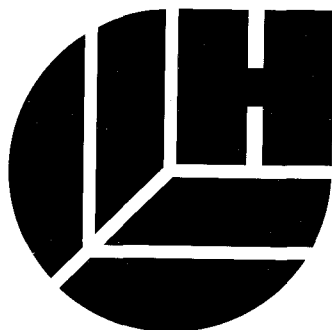


# HINDUSTAN LEVER LIMITED

REPORT AND ACCOUNTS 2004

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# OUR CORPORATE PURPOSE

Our 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 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.

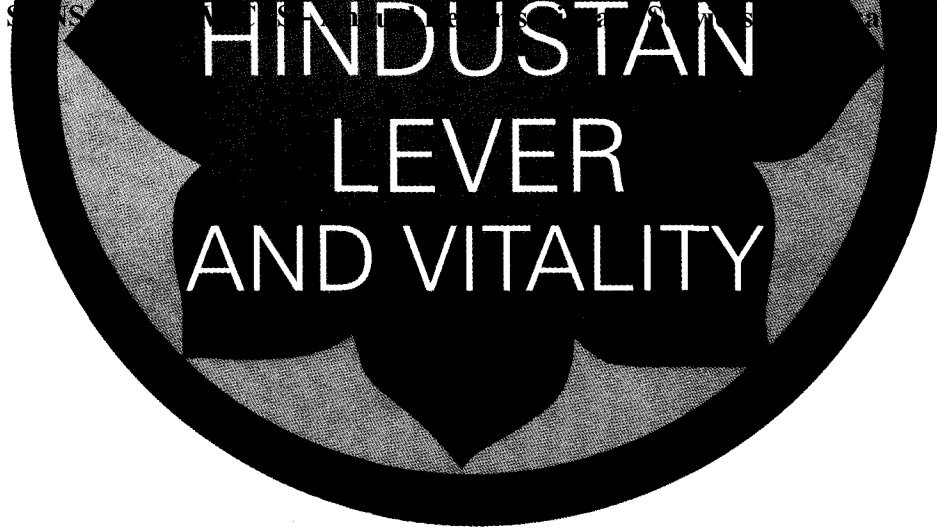
Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively, and to a willingness to embrace new ideas and learn continuously.

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.

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Vitality links all our brands - uniting them in the role they play for the people who use them.

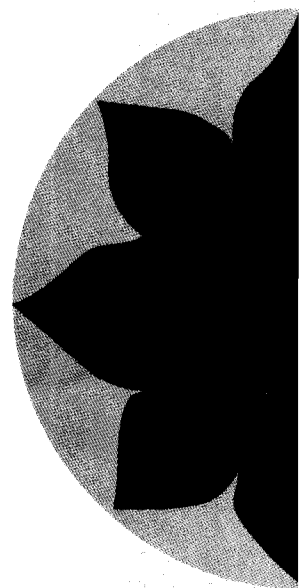
Vitality is a consequence of what we do; the end benefit being that our brands help people look good, feel good and get more out of life.

It's a simple statement, but a powerful one. It encompasses our brands, our culture and our commitments to society and the environment.

Our vitality mission will focus our business on new consumer opportunities. In the future our brands will do even more to add vitality to life.

These opportunities are growing out of some of the biggest issues in our country today - the increasing divide between rich and poor, urbanisation, changing diets and lifestyles.

Hindustan Lever is well placed to meet these challenges. Unique to us is the capability to understand the interrelationship between nutrition, hygiene and personal care. Our strong scientific capability and locally rooted consumer insight mean that we're in a strong position to make vitality relevant to people of all incomes, and to develop brands that meet the needs of consumers from a holistic point of view.





In India, over 600 million consumers choose our products.  
That's a lot of opportunity to add vitality to life.  
Our brands help people look good, feel good  
and get more out of life.





*glistening smiles*



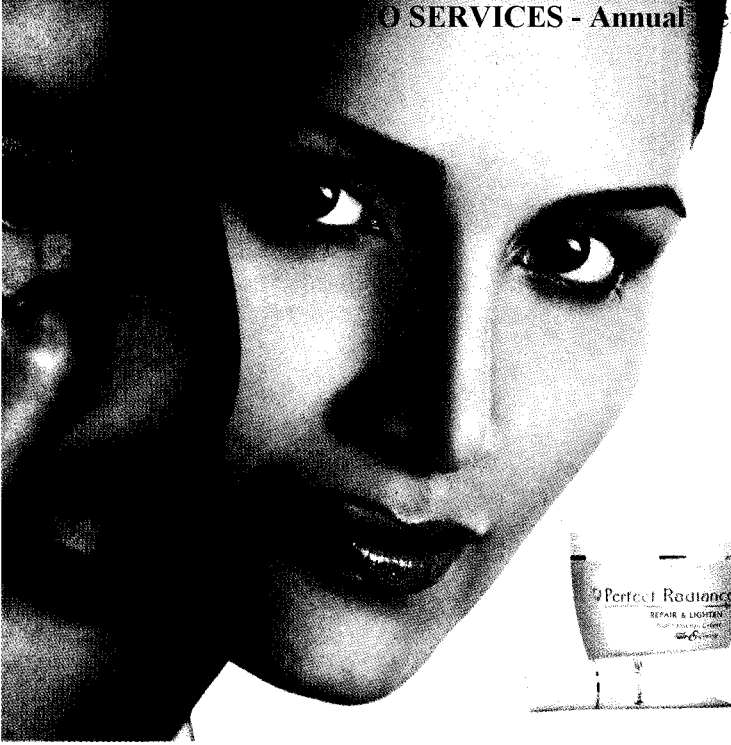
function.com

*gorgeous looks  
pampered skin*



www.function.com

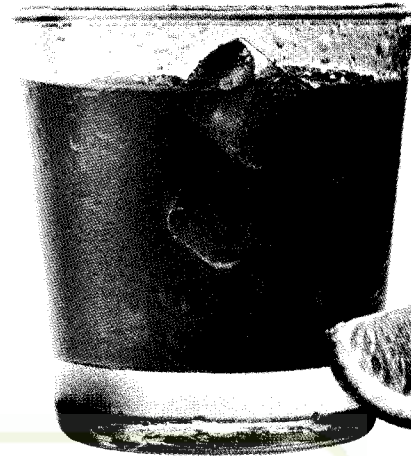
uplifting beauty



happy healthy kids  
fresh laundry



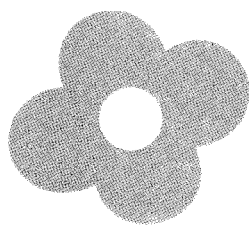
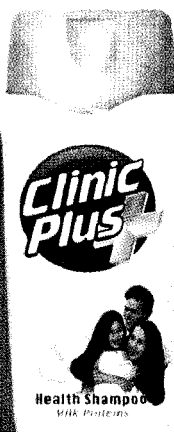
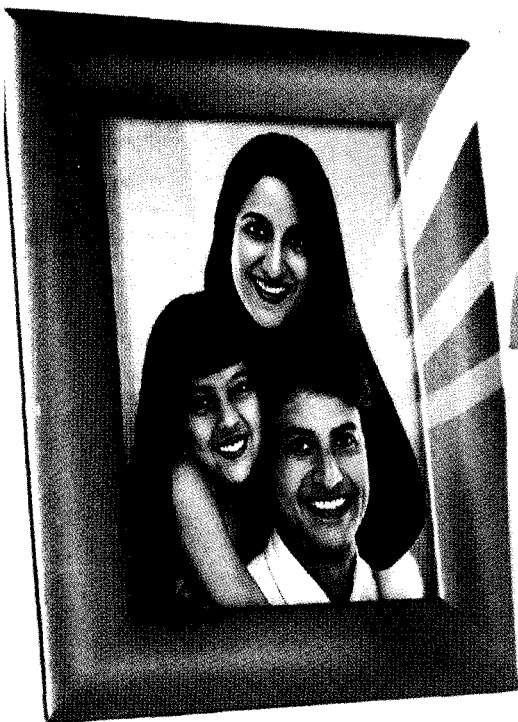
*Natural goodness*



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*clean hands*





healthcare

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a great meal

by treating

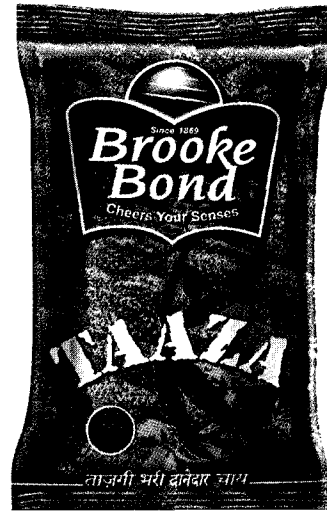


# *sparkling dishes*



*more time for everyone*

*A refreshing drink of tea*



# CHAIRMAN'S STATEMENT



Dear Shareholders,

The Indian economy continued to perform well in 2004. However, the FMCG markets declined for most of the year, as in the previous years. You will, I am sure, recall my view that the FMCG markets will return to growth as consumers are attracted back to our categories and brands. Indeed, this has begun to happen. The FMCG market is now growing modestly since the last few months. This revival augurs very well for the sector and for Hindustan Lever.

2004 has been an important year for your company - a year in which we faced unprecedented competition from global players, through large price reductions, as well as from a growing number of local players. We met this challenge head on and invested appropriately, including reducing our prices and further improving product benefits and quality, to protect our core FMCG business and market shares. I am happy to report that we have successfully blunted the attack and protected our market shares in most categories, most notably in Laundry. In Shampoos we saw a strong volume growth of over 30%, which is now reflecting in value and market share growth. This successful defense has however impacted profit in the short term. But we have protected our market position, and I am sure you will agree that market share is the best predictor of future profit.

The last few years have been very challenging and of great significance for your company. As India liberalized, we were confronted with intense competition and markets declining due to downgradation. We have resolutely executed a strategy to revitalize the company to face the challenges of the new environment and to enable ourselves to exploit the full growth potential that India offers.

Firstly, we have focussed the company on our core FMCG business and divested all our non-core businesses. The sales divested and discontinued since 1999 is Rs. 1750 crores - over 17% of the total in 1999. We have secured excellent value for these businesses. The Exports business is also completely focussed on FMCG and other core Exports.

Secondly, we have significantly improved the profitability of our Foods business. Four years ago we had a sizeable Foods business with very low profitability. Most of the Foods businesses had high cost structures, lacked differentiation and faced aggressive low price competition. Since then we have strengthened our key brands, reduced costs and totally re-engineered the supply chain. The Coffee business is delivering good growth and the Tea business has turned around. Our overall gross margins have improved substantially, giving us a platform to invest in growth in all categories, including Processed Foods.

Thirdly, we have resolutely sharpened and strengthened our brand portfolio. We now have 35 strong brands across our categories. These brands have been strengthened through investments in better quality, affordability, accessible pricing and advertising. We have invested over Rs. 400 Crores in improving