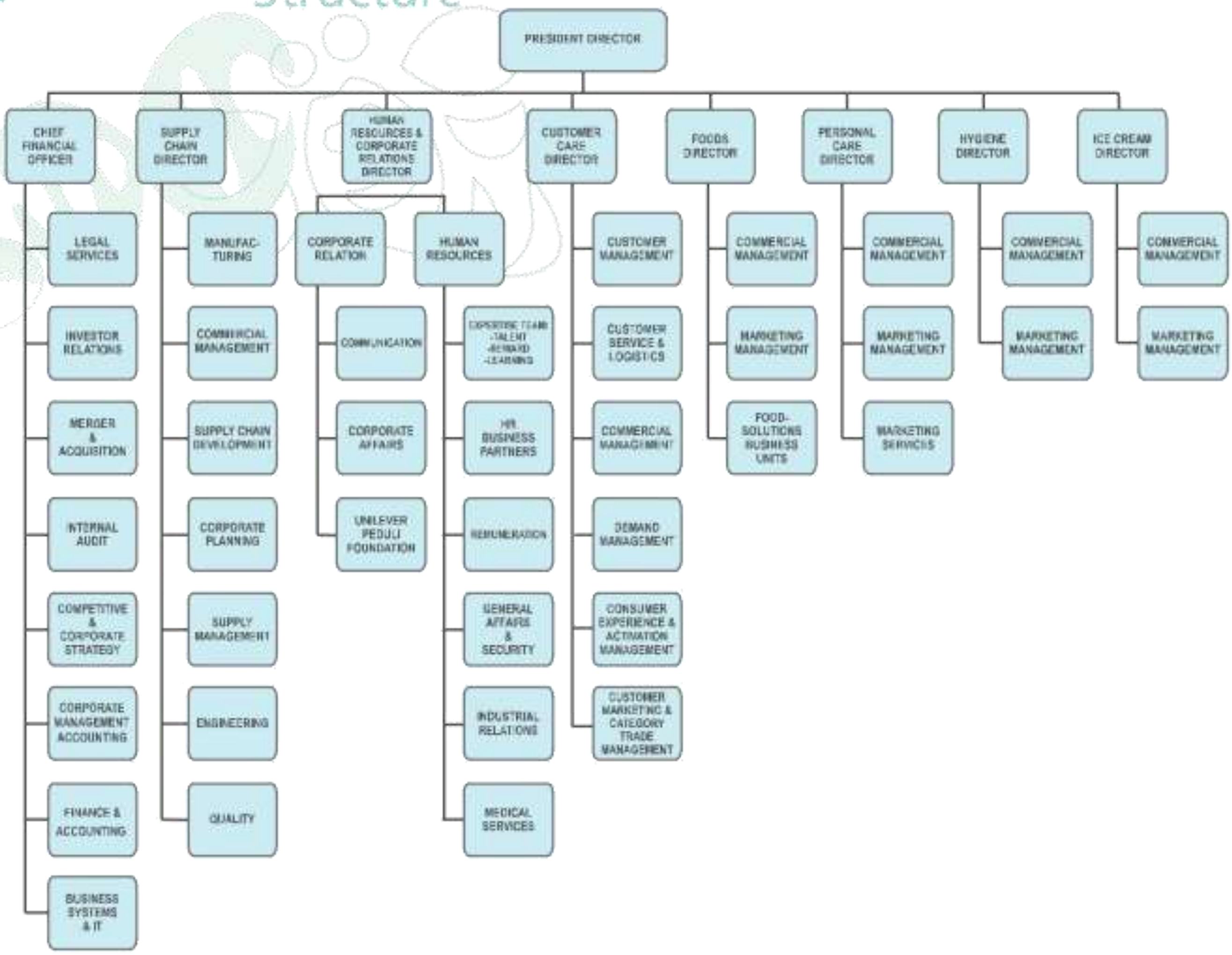
The company has two subsidiaries, PT Anugrah Lever and PT Technopia Lever, with majority ownership of 65% and 51% respectively. PT Anugrah Lever engages in manufacturing, developing, marketing and selling soy sauce, chilli sauce and other sauces under the *Bango* trademark and other brands under licensed. PT Technopia Lever engages in distribution, export and import of goods under the *Domestos Nomos* trademark.

At Unilever our people are at the centre of everything we do. We give priority to their professional fulfilment, their work-life balance and their ability to contribute equally as part of a diverse workforce. The company currently has more than 3,200 employees throughout Indonesia.

The company seeks to manage and grow the business in a responsible and sustainable fashion. The values and standards by which we expect to be judged are set out in our Code of Business Principles. We share these values and standards with our suppliers and distributors.

Unilever's products are generally sold through the network of about 400 independent distributors to reach thousands of stores and outlets located throughout Indonesia. Products are distributed through distribution centres, satellite warehouses, depots and other facilities.

Organisational Structure



Code of Business Principles

Our code of business principles describes the operational standards that everyone at Unilever follows, wherever they are in the world. It also supports our approach to governance and corporate responsibility.

Standard of Conduct

We conduct our operations with honesty, integrity and openness, and with respect for the human rights and interests of our employees. We shall similarly respect the legitimate interests of those with whom we have relationships.

Obeying the Law

Unilever companies and our employees are required to comply with the laws and regulations of the countries in which we operate.

Employees

Unilever is committed to diversity in a working environment where there is mutual trust and respect and where everyone feels responsible for the performance and reputation of our company.

We will recruit, employ and promote employees on the sole basis of the qualifications and abilities needed for the work performed. We are committed to safe and healthy working conditions for all employees. We will not use any form of forced, compulsory or child labour. We are committed to working with employees to develop and enhance each individual's skills and capabilities.

We respect the dignity of the individual and the right of employees to freedom of association. We will maintain good communications with employees through company-based information and consultation procedures.

Consumers

Unilever is committed to providing branded products and services which consistently offer value in terms of price and quality, and which are safe for their intended use. Products and services will be accurately and properly labelled, advertised and communicated.

Shareholders

Unilever will conduct its operations in accordance with internationally accepted principles of good corporate governance. We will provide timely, regular and reliable information on our activities, structure, financial situation and performance to all shareholders.

Business Partners

Unilever is committed to establishing mutually beneficial relations with our suppliers, customers and business partners. In our business dealings we expect our partners to adhere to business principles consistent with our own.

Community Involvement

Unilever strives to be a trusted corporate citizen and, as an integral part of society, to fulfill our responsibilities to the societies and communities in which we operate.

Public Activities

Unilever companies are encouraged to promote and defend their legitimate business interests. Unilever will co-operate with governments and other organisations, both directly and through bodies such as trade associations, in the development of proposed legislation and other regulations which may affect legitimate business interests. Unilever neither supports political parties nor contributes to the funds of groups whose activities are calculated to promote party interests.

The Environment

Unilever is committed to making continuous improvements in the management of our environmental impact and to the longer term goal of developing a sustainable business. Unilever will work in partnership with others to promote environmental care, increase understanding of environmental issues and disseminate good practice.

Innovation

In our scientific innovation to meet consumer needs we will respect the concerns of our consumer and of society. We will work on the basis of sound science, applying rigorous standards of product safety.

Competition

Unilever believes in vigorous yet fair competition and supports the development of appropriate competition laws. Unilever companies and employees will conduct their operations in accordance with principles of fair competition and all applicable regulations.

Business Integrity

Unilever does not give or receive, whether directly or indirectly, bribes or other improper advantages for business or financial gain. No employee may offer, give or receive any gift or payment which is, or may be construed as being, a bribe. Any demand for, or offer of, a bribe must be rejected immediately and reported to management.

Unilever accounting records and supporting documents must accurately describe and reflect the nature of the underlying transactions. No undisclosed or unrecorded account, fund or asset will be established or maintained.

Conflicts of Interest

All Unilever employees are expected to avoid personal activities and financial interests which could conflict with their responsibilities to the company. Unilever employees must not seek gain for themselves or others through misuse of their positions.

Compliance-Monitoring-Reporting

Compliance with these principles is an essential element in our business success. The Unilever Board is responsible for ensuring these principles are communicated to, and understood and observed by, all employees.

Day-to-day responsibility is delegated to the senior management of the regions and operating companies. They are responsible for implementing these principles, if necessary through more detailed guidance tailored to local needs. Assurance of compliance is given and monitored each year. Compliance with the Code is subject to review by the Board supported by the Audit Committee of the Board and the Unilever Executive Committee.

Any breaches of the Code must be reported in accordance with the procedures specified by Unilever. The Board of Unilever will not criticise management for any loss of business resulting from adherence to these principles and other mandatory policies and instructions. The Board of Unilever expects employees to bring to their attention, or to that of senior management, any breach or suspected breach of these principles.

Provision has been made for employees to be able to report in confidence and no employee will suffer as a consequence of doing so.

Corporate Governance

Board of Directors

The Board of Directors comprises one President Director and four Directors or more. Members of the Board of Directors are appointed by Shareholders at the Annual General Meeting, as of the date resolved at the Annual General Meeting of Shareholders until the closing of the third Annual General Meeting of Shareholders following the appointment of the Directors concerned.

The main duties of the Board of Directors are to lead and manage the Company in accordance with the objectives of the Company and to utilise, maintain and manage the assets of the Company in the interests of the business.

The Board of Directors is entitled to represent the Company within and outside the Courts of Justice concerning all matters and affairs, to bind the Company to other parties and other parties to the Company, and to perform all actions, either pertaining to the management as well as ownership affairs, but with the limitations as stated in the Company's Articles of Association.

The Board of Directors meets at least monthly and at any time deemed necessary. Notice of the meeting states the agenda, date, time and place of the meeting of the Board of Directors and shall be convened at the domicile of the Company or at the place where the Company conducts its business activities in the territory of the Republic of Indonesia. Minutes of the meeting of the Board of Directors are drawn up by a person present at the meeting designated by the Chairman of the meeting, in accordance with the Company's Articles of Association. These minutes serve as legal evidence regarding events in the meeting and resolutions taken.

The Board of Directors held twenty-four formal meetings in 2006 with 90% attendance.

Board of Commissioners

The Board of Commissioners consists of one President Commissioner and three Commissioners or more. Members of the Board of Commissioners are appointed by Shareholders at the Annual General Meeting, as of the date resolved at the Annual General Meeting of Shareholders until the closing of the third Annual General Meeting of Shareholders following the appointment of the Commissioners concerned. The Board of Commissioners is charged with the duty to supervise the policy of the Board of Directors in running the management of the Company, to perform such other duties as determined by the General Meeting of Shareholders from time to time, and give consultation to the Board of Directors and to do such other matters as provided in the Articles of Association of the Company.

The Meeting of the Board of Commissioners is held at least four times in a year and at any time when deemed necessary. Notice of a Meeting of the Board of Commissioners is sent to all members of the Board of Commissioners stating the agenda, date, time and place of the Meeting of the Board of Commissioners. The Meeting of the Board of Commissioners is convened at the domicile of the Company or at the place where the Company conducts its business activities in the territory of the Republic of Indonesia. Minutes of the meeting are drawn up in accordance with the Company's Articles of Association and serve as legal evidence regarding events in the meeting and resolutions taken.

The Board of Commissioners held four formal meetings in 2006 with 85% attendance.

Corporate Risk Management

The Corporate Risk Management Team is led by the Chief Financial Officer, with members comprising the Group Audit Manager, Financial Controller, Divisional Commercial Managers, Business Systems Manager and Corporate Secretary.

The objective is to assist the Board to carry out their responsibilities of ensuring effective systems of risk management and internal control are in place. The risk management and control systems have worked properly in 2006 and provide reasonable assurance that this annual report does not contain any material inaccuracies. No material weaknesses were detected in risk management and control systems in the year under review.

Corporate Relations

This function is led by the Human Resources and Corporate Relations Director, with members comprising of Corporate Communications Manager, General Manager of Yayasan Unilever Peduli, Corporate Secretary, Legal Services Manager, Corporate Industrial Relations Manager and the General Affairs Manager.

The objective is to assist the Board on external matters of relevance to the business, to advise the Board on issues of corporate social responsibility, and to review our corporate relations strategy.

Investor Relations

We believe it is important to both explain the business development and financial results to our shareholders and to understand the objectives of investors.

The Chief Financial Officer has lead responsibility for investor relations, with the active involvement of all members of the Board and Corporate Secretary. Presentation and discussions with analysts and institutional investors are conducted regularly. The company communicates also with its shareholders through the Annual General Meeting, providing a full account of the progress of the business over the years and a review of the current issues. Question and answer session forms an important part of the meeting. A Public Expose is conducted at least once a year to provide information to shareholders, investors and the general public. We are committed to efforts to establish more effective ways of shareholder communication.

Audit Committee

The role of the Audit Committee is to assist the Board of Commissioners in fulfilling their oversight responsibilities regarding the integrity of Unilever Indonesia's financial statements, risk management and internal control, compliance with legal and regulatory requirements, the external auditors performance, qualifications and independence, and the performance of the internal audit function.

The Audit Committee comprises a minimum of three members, meets at least four times a year, and reports directly to the Board of Commissioners. It is chaired by Mr. Cyrillus Harinowo, an independent commissioner, and its other members are Mr. Tjan Hong Tjhiang and Mr. Benny Redjo Setyono. The Committee members are appointed by the Board of Commissioners. The Committee's meeting is also attended by Chief Financial Officer, Corporate Secretary, Group Audit Manager, Financial Controller and at least once a year by our External Auditors. The Group Audit Manager ensures that the committee is supplied with all necessary information. The Audit Committee updates the Board of Commissioners all the critical issues regularly throughout the year. The committee held five formal meetings in 2006 with 93% attendance.

Corporate Secretary

The Corporate Secretary's specific responsibilities are:

- To monitor the Company's compliance with Company Law, Articles of Association, Capital Market stipulations and other related statutory regulations.
- To maintain regular and transparent communications with the authorities and capital market players on all governance issues, corporate actions and material transactions.
- To provide up to date and accurate information about PT Unilever Indonesia Tbk to shareholders, media, investors, analysts and general public on regular basis.
- To attend all the Board meetings and record the minutes of proceedings of the meetings; to keep the Board updated with the relevant regulatory changes and their implications.

Board of Commissioners

Louis Willem Gunning
President Commissioner
Dutch citizen, born in Netherlands.
Drs. Economics, Erasmus University Rotterdam.
President Commissioner since 2000.
Joined Unilever in 1982.
Group Vice President Unilever SEAA

Theodore Permadi Rachmat
Commissioner
Indonesian citizen, born in Kadipaten.
Ir, ITB.
Commissioner since 2000.
Commissioner of PT Multi Bintang Tbk.

Kuntoro Mangkusubroto
Commissioner
Indonesian citizen, born in Purwokerto.
Ir, ITB; MSc, Stanford University; Dr, ITB.
Commissioner since 2003.
Director for Aceh and Nias Rehabilitation and Reconstruction Agency. Commissioner of PT Holcim Indonesia Tbk, Chairman of Advisory Board for the Betterment of Education, Chairman of ITB Business and Management School Board.

Cyrilus Harinowo
Commissioner
Indonesian citizen, born in Yogyakarta.
Drs Accountancy, UGM; MA Development Economics, William College USA; PhD International Monetary Economics, Vanderbilt University USA.
Commissioner since 2004.
Chairman of Audit Committee since 2005.
Commissioner of PT Bank Central Asia Tbk. Rector of STIE Perbanas.

Bambang Subianto
Commissioner
Indonesian citizen, born in Madiun.
Ir, ITB; MBA, Dr, Catholic University of Leuven Belgium.
Commissioner since 2005.
Partner at Indoconsult (consulting/business advisory services), Lecturer in Faculty of Economics University of Indonesia.

Corporate Secretary

Franky Jamin
Indonesian citizen, born in Pematang Siantar.
FCCA from the Association of Chartered Certified Accountants, UK.
FCMA from the Chartered Institute of Management Accountants, UK.
Appointed Corporate Secretary since 2002, joined Unilever in 1978.
Previous senior posts include: Company Controller, Chief Accountant Business Systems Manager, Audit Group Manager.
Current other appointments: Vice Chairman of Unilever Indonesia Pension Funds, Treasurer of Unilever Peduli Foundation, Executive of AEI, Executive of National Centre for Sustainability Reporting.

Board of Directors

Maurits Daniel Rudolf Lalisang
President Director
Indonesian citizen, born in Makassar.
Graduated from University of Indonesia Faculty of Social Sciences, majoring in Business Administration; Advanced Executive Programme in Kellogg Graduate School of Management North Western University Chicago in June 2001.
President Director since 2004. Appointed director since 1991.
Joined Unilever in 1980.
Previous senior posts include: Corporate Relations Director, Managing Director Foods, Home Care Director, Sales Director.

Graeme David Pitkethly
Director (designate)
British citizen, born in Edinburgh, Scotland.
BSc Honours in Applied Chemistry from University of Strathclyde, Glasgow; ACA from the Institute of Chartered Accountants in England and Wales.
Chief Financial Officer (designate) since August 2006. Joined Unilever in 2002.
Previous senior posts: Group Chief Accountant Unilever PLC and NV, London; Vice President Finance and Planning FLAG Telecom; Managing Consultant and Senior Audit Manager PriceWaterhouseCoopers.

Mohammad Effendi Soeparsono
Director
Indonesian citizen, born in Banjarmasin.
Electrical Engineer from ITB.
Supply Chain Director since 2003. Appointed Director since 2003.
Joined Unilever in 1978.
Previous senior posts include: National Sales Manager-GT, General Works Manager Rungkut Surabaya, General Works Manager Angke Jakarta.

Andreas Moritz Egon Rompis
Director
Indonesian citizen, born in Jakarta.
MBA from Illinois University USA.
Customer Care Director since 2004.
Appointed Director since 2004. Joined Unilever in 1990.
Previous senior posts include: Ice Cream Director, Marketing Manager Personal Wash, National Account Manager, Branch Manager Sumatra.

Joseph Bataona
Director
Indonesian citizen, born in Flores.
Graduated from Atma Jaya University majoring in Human Resource Management.
Human Resources Director since 2000.
Appointed Director since 2000. Joined Unilever in 1980.
Previous senior posts include: Deputy Personnel Director, Personnel Manager Asia Pacific of Quest International.

Surya Dharma Mandala
Director
Indonesian citizen, born in Bali.
Industrial Engineer from ITB. MBA from IPMI.
Ice Cream Director since 2004. Appointed Director since 2001. Joined Unilever in 1987.
Previous senior posts include: Customer Care Director, Home Care Director, Customer Demand Manager, Business Unit Head, Marketing Sales Operations Manager, National Sales Manager GT.

Laercio de Holanda Cardoso Jr
Director
Brazilian citizen, born in Brazil.
Business Administrator MBA Marketing from Getulio Vargas University Sao Paulo.
Hygiene Director since 2005. Appointed Director since 2005. Joined Unilever in 1986.
Previous senior posts include: Marketing Director Unilever Brazil, E-Business Director Unilever Latin America, General Manager Low Income Business Unilever Latin America.

Debora Herawati Sadrach
Director
Indonesian citizen, born in Sukabumi.
Drg from Trisakti University; Ed M from Boston University School of Education.
Personal Care Director since 2001.
Appointed Director since 2001. Joined Unilever in 1988.
Previous senior posts include: General Manager Marketing Services, Marketing Controller Personal Care, Marketing Manager Hair & International Brand Team Leader, Marketing Manager Oral & Marketing Manager Regional Support Centre Oral East Asia Pacific.

Bernadette Mary Wake
Director
Australian citizen, born in Australia.
Bachelor of Economics, Monash University Melbourne Australia.
Foods Director since 2006. Appointed Director since 2006. Joined Unilever in 1983.
Previous senior posts include: Business Development Manager New Zealand; Marketing Director Foods Australia; Managing Director Foods Malaysia and Singapore.

Board of Commissioners and Board of Directors are responsible for the content of the Annual Report 2006.

Louis Willem Gunning
President Commissioner

Bambang Subianto
Commissioner

Cyrillus Harinowo
Commissioner

Theodore Permadi Rachmat
Commissioner

Kuntoro Mangkusubroto
Commissioner

Maurits Daniel Rudolf Lalisang
President Director

Andreas Moritz Egon Rompis
Director

Mohammad Effendi Soeparsono
Director

Surya Dharma Mandala
Director

Laercio de Holanda Cardoso Jr.
Director

Bernadette Mary Wake
Director

Joseph Bataona
Director

Debora Herawati Sadrach
Director

Report of the Audit Committee

The role of the Audit Committee is to assist the Boards of PT Unilever Indonesia Tbk in fulfilling their oversight responsibilities regarding the integrity of the company's financial statements, risk management and internal control; compliance with legal and regulatory requirements; the external auditors' performance, qualifications and independence; and the performance of the internal audit function. During the year ended 31 December 2006 the principal activities of the Committee were as follows:

Financial Statements

The Committee considered reports from the Board of Directors on the quarterly and annual financial statements and reviewed the Annual Report and accounts prior to publication.

Audit of the Annual Accounts

KAP Haryanto Sahari & Rekan, the company's external auditors, discussed with the Committee on the scope and outcome of their annual audit, highlighting various key issues raised with the management of the company.

Risk Management and Internal Control Managements

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

- External Audit's interim and year-end reports on the status of risk management and control and management's responses.
- Annual report from the Board of Directors on business risks and positive assurance on operating controls, corporate policies and CoBP compliance.
- Monitoring progress of the implementation of the requirements under Section 404 of the Sarbanes-Oxley Act with respect to internal controls over financial reporting.

External Auditors

The Committee has agreed the extension of the current external audit contract by another year, and recommended to the Boards the reappointment of the external auditors.

On the recommendation of the Audit Committee, the Boards will propose the reappointment of KAP Haryanto Sahari & Rekan at the AGM in May 2007. The Committee held an independent meeting with the External Auditors during the year.

Internal Audit Function

The Committee engaged in discussion and review of the Internal Audit Department's audit plan for the year, and resource requirements.

The Committee carried out regular reviews of the audit works and confirmed that they were satisfied with the performance of the Internal Audit Department.

The Audit Committee carried out a self-assessment of its own performance and updated the Audit Committee Charter in 2006.

Cyrillus Harinowo
Chairman of the Audit Committee

Tjan Hong Tjhiang
Member of the Audit Committee

Benny Redjo Setiyono
Member of the Audit Committee

PT Unilever Indonesia Tbk
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Jakarta 12930 - Indonesia

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DIRECTORS' STATEMENT
REGARDING RESPONSIBILITY FOR
PT UNILEVER INDONESIA Tbk. AND SUBSIDIARIES (THE "GROUP")
CONSOLIDATED FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2006 AND 2005
AND FOR THE YEARS THEN ENDED

We, the undersigned:

1. Name	: Maurits Daniel Rudolf Lalisang
Office Address	: Graha Unilever, Jl. Jend Gatot Subroto Kav. 15 Jakarta 12930
Address of domicile/ based on ID card or other identity document	: Jl. H. Kair No. 9A, Pasar Minggu, Jakarta Selatan
Telephone No.	: 021 – 5262112
Position	: President Director
2. Name	: Joseph Bataona
Office Address	: Graha Unilever, Jl. Jend Gatot Subroto Kav. 15 Jakarta 12930
Address of domicile/ based on ID card or other identity document	: Jl. Witana Harja C-48, Rt 03/16, Pamulang Barat Tangerang
Telephone No.	: 021 – 5262112
Position	: Director

Declare that :

1. We are responsible for the preparation and presentation of the Group's consolidated financial statements;

2. The Group's consolidated financial statements have been prepared and presented in accordance with accounting principles generally accepted in Indonesia;

3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;

   b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts;

4. We are responsible for the Group's internal control systems.

This is our declaration, which has been made truthfully, and signed in accordance with the provision of article 12-9 of the Articles of Association of PT Unilever Indonesia Tbk.

6000 METERAI TEMPEL

Jakarta, March 23rd 2007

Maurits Daniel Rudolf Lalisang
President Director

Joseph Bataona
Director

Haryanto Sahari & Rekan

A member firm of
PricewaterhouseCoopers

Kantor Akuntan Publik
Haryanto Sahari & Rekan
PricewaterhouseCoopers
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P.O. Box 2473 JKP 10001
Telephone: +62 21 5212901
Facsimile: +62 21 52905555 / 52905050
www.pwc.com

LAPORAN AUDITOR INDEPENDEN
KEPADA PARA PEMEGANG SAHAM

PT UNILEVER INDONESIA Tbk

Kami telah mengaudit neraca konsolidasian PT Unilever Indonesia Tbk ("Perseroan") dan anak perusahaan tanggal 31 Desember 2006 dan 2005, serta laporan laba rugi, laporan perubahan ekuitas dan laporan arus kas konsolidasian untuk tahun yang berakhir pada tanggal-tanggal tersebut. Laporan keuangan konsolidasian adalah tanggung jawab manajemen Perseroan. Tanggung jawab kami terletak pada pernyataan pendapat atas laporan keuangan konsolidasian berdasarkan audit kami.

Kami melaksanakan audit berdasarkan standar auditing yang ditetapkan Ikatan Akuntan Indonesia. Standar tersebut mengharuskan kami merencanakan dan melaksanakan audit agar kami memperoleh keyakinan memadai bahwa laporan keuangan bebas dari salah saji material. Suatu audit meliputi pemeriksaan, atas dasar pengujian, bukti-bukti yang mendukung jumlah-jumlah dan pengungkapan dalam laporan keuangan. Audit juga meliputi penilaian atas prinsip akuntansi yang digunakan dan estimasi signifikan yang dibuat oleh manajemen, serta penilaian terhadap penyajian laporan keuangan secara keseluruhan. Kami yakin bahwa audit kami memberikan dasar memadai untuk menyatakan pendapat.

Menurut pendapat kami, laporan keuangan konsolidasian yang kami sebut di atas menyajikan secara wajar, dalam semua hal yang material, posisi keuangan konsolidasian PT Unilever Indonesia Tbk dan anak perusahaan tanggal 31 Desember 2006 dan 2005, serta hasil usaha dan arus kas konsolidasian untuk tahun yang berakhir pada tanggal-tanggal tersebut sesuai dengan prinsip akuntansi yang berlaku umum di Indonesia.

JAKARTA
23 Maret 2007

Drs. VJH Boentaran Lesmana
Surat Izin Praktek Akuntan Publik No. 98.1.0318

Nomor Izin Usaha: KEP-131/KM.6/2004

PT UNILEVER INDONESIA Tbk AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2006 AND 2005

(Expressed in million Rupiah)

	Notes	2006	2005
CURRENT ASSETS			
Cash and cash equivalents	2d, 3	1,014,379	705,369
Trade debtors (Net of allowance for doubtful accounts of Rp 1,350 in 2006 and Rp 4,998 in 2005)			
- Third parties	2g, 4	615,939	415,466
- Related parties	2c, 4	37,268	41,681
Other debtors	5	32,363	19,515
Inventories (Net of provision for obsolete and unused/slow moving stocks of Rp 31,662 in 2006 and Rp 22,468 in 2005)	2h, 6	763,398	766,081
Prepaid taxes	2o, 13c	89,859	37,122
Prepaid expenses	2m, 8	51,346	45,128
Total Current Assets		2,604,552	2,030,362
NON-CURRENT ASSETS			
Amounts due from related parties	2c, 7c	13,270	32,479
Deferred tax assets, net	2o, 13b	25,217	21,305
Fixed assets (Net of accumulated depreciation of Rp 383,390 in 2006 and Rp 343,270 in 2005)	2i, 9a	1,724,663	1,495,659
Intangible assets (Net of accumulated amortisation of Rp 81,341 in 2006 and Rp 67,852 in 2005)	2k, 10	159,067	172,556
Other assets	2m, 11	64,088	60,827
Prepaid pension expense	2p, 16	35,143	29,163
Total Non-current Assets		2,021,448	1,811,989
TOTAL ASSETS		4,626,000	3,842,351

The accompanying notes form an integral part of these consolidated financial statements

PT UNILEVER INDONESIA Tbk AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

AS AT DECEMBER 31, 2006 AND 2005

(Expressed in million Rupiah, except par value per share)

	Notes	2006	2005
CURRENT LIABILITIES			
Trade creditors			
- Third parties	12	611,986	561,180
- Related parties	2c, 12	90,158	53,106
Taxes payable	2o, 13d	304,013	67,815
Accrued expenses	14	886,436	719,917
Other liabilities	2f, 15	164,858	99,467
Total Current Liabilities		2,057,451	1,501,485
NON-CURRENT LIABILITIES			
Amounts due to related parties	2c, 7d	86,304	73,248
Employee benefits obligations	2p, 16	105,626	83,658
Total Non-current Liabilities		191,930	156,906
MINORITY INTERESTS	17a	8,092	10,434
EQUITY			
Share capital (Authorised, issued and fully paid-up: 7,630,000,000 common shares at par value of Rp 10 per share for 2006 and 2005)	2r, 18	76,300	76,300
Capital paid in excess of par value	2r, 19	15,227	15,227
Fixed assets revaluation reserve	2i, 9b	287,593	287,593
Balance arising from restructuring transactions between entities under common control	2c, 20	80,773	80,773
Appropriated retained earnings	22	15,848	16,442
Unappropriated retained earnings		1,892,786	1,697,191
Total Equity		2,368,527	2,173,526
TOTAL LIABILITIES AND EQUITY		4,626,000	3,842,351

The accompanying notes form an integral part of these consolidated financial statements

PT UNILEVER INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEARS ENDED DECEMBER 31, 2006 AND 2005

(Expressed in million Rupiah, except basic earnings per share)

	Notes	2006	2005
NET SALES	2n, 23	11,335,241	9,992,135
COST OF GOODS SOLD	2n, 24	(5,704,438)	(5,066,362)
GROSS PROFIT		5,630,803	4,925,773
OPERATING EXPENSES		(3,195,433)	(2,895,371)
Marketing and selling expenses	2n, 25a	(2,559,943)	(2,304,121)
General and administration expenses	2n, 25b	(635,490)	(591,250)
OPERATING INCOME		2,435,370	2,030,402
OTHER INCOME/(EXPENSES)		29,422	34,005
Loss on disposals of fixed assets	2i, 9e	(6,160)	(3,055)
(Loss)/gain on foreign exchange, net	2e	(3,956)	8,360
Interest income		39,538	28,700
PROFIT BEFORE INCOME TAX		2,464,792	2,064,407
Income tax expense	2o, 13a	(743,754)	(624,421)
INCOME BEFORE MINORITY INTERESTS		1,721,038	1,439,986
MINORITY INTERESTS IN NET LOSS OF SUBSIDIARIES	17b	557	499
NET INCOME		1,721,595	1,440,485
BASIC EARNINGS PER SHARE	2t, 27	226	189

The accompanying notes form an integral part of these consolidated financial statements

PT UNILEVER INDONESIA Tbk AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
DECEMBER 31, 2006 AND 2005

(Expressed in million Rupiah)

	Notes	2006	2005
Cash flows from operating activities			
Receipts from customers		11,952,998	10,762,655
Payments to suppliers		(8,291,436)	(7,583,843)
Payments of directors and employees remuneration		(530,567)	(429,609)
Payments of employee benefits	16	(55,659)	(53,431)
Payments of service fees		(343,913)	(316,899)
Cash from operations		2,731,423	2,378,873
Receipts of interest income		38,755	28,191
Loans to employees		(4,461)	(5,785)
Payments of corporate income tax		(590,909)	(737,121)
Net cash flows provided from operating activities		2,174,808	1,664,158
Cash flows from investing activities			
Acquisitions of fixed assets	9a	(341,111)	(214,746)
Proceeds from the sale of fixed assets	9d	2,984	1,877
Net cash flows used in investing activities		(338,127)	(212,869)
Cash flows from financing activities			
Dividends paid to the shareholders	21	(1,522,296)	(1,524,423)
Dividends paid to minority interests	21	(560)	(3,850)
Net cash flows used in financing activities		(1,522,856)	(1,528,273)
Net increase/(decrease) in cash and cash equivalents		313,825	(76,984)
Effect of exchange rate changes on cash and cash equivalents		(4,815)	(2,102)
Cash and cash equivalents at the beginning of the year		705,369	784,455
Cash and cash equivalents at the end of the year	2d, 3	1,014,379	705,369
Non-cash transaction			
Acquisition of fixed assets through payables (recorded in "Accrued expenses")		13.744	5,039

The accompanying notes form an integral part of these consolidated financial statements

(Expressed in million Rupiah, unless otherwise stated)

1. General

PT Unilever Indonesia Tbk (the "Company") was established on December 5, 1933 as Lever's Zeepfabrieken N.V. by deed No. 23 of Mr. A.H. van Ophuijsen, notary in Batavia. This deed was approved by the Gouverneur Generaal van Nederlandsch-Indie under letter No. 14 on December 16, 1933, registered at the Raad van Justitie in Batavia under No. 302 on December 22, 1933 and published in the Javasche Courant on January 9, 1934 Supplement No. 3.

By deed No. 171 dated July 22, 1980 of public notary Mrs. Kartini Muljadi SH, the Company's name was changed to "PT Unilever Indonesia". Subsequently, by deed No. 92 dated June 30, 1997 of public notary Mr. Mudofir Hadi SH, the Company's name was changed to "PT Unilever Indonesia Tbk". This deed was approved by the Minister of Justice under decision letter No. C2-1.049HT.01.04 TH.98 dated February 23, 1998 and published in State Gazette No. 2620 of May 15, 1998 Supplement No. 39.

The Company listed 15% of its shares on the Jakarta Stock Exchange and Surabaya Stock Exchange following the approval of the Chairman of Capital Market Supervisory Board (Bapepam) No.SI-009/PM/E/1981 on November 16, 1981.

At the Company's Annual General Meeting of the Shareholders on June 24, 2003, the shareholders agreed to a stock split, reducing the par value per share from Rp 100 (full amount) per share to Rp 10 (full amount) per share. This change was notarised by deed No. 46 dated July 10, 2003 of public notary Singgih Susilo SH and was approved by the Minister of Justice and Human Rights of the Republic of Indonesia under decision letter No. C-17533 HT.01.04-TH.2003.

The Company is engaged in the manufacturing, marketing and distributing of consumer goods including soaps, detergents, margarine, dairy based foods, ice cream, tea based beverages and cosmetic products.

As approved at the Company's Annual General Meeting of the Shareholders on June 13, 2000, which was notarised by deed No. 82 dated June 14, 2000 of public notary Singgih Susilo SH, the Company also acts as a main distributor of its products and provides marketing research services. This deed was approved by the Minister of Law and Legislation (formerly Minister of Justice) of the Republic of Indonesia under decision letter No. C-18482 HT.01.04-TH.2000.

The Company commenced commercial operations in 1933.

The Company's office is located at Jalan Jendral Gatot Subroto Kav. 15, Jakarta. The factories are located at Jalan Jababeka 9 Blok D, Jalan Jababeka Raya Blok O, Jababeka Industrial Estate Cikarang, Bekasi, West Java and Jalan Rungkut Industri IV No. 5-11, Rungkut Industrial Estate, Surabaya, East Java.

On November 22, 2000, the Company entered into an agreement with PT Anugrah Indah Pelangi, to establish a new company namely PT Anugrah Lever ("PT AL") which is engaged in manufacturing, developing, marketing and selling soy sauce, chilli sauce and other sauces under the Bango, and other brands under license of the Company to PT AL.

On July 3, 2002, the Company entered into an agreement with Texchem Resources Berhad, to establish a new company namely PT Technopia Lever ("PT TL") which is engaged in the distribution, export and import of goods under the Domestos Nomos trademark. On November 7, 2003 Texchem Resources Berhad entered into a Share Sale and Purchase Agreement with Technopia Singapore Pte. Ltd, in which Texchem Resources Berhad agreed to sell all of its shares in PT Technopia Lever to Technopia Singapore Pte. Ltd.

At the Company's Extraordinary General Meeting of the Shareholders on December 8, 2003, the Company received approval from its minority shareholders to acquire the shares of PT Knorr Indonesia ('PT KI') from Unilever Overseas Holdings Limited (a related party). This acquisition became effective on the signing date of the share sales and purchase agreement between the Company and Unilever Overseas Holdings Limited on January 21, 2004. On July 30, 2004, the Company merged with PT KI. The merger was accounted for using a method similar to the pooling of interest method. The Company was the surviving company and after the merger PT KI no longer existed as a separate legal entity. This merger was in accordance with the approval of the Investment Co-ordinating Board (BKPM) in letter No. 740/III/PMA/2004 dated July 29, 2004.

The summary of the Company's direct ownership in subsidiaries and the total assets of subsidiaries were as follows:

	Country of domicile	Year of commercial operation commenced	Percentage of ownership		Total assets in Rp billion	
			2006	2005	2006	2005
PT Anugrah Lever	Indonesia	2001	65%	65%	61.8	46.6
PT Technopia Lever	Indonesia	2002	51%	51%	23.2	24.7

As at December 31, 2006 and 2005, the Company's Boards of Commissioners and Directors were as follows:

Board of Commissioners

President Commissioner	:	Louis Willem Gunning
Commissioners	:	Theodore Permadi Rachmat
		Kuntoro Mangkusubroto
		Cyrillus Harinowo
		Bambang Subianto

Board of Directors

President Director	:	Maurits Daniel Rudolf Lalisang
Directors	:	Desmond Gerard Dempsey
		Mohammad Effendi Soeparsono
		Muhammad Saleh
		Joseph Bataona
		Surya Dharma Mandala
		Debora Herawati Sadrach
		Andreas Moritz Egon Rompis
		Laercio de Holanda Cardoso Junior
		Bernadette Mary Wake (since May 31, 2006)

The Company's Directors, Desmond Gerard Dempsey and Muhammad Saleh were retired and resigned from the board member, as at September 1, 2006 and December 1, 2006, respectively.

2. Summary of significant accounting policies

The consolidated financial statements of PT Unilever Indonesia Tbk and subsidiaries (collectively "the Group") were prepared by the Directors and completed on March 23, 2007.

Presented below are the significant accounting policies adopted in preparing the consolidated financial statements of the The Company and subsidiaries, which are in conformity with accounting principles generally accepted in Indonesia.

a. Basis of preparation of the consolidated financial statements

The consolidated financial statements have been prepared under the historical cost convention, with the exception that certain fixed assets have been revalued in accordance with the applicable government regulations (refer to Note 2i) and derivative financial instruments which are valued at fair value (refer to Note 2f).

The consolidated financial statements have also been prepared on the basis of the accruals concept except for the consolidated statements of cash flows.

The consolidated statements of cash flows are prepared based on the direct method by classifying cash flows on the basis of operating, investing and financing activities. For the purpose of the consolidated statements of cash flows, cash and cash equivalents include cash on hand, cash in banks and short-term investments with a maturity of three months or less, net of overdrafts, if any.

The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in Indonesia requires the use of estimates and assumptions that affects the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, as well as the reported amounts of revenues and expenses during the reporting period. Although these estimates are based on management's best knowledge of current events and activities, actual results may differ from those estimates.

Figures in the consolidated financial statements are rounded to and expressed in millions of Rupiah unless otherwise stated.

b. Principles of consolidation

The consolidated financial statements include the accounts of the Company and the subsidiaries it controls, PT Anugrah Lever and PT Technopia Lever, in which the Company directly has control and ownership of more than 50% of voting rights. The subsidiaries are consolidated from the date on which effective control was transferred to the Company.

The effect of all material transactions and balances between the Company and the subsidiaries has been eliminated in preparing the consolidated financial statements.

The accounting policies adopted in preparing the consolidated financial statements have been consistently applied by the subsidiaries unless otherwise stated.

c. Related party transactions

The Company and its subsidiaries have transactions with related parties. The definition of related parties used is in accordance with Statement of Financial Accounting Standards ("PSAK") 7 "Related party disclosures".

All material transactions with related parties are disclosed in the notes to the consolidated financial statements.

The restructuring transaction between entities under common control was accounted for using a method similar to the pooling of interest method of accounting. The difference between the acquisition cost and the book value of the net asset acquired, excluding retained earnings/accumulated losses, was recorded in "Balance arising from restructuring transactions between entities under common control" account, which is presented in the equity section of the consolidated balance sheet.

d. Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in banks, and short-term investments maturing in three months or less.

e. Foreign currencies translation

Transactions denominated in foreign currencies are translated into Indonesian Rupiah at the exchange rates prevailing at the date of the transaction. At the balance sheet date, monetary assets and liabilities in foreign currencies are translated into Indonesian Rupiah at the exchange rates prevailing at that date. Exchange gains and losses arising on transactions in foreign currency and on the translation of foreign currency monetary assets and liabilities are recognised in the consolidated statements of income. The balance sheet date rates used to translate the Company's major foreign currency balances, which is US Dollar and Euro, as of December 31, 2006 were Rp 8,990 (full amount Rupiah) for US Dollar 1 and Rp 11,840 (full amount Rupiah) for Euro 1 (2005: Rp 9,830 (full amount Rupiah) for US Dollar 1 and Rp 11,630 (full amount Rupiah) for Euro 1. As a comparison, the middle rates of Citibank, with whom the Company negotiates most of its foreign currency transaction, as of December 31, 2006 were Rp 8,990 (full amount Rupiah) for US Dollar 1 and Rp 11,840 (full amount Rupiah) for 1 Euro (2005: Rp 9,840 (full amount Rupiah) for US Dollar 1 and Rp 11,683 (full amount Rupiah) for Euro 1).

f. Derivative financial instruments

The Company periodically enters into forward foreign currency contracts with external counterparties, in implementing their risk management policies. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under PSAK 55 (Revised 1999), "Accounting for derivative instruments and hedging activities" ("PSAK 55") are recognised immediately in the consolidated statements of income.

Derivative financial instruments are recognised in the balance sheet as assets or liabilities depending on the rights and obligations as governed by the contract, and recorded at their fair value.

g. Trade debtors

Trade debtors are recognised net of an allowance for doubtful accounts, based on management's review of the collectibility of each account at the end of the year. Uncollectible receivables are written off as bad debts during the period in which they are determined to be not collectible.

h. Inventories

Inventories are valued at the lower of cost and net realisable value. The principal method used to determine cost is the average cost method. Cost of finished goods and work in process comprises materials, labour and an appropriate proportion of directly attributable fixed and variable overheads.

A provision for obsolete and unused/slow moving inventories is determined on the basis of estimated future usage or sale of inventory items.

i. Fixed assets and depreciation

Fixed assets are recorded at cost less accumulated depreciation, except for certain fixed assets which were revalued, in accordance with government regulations, to reflect the fair value of the assets.

Historical cost covers expenditure that is directly attributable to the acquisition of the items.

In a revaluation, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The difference resulting from the revaluation of such fixed assets is credited to the "fixed assets revaluation reserve" account presented in the equity section.

Land is not depreciated.

Fixed assets depreciation was calculated using the straight line method to allocate their cost or revaluated amount to their residual values over their estimated useful lives as follows:

Buildings	40 years
Machinery and equipment	5-20 years
Motor vehicles	8 years

When assets are retired or otherwise disposed of, their carrying values and the related accumulated depreciation are eliminated from the consolidated financial statements, and the resulting gains and losses on the disposal of fixed assets are recognised in the consolidated statements of income.

The accumulated costs of the construction of buildings and plant and the installation of machinery are capitalised as construction in progress. These costs are reclassified to fixed asset accounts when the construction or installation is complete. Depreciation is charged from such date.

Repairs and maintenance expenses are charged to the consolidated statements of income during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of the asset when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the the Company and subsidiaries. Major renovations are depreciated over the remaining useful life of the related assets.

j. Impairment of fixed assets and other non-current assets

At balance sheet date, the Company and subsidiaries review whether there is any indication of impairment or not.

Fixed assets and other non-current assets, including intangible assets are reviewed for impairment losses whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount, which is the higher of an asset's net selling price and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

k. Intangible assets

The costs of operating rights, trademarks and copyrights acquired are amortised using the straight-line method over their estimated useful lives of 10 – 20 years. Management also assess the carrying value of intangible assets based on annual review of their remaining useful lives.

l. Research and development

Research and development costs are expensed in the period in which they are incurred, as long as those costs do not meet the requirements for capitalisation.

m. Prepaid expenses

Prepaid expenses are charged against the consolidated statements of income over the period in which the related benefits are derived, using the straight-line method. Prepaid expenses with benefit period of more than 12 months are recorded as non-current assets.

n. Revenue and expenses

Net sales represent revenue earned from the sale of the Company and subsidiaries' products, net of returns, trade allowances, sales tax on luxury goods and value-added tax. Revenue from sales of goods are recognised when the significant risk and goods ownership has been transferred to customers, for export sales is recognised upon shipment of the goods to the customers (f.o.b. shipping point) and for domestic sales is recognised when goods are delivered to the distributors/customers.

Expenses are recognised when incurred on accrual basis.

o. Taxation

Deferred income tax is provided using the liability method, for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statement. Currently enacted tax rates are used to determine deferred income tax.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Amendments to taxation obligations are recorded when an assessment is received or, if appealed against, when the results of the appeal are determined.

p. *Employee benefits*

- *Short-term employee benefit*

Short-term employee benefits are recognised when they accrue to the employees.

- *Pension benefit*

The Company has a defined benefit pension plan covering all of its employees who have the right to pension benefits as stipulated in the regulations of Dana Pensiun Unilever Indonesia ("Dana Pensiun"). The plan is generally funded through payments to the Dana Pensiun, which are determined by periodic actuarial calculation. A defined benefit plan is a pension plan that defines an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, year of service and compensation.

The liability recognised in the consolidated balance sheets in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service cost. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefit will be paid, and that have terms to maturity approximating the terms of the related pension liability.

Actuarial gains and losses can arise from experience adjustments, changes in actuarial assumptions and changes in pension plan. When the actuarial gains and losses exceed 10% of present value of defined benefit or 10% of program's asset fair value, the exceed amount are charged or credited to expenses or income over the average remaining service lives of the relevant employees.

The Company is required to provide a minimum amount of pension benefit in accordance with Labor Law No. 13/2003 ("Labor Law"). Since the Labor Law sets the formula for determining the minimum amount of benefits, in substance, pension plans under the Labor Law represent defined benefit plans.

- *Post-employment medical benefit*

The Company provides post-employment medical benefits to its retirees. The entitlement to these benefits is usually based on the employee remaining in service up to retirement age and the completion of a certain service period. The estimated costs of these benefits are recognised over the period of employment, using an accounting method similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

- *Other post-employment and long-term benefit*

The Company provides other post-employment benefits under the Labor Law, jubilee and long leave benefits. The entitlement to these benefits is usually based on the completion of a certain service period by the employee. The estimated costs of these benefits are recognised over the period of employment, using an accounting method similar to that for defined benefit pension plans. These obligations are valued annually by independent qualified actuaries.

- *Bonus scheme*

The Company recognises a liability and an expense for bonuses, based on a formula that takes into consideration the profit attributable to the Company's shareholders and employees' performance after certain adjustments. The Company recognises a provision when contractually obliged or where there is a past practice that has created a constructive obligation.

(Expressed in million Rupiah, unless otherwise stated)

q. Share matching plan

Since 2002, the Company introduced a share matching plan, which is applied to manager level and above. Under this plan, managers can invest up to 25% of their gross annual bonus in Unilever shares ("bonus shares"). Middle and junior managers are entitled to invest in the Company's shares, while senior managers and above are only entitled to invest in the shares of Unilever N.V. and Unilever PLC (the ultimate shareholders). The Company then awards an equivalent number of matching shares. These matching shares vest three years after the grant, provided certain conditions are met, including the requirement that the original "bonus shares" shall be retained for the three-year period and the managers are still employed by the Company at the end of the three-year period. The cost of the matching shares is recorded as deferred charges and is charged to the statements of income over a period of 3 years, using the straight-line method.

r. Shares and capital paid in excess of par value

Common shares are classified as equity. Capital paid in excess of par value is the difference between the selling price and nominal value of the share. All expenses directly related to the issuance of share capital or options are recorded as a deduction from capital paid in excess of par value.

s. Dividends

Dividend payments to the shareholders are recognised as a liability in the consolidated financial statements in the period when the dividend was declared by the shareholders. For interim dividend, the Company recognised as liability when the dividend was declared by directors.

t. Basic earnings per share

Basic earnings per share are computed by dividing net income with the weighted average number of outstanding shares. There are no convertible securities, options or warrants that would give rise to a dilution of the earnings per share.

u. Segment information

The Company manages its business as one integrated business segment – fast moving consumer goods. The Company's buying, manufacturing, marketing, distribution and sales operations are performed in unity for all products and management generally allocates resources and evaluates the Company and subsidiaries' performance at the total company level.

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
3. Cash and cash equivalents	1,014,379	705,369
Cash on hand	420	506
Cash in banks		
Third parties – Rupiah:		
Citibank N.A.	168,347	41,141
Deutsche Bank AG	68,123	77,230
PT Bank Lippo Tbk	32,636	26,950
ABN AMRO Bank N.V.	28,120	88,478
The Hongkong and Shanghai Banking Corporation Ltd.	17,096	-
PT Bank Central Asia Tbk	13,485	19,289
PT Bank Mandiri (Persero) Tbk	10,960	10,319
PT Bank Negara Indonesia (Persero) Tbk	3,653	703
Others (respective individual balance less than Rp 1,000)	930	895
Third parties – US Dollar:		
Citibank N.A.	53,172	79,589
ABN AMRO Bank N.V.	992	186
Deutsche Bank AG	111	20,880
Third parties – Euro:		
Citibank N.A.	12,154	140
ABN AMRO Bank N.V.	11,163	13,732
Deutsche Bank AG	3,017	331
Time deposits (maturity within three months):		
Third parties – Rupiah:		
PT ANZ Panin Bank	260,000	110,000
Standard Chartered Bank	150,000	-
ABN AMRO Bank N.V.	100,000	20,000
PT Bank Lippo Tbk	80,000	-
Citibank N.A.	-	100,000
PT Bank Rabobank International Indonesia	-	50,000
Deutsche Bank AG	-	45,000

The interest rates per annum for the above time deposits during the current year are as follows:

	2006	2005
Rupiah	8.80 - 14.50%	6.80 - 14.50%
US Dollar	3.45 - 5.25%	2.25 - 4.25%
Euro	1.25 - 3.50%	1.80 - 2.00%

	2006	2005
4. Trade debtors		
Third parties:	615,939	415,466
Rupiah	610,661	409,201
US Dollar	6,628	11,263
Less: Allowance for doubtful accounts	(1,350)	(4,998)

Third party trade debtors denominated in Rupiah comprise receivables from customers throughout the Indonesian archipelago.

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
Third party trade debtors denominated in US Dollar comprise receivables from foreign customers.		
Related parties:	37,268	41,681
Unilever Australia Ltd.	15,464	15,161
Unilever (Malaysia) Holdings Sdn. Bhd.	7,530	7,404
Unilever New Zealand Ltd.	3,658	2,125
Unilever Thai Trading Ltd.	3,219	1,340
PT Diversey Indonesia	2,214	2,655
Unilever Singapore Pte. Ltd.	1,809	3,518
Unilever Taiwan Ltd.	1,133	6,599
Unilever Philippines, Inc.	699	467
Others (respective individual balance less than Rp 1,000)	1,542	2,412
Aging analysis of trade debtors is as follows:	653,207	457,147
Current	606,426	419,339
Overdue 1 – 30 days	38,747	32,688
Overdue more than 30 days	8,034	5,120
Movements in the allowance for doubtful accounts are as follows:	(1,350)	(4,998)
Allowance for doubtful accounts – beginning	(4,998)	(6,118)
Reversal of allowance for doubtful accounts	3,001	613
Doubtful debts written off	647	507
Allowance for doubtful accounts – ending	(1,350)	(4,998)

Based on a review of the status of accounts receivable at the end of the year, management believes that the allowance for doubtful accounts is adequate to cover possible losses arising from the non-collection of accounts.

	2006	2005
5. Other debtors	32,363	19,515
Advances	17,512	8,866
Loans to employees (Note 7e)	14,374	9,748
Others (respective individual balance less than Rp 1,000)	477	901

Management has not made any provision for doubtful accounts for other debtors as they are of the opinion that these receivables will be collectible in full.

	2006	2005
6. Inventories	763,398	766,081
Finished goods	468,115	473,252
Work in process	21,018	10,985
Raw materials	204,192	194,441
Goods in transit		
Finished goods	19,508	5,637
Raw materials	62,334	80,149
Spare parts	19,893	24,085
Provision for obsolete and unused/slow moving inventories	(31,662)	(22,468)

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
Movements in the provision for obsolete and unused/slow moving inventories are as follows:	(31,662)	(22,468)
Beginning balance	(22,468)	(23,247)
Changes during the year:		
Amounts provided	(43,854)	(31,168)
Amounts written off	34,660	31,947
Ending balance	(31,662)	(22,468)
Provision for obsolete and unused/slow moving inventories consist of:	(31,662)	(22,468)
Finished goods	13,591	11,157
Raw materials	16,096	8,603
Spare parts	1,975	2,708

Management believes that the provision for obsolete and unused/slow moving inventories is adequate to cover any possible losses arising.

As of December 31, 2006 and 2005 inventories owned by the Company and subsidiaries are insured against the risk of loss due to natural disaster, fire and other risks with a total sum insured of Rp 617,828 and Rp 519,083, respectively. Management believes the amounts are adequate to cover possible losses arising from such risks.

7. Related party transactions

a. The nature of transactions and relationships with related parties are as follows:

i. The Company sold finished goods to the following related parties:

- PT Diversey Indonesia
- Unilever Australia Ltd.
- Unilever Cambodia Ltd.
- Unilever Hongkong Ltd.
- Unilever Japan Beverage K.K.
- Unilever Korea Ltd.
- Unilever (Malaysia) Holdings Sdn. Bhd.
- Unilever Market Development Southern Africa
- Unilever New Zealand Ltd.
- Unilever Philippines, Inc.
- Unilever Singapore Pte. Ltd.
- Unilever Taiwan Ltd.
- Unilever Thai Holdings Ltd.
- Unilever Thai Trading Ltd.
- Unilever Tanzania Ltd.

ii. The Company and subsidiaries purchased raw materials, finished goods and others from the following related parties:

- Best Foods Shandong Ltd.
- Hindustan Lever Ltd.
- Lipton Ltd. Mombasa
- Lipton Ltd. UK
- PT Kimberly Lever Indonesia
- PT Technopia Jakarta
- Unilever Australia Ltd.
- Unilever Bestfoods & Elida P/S
- Unilever China Ltd.
- Unilever Deutschland GmbH
- Unilever Foods (Malaysia) Sdn. Bhd.
- Unilever (Malaysia) Holdings Sdn. Bhd.
- Unilever Philippines, Inc.
- Unilever Srilanka Ltd.
- Unilever Thai Holdings Ltd.
- Unilever Thai Trading Ltd.
- Unilever Tea Tanzania Ltd.
- Unilever Vietnam

iii. Details of the nature and types of transactions with related parties other than those mentioned above are as follows:

Related parties	Nature of the relationships	Type of transactions
- Unilever N.V.	Ultimate shareholder of Unilever group	Royalty payments
- Unilever Business Group Services B.V.	Affiliated company	Payments for regional services/reimbursements of regional research costs paid by the Company
- Unilever United States, Inc.	Affiliated company	Expense reimbursements
- PT Anugrah Setia Lestari	Affiliated company	Manufacturing service
- PT Kimberly Lever Indonesia	Affiliated company	Expense reimbursements
- Unilever Thai Trading Ltd.	Affiliated company	Expense reimbursements
- Unilever Asia Private Ltd.	Affiliated company	Expense reimbursements
- Unilever Head Office Brazil	Affiliated company	Expense reimbursements

b. Significant agreements with related parties

The Company

i. Under the terms and conditions of an agreement with the Unilever group of companies which is valid until a date that is yet to be determined, certain services are provided by Unilever N.V. to the Company. The Company also has the right to use all Indonesian patents and trade marks owned by Unilever N.V. or any member of the Unilever group of companies. The agreement further provides that the Company shall, in consideration for granting of these rights, pay an annual contribution equal to two percent (including withholding tax Article 26) of the value of sales made to third parties during the year.

ii. In 1997, the Company entered into an agreement with Unilever Business Group Services B.V. ("UBGS") which is valid until a date that is yet to be determined. Under this agreement, the Company shall pay an annual fee equal to 1.5% of sales for the regional services provided by UBGS and the Company shall charge UBGS for the costs paid by Company.

iii. On April 7, 2000 the Company entered into a distribution agreement with PT Kimberly Lever Indonesia ("KLI") which is valid until June 30, 2007, whereby KLI appointed the Company as its exclusive distributor of KLI's products sold in Indonesia.

The Subsidiaries

i. On March 1, 2001 PT Anugrah Lever ("PT AL") entered into a manufacturing agreement with PT Anugrah Setia Lestari ("PT ASL"), whereby PT ASL provided assistance in the production, packaging and storing of PT AL's products. . The term of this agreement is for a period of 5 years and can be extended for further period.

ii. On July 17, 2002 PT Technopia Lever ("PT TL") entered into a manufacturing agreement with PT Technopia Jakarta ("Technopia"), whereby PT TL appointed Technopia to manufacture, pack, store and supply PT TL's products exclusively for PT TL in Indonesia. The initial term of this agreement is for a period of 10 years and can be extended for further period of 5 years.

iii. On July 17, 2002 PT TL entered into a technology transfer agreement with Fumakilla Malaysia Berhad ("Fumakilla") and Technopia, in which Fumakilla agreed to grant PT TL and Technopia a license to use technical information and know-how in connection with the manufacturing, development and use of products, on the terms and conditions set forth in this agreement. The initial term of this agreement is for a period of 10 years and can be extended for further period of 5 years.

iv. On July 17, 2002 PT TL entered into a trademark license agreement with Unilever N.V., under which PT TL is entitled to use the "Domestos Nomos" trademark in Indonesia in connection with the manufacturing, packaging, advertising and sales of these products in Indonesia. The initial term of this agreement is for a period of 10 years and can be extended for further period of 5 years.

v. On July 17, 2002 PT TL entered into a management service agreement with Texchem Resources Berhad ("Texchem"). Under this agreement. PT TL agrees to accept Texchem's assistance in managing its business within Indonesia. This agreement covers a period of 5 years, unless terminated in accordance with the provisions specified in the agreement. PT TL shall pay Texchem a monthly management fee as specified in the agreement.

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
Expenses charged by related parties:	384,589	353,375
Service fees to Unilever N.V.	209,245	192,919
Service fees to UBGS	155,931	143,775
Manufacturing and other fees to PT ASL	19,413	16,666
Others (respective individual balance less than Rp 1,000)	-	15
As percentage to total operating expenses and cost of goods sold	4.32%	4.44%
Refer to Notes 23 and 24 for details of sales and purchases of goods and services to/from related parties.		
All transactions with related parties are conducted on the same terms and conditions as those with non-related parties.		
c. Amounts due from related parties	13,270	32,479
PT Kimberly Lever Indonesia	10,235	13,882
Unilever Asia Private Ltd.	1,263	8,519
Unilever Thai Trading Ltd.	1,263	-
Unilever Business Group Services B.V.	-	7,073
Others (respective individual balance less than Rp 1,000)	509	3,005
As percentage to non-current assets	0.66%	1.79%
Management have not made a provision for doubtful accounts as they are of the opinion that these receivables will be collectible in full.		
d. Amounts due to related parties	86,304	73,248
Unilever N.V.	77,787	24,605
Unilever United States, Inc.	4,221	2,369
Unilever Asia Private Ltd.	700	8,833
Unilever Thai Trading Ltd.	16	1,167
Unilever Business Group Services B.V.	-	31,660
Unilever Head Office Brazil	-	1,256
Others (respective individual balance less than Rp 1,000)	3,580	3,358
As percentage to non-current liabilities	44.97%	46.68%
e. Employee loans to key management personnel	7,579	7,660
Loans:		
- Current	14,374	9,748
- Non-current	30,436	30,602
	44,810	40,350
Less: employee loans to non-key management personnel	(37,231)	(32,690)
As percentage to currents assets	0.29%	0.38%

The Company provides its employee with non-interest bearing loans. The loans are repayable by installments deducted from the employee's monthly salaries.

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
f. Salaries and allowances of the Boards of Commissioners and Directors.	26,725	20,505
Included in the Board of Directors remuneration package are housing facilities.		
As a percentage to total employee costs	5.06%	4.35%

g. The share matching plan

A summary of the share matching plan is as follows:

	2006		2005	
	Number of shares matched	Average price per share (full amount Rupiah)	Number of shares matched	Average price per share (full amount Rupiah)
Balance at January 1	1,230,255	-	1,252,638	-
Shares granted:				
- Unilever N.V.	1,183	631,263	223	627,836
- Unilever PLC	8,020	92,984	1,551	90,269
- PT Unilever Indonesia Tbk	200,978	4,850	55,497	3,680
Shares cancelled/expired	(40,801)	3,675	(79,654)	3,675
Balance at December 31	1,399,635		1,230,255	

	2006	2005
8. Prepaid expenses	51,346	45,128
Rents	20,566	21,322
Advertising expenses	23,009	17,035
Insurance	1,926	2,039
Others (respective individual balance less than Rp 1,000)	5,845	4,732

(Expressed in million Rupiah, unless otherwise stated)

9. Fixed assets

a. Movements by major classifications of fixed assets are as follows:

	Balance December 31, 2005	Additions	Transfers	Disposals/ Write-off	Impairment charge	Balance December 31, 2006
Direct ownership						
At cost (inclusive of revaluation increments):						
Land	108,980	2,850	-	-	-	111,830
Buildings	300,157	1,514	66,772	-	-	368,443
Machinery and equipment	1,255,847	68,821	173,485	(64,372)	(11,353)	1,422,428
Motor vehicles	49,722	18,227	-	(4,967)	-	62,982
Construction in progress	124,223	258,404	(240,257)	-	-	142,370
Total	1,838,929	349,816	-	(69,339)	(11,353)	2,108,053
Accumulated depreciation:						
Buildings	(33,365)	(7,016)	-	-	-	(40,381)
Machinery and equipment	(291,337)	(72,955)	-	42,269	-	(322,023)
Motor vehicles	(18,568)	(5,762)	-	3,344	-	(20,986)
Total	(343,270)	(85,733)	-	45,613	-	(383,390)
Net book value	1,495,659					1,724,663

	Balance December 31, 2004	Additions	Transfers	Disposals/ Write-off	Impairment charge	Balance December 31, 2005
Direct ownership						
At cost (inclusive of revaluation increments):						
Land	64,945	44,035	-	-	-	108,980
Buildings	270,156	68	30,082	(149)	-	300,157
Machinery and equipment	1,146,330	22,957	107,259	(20,699)	-	1,255,847
Motor vehicles	41,102	12,261	-	(3,641)	-	49,722
Construction in progress	121,100	140,464	(137,341)	-	-	124,223
Total	1,643,633	219,785	-	(24,489)	-	1,838,929
Accumulated depreciation:						
Buildings	(26,712)	(6,660)	-	7	-	(33,365)
Machinery and equipment	(252,519)	(55,879)	-	17,061	-	(291,337)
Motor vehicles	(16,000)	(5,057)	-	2,489	-	(18,568)
Total	(295,231)	(67,596)	-	19,557	-	(343,270)
Net book value	1,348,402					1,495,659

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
b. In 2004, the Company's buildings and machinery were revalued by an independent appraisal, PT Artanila Permai, in accordance with Minister of Finance of Republic of Indonesia Decree No. 486/KMK.03/2002 and the Decree of Director General of Taxes No. KEP-519/PJ/2002 dated December 2, 2002. The revaluation resulting an increment of Rp 291,583 and has been approved by the tax office in its Decision Letter No. KEP-14/WPJ.19/BD.04/2004 dated December 20, 2004. The independent appraisal using the cost approach in determining the fair value of those assets. The carrying value of buildings, machinery and equipment before revaluation in August 2004 was Rp 441,411.		
The above revaluation increment and the deferred tax effect of Rp 37,522 net of the final tax of Rp 41,666 were credited to the "Fixed assets revaluation reserve" account, presented in the equity section of the consolidated balance sheets.		
c. The Company has 35 plots of land with *Hak Guna Bangunan* ("HGB") titles and 1 plot of land with *Hak Pakai* title which have remaining useful lives ranging from 3 to 29 years expiring between 2009 until 2035.		
Management believes that those "HGB" and "Hak Pakai" can be extended when the due date arrived.		
d. The calculation of gain/(loss) on sale of fixed assets write-off and impairment of fixed assets is as follows:	(32,095)	(3,055)
Gain/(loss) on sale of fixed assets	439	(2,205)
Acquisition costs	9,810	22,398
Accumulated depreciation	(7,265)	(18,316)
Net book value	2,545	4,082
Proceeds	2,984	1,877
Gain/(loss) on sale of fixed assets	439	(2,205)
Loss on fixed assets written off	(21,181)	(850)
Acquisition costs	59,529	2,091
Accumulated depreciation	(38,348)	(1,241)
Net book value	21,181	850
Loss on fixed assets written off	(21,181)	(850)
Loss on impairment of fixed assets	(11,353)	-
In 2006, the impairment charge of Rp 11,353 represents impairment of the Company's active assets at third party manufacturing company due to contract amendment, in accordance with restructuring proposal which has been approved by management on December 2006.		
e. Gain/(loss) on sale of fixed assets, write-off and impairment of fixed assets was allocated as follows:	(32,095)	(3,055)
Cost of goods sold	(25,935)	-
Operating expenses	(6,160)	(3,055)

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
f. Construction in progress as at December 31:	142,370	124,223
Buildings	3,344	-
Machinery and equipment	139,026	124,223

The percentage of completion for construction in progress in 2006 is 82% (2005: 68%) of the contract value.

Construction in progress is estimated to be completed and reclassified into each group of asset in 2007.

	2006	2005
g. Depreciation expense was allocated as follows:	85,733	67,596
Cost of goods sold	61,762	49,097
Operating expenses	23,971	18,499

h. The Company and subsidiaries' fixed assets have been insured against the risk of loss with total coverage of USD 166 million and Rp 49,190 (2005: USD 174 million and Rp 47,651) which was considered adequate by management to cover possible losses arising from such risks.

Insurance coverage for each class of fixed assets is as follows:

Year ended December 31, 2006

	Insured amounts			Net book value of fixed assets
	USD million	Rp million equivalent	Rp million	Rp million
Buildings, machinery and equipment	166	1,491,926	-	1,428,467
Motor vehicles	-	-	49,190	41,996
	166	1,491,926	49,190	1,470,463

Year ended December 31, 2005

	Insured amounts			Net book value of fixed assets
	USD million	Rp million equivalent	Rp million	Rp million
Buildings, machinery and equipment	174	1,713,388	-	1,231,302
Motor vehicles	-	-	47,651	31,154
	174	1,713,388	47,651	1,262,456

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
10. Intangible assets	159,067	172,556
Cost	240,408	240,408
Less: Accumulated amortisation	(81,341)	(67,852)
Amortisation expense	13,489	15,941

Intangible assets principally comprise operating rights, trademarks and copyrights related to Hazeline, Bango and Taro products which were acquired in 1995, 2000 and 2003 and software licenses.

The software intangible assets were acquired in 2005 and 2004.

	2006	2005
11. Other assets	64,088	60,827
Loans to employees (Note 7e)	30,436	30,602
Prepaid rent	21,021	18,622
Refundable deposits	11,981	11,279
Others (respective individual balance less than Rp 1,000)	650	324

Management has not made any provision for doubtful accounts for the loans to employees and the other assets refundable deposits as they are of the opinion that these will be fully collectible.

12. Trade creditors

	2006	2005
Third parties:	611,986	561,180
- Rupiah	548,531	478,334
- Foreign currencies	63,455	82,846
Related parties:	90,158	53,106
Unilever Thai Holdings Ltd.	23,465	1,344
PT Kimberly Lever Indonesia	22,930	12,098
Unilever China Ltd.	21,631	20,768
Lipton Ltd. UK	6,742	7,394
Hindustan Lever Ltd.	4,617	3,537
Unilever Deutschland GmbH	4,346	3,775
Unilever Foods (Malaysia) Sdn. Bhd.	2,419	1,316
Unilever Vietnam	1,625	-
Unilever Lever Australia Ltd.	1,202	-
Unilever Srilanka Ltd.	-	1,144
Others (respective individual balance less than Rp 1,000)	1,181	1,730
Aging analysis of trade creditors is as follows:	702,144	614,286
Current	667,960	581,768
Overdue 1 – 30 days	26,632	29,917
Overdue more than 30 days	7,552	2,601

These balances arise from the purchases of raw materials, supplies and finished goods.

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
13. Taxation		
a. Income tax expense		
The Group	743,754	624,421
Current	747,666	577,113
Deferred	(3,912)	47,308
The Company	740,466	624,130
Current	744,054	577,113
Deferred	(3,588)	47,017
The Subsidiaries	3,288	291
Current	3,612	-
Deferred	(324)	291

Income tax expense represents the income tax expense of the Company and its subsidiary ("PT AL"). As at December 31, 2006, PT Technopia Lever was still in a commercial and fiscal loss position, hence did not record any income tax expense and liabilities.

A reconciliation between profit before income tax as shown in the consolidated financial statements and the Company's estimated taxable income for the years ended December 31, 2006 and 2005 are as follows:

	2006	2005
Consolidated profit before income tax	2,464,792	2,064,407
Consolidation elimination	1,486	-
Net (gain)/loss from subsidiaries before income tax	(4,080)	250
Profit before income tax – the Company	2,462,198	2,064,657
Temporary differences:		
Provisions	52,804	(44,307)
Difference between commercial and fiscal depreciation of fixed assets and amortisation of intangible assets	(56,832)	(113,726)
Employee benefit obligations	15,987	(13,614)
Permanent differences:		
Interest and rental income subject to final tax	(56,834)	(31,920)
Non-deductible expenses	62,646	56,085
Tax penalties	271	(823)
	2,480,240	1,916,352
Taxable income – the Company	2,480,240	1,916,352
The Company		
Corporate income tax – current year	744,054	574,888
Corporate income tax – previous year	-	2,225
Less: Prepaid income tax	(586,650)	(602,930)
Income tax payable/(overpayment)	157,404	(25,817)
The Subsidiaries		
Corporate income tax – current year	3,612	-
Less: Prepaid income tax	-	(5,160)
Income tax payable/(overpayment)	3,612	(5,160)

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
The Group		
Corporate income tax – current year	747,666	574,888
Corporate income tax – previous year	-	2,225
Less: Prepaid income tax	(586,650)	(608,090)
Income tax payable/(overpayment)	161,016	(30,977)

The amount of the Company's 2005 fiscal year taxable income on the above calculations was agreed with the estimated taxable income reported in the Company's annual tax return.

As at the date of the completion of these consolidated financial statements, the Company has not submitted the 2006 annual tax return. The Company has revised the 2004 annual tax return in December 2006.

The reconciliation between the Company's income tax expense and the theoretical tax amount on the Company's profit before income tax are as follows:

	2006	2005
Profit before income tax	2,462,198	2,064,657
Income tax expense	740,466	624,130
Tax calculated at progressive rates:	738,641	619,380
Interest and rental income subject to final tax	(17,050)	(9,576)
Non-deductible expenses	18,794	16,825
Tax penalties	81	(247)
Current tax – prior year	-	2,225
Deferred tax – prior year	-	(4,477)
b. Deferred tax assets, net	25,217	21,305

The effect of the temporary differences was calculated at the maximum tax rate (30%).

	December 31, 2005	Previous year deferred tax adjustment	Credited/(charged) to the consolidated statement of income	December 31, 2006
Deferred tax assets - the Group	21,305	-	3,912	25,217
Deferred tax assets - the Company:				
- Provisions	58,511	-	15,841	74,352
- Difference between commercial and fiscal net book value of fixed assets and intangible assets	(53,563)	-	(17,049)	(70,612)
- Employee benefit obligations	16,348	-	4,796	21,144
	21,296	-	3,588	24,884
Deferred tax assets - the subsidiary, net	9	-	324	333

(Expressed in million Rupiah, unless otherwise stated)

	December 31, 2004	Previous year deferred tax adjustment	Credited/(charged) to the consolidated statement of income	December 31, 2005
Deferred tax assets - the Group	68,613	4,477	(51,785)	21,305
Deferred tax assets - the Company:				
- Provisions	71,083	720	(13,292)	58,511
- Difference between commercial and fiscal net book value of fixed assets and intangible assets	(23,203)	3,757	(34,117)	(53,563)
- Employee benefit obligations	20,433	-	(4,085)	16,348
	68,313	4,477	(51,494)	21,296
Deferred tax assets - the subsidiary, net	300	-	(291)	9

Management believes that the Company's deferred tax assets as at December 31, 2006 will be realised in the foreseeable future.

As at December 31, 2006 deferred tax assets of PT Technopia Lever (the subsidiary) which are mainly derived from carried forward tax losses amounting to Rp 19,273 (2005: Rp 17,423) have not been booked due to the uncertainty of their realisation in the foreseeable future.

	2006	2005
c. Prepaid taxes	89,859	37,122
The Company:	77,037	25,817
Corporate income tax 2004	42.878	-
Corporate income tax 2005	34.159	25,817
The Subsidiaries:	12,822	11,305
Corporate income tax	5,160	5,160
Value added tax	7,662	6,145
d. Taxes payable	304,013	67,815
The Company:	299,878	67,409
- Corporate income tax	157,404	-
- Income tax Article 21	4,195	3,613
- Value added tax	21,750	7,288
- Income taxes Article 25	45,220	-
- Income taxes Articles 23/26	71,309	56,508
The Subsidiaries	4,135	406
- Corporate income tax	3,612	-
- Income tax Article 21	1	1
- Income taxes Articles 23/26	522	405

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005

e. Tax assessments

In May 2005, after the merger between PT Knorr Indonesia ("PT KI") and the Company, PT KI received a tax assessment letter for 2003 fiscal year confirming a correction of the fiscal loss of Rp 7,087 as reported in the annual tax return, to be Rp 6,209. In December 2005, PT KI received the 2004 tax assessment, confirming a correction of the fiscal loss of Rp 3,719 to be taxable income of Rp 230. Management agreed with the tax assessments and recorded the corporate income tax payable including the tax penalty amounting to Rp 1,796 in the current year.

Management has revised the 2004 annual tax return in March 2006 relating to the correction of the fiscal loss based on the above tax assessment letter. In December 2006, management made another revision for the 2004 annual tax return relating to the correction for under recorded income tax Article 25 installments. Based on the revised annual tax return, the Company recorded prepaid taxes for 2004 fiscal year of Rp 42,878. Increase in the prepaid taxes for 2005 was to align with the annual tax return for 2005.

As at the date of the completion of these consolidated financial statements, the Company is being audited by the tax authorities for 2000 fiscal year value added tax and 2001 fiscal year withholding taxes, and also for all taxes relating to the 2002, 2003 and 2005 fiscal years.

f. Administration

Under the taxation laws of Indonesia, the Company and subsidiaries submit tax returns on the basis of self-assessment. The tax authorities may assess or amend taxes within 10 years from the date the tax becomes due.

	2006	2005
14. Accrued expenses	886,436	719,917
Sales and promotion expenses	661,656	513,839
Remuneration expenses	130,103	132,611
Unilever Indonesia Foundation	17,637	13,500
Others (respective individual balance less than Rp 10,000)	77,040	59,967
15. Other liabilities	164,858	99,467
Consultants fees and other services	69,242	54,296
Technical parts	62,859	13,346
Dividend payable	19,383	13,860
Others (respective individual balance less than Rp 10,000)	13,374	17,965

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005

The balance of others (respective individual balance less than Rp 10,000) includes derivative payables amounting to Rp 7,230. As at December 31, 2006, the Company had forward foreign exchange contracts in US Dollar. The purchases of US Dollar will mature in January, February and March 2007. The notional amount of the contracts as at December 31, 2006 was USD 38,000,000 (2005: USD 35,000,000 and EUR 2,000,000). The forward rates of the contracts range from Rp 9,083 (full amount Rupiah) to Rp 9,239 (full amount Rupiah) per US Dollar 1.

The counter parties for the above contracts in 2006 are Citibank N.A., PT Bank Rabobank International Indonesia, ABN AMRO Bank N.V. and The Hongkong and Shanghai Banking Corporation Ltd. (2005: Citibank N.A., PT ANZ Panin Bank, ABN AMRO Bank N.V. and Standard Chartered Bank).

The Company entered into derivative transactions for the years ended December 31, 2006 and 2005, for the purpose of hedging. The changes in the fair values of the derivative financial instruments are recognised in the consolidated statements of income since the supporting documentation does not fulfil the criteria set forth in PSAK 55 to qualify as a hedge.

16. Employee benefit obligations

The Company

The Company received approval from the Minister of Finance of the Republic of Indonesia on July 3, 2000 to establish a separate trustee-administered pension fund, Dana Pensiun Unilever Indonesia (the "Fund"), for which substantially all employees, after serving a qualifying period, are entitled to defined benefits on retirement, disability or death.

The Fund is funded through contributions, made primarily by the Company, and sufficient to meet the minimum requirements set forth in the applicable pension legislation.

Employee benefits recognised in the consolidated balance sheets consist of:

	2006	2005
Prepaid pension expense	35,143	29,163
Employee benefit obligations	105,626	83,658
Post-employment medical benefit	45,589	31,075
Other post-employment and long-term benefit	60,037	52,583
The net amounts recognised in the consolidated statements of income are as follows:	71,647	39,817
Pension benefits	33,540	22,705
Post-employment medical benefits	21,778	3,945
Other post-employment and long-term benefits	16,329	13,167

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
- Pension benefits		
The amounts recognised in the consolidated balance sheets are as follows:		
Present value of funded obligations	483,228	387,259
Fair value of plan assets	(483,537)	(343,917)
	(309)	43,342
Unrecognised actuarial losses	(30,536)	(65,093)
Unrecognised past service cost	(4,298)	(7,412)
Prepaid pension expense	(35,143)	(29,163)
Pension benefits expense consist of the following components:	33,540	22,705
Current service cost	29,267	23,342
Interest cost	41,440	30,153
Expected return on plan assets	(42,391)	(34,288)
Actuarial losses recognised during the year	2,110	384
Past service cost	3,114	3,114

Of the total charge, Rp 10,170 (2005: Rp 7,626) and Rp 23,370 (2005: Rp 15,079) were included in cost of goods sold and operating expenses, respectively.

The actual return on plan assets was Rp 60,792 (2005: Rp 47,504).

The movements in the prepaid pension expense recognised in the consolidated balance sheets are as follows:

	2006	2005
Balance at the beginning of the year	(29,163)	(12,117)
Charged to the consolidated statements of income	33,540	22,705
Contributions paid	(39,520)	(39,751)
Balance at the end of the year	(35,143)	(29,163)

The estimated actuarial liability and fair value of plan assets of the Fund as at December 31, 2006 and 2005 were based on the actuarial calculations performed by PT Watson Wyatt Purbajaga in its report dated February 1, 2007 (2005: dated January 16, 2006) using the principal actuarial assumptions as follows:

	2006	2005
a. Discount rate	10,5% per annum	11% per annum
b. Salary increase rate	10% per annum	10% per annum
c. Pension benefits increase rate	8% per annum	8% per annum
d. Inflation rate	7% per annum	8% per annum
e. Expected return on plan assets	12% per annum	12% per annum
f. Mortality rate	Pre retirement: Indonesian Mortality Table 1999 Post retirement: USA General Annuitants Mortality Table 1971	Pre retirement: Indonesian Mortality Table 1999 Post retirement: USA General Annuitants Mortality Table 1971

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
g. Withdrawal rate	8% at age 20, reducing to 2% at age 45	8% at age 20, reducing to 2% at age 45
h. Early retirement rate	2% per annum for age 45-55 or 60 years	2% per annum for age 45-55 or 60 years

- Post-employment medical benefits

The Company provides a post-employment medical benefits scheme. The accounting method, assumptions and the frequency of valuations are similar to those used for the Company's defined benefit pension scheme. There are no plan assets for the post-employment medical benefits.

In addition to the assumptions used for the pension schemes, the main actuarial assumption used for 2006 is a long-term increase in medical claim costs of 14% (2005: 20%) in the first year, 12% (2005: 16%) in the second year, 10% in the third year onwards (2005: 12% in the third year, 10% in the fourth year onwards).

The Company uses the assumption that claim cost of the post-employment medical benefit amounts to Rp 6.65 per employee (2005: equals to ASKES Gold Premium program).

	2006	2005
The amounts recognised in the consolidated balance sheets are determined as follows:		
Present value of unfunded obligations	162,053	30,993
Unrecognised actuarial gains	(116,464)	82
Post-employment medical benefits obligation	45,589	31,075
The amounts recognised in the consolidated statements of income were as follows:	21,778	3,945
Current service cost	5,998	796
Interest cost	15,774	3,139
Actuarial loss recognised during the year	6	10
Of the total charges, Rp 6,603 (2005: Rp 1,325), and Rp 15,175 (2005: Rp 2,620) were included in cost of goods sold and operating expenses respectively.		
The movements in the post-employment medical benefit obligations recognised in the consolidated balance sheets are as follows:		
Balance at the beginning of the year	31,075	32,981
Charged to the consolidated statements of income	21,778	3,945
Actual payments	(7,264)	(5,851)
Balance at the end of the year	45,589	31,075

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
- Other post-employment and long-term benefits		
The Company provides other post-employment benefits based on the Labor Law, jubilee and long leave benefits. The accounting method, assumptions and the frequency of valuations are similar to those used for the Company's defined benefit pension scheme. There are no plan assets for the other post-employment and long-term benefits.		
The amounts recognised in the consolidated balance sheets are determined as follows:		
Present value of unfunded obligations	63,836	55,045
Unrecognised actuarial losses	(3,799)	(2,462)
Other post-employment and long-term benefits obligation	60,037	52,583
There is no actuarial gains/losses and past service costs for other post-employment and long-term benefits.		
The amounts recognised in the consolidated statements of income are as follows:	16,329	13,167
Current service cost	11,734	10,129
Interest cost	5,505	4,338
Actuarial gains recognised during the year	(910)	(1,300)
Of the total charges, Rp 4,951 (2005: Rp 4,422) and Rp 11,378 (2005: Rp 8,745) were included in cost of goods sold and operating expenses, respectively.		
The movements in the other post-employment and long-term benefit obligations recognised in the consolidated balance sheet are as follows:		
Balance at the beginning of the year	52,583	47,245
Charged to the consolidated statements of income	16,329	13,167
Actual payments	(8,875)	(7,829)
Balance at the end of the year	60,037	52,583
17. Minority interests		
a. Minority interests in the net assets of subsidiaries:	8,092	10,434
PT Anugrah Lever – percentage of ownership 35%	6,374	5,793
Carrying amount – beginning of the year	5,793	12,559
Dividend paid:		
Interim 2006	(1,225)	-
Final 2005	(560)	-
Interim 2004	-	(3,850)
Reduction of issued and fully paid-up capital	-	(3,500)
Share of net profit – current year	2,366	584

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
Carrying amount – beginning of the year	4,641	5,724
Share of net loss – current year	(2,923)	(1,083)
PT Technopia Lever – percentage of ownership 49%	1,718	4,641

A Circular Resolution of the Shareholders in lieu of a General meeting of the Shareholders of PT Anugrah Lever ("PT AL") dated September 26, 2005 agreed to the reduction of the authorised share capital of PT AL from 40,000 shares to 10,000 shares and the issued and fully paid capital from 20,000 shares to 10,000 shares. The changes to PT AL's Articles of Association were notarised by Mrs. Isyana Wisnuwardhani Sadjarwo SH on November 16, 2005 and the changes of the authorised share capital and issued and fully paid-up capital have been approved by the Minister of Justice and Human Rights of the Republic of Indonesia under Decision Letter No C–32344.HT.01.04.TH.2005 dated December 6, 2005 and published in the State Gazette No. 18 dated March 3, 2006 in Supplement No. 2313.

A Circular Resolution of the Shareholders in lieu of a General meeting of the Shareholders of PT Technopia Lever ("PT TL") dated August 4, 2004 agreed to increase the authorised share capital from Rp 50,000 (50,000 shares with the par value of Rp 1 per share) to Rp 75,000 (75,000 shares with the par value of Rp 1 per share). The changes to PT TL's Articles of Association were notarised by Mrs. Isyana Wisnuwardhani Sadjarwo SH on September 1, 2004 and the change of the authorised share capital has been approved by the Minister of Justice and Human Rights of the Republic of Indonesia under Decision Letter No C–26214.HT.01.04.TH.2004 dated October 20, 2004 and published in the State Gazette No. 35 dated May 3, 2005 in Supplement No. 4449.

	2006	2005
b. Minority interests in the net loss of the subsidiaries:		
PT Anugrah Lever	2,366	584
PT Technopia Lever	(2,923)	(1,083)
	(557)	(499)

18. Share capital

	2006	2005
Authorised, issued and fully paid-up by:		
Maatschappij voor Internationale Beleggingen (Mavibel) B.V. Rotterdam, Netherlands: 6,484,877,500 shares, with par value of Rp 10 (full amount Rupiah) per share.	64,849	64,849
Public (listed on the Jakarta Stock Exchange and Surabaya Stock Exchange): 1,145,122,500 shares, with par value of Rp 10 (full amount Rupiah) per share.	11,451	11,451
	76,300	76,300

At December 31, 2006, Mavibel B.V. which held 6,484,877,500 shares or 85% of the total authorised, issued and fully paid-up shares of the Company was the majority shareholder of the Company; no other shareholders held more than 5% of the total authorised, issued and fully paid-up shares of the Company.

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005

As of December 31, 2006 and 2005, Director who held the Company's public shares was Mr. Joseph Bataona with an ownership of not more than 0.001% of the authorised, issued and fully paid-up shares of the Company.

There were no members of the Board of Commissioners who held the Company's public shares.

	2006	2005
19. Capital paid in excess of par value	15,227	15,227

Capital paid in excess of par value represents the difference between the selling price (Rp 3,175 (full amount Rupiah) per share) and the par value prior to the stock split (Rp 1,000 (full amount Rupiah) per share) of 9,200,000 shares issued on the Indonesian Stock Exchanges in December 1981, net of the distribution of 4,783,333 bonus shares amounting to Rp 4,783,333,000 (full amount Rupiah) in 1993.

	2006	2005
20. Balance arising from restructuring transactions between entities under common control	80,773	80,773
Total equity excluding accumulated deficit of PT Knorr Indonesia	85,173	85,173
Purchase price of PT Knorr Indonesia's shares	(4,400)	(4,400)

21. Dividends

Based on the Company's Articles of Association, interim dividend payments may be dedared by a Board of Directors meeting which together with the final dividend payments are authorised by the Annual General Meeting of the Shareholders.

The Company			1,526,000	1,526,000
	Declaration dates	Dividend per share (full amount Rupiah)	2006	2005
Interim dividend 2006	November 10, 2006	80	610,400	-
Final dividend 2005	June 27, 2005	120	915,600	-
Interim dividend 2005	December 8, 2005	60	-	457,800
Final dividend 2004	June16, 2005	80	-	610,400
Interim dividend II 2004	March 9, 2005	60	-	457,800

The Subsidiaries			5,100	11,000
	Declaration dates	Dividend per share (full amount Rupiah)	2006	2005
Interim dividend 2006	December 12, 2006	350,000	3,500	-
Final dividend 2005	June 26, 2006	160,000	1,600	-
Final dividend 2004	May 20, 2005	250,000	-	5,000
Interim dividend 2004	December 22, 2004	300,000	-	6,000

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005

The Company's dividends distribution during 2006 and 2005 amounting to Rp 1,526,000, respectively, had been paid by the Company and received by the shareholders during 2006 and 2005 amounting to Rp 1,521,630 and Rp 1,521,980, respectively.

During 2006 the Company had paid dividends which were not yet received by the shareholders in prior years' dividend declaration amounting to Rp 666 (2005: Rp 2,443).

As at December 31, 2006, dividends which have not been received by the shareholders amounted to Rp 18,158 (2005: Rp 13,860) were recorded as dividend payable.

	2006	2005
22. Appropriated retained earnings	15,848	16,442

At the Company's Annual General Meeting of the Shareholders on May 31, 1999, the Company established a statutory reserve amounting to Rp 15,260 from 1998 retained earnings in accordance with Article 61 of the Indonesian Limited Company Law No. 1 of the year 1995 (the "Company Law").

According to the Company's Article of Association, in 2005 unclaimed dividends amounting to Rp 594 were reclassified to appropriated retained earnings. In 2006, this amount has been reclassified and recorded as "Dividend payable".

	2006	2005
23. Net Sales	11,335,241	9,992,135
Domestic	10,842,673	9,443,867
Export	492,568	548,268

No individual customer had total transactions of more than 10% of net sales.

The Company's sales to related parties amounted to Rp 336,587 and Rp 361,523 for the years ended December 31, 2006 and 2005, respectively, which represent 2.97% and 3.62% of total net sales respectively.

	2006	2005
The details of sales to related parties are as follows:	336,587	361,523
Unilever Australia Ltd.	99,438	109,372
Unilever (Malaysia) Holdings Sdn. Bhd.	87,973	94,791
Unilever Singapore Pte. Ltd.	38,808	31,139
Unilever Taiwan Ltd.	33,167	18,322
Unilever New Zealand Ltd.	23,792	24,684
Unilever Thai Trading Ltd.	22,932	12,448
Unilever Philippines, Inc.	11,272	37,773
PT Diversey Indonesia	5,586	7,078
Unilever Hongkong Ltd.	4,540	4,045
Unilever Japan Beverage K.K.	3,190	2,925
Unilever Thai Holdings Ltd.	2,719	2,621
Unilever Market Development Southern Africa	2,579	13,145
Unilever Korea Ltd.	60	1,105
Others (respective individual balance less than Rp 1,000)	531	2,075

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
24. Cost of goods sold	5,704,438	5,066,362
The components of cost of goods sold are as follows:		
Raw materials		
- At the beginning of the year	274,590	191,872
- Purchases	4,717,745	4,330,777
	4,992,335	4,552,649
- At the end of the year	(266,526)	(274,590)
Raw materials used	4,725,809	4,248,059
Direct labour	188,845	184,009
Depreciation	61,762	49,097
Manufacturing overheads	359,108	309,974
Total production costs	5,335,524	4,791,139
Work in process		
- At the beginning of the year	10,985	8,454
- At the end of the year	(21,018)	(10,985)
Cost of goods manufactured	5,325,491	4,788,608
Finished goods		
- At the beginning of the year	478,889	426,973
- Purchase	387,681	329,670
- At the end of the year	(487,623)	(478,889)

No purchases from individual supplier were made in excess of 10% of total the Company and subsidiaries' purchases of raw materials and finished goods.

The Company and subsidiaries' purchases of raw materials and finished goods from related parties amounted to Rp 662,606 and Rp 520,097 for the years ended December 31, 2006 and 2005, respectively, which represent 12.86% and 11.16% respectively of the total purchases.

	2006	2005
Purchases of raw materials and finished goods from related parties comprise:	662,606	520,097
PT Kimberly Lever Indonesia	258,492	233,936
Unilever China Ltd.	131,246	92,049
PT Technopia Jakarta	107,900	86,904
Unilever Thai Holdings Ltd.	36,114	16,358
Lipton Ltd. UK	32,090	7,394
Unilever Vietnam	26,620	-
Hindustan Lever Ltd.	22,191	29,639
Unilever Deutschland GmbH	16,973	8,224
Unilever (Malaysia) Holdings Sdn. Bhd.	8,517	14,433
Unilever Srilanka Ltd.	5,898	-
Best Foods Shandong Ltd.	4,473	-
Unilever Foods (Malaysia) Sdn. Bhd.	4,073	1,316
Unilever Thai Tradings Ltd.	3,426	-
Unilever Australia Ltd.	2,170	-
Lipton Ltd. Mombasa	1,559	26,577
Unilever Philippines, Inc.	-	1,725
Others (respective individual balance less than Rp 1,000)	864	1,542

(Expressed in million Rupiah, unless otherwise stated)

	2006	2005
25. a. Marketing and selling expenses	2,559,943	2,304,121
Advertising, promotion and research	1,588,419	1,507,511
Distribution costs	546,681	424,712
Remuneration	265,867	228,002
Employee benefits	37,620	18,682
Travelling and representation	28,160	28,292
Rents	24,663	20,126
Telecommunications	14,629	13,655
Depreciation of fixed assets	12,442	7,981
Others (respective individual balance less than Rp 10,000)	41,462	55,160
b. General and administration expenses	635,490	591,250
Service fees	365,176	336,694
Remuneration	86,946	72,684
Rents	38,348	36,289
Telecommunications	27,222	22,206
Consultants fees	24,829	14,888
Amortisation of intangible asset	13,489	15,941
Employee benefits	12,303	7,762
Travelling and representation	12,187	11,008
Depreciation of fixed assets	11,529	10,518
Education and training	7,979	14,392
Others (respective individual balance less than Rp 10,000)	35,482	48,868
26. Employee costs	528,059	471,322

The number of permanent employees of the Company as of December 31, 2006 and 2005 were 3,137 and 3,041 respectively.

As at December 31, 2006 and 2005, the subsidiaries (PT Anugrah Lever and PT Technopia Lever) had no permanent employees.

27. Basic earnings per share

	2006	2005
Net income attributable to the shareholders	1,721,595	1,440,485
Weighted average number of outstanding shares (in thousands)	7,630,000	7,630,000
Basic earnings per share (full amount Rupiah)	226	189

There are no securities which would have a dilutive impact.

(Expressed in million Rupiah, unless otherwise stated)

28. Assets and liabilities denominated in foreign currencies

Assets and liabilities denominated in various foreign currencies are as follows:

	2006		
	Foreign currency		Million Rupiah
Assets			
Cash and cash equivalents	USD	6,037,360	54,275
	EUR	2,254,159	26,334
Trade debtors			
- Third parties	USD	737,317	6,628
- Related parties	USD	3,899,185	35,054
Amounts due from related parties	USD	197,167	1,772
	SGD	215,147	1,263
			125,326
Liabilities			
Trade creditors			
- Third parties	CAD	680	5
	CHF	743	5
	EUR	144,502	1,711
	GBP	574,411	10,134
	USD	5,739,751	51,600
- Related parties	AUD	169,216	1,202
	EUR	367,040	4,346
	THB	35,354	9
	USD	6,859,994	61,671
Other liabilities	CHF	13,056	96
	EUR	289,225	3,424
	GBP	9,961	176
	PHP	58,800	11
	SEK	98,859	129
	SGD	106,203	637
	THB	1,503,000	382
	USD	394,763	3,549
Amounts due to related parties	AUD	109,060	774
	EUR	32,308	383
	GBP	52,670	929
	JPY	239,563	18
	SGD	79,773	467
	THB	2,135,370	540
	USD	9,253,600	83,193
Accrued expenses	EUR	13,810,083	163,511
			388,902
Excess of liabilities over assets denominated in foreign currencies			263,576

(Expressed in million Rupiah, unless otherwise stated)

Assets and liabilities denominated in various foreign currencies are as follows:

	2005		
	Foreign currency		Million Rupiah
Assets			
Cash and cash equivalents	USD	10,239,516	100,655
	EUR	1,221,208	14,203
Trade debtors			
- Third parties	USD	1,145,731	11,263
- Related parties	USD	3,970,144	39,026
Amounts due from related parties	USD	1,172,296	11,524
			176,671
Liabilities			
Trade creditors			
- Third parties	AUD	55,033	389
	EUR	266,800	3,103
	GBP	144,526	2,450
	JPY	2,480,000	203
	USD	7,802,738	76,701
- Related parties	EUR	324,606	3,775
	THB	95,846	23
	USD	3,785,320	37,210
Other liabilities	CHF	7,325	55
	EUR	119,530	1,390
	GBP	6,502	110
	SEK	140,068	173
	SGD	33,217	192
	THB	2,840,557	679
	USD	703,480	6,915
Amounts due to related parties	AUD	1,904	14
	EUR	55,219	642
	GBP	49,522	839
	SGD	1,508,603	8,915
	THB	4,900,650	1,173
	USD	5,553,643	54,592
Accrued expenses	EUR	2,585,330	30,067
	USD	4,183,581	41,125
			270,735
Excess of liabilities over assets denominated in foreign currencies			94,064

When it is required in the opinion of management, the Company and subsidiaries enters into foreign currency exchange contracts with external counterparts to reduce its exposure to foreign exchange movements affecting existing assets and liabilities denominated in foreign currencies.

29. Significant commitments and contingent liabilities

a. The Company had commitments to purchase fixed assets and raw materials amounting to Rp 76,948 and Rp 681,304 respectively as of December 31, 2006 (2005: Rp 10,247 and Rp 451,619 for purchases of fixed assets and raw materials respectively).

b. Building rental commitments in 2006 and 2005 and computer lease commitments under operating leases in 2006 are as follows:

	2006	2005
	USD (in thousands)	USD (in thousands)
Building rental commitments	2,122	3.129
Payable within		
1 year	1,042	1,007
2 – 4 years	1,080	2,122
	Rupiah (in millions)	Rupiah (in millions)
Computer lease commitments	20,805	17,753
Payable within		
1 year	7,152	4,740
2 – 4 years	13,653	13,013

c. The Company had revolving credit facilities at December 31, 2006 from:

	Short term	
	USD (million)	Rp (million)
Citibank N.A	2	-
ABN AMRO Bank N.V.	-	175,000
Deutsche Bank AG	15	-
Total facilities	17	175,000

These facilities are unsecured short-term financing facilities and the interest is paid at prevailing market rates. The facilities are subject to review on annual basis.

On April 4, 2006, the Company agreed to increase the loan facility from Deutsche Bank AG to USD 15 million (2005: USD 9 million).

On December 7, 2005, ABN AMRO Bank N.V. and the Company agreed to use the facility from ABN AMRO Bank N.V. as a supplier financing facility for certain suppliers of the Company.

As at December 31, 2006 and 2005, the Company did not use the facilities from the above mentioned banks, except that on December 31, 2005 ABN AMRO bank N.V. had paid Rp 11,496 to certain suppliers of the Company. The liabilities arising from this facility was recorded in "Trade creditors".

d. The Company and subsidiaries did not have any significant contingent liabilities as at December 31, 2006 and 2005.

30. Other important agreements

In August 2005, the Company signed an agreement with Calbee Foods Co., Ltd., Japan ("Calbee") in development, manufacturing and selling of savoury snacks product in Indonesia. The Company has a right to use the Calbee trade mark. Based on that agreement, the Company has to pay 2% royalty (including income tax Article 26) of the sales of Calbee products to third parties during the year, except for the first year which is determined based on a certain amount.

31. Post balance sheet event

In February 2007, floods took place in Jakarta and its surrounding areas. However, management believes that there was no significant loss assumed by the Company and subsidiaries.