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Growth slows at Unilever

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FRANKFURT: Unilever, one of the world's largest food and consumer products companies, said Thursday that profit rose less than analysts estimated as sales growth slowed and the price of ingredients rose.

The conglomerate, whose brands include Knorr soup and Dove soap, reported second-quarter net income of €986 million, or $1.26 billion, compared with €731 million a year earlier.

Unilever's 3.3 percent sales growth trailed the 25 percent increase reported Wednesday by Procter & Gamble, the largest U.S. consumer products company, and the 3.4 percent gain at Kraft Foods, the No. 2 food company in the world after Nestlé.

"With Unilever, growth doesn't seem to stick," said ***James Amoroso***, an analyst at Helvea in Geneva. "They haven't yet proven that their growth is sustainable."

Shares of Unilever fell 87 cents, or 4.6 percent, to €18.20 in Amsterdam. The stock has declined 5.6 percent this year.

"I am not satisfied with the level of growth in Europe," Unilever's chief executive, Patrick Cescau, said in a conference call with analysts.

Unilever, which is based in London and Rotterdam, said that it expected to have annual sales growth of at least 3 percent over the next four years. It is introducing new products in the United States, including Wishbone salad-dressing sprayers and Breyer's ice cream with candy.

"We would urge caution about management's ability to meet the sales growth target in a consistent way," Andrew Wood, a senior research analyst with Sanford C. Bernstein, wrote in a note to clients.

Unilever has cut its sales target twice and its profit target once since 2002. In the past four years, sales have risen more slowly than at Nestlé; at Reckitt Benckiser, the world's biggest maker of household cleaners; and at Procter & Gamble.

Operating profit will exceed 13.4 percent of sales this year, Unilever said. In the second quarter, operating profit rose to 14 percent of sales from 12 percent a year earlier.

Cescau said that the company would not be able to offset rising commodity prices in the second half by charging customers more and cutting costs.