

Disclaimer

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Certain sections of the Unilever Annual Report & Accounts and Form 20-F 2003 have been audited. Sections that have been audited are set out on pages 73 to 125, 131 to 147 and 149 to 150. The auditable part of the Directors' Remuneration report as set out on page 68 has also been audited.

The maintenance and integrity of the Unilever website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially placed on the website.

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The Annual Report & Accounts and Form 20-F does not constitute an invitation to invest in Unilever shares. Any decisions you make in reliance on this information are solely your responsibility.

The information is given as of the dates specified, is not updated, and any forward-looking statements are made subject to the reservations specified on page 3 of the Report.

Unilever accepts no responsibility for any information on other websites that may be accessed from this site by hyperlinks.

Basis of reporting and discussion

Our accounting policies are based on United Kingdom generally accepted accounting principles (GAAP) and UK and Netherlands law. These differ in certain respects from United States GAAP. The principal differences are described on page 132. We have shown reconciliations to net income and capital and reserves under US GAAP on pages 131 and 132.

For definitions of key ratios referred to in this review please refer to page 126.

Amounts discussed in the financial review have been restated following changes in our accounting policies for pensions, share-based payments and for the presentation of collateral. See note 14 on page 94, note 17 on page 99 and note 29 on page 116.

Reporting currency and exchange rates

Foreign currency amounts for results and cash flows are translated from underlying local currencies into euros using annual average exchange rates; balance sheet amounts are translated at year-end rates except for the ordinary capital of the two parent companies. These are translated at the rate prescribed by the Equalisation Agreement of £1 = Fl. 12, and thence to euros at the official rate of €1.00 = Fl. 2.20371 (see Control of Unilever on page 152).

The figures quoted in the following discussion on pages 15 to 20 are in euros, at **current rates of exchange**, unless otherwise stated, ie the average or year-end rates of each period.

International Financial Reporting Standards

Unilever will adopt International Financial Reporting Standards (IFRS) with effect from 1 January 2005. The implementation of IFRS is a major change process for which we have established a project team and are dedicating considerable resource. The impact of the change to IFRS on our reported capital and reserves and on reported net profit is being assessed. In particular, our current accounting policies for retirement benefits, financial instruments, goodwill and intangible assets, biological assets, deferred taxes and proposed dividends differ from IFRS.

Critical accounting policies

The accounts comply in all material respects with UK GAAP and UK and Netherlands law. To prepare the accounts, we are required to make estimates and assumptions, using judgement based on available information, including historical experience. These estimates and assumptions are reasonable and are re-evaluated on an ongoing basis. However, actual amounts and results could differ. Critical accounting policies are those which are most important to the portrayal of Unilever's financial position and results of operations, and are described on pages 73 to 75. Unilever complies with UK Financial Reporting Standard 18, which requires that the most appropriate accounting policies are selected in all circumstances. Some of these policies require difficult, subjective or complex judgements from management, the most important being:

Retirement benefits

From 1 January 2003 we have adopted United Kingdom Financial Reporting Standard 17 (FRS 17) 'Retirement Benefits', which requires that pension assets and liabilities be stated at fair values. The impact of adoption of this standard has been reflected by

means of prior period adjustments to the balance sheets and profit and loss accounts.

The determination of Unilever's pension assets, obligations and expenses depends on certain assumptions used by actuaries in calculating such amounts. The valuation of pension obligations is particularly sensitive to the assumptions made in respect of discount rates and inflation rates; these discount rates, together with the assumptions made in respect of the expected long-term rates of return on assets, also determine the amounts to be included in the profit and loss account in respect of pension fund financing. The table below sets out these assumptions, as at 31 December 2003, in respect of the four largest Unilever pension funds. Details of all assumptions made are given on page 100.

	% UK	% Nether- lands	% United States	% Germany
Discount rate	5.40	5.20	6.10	5.20
Inflation assumption	2.70	1.80	2.50	1.80
Expected long-term rate of return:				
Equities	8.30	8.30	8.60	8.30
Bonds	5.30	4.70	4.70	4.70
Others	6.40	6.80	4.70	5.50

Although the assumptions made are thought to be appropriate, significant differences in actual experience or significant changes in assumptions may materially affect pension assets and obligations and future expenses.

Share-based compensation

In line with recommendations of various standard setting bodies, from 1 January 2003 we changed our accounting policy for share options. We have been hedging our existing share option programmes by buying shares at the time of grant and taking the financing cost within interest. The accounting change is to include an additional non-cash charge against operating profit to reflect the fair value to the employee of the share options granted. Since there is a consensus among the world's accounting standard bodies that this approach gives the most appropriate accounting treatment, Unilever believes that companies should adopt the proposals in order to improve the comparability of reported results. The impact of the adoption of this change has been reflected by means of prior period adjustments to the profit and loss accounts and balance sheets. In determining the additional charge, we are applying a Black-Scholes based valuation spread over the vesting period of the option. The fair value so calculated depends on certain assumptions which are described in note 29 on page 116. The assumptions made in respect of share price volatility and expected dividend yields are particularly subjective. Unilever considers these and all other assumptions to be appropriate, but significant changes in assumptions could materially affect the charge recorded.

Provisions

Provision is made, among other reasons, for environmental and legal matters and for employee termination costs where a legal or constructive obligation exists at the balance sheet date and a reasonable estimate can be made of the likely outcome.

Market support costs

Expenditure on market support costs, such as consumer promotions and trade advertising, is charged against profit in the year in which it is incurred. At each balance sheet date, we are required to estimate the part of expenditure incurred but not yet

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invoiced based on our knowledge of customer, consumer and promotional activity.

Goodwill, intangible and tangible fixed assets

Impairment reviews in respect of goodwill and intangible fixed assets are performed at least annually. More regular reviews, and impairment reviews in respect of tangible fixed assets, are performed if events indicate that this is necessary. Examples of such triggering events would include a significant planned restructuring, a major change in market conditions or technology, expectations of future operating losses or negative cash flows.

Impairment reviews are performed following the guidance in UK Financial Reporting Standard 11, United States SFAS 142 and SFAS 144. Such reviews are performed by comparing the carrying value of the asset concerned to a valuation derived from discounted future cash flows. Significant assumptions, such as long-term growth rates and discount rates, are made in preparing these forecast cash flows; although these are believed to be appropriate, changes in these assumptions could change the outcomes of the impairment reviews.

The most significant balances of goodwill and intangible assets are those arising from the purchases of Bestfoods and *Slim•Fast*. We have reviewed the balances related to the Bestfoods acquisition (€14.8 billion), by considering actual and planned growth rates of Bestfoods brands and the synergy savings arising from its integration. No impairment loss has been identified.

Our review of the balances related to *Slim•Fast* (€1.4 billion) is based upon the assumption that the plans for the business, referred to in the Operating Review on pages 23 and 36, achieve a stabilisation of revenues during 2004 and a return to growth thereafter. We conclude, on this basis, that there is no impairment but the position will be monitored.

Deferred tax

Full provision is made for deferred taxation, as required under UK Financial Reporting Standard 19, at the rates of tax prevailing at the year-end unless future rates have been enacted, as detailed on page 75. Deferred tax assets are regularly reviewed for recoverability, and a valuation allowance is established to the extent that recoverability is not considered likely.

Results – 2003 compared with 2002

Turnover € million

2003	42 942
2002	48 760
2001	52 206

Operating profit € million

2003	5 529
2002	5 091
2001	5 030

Operating profit BEIA € million

2003	6 772
2002	7 054
2001	7 032

As noted in the preceding section, with effect from 1 January 2003 we have adopted FRS 17 in respect of pensions accounting and have implemented a new accounting policy for share options. Amounts for prior years have been restated in the financial statements and in the following commentary.

Turnover fell by 12% to €42 942 million. This decrease was primarily due to a 10% strengthening of the average exchange rate for the euro against the basket of Unilever currencies. At constant rates of exchange, underlying sales grew by 1.5% in the year, but the net effect of this and our continued programme of disposals under Path to Growth, partly offset by the increase in our holding in Unilever Bestfoods businesses across Asia, was a 2% reduction in turnover. The main disposal impact came from the sale of DiverseyLever, Mazola and Lodgers Croklaan.

Group turnover was €42 693 million (2002: €48 270 million). Our share of turnover from joint ventures continued to fall in 2003 to €249 million (2002: €490 million) as a result of increases in our holding in former Bestfoods joint ventures in Asia and South Africa and their consequent inclusion as subsidiaries.

Operating profit was up 9% at €5 529 million for the year (2002: €5 091 million) and the operating margin increased to 12.9% (2002: 10.4%), with a significant contribution from lower net exceptional charges. Operating profit BEIA was 4% lower at €6 772 million, compared with €7 054 million in 2002. Operating margin BEIA improved strongly from 14.5% in 2002 to 15.8% despite an increase in brand investment; this was achieved through improved gross margins and lower overheads as a result of the Path to Growth savings programmes. These improvements were more than offset by the strengthening of the euro. Group operating profit BEIA was €6 719 million (2002: €6 959 million).

Amortisation of goodwill and intangible assets was €1 143 million compared with €1 261 million in 2002. The decrease is mainly due to the strengthening of the euro in 2003.

Net exceptional charges included in operating profit for the year were €100 million (2002: €702 million), which included €470 million of restructuring investment costs and a net credit for the profit and losses on disposals of €370 million. The restructuring costs primarily relate to Path to Growth initiatives, and the continued integration of Bestfoods. Associated costs of €121 million were included within operating profit BEIA for the year (2002: €191 million).

Group operating profit increased by 10% to €5 483 million.

An overview of operating performance by region and product category is included in the regional and category texts on pages 21 to 30 and 31 to 44 respectively.

Net interest cost, excluding pensions interest, fell to €847 million from €1 173 million in 2002 as a result of the lower overall level of net debt and the positive impact of currency movement on the cost of our US dollar-based debt. The net interest cover for the year was 6.7 times compared with 4.5 times in 2002. The net interest cover on the basis of EBITDA was 9.5 times (2002: 7.0 times). The pension net interest charge for the year was €166 million compared with a net interest credit of €108 million in 2002. This change reflected a lower expected return on pension assets for 2003 as a result of lower asset values following the weak stock market performance in 2002.

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The Group's effective tax rate on profit was 33.6% for the year (2002: 39.6%) and reflects the non-tax-deductibility of Bestfoods goodwill amortisation. The underlying tax rate for the year, before exceptional items and amortisation, was 29% compared with 30% last year, with sustained benefits flowing from the Path to Growth programme.

Minority interests decreased by 20% to €249 million (2002: €312 million). This decrease is due to the one-off change in fiscal policy, which positively affected local shareholders in India in 2002.

Net profit rose by 29% to €2 762 million with lower exceptional charges and the improvements in operating margin, interest and tax more than offsetting the negative impact of exchange rates. Combined earnings per share increased by 32% and combined earnings per share BEIA increased by 2%.

Return on invested capital for the year was 12.5%, up from 9.8% in 2002. The progress was the result of improved operating margins arising from Bestfoods synergy benefits and additional procurement and restructuring savings. Our capital base was also reduced by further rationalisation and disposal of capital intensive production facilities.

The definition and further details on return on invested capital are given on pages 126 and 128.

Results – 2002 compared with 2001

As noted in the preceding section, with effect from 1 January 2003 we have adopted UK FRS 17 in respect of pensions accounting and have implemented a new accounting policy for share options. Amounts for prior years have been restated in the financial statements and in the following commentary.

The 7% strengthening of the average exchange rate for the euro against the basket of Unilever currencies impacted turnover, which fell by 7% to €48 760 million. Underlying sales growth of 4% at constant rates was offset by the net impact of acquisitions and disposals, which reduced turnover by 4%. The most significant disposal impact came from DiverseyLever and Mazola, offset by the increase in our holding in the Unilever Bestfoods Robertsons business in Africa and the Middle East.

Group turnover, excluding our share of the turnover of joint ventures, fell by 6% to €48 270 million. Our share of turnover from joint ventures fell to €490 million (2001: €692 million) as the increase in our holding in Unilever Bestfoods Robertsons resulted in its reclassification as a subsidiary.

Operating profit was €5 091 million (2001: €5 030 million) and the operating margin was 10.4% compared to 9.6% in 2001. Operating profit BEIA was €7 054 million (2001: €7 032 million). Operating margin BEIA improved to 14.5% from 13.5% in 2001. This underlying margin improvement reflects the continuing contribution from our Path to Growth strategy; it was offset by the strengthening of the euro, leaving operating profit BEIA in line with 2001. Group operating profit BEIA was also flat at €6 959 million.

Amortisation of goodwill and intangible assets was €1 261 million for the year, down from €1 423 million in 2001. The decrease was

primarily due to the strengthening of the euro during the year. Included in the charge is €1 023 million in respect of Bestfoods.

Exceptional items included in operating profit for the year of €702 million included €1 163 million of restructuring costs, a credit of €363 million for the net profits and losses on business disposals and €98 million credit from the release of legal and environmental provisions following the settlement of certain legal claims in our favour. Associated costs included within operating profit BEIA were €191 million for the year (2001: €373 million).

The exceptional costs incurred during the year primarily relate to the Path to Growth initiatives announced in February 2000, and to the integration of Bestfoods.

Group operating profit rose by 1% to €5 007 million, with the underlying margin improvement offset by higher exceptional charges and the 6% average currency impact.

Net interest cost for the year, excluding pensions interest, was €473 million lower at €1 173 million as we benefited from strong cash flow from operations, the proceeds of business disposals, lower interest rates and the favourable effect of currency movements. Net interest cover for the year was 4.5 times, up from 3.1 times in 2001. The net interest cover on the basis of EBITDA was 7.0 times (2001: 4.9 times). The net interest credit on pensions was €108 million (2001: €42 million).

The Group's effective tax rate on profit for the year was 39.6% (2001: 44.2%). This rate reflects the non-deductibility of the Bestfoods goodwill amortisation and a lower effective tax rate on net exceptional items. The underlying tax rate before exceptional items and amortisation for the year was 30% (2001: 33%).

Minority interests increased to €312 million (2001: €239 million), mainly as a result of a fiscal policy change affecting local shareholders in India.

Net profit for the year rose by 27% to €2 136 million; combined earnings per share were up 29%; combined earnings per share BEIA increased by 17%.

Return on invested capital increased to 9.8% from 8.7% in 2001.

Acquisitions and disposals

Acquisitions

On 18 February 2003, we announced an agreement to acquire the remaining unheld shares in CPC/Aji Asia, a joint venture with operations in six countries, from Ajinomoto Co. Inc., Japan. Unilever will pay a total of US \$381 million (€338 million) for Ajinomoto's equity holding. Unilever had full management control of the business with effect from 25 March 2003.

On 14 October 2003, we announced the creation of Pepsi *Lipton* International, a 50:50 joint venture between Unilever and Pepsico, to market and distribute ready-to-drink tea in several international markets outside North America.

In 2002, we increased our holding in the Robertsons business in South Africa and Israel to 59%, and took a one-third equity share in JohnsonDiversey Holdings Inc.

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There were no public takeover offers made by Unilever during 2003. Public takeover offers made by Unilever during 2002 related to the following:

On 14 August 2002, Unilever Overseas Holdings Limited and other members of the Unilever Group were obliged to make an agreed public tender offer on the Cairo and Alexandria Stock Exchange in Egypt for 2 938 000 shares (49%) of El Rashidi El Mizan Confectionery SAE at a price of 31.22 Egyptian pounds per share. All the shares were acquired. The purchase and price had been agreed by Bestfoods in 2000 at the time of Bestfoods' acquisition of 51% of the company.

Subsequently on 22 December 2002, Middle East Food and Trade Company SAE made an agreed public tender offer on the Cairo and Alexandria Stock Exchange in Egypt for 6 000 000 shares (100%) of El Rashidi El Mizan Confectionery SAE held by members of the Unilever Group at a price of 15.33 Egyptian pounds per share. The transaction was completed on 6 January 2003 and all the shares were sold.

Disposals

In 2003, we disposed of 50 businesses with a total turnover of approximately €1 130 million.

On 17 January 2003, we completed the sale of our holdings in Unipamol Malaysia Sdn. Bhd. and Pamol Plantations Sdn. Bhd. to Palmco of Malaysia, a subsidiary of IOI Corporation, for a cash consideration of €138 million. In 2002, these businesses had combined turnover of approximately €51 million.

On 28 March 2003, we completed the sale of Frigedoc, our mobile home-vending frozen foods and ice cream business in France, to Toupargel. This business had an annual turnover of approximately €242 million.

On 12 May 2003, we completed the sale of the fruit juice business in Central America to Alimentos Maravilla. This business had an annual turnover of approximately €27 million.

On 15 May 2003, we announced the sale of the Van den Bergh Oils business in the UK to Pura Foods Ltd, a subsidiary of ADM International Ltd. This business had annual third-party turnover of approximately €60 million.

On 30 June 2003 we completed the sale of our *John West* businesses in Australasia to Simplot Australia and GS Private Equity. In 2002 this business had an annual turnover of €74 million.

On 31 August 2003 we completed the sale of our cheese business in Austria and Germany to Bongrain. In 2002 this business had an annual turnover of €105 million.

On 30 September 2003 we completed the sale of our *Brut* brand in North and Latin America to Helen of Troy Ltd for a cash consideration of €49 million. In 2002 this business had an annual turnover of €48 million.

On 20 October 2003 we completed the sale of our oral care brands in North America to Church & Dwight for a cash consideration of €92 million. In 2002 these businesses had annual turnover of €155 million.

On 5 December 2003 we completed the sale of the *Bio Presto* trademark in Italy to Henkel SpA for a cash consideration of €45 million. In 2002 this business had an annual turnover of €37 million.

On 31 December 2003 we completed the sale of our *Ambrosia* and *Brown & Polson* businesses in the UK and Ireland to Premier Ambient Products (UK) Ltd for a cash consideration of €145 million. In 2002 these businesses had an annual turnover of €87 million.

In 2002, we disposed of 35 businesses for a total consideration of approximately €1 993 million.

Significant disposals in 2002 included the DiverseyLever institutional and industrial cleaning business; the Unimills refinery business in the Netherlands; the Loders Croklaan Group; 19 foods brands sold to ACH Food Companies Inc.; the Atkinsons fragrance business; the Iberia Foods business; the Nocilla chocolate spreads business; the Mafer snacks business and the Clemente Jacques culinary business, both in Mexico.

For further information on the impact of acquisitions and disposals refer also to the Cash flow section of the Financial Review on page 19 and to note 25 on page 112.

2003

Dividends and market capitalisation

Ordinary dividends paid and proposed on PLC ordinary capital amounted to 18.08p per 1.4p share (2002: 16.04p), an increase of 13% per share. Ordinary dividends paid and proposed on the NV ordinary capital amounted to €1.74 per €0.51 share (2002: €1.70), an increase of 2% per share. The ratio of dividends to profit attributable to ordinary shareholders was 61.5% (2002: 79.2%).

Unilever's combined market capitalisation at 31 December 2003 was €51.1 billion (2002: €59.9 billion).

Balance sheet

During 2003, net debt decreased to €12 555 million (2002: €16 966 million). This was due to strong operating cash flow, the proceeds of business disposals and the favourable effect of currency movements.

Borrowings at the end of 2003 totalled €15 900 million (2002: €19 870 million). Taking into account the various cross currency swaps and other derivatives, 67% (2002: 78%) of Unilever's borrowings were in US dollars, and 8% (2002: 1%) in euros, with the remainder spread over a large number of other currencies.

Long-term borrowings decreased by €2 467 million to €8 466 million at the end of 2003. At the end of 2003, short-term borrowings were €7 434 million (2002: €8 937 million), including €1 675 million of long-term debt coming to within a year of maturity at the year end. At the end of 2003, 66% of the long-term debt is repayable within five years (2002: 68%).

Unilever has committed credit facilities in place to support its commercial paper programmes and for general corporate purposes. The undrawn committed credit facilities in place at the end of 2003 were: bilateral committed credit facilities

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of in aggregate US \$3 737 million, bilateral notes commitments of in aggregate US \$400 million and bilateral money market commitments of in aggregate US \$2 080 million. Further details regarding these facilities are given in note 14 on page 94.

During 2003, a total of €509 million was raised through term financing. The term financing mainly consisted of an issue of a five-year debenture in Thailand of an equivalent of €85 million in March 2003, an issue of a 30-month debenture in India of an equivalent of €122 million in July 2003 and a five-year bond issue in South Africa of an equivalent of €118 million in September 2003.

Unilever is satisfied that its financing arrangements are adequate to meet its working capital needs for the foreseeable future.

Unilever's contractual obligations at the end of 2003 included capital expenditure commitments, borrowings, lease commitments and other commitments. A summary of certain contractual obligations at 31 December 2003 is provided in the table below. Further details are set out in the following notes to the accounts: note 10 on page 91, note 14 on page 94 and note 24 on page 112. Details on derivatives are given in note 15 on pages 97 and 98.

Contractual obligations at 31 December 2003

	€ million Total	€ million Due within one year	€ million Due in 1-3 years	€ million Due in 3-5 years	€ million Due in over 5 years
Long-term debt	8 466	–	3 600	1 969	2 897
Operating lease obligations	1 881	321	527	432	601
Purchase obligations	391	219	133	38	1
Other long-term commitments	264	96	69	45	54

Finance leases under contractual obligations are not material.

Cash and current investments at the end of 2003 totalled €3 345 million (2002: €2 904 million); these funds were held in euros (51%), sterling (1%), US dollars (3%), Indian Rupee (15%) and other currencies (30%). The funds are mainly to support day-to-day needs and are predominantly invested in short-term bank deposits and high-grade marketable securities.

In 2003, pension liabilities less plan assets (after allowing for deferred tax) amounted to €3 759 million (2002: €3 936 million). The reduction in the net liability has primarily arisen due to the higher than expected return on the equity market in 2003.

The euro appreciated considerably against most other Unilever currencies between the two balance sheet dates. This resulted in an exchange gain on translation of opening balances and of movements of €250 million. The translation gain arose principally on the highly geared balance sheet of our US business, which was partly offset by translation losses in other countries, notably the UK. Profit retained, after accounting for dividends and for the retranslation impact, increased by €1 527 million to €6 190 million.

Total capital and reserves increased to €5 920 million (2002: €4 702 million) reflecting the above movements in profit retained together with a €400 million net increase in shares held to meet

employee share options. On the face of the balance sheet on page 78, an analysis is given indicating how consolidated capital and reserves are attributed to NV and PLC. PLC currently has negative consolidated reserves; this arises largely because of an accounting policy of writing off goodwill arising in previous years; these write-offs do not have an impact on distributable reserves.

In November 2001, NV entered into a forward purchase contract with a counterparty bank to buy 10 000 000 PLC shares at 559p per share in November 2006 to meet the obligation to employees under share option plans. If the PLC share price falls by more than 5% below 559p, cash collateral for the difference must be placed with the counterparty bank. At year end, €20 million of collateral had been placed with counterparties.

Other than as disclosed above and in note 15 on pages 97 and 98, Unilever has no off-balance sheet arrangements.

Cash flow

Cash flow from operating activities decreased by €1 103 million to €6 780 million. This was primarily the result of increased working capital outflows arising from a different pattern of brand investment and sales development between the two years.

Capital expenditure of €1 041 million was 21% below 2002 levels and at 2.4% of turnover has continued to reduce.

Acquisition activity in the year was limited. The principal transaction was the purchase of the remaining unheld shares in CPC/Aji Asia. During the year, cash proceeds of €889 million were received from disposals, notably *Ambrosia* in the UK and the plantations in Malaysia.

Finance and liquidity

Unilever aims to be in the top third of a reference group for Total Shareholder Return of 21 international consumer goods companies, as explained below. The Group's financial strategy supports this objective and provides the financial flexibility to meet its strategic and day-to-day needs. The key elements of the financial strategy are:

- Appropriate access to equity and debt capital
- Sufficient flexibility for tactical acquisitions
- A1/P1 short-term credit rating
- Sufficient resilience against economic turmoil
- Optimal weighted average cost of capital, given the constraints above

An EBITDA net interest cover greater than 8 times is consistent with this strategy. An interest cover below this level is acceptable for a period following major acquisitions.

The definition and further details on the EBITDA net interest cover ratio are given on pages 126 and 128.

Unilever concentrates cash in the parent and finance companies in order to ensure maximum flexibility in meeting changing business needs. Operating subsidiaries are financed through the mix of retained earnings, third-party borrowings and loans from parent and group financing companies that is most appropriate to the particular country and business concerned.

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Unilever maintains access to global debt markets through an infrastructure of short-term debt programmes (principally US domestic and euro commercial paper programmes) and long-term debt programmes (principally a US Shelf registration and euro-market Debt Issuance Programme). Debt in the international markets is, in general, issued in the name of NV, PLC or Unilever Capital Corporation. NV and PLC will normally guarantee such debt where they are not the issuer.

Treasury

Unilever Treasury's strategic purpose is to provide financial flexibility in support of Unilever's Path to Growth strategy and shareholder value creation within the context of the financial strategy set out in the 'Finance and liquidity' section above. Unilever Treasury's role is to ensure that appropriate financing is always available for all value-creating investments. Additionally, Treasury delivers financial services to allow operating companies to manage their financial transactions and exposures in an efficient, timely and low-cost manner.

Unilever Treasury operates as a service centre and is governed by policies and plans agreed by the Executive Committee of the Board. In addition to policies, guidelines and exposure limits, a system of authorities and extensive independent reporting covers all major areas of activity. Performance is monitored closely. Reviews are undertaken by the corporate internal audit function.

The key financial instruments used by Unilever are short- and long-term borrowings, cash and other fixed and current investments and certain straightforward derivative instruments, principally comprising interest rate swaps and foreign exchange contracts. The accounting for derivative instruments is discussed in Accounting policies on page 75. The use of leveraged instruments is not permitted.

Other relevant disclosures are given in notes 14 and 15 on pages 94 to 98.

Unilever Treasury manages a variety of market risks, including the effects of changes in foreign exchange rates, interest rates and credit spreads. Further details of the management of these risks are given on page 46.

Pensions investment strategy

The Group's investment strategy in respect of its funded pension plans is implemented within the framework of the various statutory requirements of the territories where the plans are based. The Group has developed policy guidelines for the allocation of assets to different classes with the objective of controlling risk and maintaining the right balance between risk and long-term returns in order to limit the cost to the company of the benefits provided. To achieve this, investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets. The plans invest the largest proportion of the assets in equities which the Group believes offer the best returns over the long term commensurate with an acceptable level of risk. The Group also keeps a proportion of assets invested in property, bonds and cash. Most assets are managed by a number of external fund managers with a small proportion managed in house.

Total Shareholder Return

Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute level of the TSR will vary with stock markets, but the relative position reflects the market perception of overall performance relative to a reference group.

Unilever calculates TSR over a three-year rolling period. This period is sensitive enough to reflect changes but long enough to smooth out short-term volatility. The return is expressed in US dollars, based on the equivalent US dollar share price for NV and PLC. US dollars were chosen to facilitate comparison with companies in Unilever's chosen reference group. The choice of currency affects the absolute TSR but not the relative ranking.

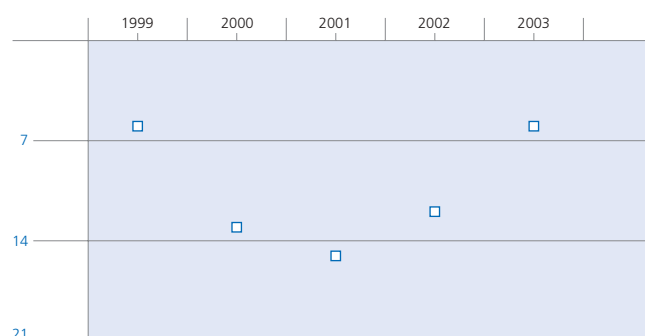
Unilever's TSR target is to be in the top third of a reference group of 21 international consumer goods companies on a three-year rolling basis.

At the end of 2002 we were positioned 12th, and during 2003 we rose to 6th, achieving our target position which remains the top third of our reference group.

In 2003, the following companies formed the peer group of comparative companies:

Altria Group	Kao
Avon	Lion
Beiersdorf	L'Oréal
Cadbury Schweppes	Nestlé
Clorox	Orkla
Coca-Cola	Pepsico
Colgate	Procter & Gamble
Danone	Reckitt Benckiser
Gillette	Sara Lee
Heinz	Shiseido

Unilever's position relative to the TSR reference group



The reference group, including Unilever, consists of 21 companies. Unilever's position is based on TSR over a three-year rolling period.

Significant changes

Any important developments and post-balance sheet events that have occurred since 31 December 2003 have been noted in this Annual Report & Accounts and Form 20-F 2003. Otherwise, there have been no significant changes since 31 December 2003.