

Unilever shares fall on results

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Food giant Unilever, maker of Knorr soup and Dove soap, posted worse-than-expected second-quarter profits on the back of slower sales growth and higher prices of ingredients such as soy oils.

The consumer products conglomerate's shares fell 4pc - its biggest fall in two years - after reported net income of EUR986m (£526m) compared with EUR731m a year earlier. The median estimate of 11 analysts in a Bloomberg survey was for net income - or profit after tax - of EUR1.01bn.

Unilever's 3.3pc sales growth trailed the 25pc increase reported yesterday by rival Procter & Gamble, the largest US consumer-products company, and the 3.4pc revenue gain at Kraft Foods, the world's No. 2 food company. Unilever, the world's third largest food company, said it lost market share in hair-care and laundry products and that sales of ready-to-drink teas fell.

"With Unilever, growth doesn't seem to stick," said **James Amoroso**, an analyst at Helvea in Geneva, who has a "neutral" rating on Unilever's stock. "They haven't yet proven that their growth is sustainable."

Unilever shares were down 53p at £12.36p, in morning trade.

The company still expects full-year sales growth to reach last year's level of about 3pc. New products in the US, including Wishbone salad spritzers and Breyer's ice cream with pieces of confectionery, are designed to help revenue, according to the company.

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

In Europe, the 15pc operating margin for the first half was 1.7 percentage points lower than last year, Unilever said. The company cited "higher restructuring costs, lower profits on disposals and the impact of input cost increases, particularly in edible oils, tea and mineral-oil based costs." These were "only partly offset" by savings programs.

Unilever said in May it plans to save about EUR700m by the end of the year. It aims to save EUR1bn by the end of 2007 after selling units and combining offices.

(Bloomberg)