

UNILEVER N V  
Form 20-F  
March 26, 2004

As filed with the Securities and Exchange Commission on March 26, 2004

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549  
FORM 20-F**

(Mark  
One)

**REGISTRATION STATEMENT PURSUANT TO SECTION 12(b)  
OR 12(g) OF THE SECURITIES EXCHANGE ACT OF 1934**

OR

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended 31 DECEMBER 2003

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 1-4547

**UNILEVER N.V.**

(Exact name of Registrant as specified in its charter)

**THE NETHERLANDS**

(Jurisdiction of incorporation or organization)

**WEENA 455, 3013 AL, ROTTERDAM, THE NETHERLANDS**

(Address of principal executive offices)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Ordinary shares of the nominal amount of 0.51 euro (€0.51) each*	New York Stock Exchange

Securities registered or to be registered pursuant to Section 12(g) of the Act:

None

(Title of class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of class)

The total number of outstanding shares of the Registrant's capital at the close of the period covered by the Annual Report was 571 575 900 ordinary shares

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Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 of 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark which financial statement item the Registrant has elected to follow.

Item 17

Item 18

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\* For Unilever N.V. share capital, the euro amounts shown above and in the Unilever Annual Report & Accounts 2003 and Form 20-F and other official documents are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying share capital in Dutch guilders, which have not been converted into euros in Unilever N.V.'s Articles of Association. Until conversion formally takes place by amendment of the Articles of Association the entitlements to dividends and voting rights are based on the underlying Dutch guilder amounts.

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2003 Unilever Annual Report & Accounts  
and Form 20-F

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## Our corporate purpose

Our purpose in Unilever is to meet the everyday needs of people everywhere – to anticipate the aspirations of our consumers and customers and to respond creatively and competitively with branded products and services which raise the quality of life.

Our deep roots in local cultures and markets around the world are our unparalleled inheritance and 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.

We believe that to succeed requires the highest standards of corporate behaviour towards our employees, consumers and the societies and world in which we live.

This is Unilever's road to sustainable, profitable growth for our business and long-term value creation for our shareholders and employees.

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## General information

### The Unilever Group

Unilever N.V. (NV) is a public limited company registered in the Netherlands, which has listings of shares or certificates (depository receipts) of NV on the stock exchanges in Amsterdam, New York, Frankfurt and Zürich.

Unilever PLC (PLC) is a public limited company registered in England which has shares listed on the London Stock Exchange and, as American Depositary Receipts, on the New York Stock Exchange.

The two parent companies, NV and PLC, together with their group companies, operate as nearly as is practicable as a single entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC and their group companies constitute a single group under Netherlands and United Kingdom legislation for the purposes of presenting consolidated accounts. Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts.

### Publications

This publication is produced in both Dutch and English and comprises the full Annual Report and Accounts for 2003 of NV and PLC. This document complies with the Netherlands and the United Kingdom regulations. It also forms the basis of the NV and PLC Annual Reports on Form 20-F to the Securities and Exchange Commission in the United States for the year ended 31 December 2003, and cross references to Form 20-F are set out on page 162. It is made available to all shareholders who request or elect to receive it, and on the website at [www.unilever.com/investorcentre](http://www.unilever.com/investorcentre).

The separate publication, Unilever Annual Review 2003, containing a Summary Financial Statement with figures expressed in euros, with translations into pounds sterling and US dollars, is also published in Dutch and English. It is a short form document that is prepared in accordance with the United Kingdom regulations for Summary Financial Statements. The Unilever Annual Review 2003 is mailed to all registered shareholders and to other shareholders who are either entitled or have asked to receive it, and is also made available on the website at [www.unilever.com/investorcentre](http://www.unilever.com/investorcentre).

### Reporting currency and exchange rates

Details of key exchange rates used in preparation of these accounts are given on page 130, together with Noon Buying Rates in New York for the equivalent dates.

### Basis of Discussion and Analysis

In parts of this document, notably the Chairmen's statement on pages 7 and 8 and the review of operations by region and category on pages 21 to 44, discussion of performance is based on **constant rates of exchange**. This removes the impact of currency movements and more clearly portrays the underlying performance of the operations themselves. The constant rate used is the annual average rate for the prior year. For each two-year period, the year-on-year trends in euros are the same as those which would arise if the results were shown in sterling or US dollars at constant exchange rates.

Wherever used in this document, the abbreviation **BEIA** refers to profit measures before exceptional items and amortisation of goodwill and intangible assets. Unilever believes that reporting profit measures before exceptional items and amortisation of goodwill and intangible assets (BEIA) provides valuable additional information on underlying earnings trends to shareholders. The term BEIA is not a defined term under Netherlands, UK, or US Generally Accepted Accounting Principles (GAAP), and may not therefore be comparable with similarly titled profit measurements reported by other companies. It is not intended to be a substitute for or superior to GAAP measurements of profit.

Operating profit BEIA is a key metric used by management and investors to measure the progress of Unilever's Path to Growth strategy which commenced in 1999 and will conclude at the end of 2004. At the beginning of the Path to Growth, Unilever communicated to investors its targets for the programme, including a target based on earnings measured on a BEIA basis. Unilever's internal performance targets and management information are also measured on a BEIA basis. As such, Unilever believes that the communication and explanation of measures BEIA is essential in order for readers of Unilever's financial statements to understand fully the performance of Unilever and progress towards Path to Growth targets.





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## General information

In our reporting, **Turnover** comprises Group turnover plus the Group share of turnover of joint ventures, net of the Group share of any sales to the joint ventures already included in the Group figures, but does not include our share of the turnover of associates. **Operating profit** comprises Group operating profit plus our share of operating profit of joint ventures. This measure does not include our share of the operating profit of associates. References to turnover growth include the effects of acquisitions and disposals. **Underlying sales growth** reflects the change in revenue excluding the effects of acquisitions and disposals. We believe this measure provides valuable additional information on the underlying performance of the business.

**Leading brand growth** is a subset of underlying sales growth and measures the change in revenue arising from our leading brands. Leading brand growth is a key metric used to measure the progress of the Path to Growth programme.

**Return on invested capital** is profit after tax but excluding net interest on net borrowings (excluding joint ventures and associates interest) and amortisation of goodwill and intangible assets (excluding joint ventures and associates amortisation) both net of tax, divided by average invested capital for the year. Invested capital is the sum of tangible fixed assets and fixed investments, working capital (stocks, debtors and trade and other creditors due within one year), goodwill and intangible assets at gross book value and cumulative goodwill written off directly to reserves under an earlier accounting policy.

**Ungear free cash flow** is defined as cash flow from group operating activities, less capital expenditure and financial investment and less a tax charge adjusted to reflect an ungeared position.

Tables reconciling certain of these measures to the statutory measures included in the Financial Statements are shown on page 4 and 5 and throughout the section entitled *Operating review* on pages 21 to 44.

€ is used in this report to denote amounts in euros.

£ and p are used in this report to denote amounts in pounds sterling and pence respectively.

fl. is used in this report to denote amounts in Dutch guilders.

\$ is used in this report to denote amounts in United States dollars, except where specifically stated otherwise.

The **brand** names shown in *italics* in this report are trademarks owned by or licensed to companies within the Unilever Group.

### Cautionary statement

This Annual Report & Accounts and Form 20-F may contain forward-looking statements within the meaning of the US Private Securities Litigation Reform Act of 1995. Words such as *expects*, *anticipates*, *intends* and other similar expressions of future performance or results are intended to identify such forward-looking statements. These forward-looking statements are based upon current expectations and assumptions regarding anticipated developments and other factors affecting the Group. Because of the risks and uncertainties that always exist in any operating environment or business, the Group cannot give any assurance that the expectations expressed in these statements will prove correct. Actual results may differ materially from those included in these statements due to a variety of factors, including, among others, competitive pricing and activities, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, currency values, interest rates, the ability to integrate acquisitions and complete planned divestitures, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, and political, economic and social conditions in the geographic markets where the Group operates. The Group undertakes no obligation to publicly update any forward-looking statement, whether as a result of new information, future events or otherwise, and you are cautioned not to place undue reliance on these forward-looking statements.

Risks and uncertainties that could cause actual results to vary from those described in our forward-looking statements include those given under the sections entitled *About Unilever* on pages 9 to 14, *Financial review* on pages 15 to 20, *Operating review* on pages 21 to 44, and *Risk management* on pages 45 and 46, to which you should refer.



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## Key performance measures

(including reconciliation to GAAP measures)

Amounts reported in 2002 and 2001 have been restated following changes in our accounting policy for pensions and other post-employment benefits and in our accounting policy for share-based payments. See note 17 on page 99 and note 29 on page 116.

### Key performance measures 2003 compared with 2002

	€ million	€ million	€ million	€ million	%	%
	2003 at	Exchange	2003 at	2002 at	Change at	Change at
	2002 rates	rate	2003 rates	2002 rates	actual	constant
		effects			current	2002 rates
					rates	
				Restated		
Group turnover	47 421	(4 728)	42 693	48 270	(12)%	(2)%
Group operating profit	6 014	(531)	5 483	5 007	10%	20%
Turnover	47 700	(4 758)	42 942	48 760	(12)%	(2)%
Operating profit BEIA	7 501	(729)	6 772	7 054	(4)%	6%
Exceptional items	(137)	37	(100)	(702)		
Amortisation goodwill and intangible assets	(1 298)	155	(1 143)	(1 261)		
Operating profit	6 066	(537)	5 529	5 091	9%	19%
Operating margin	12.7%		12.9%	10.4%		
Operating margin BEIA	15.7%		15.8%	14.5%		
Interest and other finance income/(cost)	(1 213)	200	(1 013)	(1 065)		
Taxation	(1 656)	129	(1 527)	(1 605)		
Net profit BEIA	4 277	(354)	3 923	3 902	1%	10%
Exceptional items in net profit	(96)	29	(67)	(550)		
Amortisation goodwill and intangible assets net of tax	(1 239)	145	(1 094)	(1 216)		
Net profit	2 942	(180)	2 762	2 136	29%	38%
EPS per €0.51 ordinary NV share (euros)	3.01	(0.19)	2.82	2.14	32%	40%
EPS per 1.4p ordinary PLC share (euro cents)	45.12	(2.79)	42.33	32.16	32%	40%
EPS BEIA per €0.51 ordinary NV share (euros)	4.39	(0.37)	4.02	3.95	2%	11%
EPS BEIA per 1.4p ordinary PLC share (euro cents)	65.79	(5.48)	60.31	59.27	2%	11%

### Key performance measures 2002 compared with 2001

	€ million	€ million	€ million	€ million	%	%
		Exchange			Change at	Change at

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	2002 at 2001 rates	rate effects	2002 at 2002 rates	2001 at 2001 rates	actual current rates	constant 2001 rates
	Restated		Restated	Restated		
Group turnover	51 499	(3 229)	48 270	51 514	(6)%	0%
Group operating profit	5 314	(307)	5 007	4 946	1%	7%
Turnover	52 020	(3 260)	48 760	52 206	(7)%	0%
Operating profit BEIA	7 533	(479)	7 054	7 032	0%	7%
Exceptional items	(767)	65	(702)	(579)		
Amortisation goodwill and intangible assets	(1 364)	103	(1 261)	(1 423)		
Operating profit	5 402	(311)	5 091	5 030	1%	7%
Operating margin	10.4%		10.4%	9.6%		
Operating margin BEIA	14.5%		14.5%	13.5%		
Interest and other finance income/(cost)	(1 180)	115	(1 065)	(1 604)		
Taxation	(1 693)	88	(1 605)	(1 519)		
Net profit BEIA	4 133	(231)	3 902	3 380	15%	22%
Exceptional items in net profit	(593)	43	(550)	(329)		
Amortisation goodwill and intangible assets net of tax	(1 316)	100	(1 216)	(1 371)		
Net profit	2 224	(88)	2 136	1 680	27%	32%
EPS per €0.51 ordinary NV share (euros)	2.23	(0.09)	2.14	1.66	29%	35%
EPS per 1.4p ordinary PLC share (euro cents)	33.51	(1.35)	32.16	24.86	29%	35%
EPS BEIA per €0.51 ordinary NV share (euros)	4.19	(0.24)	3.95	3.39	17%	24%
EPS BEIA per 1.4p ordinary PLC share (euro cents)	62.81	(3.54)	59.27	50.80	17%	24%

The tables above present financial information at both constant and current exchange rates. The basis of calculating performance at constant rates is explained on page 2.

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## Key performance measures

(including reconciliation to GAAP measures)

### Turnover and underlying sales growth

(at constant exchange rates)

	2003 vs 2002	2002 vs 2001
Underlying sales growth (%)	1.5	4.2
Effect of acquisitions (%)	0.6	0.3
Effect of disposals (%)	(4.3)	(4.8)
Turnover growth (%)	(2.2)	(0.4)

### Return on invested capital

Return on invested capital is profit after tax but excluding net interest on net borrowings (excluding joint ventures and associates interest) and amortisation of goodwill and intangible assets (excluding joint ventures and associates amortisation) both net of tax, divided by average invested capital for the year. Invested capital is the sum of tangible fixed assets and fixed investments, working capital (stocks, debtors and trade and other creditors due within one year), goodwill and intangible assets at gross book value and cumulative goodwill written off directly to reserves under an earlier accounting policy.

	€ million 2003	€ million 2002
Profit on ordinary activities after taxation	3 011	Restated 2 448
Add back interest expense (excluding joint ventures and associates) net of tax	569	753
Add back amortisation of goodwill and intangible assets (excluding joint ventures and associates) net of tax	1 086	1 197
Profit after tax, before interest and amortisation of goodwill and intangible assets	<u>4 666</u>	<u>4 398</u>
Year end positions for invested capital:		
Tangible fixed assets and fixed investments	6 854	8 115
Stocks	4 175	4 500
Debtors	5 881	6 571
Trade and other creditors due within one year	(9 640)	(11 018)
Goodwill and intangible assets at gross book value	21 202	22 948
Total	<u>28 472</u>	<u>31 116</u>
Add back cumulative goodwill written off directly to reserves	<u>7 262</u>	<u>7 397</u>
Year end invested capital	<u>35 734</u>	<u>38 513</u>
Average invested capital for the year	37 377	44 735
Return on average invested capital %	12.5%	9.8%

**Ungeared free cash flow**

Ungeared free cash flow is cash flow from group operating activities, less capital expenditure and financial investment and less a tax charge adjusted to reflect an ungeared position, all expressed at current exchange rates.

	€ million 2003	€ million 2003	€ million 2002	€ million 2002	€ million 2001	€ million 2001
Cash flow from group operating activities		<b>6 780</b>		7 883		7 497
Less capital expenditure and financial investment		<b>(1 024)</b>		(1 706)		(1 358)
Less tax charge adjusted to reflect an ungeared position:						
Taxation on profit on ordinary activities	<b>(1 527)</b>		(1 605)		(1 519)	
Tax relief on interest and other finance income/(cost)						
pensions and similar obligations	<b>(290)</b>	<b>(1 817)</b>	(362)	(1 967)	(545)	(2 064)
Ungeared free cash flow		<b>3 939</b>		4 210		4 075

Return on invested capital and ungeared free cash flow are presented as we believe that these ratios are the best indicators of our approach to value creation.

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## Financial highlights

### at current rates of exchange

#### Combined earnings per share and dividends per share<sup>(a)</sup>

	Ordinary €0.51 shares of NV <sup>(b)</sup>			Ordinary 1.4p shares of PLC		
	2003	2002	2001	2003	2002	2001
Basic earnings per share (euros)	<b>€2.82</b>	€2.14	€1.66	<b>€0.42</b>	€0.32	€0.25
Effect of exceptional items net of tax	<b>€0.07</b>	€0.56	€0.34	<b>€0.01</b>	€0.08	€0.05
Effect of amortisation of goodwill and intangible assets net of tax	<b>€1.13</b>	€1.25	€1.39	<b>€0.17</b>	€0.19	€0.21
Basic earnings per share BEIA (euros)	<b>€4.02</b>	€3.95	€3.39	<b>€0.60</b>	€0.59	€0.51
Basic earnings per share (pence)				<b>29.26p</b>	20.19p	15.46p
Effect of exceptional items net of tax				<b>0.73p</b>	5.31p	3.13p
Effect of amortisation of goodwill and intangible assets net of tax				<b>11.70p</b>	11.72p	13.01p
Basic earnings per share BEIA (pence)				<b>41.69p</b>	37.22p	31.60p
Diluted earnings per share (euros)	<b>€2.74</b>	€2.08	€1.61	<b>€0.41</b>	€0.31	€0.24
Diluted earnings per share (pence)				<b>28.40p</b>	19.59p	15.05p
Dividend per share (euros)	<b>€1.74</b>	€1.70	€1.56			
Dividend per share (pence)				<b>18.08p</b>	16.04p	14.54p

#### Combined earnings per share and dividends per share for shares traded on the New York Stock Exchange (on a UK GAAP basis) in US dollars<sup>(a)</sup>

	New York €0.51 shares of NV <sup>(b)</sup>			5.6p American Depositary Receipts of PLC		
	2003	2002	2001	2003	2002	2001
Basic earnings per share	<b>\$3.18</b>	\$2.02	\$1.48	<b>\$1.91</b>	\$1.21	\$0.89
Effect of exceptional items net of tax	<b>\$0.08</b>	\$0.53	\$0.30	<b>\$0.05</b>	\$0.32	\$0.18
Effect of amortisation of goodwill and intangible assets net of tax	<b>\$1.27</b>	\$1.16	\$1.25	<b>\$0.76</b>	\$0.70	\$0.75
Basic earnings per share BEIA	<b>\$4.53</b>	\$3.71	\$3.03	<b>\$2.72</b>	\$2.23	\$1.82
Diluted earnings per share	<b>\$3.08</b>	\$1.96	\$1.44	<b>\$1.85</b>	\$1.17	\$0.87



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Dividend per share <sup>(c)(d)</sup>	<b>\$2.15</b>	\$1.85	\$1.42	<b>\$1.31</b>	\$1.02	\$0.85
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- (a) Operating profit, operating profit BEIA and all earnings per share measures for 2001 and 2002 have been restated following changes in our accounting policy for pensions and other post-employment benefits and in our accounting policy for share-based payments. See note 17 on page 99 and note 29 on page 116.
- (b) For NV share capital, the euro amounts shown above and elsewhere in this document are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying share capital in Dutch guilders, which have not been converted into euros in NV's Articles of Association. Until conversion formally takes place by amendment of the Articles of Association, the entitlements to dividends and voting rights are based on the underlying Dutch guilder amounts.
- (c) Rounded to two decimal places.
- (d) Actual dividends payable for 2003 on NV New York shares and American Depositary Receipts of PLC may differ from those shown above, which include final dividend values calculated using the rates of exchange ruling on 11 February 2004 (€1.00 = \$1.2668, £1.00 = \$1.8703).

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## Chairman's statement

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.

### 2003 in context

In a difficult year, we are pleased to have achieved 11% growth in earnings per share (BEIA). We have now met or exceeded our target of low double-digit earnings per share growth in every year of the Path to Growth programme and this year's performance places our three-year Total Shareholder Return (TSR) in the top third of our peer group. We fully intend to continue this performance as we enter the final year of Path to Growth.

Leading brands grew by 2.5%, and operating margin (BEIA) rose to a record 15.7%, a gain of 1.2% over 2002. Naturally, we are disappointed with revenue growth, but the shortfall against our top-line growth target is mainly due to specific issues in a small number of businesses and a slow start to the year in North America caused by sharp de-stocking in the retail trade. In Europe consumer confidence dropped to levels not seen in recent years.

Nevertheless, we have continued to increase investment in our brands and have maintained our market position. Once again, we have been extraordinarily well served by skilled and dedicated people in all parts of the business and we extend our thanks to them on behalf of all shareholders.

### A review of Path to Growth

Path to Growth was designed to simplify the business and release resources to be put behind fewer, bigger brands. It is all too easy to lose sight of what we have achieved. By the close of 2004, with one exception, we intend to have met or substantially exceeded the very challenging milestones we set the business.

The rationalisation of our manufacturing capacity and our supply chain is nearing completion. We have charged €5.4 billion of restructuring costs, which is in line with our €6.2 billion target. With one year still to go we have comfortably exceeded our promised Path to Growth savings of €3.9 billion and our operating margin (BEIA) has already risen from 11.1% to 15.7%.

Capital efficiency has improved by almost 9%, 3% more than target. Ungeared free cash flow has totalled €16.4 billion since the start of Path to Growth and net debt reduction is ahead of plan having reduced from €26.5 billion at the end of 2000 to €12.6 billion at the end of 2003 at current rates of exchange.

In addition, we have seamlessly integrated €30 billion of acquisitions, managed over €7 billion of disposals and implemented a divisional structure to harness our global scale yet retain a spirit of local enterprise.

We are on track to reduce the brand portfolio from 1 600 to 400 leading brands. They now account for 93% of sales as against only 75% in 1999. We have significantly increased investment behind these brands and we now have twelve brands with sales of over €1 billion compared with four at the start of the strategy.

The exception of course is top-line growth where, after excellent performances in 2001 and 2002, we have this year fallen short against our aspirations in testing market conditions. Nevertheless, leading brands have grown at an average of over 4% per year during Path to Growth to date.

Overall the business today is lean, sharply focused, high margin, strongly cash generating and delivering significant incremental value each year.

### Foods division

In Foods, leading brand growth was 1.2%. Operating margin (BEIA) improved by 1.8% to 16.0%. We made significant progress on reducing the tail and on migrating and rationalising the brands.

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*Lipton* had an outstanding year, boosted by new launches and a good summer in Europe which also benefited ice cream. At the same time the hot summer also reduced market growth in savoury, but *Knorr* held position. *Bertolli* and *Hellmann* s continue to make good progress.

*Slim Fast* declined by 21% and the focus is now on restoring the brand to growth. In frozen foods we continue to make gains in profitability, but have yet to see a consistent pattern of growth. *Becel/Flora* grew strongly once again, but the family spreads had a tough year in a market affected by price competition and low butter prices.

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## Chairman's statement (continued)

### Home and Personal Care division (HPC)

Leading brands continued to drive growth in the Home and Personal Care division at 4.2%. Operating profit (BEIA) rose by 4.9% and operating margin (BEIA) reached 15.8%.

Mass personal care is now a powerhouse in the HPC division and accounts for 27% of Unilever leading brand sales. We achieved double-digit growth for *Axe*, *Lifebuooy*, *Lux*, *Rexona* and *Sunsilk*, and our largest personal care brand, *Dove*, grew by an outstanding 21%.

Growth in laundry was flat as we put the priority behind value creation through excellent improvements in our margins and capital efficiency. Household care had a difficult first half year, but we saw the new strategy of stronger innovations on the core brands start to bite in the second half.

Prestige fragrances diluted the growth rate of the division by 1%.

### The year ahead and Unilever 2010

In 2004, our first priority is to deliver on our promises in the final year of Path to Growth. We intend once again to achieve low double-digit earnings BEIA growth and will focus all the talent and ingenuity of our people on delivering in full our commitments on brand focus, margin improvement and capital efficiency. We will end the year a much stronger and more agile and focused business than at the start of the programme.

Yet as we complete Path to Growth we are also preparing Unilever for the next phase of our strategy to 2010. The Board has conducted a thorough review of the forces that will shape Unilever's world, and of what makes us unique as a business.

Our roots in hygiene, nutrition and personal care mean that people all over the world choose our brands 150 million times every day for the benefits they bring in helping them feel good, look good and get more out of life. We know that these are benefits that are wanted by more and more of the world's population – from those just entering the consumer society to the more affluent, ageing, health conscious citizens of the developed world. We sum this up in the single word, 'Vitality', and intend the mission of Unilever, which is set out at the top of this letter, to be to add vitality to life through our brands, our people and the communities we serve.

Our consumers are also citizens and demanding ever higher standards of corporate behaviour. We are proud of our reputation for governance, transparency and engagement with communities and the environment, and believe that the Unilever name is a valuable asset. By the time we celebrate our 75th birthday in mid 2005, the Unilever name will be present on our packs as well as letterheads and company signs.

For the period 2005-10 our priority continues to be sustained top-third TSR performance and we intend to deliver shareholder value by the generation of over €30 billion of ungeared free cash flow and growth in economic profit, the latter translating into an increased return on invested capital from 12.5% in 2003 to at least 17% by 2010.

The overall objective is to build our brands and to build sustainable value. We will continue to be flexible in how we pull the levers of value creation as challenges and opportunities arise from time to time. So we will not commit Unilever to any one combination of sales and margin growth in any one year. However, our ambitions for value creation are underpinned by the expectation of sustained revenue growth, continued margin expansion and further improvements in capital efficiency.

In the combination of trusted brands, talented people and an inspiring mission we believe that Unilever is a stronger business than it has ever been.

**Antony Burgmans**

Chairmen of Unilever

**Niall FitzGerald KBE**

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## About Unilever

The figures quoted in the following discussion on pages 9 to 14 are in euros, at **current rates of exchange**, ie the average or year-end rates of each period.

### Description of business

Unilever is the world's leading supplier of fast moving consumer goods across foods, home and personal product categories. Unilever's portfolio includes some of the world's best known and most loved brands.

### Business structure

Our operations are organised into two global divisions – Foods and Home & Personal Care (HPC) – headed by Divisional Directors. This structure allows the appropriate focus on foods and home & personal care activities at both regional and global levels and allows us to optimise synergies across the product portfolio.

The two divisions' operations are organised into business groups on a regional basis, with certain exceptions: the global businesses of Prestige, our fragrance business within HPC, and within Foods, Ice Cream and Frozen Foods, *Slim Fast* Worldwide and *UBF Foodsolutions*. The regional and global businesses are headed by Business Presidents. These businesses remain the driving force behind Unilever, comprising the operating companies which provide the key interface with customers and consumers, allowing quick response to the needs of local markets.

Full details of significant acquisitions and disposals can be found on pages 17 and 18.

### Foods

#### Savoury and dressings

We are the global leader in savoury and dressings, with strong brands rooted in chefmanship and taste, including *Knorr*, *Hellmann's*, *Calvé*, *Wishbone*, *Amora* and *Bertolli*.

Our leading savoury brand, *Knorr*, is Unilever's biggest brand, and is sold in over 100 markets. Its product range includes soups, bouillons, sauces, snacks, noodles, frozen food and meal solutions. Our wider savoury product range is marketed around the world under a variety of brand names. Our combined dressings business is the biggest in the world. With *Bertolli*, which began as a leading Italian olive oil brand, we are building on the qualities associated with Italian food to extend the brand into spreads, dressings and pasta sauces.

#### Spreads and cooking products

We lead the spreads and cooking products category with two key brand families with increasingly consistent positionings around the world. Healthy Heart brands *Becel* and *Flora* deliver strong growth through health benefits enabling people to enjoy life to the full. Family brands including *Rama*, *Blue Band* and *Country Crock* are building a positioning based on tasty, nutritious foods for the family.

#### Health & wellness and beverages

Consumers increasingly demand healthier options in their food and drinks. We respond with products and brands across our portfolio including *Slim•Fast*, whose range includes meal replacement drinks, soups and snack bars. In developing and

emerging markets, we meet consumers' needs for good nutrition in affordable formats with *Annapurna* and, under *AdeS*, a range of tasty, nutritional, soy-based drinks.

We lead the market in tea-based beverages with *Lipton*, the global market leader in leaf and ready-to-drink tea. Innovations including *Lipton Ice Tea Green* and *Lipton Fusion* target the growing market for healthy, refreshing beverages. A new joint venture, the Pepsi *Lipton* International partnership, will help us to extend the reach of our brands through a distribution network complementary to our own supply chain.

### Ice cream and frozen foods

We are the world's leading producer of ice cream, with sales in more than 40 countries. Ice cream products under the *Heart* brand, including *Corretto*, *Magnum*, *Carte d'Or* and *Solero*, are sold internationally. *Breyers*, *Ben & Jerry's*, *Klondike* and *Popsicle* are leading North American-based brands. *Ben & Jerry's* is also sold in Europe.

Our frozen foods business is number one in Europe, focused on the *Birds Eye/Findus* brand family and *Iglo*.

### UBF Foodsolutions

Although not a separate reporting category as its results are reported within the categories above, *UBF Foodsolutions* is our global food service business providing solutions for professional chefs and caterers. For example, it provides pre-prepared ingredients that save time and new ways of serving food on a large scale at consistent quality.

### Home & Personal Care

#### Home care

We are market leaders in laundry products in developing and emerging markets, with number two positions in North America and most of Europe. Our products have been developed to meet the diverse requirements of consumers to clean and care for their clothes. They include tablets for convenience, traditional powders and liquids for washing by hand or machine, and for soaking. In developing and emerging markets, tailored products, including soap bars, are available for lower income consumers.

Our brands are available in over 100 countries, many of them holding leading market positions. They include *Comfort*, *Omo*, *Radiant*, *Skip*, *Snuggle* and *Surf*.

In household care, our products are designed to tackle most cleaning and hygiene needs around the home. In this category we are strongest in Europe, where *Cif* and *Domestos* hold leading positions in the key markets in which they operate.

#### Personal care

We lead the global skin cleansing and deodorants markets, and are in the top three in daily hair care and mass-market skin care. Six global brands *Axe*, *Dove*, *Lux*, *Pond's*, *Rexona* and *Sunsilk* form the core of our business in these categories, each with its own distinctive character. These brands are complemented by others such as *Suave*, principally in North America, together with health brands such as *Afta*, *Lifebuoy* and *Vaseline* and regional/local jewels.

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We have an important market share in oral care, with products sold widely, predominantly under the *Signal* brand with *Close Up* playing a complementary role.

We also have a global prestige fragrance business with the *Calvin Klein* range (including *cK one*, *Eternity* and *Obsession*) and ranges developed with other designers.

### Other operations

To support our consumer brands, we have invested in tea plantations in India, Kenya and Tanzania and palm oil plantations in the Democratic Republic of Congo, Côte d'Ivoire and Ghana.

### Corporate venture activities

We are investing €170 million, over three years (2002-2004), in venturing activities to build business opportunities that fit our core business interests in Foods and Home & Personal Care. Of this, we have committed €97 million to Langholm Capital Partners Fund, which completed fundraising in 2003, raising a total of €242 million. This fund invests in private European companies with above-average longer-term growth prospects. It has invested in Physcience, a French natural food supplements business, and Noiro, the leading company in the mass prestige personal care market in Finland.

Up to €70 million will be invested over the three years, in two venture funds of our own, Unilever Ventures and Unilever Technology Ventures. Unilever Ventures acts as an early stage business development fund for businesses both from within Unilever and from outside. It has invested in Persil Services, a laundry and dry-cleaning business in the UK, Pond's Beauty Centres in Spain and Insense, a technology spin-out from Unilever. Unilever Technology Ventures invests in technology funds and start-up companies. It has invested in NGEN material science fund, Burrill life science fund and in Perlegen, a start-up company working with the human genome.

As of 31 December 2003 we have invested €59 million in all our venture activities.

### Technology and innovation

To support our Path to Growth strategy we continue to focus research and development on select, global projects to reinforce our leading brands. Our network of Global Innovation Centres continues to develop these brands and to accelerate their growth across sectors and regions.

In 2003, we spent €1 065 million (2002: €1 166 million; 2001: €1 178 million) on research and development 2.5% of our turnover. We have further strengthened our interactions with academia and start-up companies, which will help us to identify hotspots in science and technology and develop radical capabilities for our businesses through the application of these technologies. One such example is our interaction with Perlegen, which is a genomics start-up company based in California with whom we are exploring the application of this new science to open up novel avenues for detailed investigation within our R&D programmes.

The Foods division took major initiatives to focus its innovation programme on health and wellness and introduced a range of innovations into the marketplace. As part of the *Knorr* brand extension into the frozen food category, a new range of premium quality soups were launched in Belgium, France and Germany during October 2003. The new soups are well positioned to address consumers' increasing concerns about nutrition, as they are full of chunky, natural, fresh vegetables. We continued the roll-out of mealkits in Europe with an introduction in five new countries including Germany. *Knorr* also innovated within its core with a host of seasoning launches in developing and emerging countries, particularly in China, Malaysia, Turkey and the Caribbean. We entered the large European cream market with three varieties of dairy cream alternatives. Under *Lipton* we introduced *Lipton Ice Tea Green*, a refreshing ice tea extending the brand into the exciting green tea segment. In ice cream, innovations such as *Magnum 7 Sins*, *Magnum Moments*, *Magnum Sandwich* and *Carte d'Or Origin* and *Carte d'Or Fruit & Fresh* as well as new *Cornetto* variants stimulated the ice cream *Heart* brand. *Slim Fast* introduced a full programme of innovations at the end of 2003 in line with its new positioning as a plan. It addresses the key consumer needs for weight loss, with the launch of hot, savoury meal replacements, soups and pasta, low-carbohydrate shakes and bars,



as well as high-protein bars and ice cream. In the *Hellmann* s and *Calvé* brands, key innovations addressed the growing snacking opportunity and included the roll-out of the *Idaho* snack sauces in the UK and Central Europe. *Calvé* chilled salad dressings were introduced in the Netherlands and fresh *Amora* yoghurt mayonnaise in France. In Europe *Bertolli* has launched a range of products such as pasta sauces, salad dressings and vegetable toppings for bread. The main 2003 innovations for the *Iglo*, *Birds Eye* and *Findus* brand family focused in four areas: launching microwaveable *Steam Fresh* vegetables and fish recipe dishes launched in Europe; authentic, premium, fresh egg pasta meals launched in Italy; the relaunch of *Sofficini* (fun, light, family snacks) in Italy; and within the platform of kids nutrition, launches of chicken dishes and complete meals for kids. *UBF Foodsolutions* launched a range of dairy cream alternatives in Europe.

In Home & Personal Care, the focus has continued to be on global projects in support of our leading brands. Key developments in personal care have included the *Dove* exfoliating bar and face care range and the roll-out of *Dove* moisturising shampoo and conditioner. The *Sunsilk* relaunch in Asia was underpinned by new consumer-preferred packaging. The growth of other key personal care brands was driven by a new bar range for *Lux*, a low deposit formulation for *Rexona* and a male range for *Rexona* and *Degree*. The launch of *Axe Dry* in Western Europe, Latin America, North America and the Philippines was very successful. In Home Care we launched a new core cleaning innovation and a new bar for *Omo* and an aloe vera version of *Skip* in Europe. We relaunched *Cif* cream globally and we launched *Comfort Fast Dry* in Europe. In 2003, a new research laboratory was opened in China in support of our business in this important region and investment has now begun on a multidisciplinary skin care innovation centre in Trumbull, Connecticut in the US.

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## About Unilever

In total, Unilever filed 397 new patent applications. While some innovations made a significant contribution in 2003, the benefits of others will be felt during 2004.

### Information technology

In 2003 we continued to direct our IT towards achieving Unilever's strategic objectives.

We further simplified business processes and core transaction systems, using IT to enable a simpler and more agile business. In Western Europe, almost all our Home & Personal Care business is now operating with common processes, supported by common information and SAP systems, as are the Foods businesses in the larger European markets. Similarly, much of our business in sub-Saharan Africa has moved to common processes and systems for supply chain and finance. In North America, we deployed a single system from point of order to cash settlement across the Home & Personal Care business, improving operational efficiency and raising customer service levels.

Our Latin American business continued to roll out common finance and supply chain processes, information and systems across the region, and started an IT-enabled programme to simplify human resources processes. A single system (Siebel) has been introduced for customer relationship management, enabling the roll-out of good practices in field sales, key account management and trade marketing operations. We have also deployed Siebel in our *Foodolutions* businesses in Europe and North America, with further roll-out under way in consumer foods in Europe.

In Asia, we began implementing Siebel decision support systems for trade marketing investments, with completion across the region scheduled for 2004. We have also rolled out the standard Unilever data warehouse in six countries so far, with at least four more Asian markets to follow in 2004. This system, firmly based on information standards, provides our sales operations with better quality and more timely information than ever before.

Following the signing of our global contract with British Telecom (BT), we are targeting a 20% reduction in our telecommunications costs, by reducing the number of our suppliers around the world from 400 to one. For Unilever IT this is the first implementation of such a contract on a global scale and has resulted in a high level of learning for both organisations. This complex project is on track, with BT now providing voice, mobile and data services for more than half of our business.

During 2003 work started on the simplification of our IT server base. This will involve a significant reduction in the number of servers as well as increased performance and utilisation. This work is fundamental to the IT strategy and will continue over the next two years.

Our global e-business gateway, the Unilever Private Exchange, strengthens our e-business capability by providing secure links between our operating companies and our suppliers' and customers' systems and to external electronic marketplaces. By year-end, the volume of customers' orders being transacted through the gateway had reached the annual equivalent of €2 billion.

Our Ariba online buying system enables purchases of non-production items to be made at volume-negotiated prices from selected suppliers. We have extended its use into further areas of procurement including market research and plant items. Using eBreviate technology, we have introduced new capabilities for electronic auctions and electronic requests for proposals.

The success of these marketplaces and gateways is, of course, dependent on industry standards for electronic information exchange. We continued our commitment to industry standards by co-chairing the Global Commerce Initiative, a global user group representing the largest companies in our industry, and participating fully in the development and promotion of standards. Using these standards, we are now making our electronic catalogue of products available through the Unilever Private Exchange, further simplifying ordering for retailers and gaining efficiencies in our information supply chain.

Unilever continues to take an active role in the application of IT in our industry. We are working actively with retailers to realise the potential of Radio Frequency Identification (RFID) technology, or intelligent tagging, to achieve new levels of shared information on our products as they move from factory to supermarket shelf.

### Environmental responsibility

We continue to make progress towards our long-term eco-efficiency objectives, as well as driving forward our three main initiatives on sustainable agriculture, fish and water. All these activities are central to our commitment to contribute to sustainable development.

Our manufacturing operations use seven parameters for reporting emissions and setting future reduction targets for eco-efficiency. We have continued to improve our eco-efficiency performance although we did not meet three out of seven of our targets in 2002 (latest data). The setting and achievement of targets at site level can be difficult, for example, ongoing changes in our business through acquisitions, disposals and closures have an impact on our site operations.

If we are to secure a continuing high-quality supply of our main agricultural raw materials, sustainable production methods are crucial. In 2003, five years after laying the foundations for the current programme, we published Good Agricultural Practice Guidelines for five crops – palm oil, peas, spinach, tea and tomatoes. We also began implementing these guidelines across a broader supply base. Learning and sharing with all stakeholders is vital, and some success stories are available on [www.growingforthefuture.com](http://www.growingforthefuture.com). The next challenge is to develop programmes for more crops, beginning with vegetable oils. This work is being supported by the food industry's jointly established Sustainable Agriculture Initiative Platform.

The Marine Stewardship Council (MSC) has established a global standard for sustainable fisheries. We encourage our suppliers to work towards the MSC Standard, and three important fisheries are making good progress towards this certification – Alaskan pollock, Chilean hake and South African hake.

At the start of 2003, we were buying more than a third of our fish from sustainable sources, and by 2005, we expect this figure

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## About Unilever

to rise to 75%. Although this will fall short of the 100% target set in 1996, we have nevertheless achieved very substantial improvements. We remain firmly committed to working with others to help drive the whole fisheries market towards a sustainable future.

Almost all our products rely on water in growing ingredients, in manufacturing and in use by the consumer. Our manufacturing sites have continued to reduce water consumption. Unilever Indonesia, for example, has since 2001 pioneered a Zero Industrial Waste policy, which has now been rolled out to all its Indonesian operations. In Jakarta, treated effluent from ice cream and food plants is pumped across the industrial estate to our detergent factory and used as process water. As a result, the factory has cut water consumption by up to 60%.

We are implementing our environmental strategy to tackle three additional areas: connecting with the consumer on environmental care; leveraging our eco-manufacturing skills across the wider supply chain; and embedding environmental sustainability in our decision-making processes. We shall report on progress in 2005.

We continue to be the leading company in the food industry category in two of the Dow Jones Sustainability Indexes (DJSI), one for the fifth year running – the DJSI World Index. We were ranked top of the food sector in the UK's first Corporate Responsibility Index, published by Business in the Community in 2003.

## Responsible corporate behaviour

We seek to be a responsible employer, business partner and good corporate citizen, earning respect for our values wherever we operate.

Unilever has clear values and standards that govern the way we do business around the world. They are set out in our Corporate Purpose and our Code of Business Principles which are available at [www.unilever.com](http://www.unilever.com). It is by putting these shared values into everyday working practice that we can operate successfully as a multinational company, and as a trusted corporate citizen in diverse local societies.

Our Code Committee oversees compliance with the Code of Business Principles throughout our business. During 2003 we rolled out a global e-learning programme for new employees, and developed and rolled out an e-learning programme on European competition law to support understanding of the Code. We also completed work on a set of key principles to achieve greater transparency of social and environmental standards in our supply chains.

Two examples illustrate our commitment to the local communities in which we operate. In India, Hindustan Lever is taking part in an innovative scheme that trains villagers in business skills and creates a new sales and distribution mechanism for its products. Through project Shakti, Hindustan Lever provides free business training to women's self-help groups set up by Non-Governmental Organisations (NGOs) and the government. Once trained, the women have the option to become local small-scale sellers of Unilever's products, which can generate a steady income of around \$20 per month, nearly double their usual household incomes.

In Ghana, our *Annapurna* iodine-fortified salt has increased its sales and brought essential micronutrients within the reach of low-income consumers. *Annapurna* consumer-education programmes have helped promote UNICEF and government health messages on the need for an improved diet.

Our business depends on understanding and meeting consumers' needs. We also need to understand societies' evolving needs if we are to anticipate potential concerns as well as trends that present business opportunities. This is why we continually seek to engage with our stakeholders. We listen and learn through consumer carelines, focus groups and websites, research with universities and participation in industry and government working groups. We are also involved in dialogue with NGOs and support international initiatives such as the UN Global Compact.

Partnerships are an effective way to help address social issues; they are a common feature of our many community initiatives, on which we spent approximately €66 million in 2003. Our new global partnership with the World Heart Federation is just one example: heart disease is now regarded as the principal cause of death worldwide and our *Becel/Flora* brand is helping to promote a healthy heart lifestyle around the world.

To gain the support of our stakeholders, we need to foster their understanding of our business and the challenges we face. Our local companies recognise this clearly, and have started to produce reports that cover their interaction with their local societies. Following our second Unilever-wide social review in 2002, last year saw new social reports from some of our businesses such as those in Brazil and the UK. Designed for local people, they share the common core theme of responsibility towards consumers, employees, business partners and society as the way towards sustainable growth for our business. In 2003 we have continued to work on the assessment and measurement of our corporate responsibility performance, to ensure that our next social review in 2005 gives an insightful and rounded view of our business.

For more information about Unilever's environmental and social activities, visit [www.unilever.com/environmentsociety](http://www.unilever.com/environmentsociety).

## Competition

We have a wide and diverse set of competitors in our consumer goods businesses. Many of our competitors also operate on an international scale, but others have a narrower regional or local focus.

Competition is a normal part of business. We aim to compete and give value to our consumers, customers and shareholders in three ways:

- by continually developing new and improved products;
- by sharing our innovations and concepts with our businesses all around the world; and
- by striving to lower the cost of our sourcing, manufacturing and distribution processes while still maintaining, and improving, the quality of our products.

We support efforts to create a more open competitive environment through the liberalisation of international trade. We also support the fuller implementation of the Single European Market and inclusion of other European countries in the European Union.

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## About Unilever

### Distribution and selling

Unilever's products are generally sold through its sales force and through independent brokers, agents and distributors to chain, wholesale, co-operative and independent grocery accounts, food service distributors and institutions. Products are distributed through distribution centres, satellite warehouses, company-operated and public storage facilities, depots and other facilities.

### Exports

We sell our products in nearly all countries throughout the world and manufacture in many of them. Inside the European Union we make many of our products in only a few member countries, for sale in all of them.

We also export a wide range of products to countries where we do not currently make them. We often use this export trade to develop new markets, usually relying on manufacturing facilities in neighbouring countries, before building local manufacturing facilities in such new markets.

### Seasonality

Certain of our businesses, such as ice creams and prestige fragrances, are subject to significant seasonal fluctuations in sales. However, Unilever operates globally in many different markets and product categories. No individual element of seasonality is likely to be material to the results of the Group as a whole.

### People

Our future success lies in the hands of the 234 000 people who work for Unilever in around 100 countries. Harnessing, developing and rewarding their skills, energy and commitment is our priority.

#### Number of employees

Year end in thousands	2003	2002	2001	2000	1999
Europe	55	60	71	80	74
North America	20	21	22	39	22
Africa, Middle East and Turkey	52	52	49	48	50
Asia and Pacific	77	82	85	84	71
Latin America	30	32	38	44	29
<b>Total</b>	<b>234</b>	<b>247</b>	<b>265</b>	<b>295</b>	<b>246</b>

People are at the heart of our business. Our continued success depends on the commitment, enthusiasm and energy of our people around the world.

Recruiting, developing and rewarding our people for their skills and expertise remains a priority. We aim to recruit and retain high-calibre people through our graduate recruitment programmes, augmented by mid-career entrants and by promoting those who have demonstrated ability to take responsibility in their roles.

Our commitment to creating an enterprise culture – one of our six strategic priorities – gained momentum in 2003. New programmes were developed and these, combined with our established initiatives, show our creative approach to developing individuals and diverse, well-led teams.

An example of this is our Leadership Growth Journeys led by the Chairmen, which provide an opportunity for our future leaders to share their experiences and discuss future strategies.

There are many other examples, such as the HPC Learning Forum and the Knowledge Management Group that provide learning opportunities for managers at all levels. We believe learning that is related to the needs of the business and that results in clear action plans is essential to the development of high-performance teams.

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Our internal e-learning programme, a screen-based education system, has been extended. More than 24 000 employees have used the facility, with 40% returning to use the sites more than once.

Our international management training centre has been redeveloped to allow more people to benefit from focused learning programmes.

Professional skills training has continued with two new learning academies for Human Resources and Supply Chain set up in 2003. Increasingly our academies will link up and share best practice and learning across Unilever.

Many of our learning experiences involve our people taking part in a wide range of projects based in local communities these have included helping to renovate old school premises, providing days out for disadvantaged children and helping with educational programmes. These, together with the getting into the skin programme, which gives managers the opportunity to experience for themselves the lives of consumers and their families, help us to engage with the communities in which we operate. We also believe these activities underline our commitment to being a responsible corporate citizen.

We have continued to use the results of our 2002 Global People Survey as the basis for much of our thinking on how to link business performance with personal development.

A priority has been to help people understand their role in achieving our performance targets. Our organisational and reward systems reflect the changing needs of the business and the need to reward high performance.

Unilever is one of the most diverse companies in the world our top team is made up of 32 nationalities and we continue to strive to leverage this strength.

In 2004 these activities will continue to help shape the business for future growth and foster a sense of belonging to a truly international enterprise.

### **Related party transactions**

Transactions with related parties are conducted in accordance with the transfer pricing policies described on page 75 and consist primarily of sales to joint ventures and associates. Other than those disclosed in this report, there were no related party transactions that were material to the Group or to the related parties

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## About Unilever

concerned that are required to be reported in 2003 or the preceding two years. In approximately 40 countries, our associated company, JohnsonDiversey Inc., acts as Unilever's sole and exclusive sales agent for professional channels, in return for which it receives an agency fee. Information concerning guarantees given by the Group is stated in note 24 on page 112 and under "Mutual guarantee of borrowings" on page 154. Guarantees are also given within the Group by the parent companies, as described on pages 147 and 150.

### Intellectual property

We have a large portfolio of patents and trademarks, and we conduct some of our operations under licences which are based on patents or trademarks owned or controlled by others. We are not dependent on any one patent or group of patents. We use our best efforts to protect our brands and technology.

### Description of our properties

We have interests in properties in most of the countries where there are Unilever operations. However, none is material in the context of the Group as a whole. The properties are used predominantly to house production and distribution activities and as offices. There is a mixture of leased and owned property throughout the Group. There are no environmental issues affecting the properties which would have a material impact upon the Group. The Directors take the view that any difference between the market value of properties held by the Group and the amount at which they are included in the balance sheet is not significant. See the schedule of principal group companies and fixed investments on page 142 and details of tangible fixed assets in note 10 on page 91.

### Legal and arbitration proceedings and regulatory matters

We are not involved in any legal or arbitration proceedings and do not have any obligations under environmental legislation which we expect to lead to a material loss in the context of the Group results. None of our Directors or Officers are involved in any such material legal proceedings.

Unilever has businesses in many countries and from time to time these are subject to investigation by competition and other regulatory authorities. The most significant of these in recent years concerns ice cream distribution in Europe, notably the issues of outlet and cabinet exclusivity. In October 2003, the Court of First Instance in Luxembourg ruled in favour of the European Commission's decision banning Unilever's Irish ice cream business, HB Ice Cream, from seeking freezer cabinet exclusivity for their products in the Irish market. HB Ice Cream has submitted an appeal against the decision of the Court of First Instance in Luxembourg.

### Government regulation

Unilever businesses are governed, in particular, by national laws designed to ensure that their products may be safely used for their intended purpose and that their labelling and advertising complies in all respects with relevant regulations. The introduction of new products and ingredients and processes is, specifically, subject to rigorous controls. Unilever businesses are further regulated by data protection and anti-trust legislation. Important regulatory bodies in respect of our businesses include the European Commission and the US Food and Drug Administration.



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## Financial review

### 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.

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	%	%	%	%
	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

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 Loders 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.

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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

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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.

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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	€ million	€ million	€ million	€ million
	Total	Due within one year	Due in 1-3 years	Due in 3-5 years	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.

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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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## Financial review

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.

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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

#### 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.

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## Operating review by region

### Europe

2003 results compared with 2002	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	18 720	(512)	18 208	19 573	(7)%	(4)%
Group operating profit	2 617	(54)	2 563	1 598	60%	64%
Turnover	18 809	(512)	18 297	19 657	(7)%	(4)%
Operating profit BEIA	3 101	(69)	3 032	2 746	10%	13%
Exceptional items	46	3	49	(615)		
Amortisation goodwill and intangible assets	(516)	11	(505)	(511)		
Operating profit	2 631	(55)	2 576	1 620	59%	62%
Operating margin	14.0%		14.1%	8.2%		
Operating margin BEIA	16.5%		16.6%	14.0%		

#### Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	0.6
Effect of acquisitions (%)	0.4
Effect of disposals (%)	(5.3)
Turnover growth (%)	(4.3)

Turnover fell by 7% at current rates of exchange, with currency movements contributing a 3% decline. Operating profit grew by 59% and operating profit BEIA grew by 10%, with currency movements contributing 3% declines in both cases. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Difficult economic conditions in a number of countries have been reflected in the consumer, retail and competitive environment in 2003 and in general market growth rates have slowed significantly. Against this background, underlying sales grew by 0.6%, with volume ahead by 0.4%. Turnover was 4% lower than last year through the impact of planned disposals.

There has been continued strong growth in mass personal care, partly offset by a sharp decline in prestige fragrances and the impact of price-competitive markets in laundry. In foods, growth by category in part reflects the exceptionally hot summer weather, with strong gains in ready-to-drink tea and ice cream, but lower consumption in savoury, frozen meals and cooking products.

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Highlights of another good year in personal care were the launch of *Sunsilk* across the region and the roll-out of *Dove* shampoo. Other key innovations included the *Dove Silk* hand, body and shower range, *Dove* exfoliating bar, new variants of *Axe* and the *Crystal* variant of *Rexona/Sure*.

In laundry, good progress has been made in improving the profitability of our business through cost reduction and a strategy of focus on priority brands and markets. This has allowed us both to increase margins and to generate the funds to respond to increased levels of price competition which had led to the loss of one market share point in the year, primarily to retailer own brands.

There has been good growth in spreads and cooking products for our Healthy Heart brands *Becel/Flora*. For our family brands such as *Rama* and *Blue Band* we adopted a strategy of recovering substantial increases in edible oil costs which some competitors have not followed. However, overall we have held market share. We have a strong innovation programme planned for both family and heart health brands into 2004. This includes the roll-out of the *Rama/Blue Band Finesse* range of cream alternatives and the extension of the *pro acti* brand to adjacent categories, for which we now have regulatory clearance.

*Knorr Mealkits* and *Good For You* soups were successfully launched, though overall growth for the year was held back by low consumption in the very hot summer months. *Hellmann's* and *Bertolli* both grew strongly, with the latter benefiting from extensions into pasta sauces, dressings and toppings. Growth in *UBF Foodsolutions* accelerated through the year, returning to a good level in the second half, particularly through soups in the UK, the *Bertolli* range in Italy and the launch of *Knorr* dairy cream alternatives in the fourth quarter.

Tea-based beverages have performed well with an excellent contribution from *Lipton* ready-to-drink, including green tea and fruit juice variants. Ice cream sales also grew strongly, helped by the hot summer weather and innovations including *Magnum 7 Sins*, *Magnum Moments*, *Magnum* snacking bars and the roll-out of the *Fruit & Fresh* mix of yoghurt and ice cream.

In frozen foods we have been reshaping around faster-growing segments of the market and have been restructuring with further gains in profitability. Our priority going forward will be to return the business to a consistent level of sales growth through a more rapid transfer of successful concepts across markets, including *Knorr* frozen, which is now in seven markets, and through planned innovations in the areas of kids nutrition, convenience meals and concepts based on fresh and natural ingredients such as the recently launched range of *Steam Fresh* vegetables.

The regional operating margin BEIA at 16.5% was 2.5% ahead of last year. This reflects the contribution from our restructuring and savings programmes, improved mix from portfolio change and our strategy for improving profitability in home care.

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## Operating review by region

### Europe (continued)

<b>2002 results compared with 2001</b>	€ million 2002 at 2001 rates	€ million Exchange rate effects	€ million 2002 at 2002 rates	€ million 2001 at 2001 rates	% Change at actual current rates	% Change at constant 2001 rates
Group turnover	19 617	(44)	19 573	20 119	(3)%	(2)%
Group operating profit	1 580	18	1 598	2 412	(34)%	(34)%
Turnover	19 700	(43)	19 657	20 220	(3)%	(3)%
Operating profit BEIA	2 746		2 746	2 690	2%	2%
Exceptional items	(633)	18	(615)	254		
Amortisation goodwill and intangible assets	(511)		(511)	(511)		
Operating profit	1 602	18	1 620	2 433	(33)%	(34)%
Operating margin	8.1%		8.2%	12.0%		
Operating margin BEIA	13.9%		14.0%	13.3%		

<b>Turnover and underlying sales growth</b> (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	3.1
Effect of acquisitions (%)	0.5
Effect of disposals (%)	(6.0)
Turnover growth (%)	(2.6)

Turnover fell by 3% with no impact from currency movements. Operating profit fell by 33% and operating profit BEIA grew by 2%, with currency movements having only a minor effect. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew 3% with a continuing significant contribution from Central and Eastern Europe. Turnover was 3% lower than last year because of the impact of disposals.

Operating margin decreased 3.9% to 8.1%, but operating margin BEIA increased by 0.6% to 13.9%. This reflected the benefits from our savings programmes, including the integration of Bestfoods and strong growth in ice cream profitability driven by mix improvements and cost reductions. These gains were partly reinvested in additional support for the leading brands.

#### Western Europe

In Foods, underlying sales grew by 3%, including an increasing contribution from *UBF Foodsolutions*, our food service business. There was sustained progress in branded spreads and cooking products, which grew 5% due to the continuing impact of

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innovations, especially in *Becel/Flora*, which grew by over 10%. Savoury and dressings grew 4% with marketplace activity behind *Amora*, *Hellmann's*, *Bertolli*, *Knorr* and *Pot Noodle* and the launches of soup makers, chilled soups and *Bertolli* pasta sauces towards the end of the year. *Slim Fast* also grew well as we continued its roll-out. Ice cream showed great resilience with innovations such as *Cornetto Soft* and snack-size ice creams helping to offset the impact of poorer weather than the prior year to give underlying sales growth of 1%.

In Home & Personal Care in Western Europe, good growth in skin, deodorants and hair included particularly strong performances through innovation and range extension in *Dove*, *Rexona* and *Axe*. Laundry volumes grew by 4%, which was partly offset by pricing in a competitive environment to give an underlying sales growth of 1%, with market share being maintained.

### Central and Eastern Europe

Underlying sales grew by 9% with particular strength in dressings, tea, household care and personal care. We made further good progress in Russia.



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## Operating review by region

### North America

2003 results compared with 2002	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	11 596	(1 822)	9 774	12 446	(21)%	(7)%
Group operating profit	1 263	(192)	1 071	1 541	(30)%	(18)%
Turnover	11 710	(1 841)	9 869	12 568	(21)%	(7)%
Operating profit BEIA	1 975	(315)	1 660	2 070	(20)%	(5)%
Exceptional items	(174)	35	(139)	(3)		
Amortisation goodwill and intangible assets	(503)	83	(420)	(494)		
Operating profit	1 298	(197)	1 101	1 573	(30)%	(17)%
Operating margin	11.1%		11.2%	12.5%		
Operating margin BEIA	16.9%		16.8%	16.5%		

Turnover and underlying sales growth (at constant 2002 rates)	2003 vs 2002
Underlying sales growth (%)	(3.1)
Effect of acquisitions (%)	0.1
Effect of disposals (%)	(4.0)
Turnover growth (%)	(6.8)

Turnover fell by 21% at current rates of exchange, with currency movements contributing a 14% decline. Operating profit fell by 30% and operating profit BEIA fell by 20%, with currency movements principally the weakening of the US dollar contributing 13% and 15% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales declined by 3.1%, including a positive 0.2% from pricing. The performance of *Slim Fast* and prestige fragrances, in combination with the one-off impacts of trade de-stocking and weak out-of-home channels in the first half of the year, diluted underlying sales growth by 3.6%. Turnover, including the impact of disposals, declined by 7%.

In mass personal care we improved our overall market position through *Axe* deodorants, and have established the *Dove* brand in daily hair care. In laundry we have further improved profitability, notwithstanding negative pricing through bonus pack promotions in a competitive market in which we have lost a little under one percentage point of market share.

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Our prestige fragrance business has declined in weak markets. Our priority has been to restructure the business onto a more robust footing. We have refocused the brand portfolio and we are reducing costs to release funds for future investment behind innovation in the leading brands.

Unilever Bestfoods sales grew in a competitive market and in a year in which we successfully introduced a new go to market approach. Particular strengths were *Hellmann's*, *Lipton* and *Bertolli* through pasta sauces and frozen foods, *Becel* margarine in Canada and *Lawry's* through the new *Spice Blends* steak sauce. These good performances were partly offset by declines in spreads consumption because of lower butter prices, and by declines in *Bertolli* olive oil and in *Ragú* pasta sauces due to changes in our approach to promotional plans and timing.

In ice cream we continue to grow well and gain market share, notwithstanding weak out-of-home markets. *Breyers* and *Good Humor* performed strongly in grocery channels, including the extension of the health range and the introduction of *Slim Fast*.

Our *Foodsolutions* business moved ahead despite weak market conditions with a stronger performance in the second half of the year.

*Slim Fast* has been heavily affected by changing consumer tastes and dieting choices. We have responded with the launch of a range of new products in the second half of the year, and a relaunch of the brand at the start of 2004. We remain confident of the longer-term growth opportunity, based on our leadership of this large growth market and the proven approach of *Slim Fast* healthy weight management underpinned by clinical studies and continued strong endorsement from the medical profession.

The regional operating margin BEIA at 16.9% was 0.4% ahead of the prior year.

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## Operating review by region

### North America (continued)

<b>2002 results compared with 2001</b>	€ million 2002 at 2001 rates	€ million Exchange rate effects	€ million 2002 at 2002 rates	€ million 2001 at 2001 rates	% Change at actual current rates	% Change at constant 2001 rates
Group turnover	13 077	(631)	12 446	13 767	(10)%	(5)%
Group operating profit	1 614	(73)	1 541	1 127	37%	43%
Turnover	13 205	(637)	12 568	13 880	(9)%	(5)%
Operating profit BEIA	2 173	(103)	2 070	1 999	4%	9%
Exceptional items	(7)	4	(3)	(276)		
Amortisation goodwill and intangible assets	(519)	25	(494)	(564)		
Operating profit	1 647	(74)	1 573	1 159	36%	42%
Operating margin	12.5%		12.5%	8.4%		
Operating margin BEIA	16.5%		16.5%	14.4%		

<b>Turnover and underlying sales growth</b> (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	1.1
Effect of acquisitions (%)	0.2
Effect of disposals (%)	(6.1)
Turnover growth (%)	(4.9)

Turnover fell by 9% with currency movements contributing a 4% reduction. Operating profit rose by 36% and operating profit BEIA grew by 4%, with currency movements contributing reductions of 6% and 5% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew 1% with a stronger performance in the second half as marketplace activity built through the year. Turnover declined 5% through the impact of disposals, notably DiverseyLever and Mazola.

In Foods, underlying sales grew 2% and our market shares remained firm. *Slim Fast* continued to expand, passing the €1 billion turnover mark globally. Ice cream grew at over 5% and *Wishbone*, *Becel* and *Knorr* also moved ahead well. In addition to an active programme behind these brands, innovations including *Lipton Brisk* lemonade and *Ragú Rich and Meaty* sauces led growth in the second half of the year. Overall, underlying sales

growth in 2002 was held back by promotional price competition in mayonnaise, the exit from *Hellmann's* pourable dressings and the impact of lower butter prices on the margarine market.

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In Home & Personal Care, underlying sales growth was flat for 2002, with an improved performance in the latter part offsetting a slow start to the year. This reflected both the timing of the overall innovation plan and the steps taken to improve profitability in laundry to give the base for a more active programme from the fourth quarter. The successful launches of *Axe* deodorant and *all* fabric conditioner and the relaunch of *Dove* body wash contributed to a strong finish to the year.

Operating margin increased 4.1% to 12.5% and operating margin BEIA increased by 2.1% to 16.5% in 2002. This was driven particularly by improvements in laundry profitability but also widespread benefits from savings programmes partly reinvested in additional advertising and promotion.

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## Operating review by region

### Africa, Middle East and Turkey

2003 results compared with 2002	€ million	€	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	3 360	(84)	3 276	3 139	4%	7%
Group operating profit	428	(9)	419	282	49%	52%
Turnover	3 390	(88)	3 302	3 225	2%	5%
Operating profit BEIA	450	(12)	438	349	26%	29%
Exceptional items	7	(1)	6	(39)		
Amortisation goodwill and intangible assets	(25)	3	(22)	(19)		
Operating profit	432	(10)	422	291	45%	48%
Operating margin	12.7%		12.8%	9.0%		
Operating margin BEIA	13.3%		13.3%	10.8%		

Turnover and underlying sales growth (at constant 2002 rates)	2003 vs 2002
Underlying sales growth (%)	7.4
Effect of acquisitions (%)	1.6
Effect of disposals (%)	(3.7)
Turnover growth (%)	5.1

Turnover grew by 2% at current rates of exchange, with currency movements contributing a 3% decline. Operating profit grew by 45% and operating profit BEIA grew by 26%, with currency movements contributing 3% declines in both cases. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew 7.4% with 5% from volume growth. Turnover grew 5% including the net impact of acquisitions and disposals.

Innovations behind the *Omo* and *Surf* brands were the drivers of an excellent performance in laundry. In personal care, *Dove*, *Lux*

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and *Rexona* all grew at over 20%, while *Sunsilk* has achieved the leading position in hair care in Turkey.

In Foods, growth in savoury was led by *Knorr*, and included the launch into a number of countries in the Middle East. Ice cream and *Lipton* tea also grew well, while volumes declined in cooking oils, especially in French West Africa.

The regional operating margin BEIA at 13.3% was 2.5% ahead of last year, mainly through higher gross margins from production-cost reduction, the benefits of volume growth and the reversal of previous devaluation-led cost increases.

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## Operating review by region

### Africa, Middle East and Turkey (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	3 654	(515)	3 139	3 191	(2)%	15%
Group operating profit	342	(60)	282	196	44%	74%
Turnover	3 754	(529)	3 225	3 455	(7)%	9%
Operating profit BEIA	422	(73)	349	373	(6)%	13%
Exceptional items	(45)	6	(39)	(139)		
Amortisation goodwill and intangible assets	(23)	4	(19)	(26)		
Operating profit	354	(63)	291	208	40%	70%
Operating margin	9.4%		9.0%	6.0%		
Operating margin BEIA	11.2%		10.8%	10.8%		
<b>Turnover and underlying sales growth</b> (at constant 2001 rates)	2002 vs 2001					
Underlying sales growth (%)	6.5					
Effect of acquisitions (%)	5.3					
Effect of disposals (%)	(3.1)					
Turnover growth (%)	8.6					

Turnover fell by 7%, which included a 16% reduction arising from currency movements. Operating profit rose by 40% and operating profit BEIA fell by 6%, with currency movements contributing reductions of 30% and 19% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 6.5% with turnover ahead by 8.6% as we now consolidated all of the Bestfoods Robertsons business following the increase in our shareholding.

Growth was broad-based across categories with the major contributions from marketing activities behind *Knorr*, *Lipton*, *Lux*,

*Dove* and laundry brands. South Africa performed particularly well with good underlying sales growth especially in *Omo*, *Sunsilk*, *Axe* and *Lux* in Home & Personal Care and *Knorr*, *Lipton*, *Rama* and *Flora pro actia* in Foods. In Turkey, the weak economy led to consumer downtrading and market contraction and our sales declined as a result. Elsewhere in the region we strengthened our market position, particularly in Algeria, Arabia, Egypt, Morocco and West Africa.

Operating margin increased 3.4% to 9.4% and operating margin BEIA increased 0.4% to 11.2% in 2002 after an increase in investment behind the leading brands.





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## Operating review by region

### Asia and Pacific

2003 results compared with 2002	€ million	€ million	€ million	€million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	8 039	(976)	7 063	7 679	(8)%	5%
Group operating profit	1 217	(145)	1 072	1 081	(1)%	13%
Turnover	8 076	(982)	7 094	7 865	(10)%	3%
Operating profit BEIA	1 166	(142)	1 024	1 119	(8)%	4%
Exceptional items	98	(10)	88	13		
Amortisation goodwill and intangible assets	(47)	7	(40)	(30)		
Operating profit	1 217	(145)	1 072	1 102	(3)%	10%
Operating margin	15.1%		15.1%	14.0%		
Operating margin BEIA	14.4%		14.4%	14.2%		

Turnover and underlying sales growth (at constant 2002 rates)	2003 vs 2002
Underlying sales growth (%)	3.7
Effect of acquisitions (%)	1.9
Effect of disposals (%)	(2.8)
Turnover growth (%)	2.7

Turnover fell by 10% at current rates of exchange, with currency movements contributing a 13% decline. Operating profit fell by 3% and operating profit BEIA fell by 8%, with currency movements, notably in India, contributing 13% and 12% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 3.7%, almost entirely from volume. Turnover, including the net impact of acquisitions and disposals, increased by 2.7%.

In our Home & Personal Care consumer business, growth has been strong and broad-based across categories. Activities behind *Lux* included the launch of the *Lux Spa* range in Japan and *Lux Super Rich* shampoo in a number of markets. *Lifebuoy* was relaunched in India with new variants and the distribution of *Lifebuoy* shampoo was extended in Indonesia. *Pond's* growth was led by the launch of mini-pack moisturisers in Indonesia and good performances in China and India. The launch of the no marks variant boosted growth of *Fair & Lovely* in India. Laundry

benefited from activities including the relaunch of *Breeze Colour* in Thailand, improved formulations in Vietnam and launches of variants of *Surf* with fabric conditioner, and a *Surf* bar with bleach in the Philippines. Sales in low-margin, non-consumer businesses were sharply lower, as planned.

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In Foods the main focus in the year was improving the overall shape of the business. This included acquiring the outstanding part of the CPC/Ajinomoto joint venture, disposing of, or withdrawing from, several non-leading brands and improving the distribution system in the Philippines. This was reflected in a progressive pick-up in the growth of the leading brands over the year. Indonesia has made further progress with *Bango*, *Royco* and *Sariwangi* as we improved distribution. In leaf tea *Brooke Bond* was relaunched in India and *Lipton* green tea bags were launched in China. *Knorr Soupy Snax* were launched in India and the *Knorr* brand has grown well in China.

The regional operating margin BEIA at 14.4% was 0.2% ahead of the previous year after a 0.4% increase in advertising and promotions.

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## Operating review by region

### Asia and Pacific (continued)

#### 2002 results compared with 2001

	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	8 045	(366)	7 679	7 846	(2)%	3%
Group operating profit	1 130	(49)	1 081	873	24%	29%
Turnover	8 242	(377)	7 865	8 046	(2)%	2%
Operating profit BEIA	1 170	(51)	1 119	1 088	3%	8%
Exceptional items	13		13	(157)		
Amortisation goodwill and intangible assets	(32)	2	(30)	(40)		
Operating profit	1 151	(49)	1 102	891	24%	29%
Operating margin	14.0%		14.0%	11.1%		
Operating margin BEIA	14.2%		14.2%	13.5%		

#### Turnover and underlying sales

growth (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	4.8
Effect of acquisitions (%)	0.3
Effect of disposals (%)	(2.6)
Turnover growth (%)	2.4

Turnover fell by 2%, with currency movements giving a reduction of 4%. Operating profit rose by 24% and operating profit BEIA rose by 3%, with currency movements contributing reductions of 5% in both cases. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 4.8%. Including the impact of disposals, turnover grew by 2.4%.

Home & Personal Care grew well across both categories and countries. Indonesia, Philippines and Vietnam performed particularly well and skin, hair and deodorants all grew at over 10% across the region through innovations and support behind *Dove*, *Lifebuoy* and *Pond's*. Underlying sales growth in India accelerated through the year to reach 3% for the full year despite the planned harvesting of non-leading brands. The stronger second half in India was led by *Fair & Lovely* with the launch of a herbal variant, *Pond's* with new small packs, the launch of a

new *Vaseline* variant for treating damaged skin and good growth in laundry.

In Foods, good growth in South East Asia reflected the Bestfoods brands benefiting from the Unilever distribution system, innovation in *Knorr*, and a strengthening of the *Bango* soy sauce and *Sariwangi* tea brands in Indonesia. This performance was partly offset by declines in tea in Central Asia as prices were adjusted to reflect lower commodity prices and a focus on improving

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profitability as we exited from low-value, low-growth commoditised teas. In Japan the successful alliance with Suntory in ready-to-drink tea has doubled the market share of *Lipton* to over 25%.

Operating margin increased 2.9% to 14.0% and operating margin BEIA increased to 14.2% in 2002 with gains from our savings programmes partly reinvested in increased advertising and promotions.

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## Operating review by region

### Latin America

#### 2003 results compared with 2002

	€ million 2003 at 2002 rates	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	5 706	(1 334)	4 372	5 433	(20)%	5%
Group operating profit	489	(131)	358	505	(29)%	(3)%
Turnover	5 715	(1 335)	4 380	5 445	(20)%	5%
Operating profit BEIA	809	(191)	618	770	(20)%	5%
Exceptional items	(114)	10	(104)	(58)		
Amortisation goodwill and intangible assets	(207)	51	(156)	(207)		
Operating profit	488	(130)	358	505	(29)%	(3)%
Operating margin	8.5%		8.2%	9.3%		
Operating margin BEIA	14.2%		14.1%	14.1%		

#### Turnover and underlying sales growth

(at constant 2002 rates)	2003 vs 2002
Underlying sales growth (%)	8.1
Effect of acquisitions (%)	0.1
Effect of disposals (%)	(3.1)
Turnover growth (%)	5.0

Turnover fell by 20% at current rates of exchange, with currency movements contributing a 25% decline. Operating profit fell by 29% and operating profit BEIA fell by 20%, with currency movements, notably in Brazil and Mexico, contributing 26% and 25% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 8.1%, entirely through pricing as we recovered earlier devaluation-led cost increases. The speed of economic recovery is, however, uneven and Brazil in particular remains weak although we have seen a strong improvement in Argentina. Home & Personal Care moved back into positive volume growth in the second half of the year, but this was offset by continuing market declines in Foods categories, resulting in a 2.2% overall volume decline for the year. Including the impact of disposals, turnover increased 5.0%.

The key drivers of growth have been our personal care brands: *Lux*, which has been relaunched with innovations in both product and packaging; *Sunsilk*, including the test launch of hair colorants in Argentina, Mexico and Brazil and the success of the *Lisage*

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hair-straightening variant; *Rexona*, with the launch of a deodorant spray in Colombia and Venezuela; and *Axe*, with the launch of new variants and extension to new geographies.

In laundry we have continued to hold strong share positions and have delivered good growth. A series of innovations were introduced under the *Omo*, *Radiant* and *Surf* brands, and fabric conditioners in Argentina performed particularly well.

In Foods, markets continue to be competitive and consumption remains weak, especially in Brazil. Nonetheless we have continued to improve the base of our business. Innovations have boosted strong growth for the *AdeS* soy-based drink. *Arisco* has grown well in Brazil, showing the value of alternative smart choice brands in a difficult economy. The savoury portfolio has been strengthened through the migration of the *Cica* brand to *Knorr* in Brazil and the introduction of *Knorr* to Central America. Overall growth in Foods is impacted by our actions to reduce the tail of non-leading brands by managing some brands for value through a harvest strategy or through disposal.

The regional operating margin BEIA at 14.2% was 0.1% ahead of last year with an improvement in gross margin partly reinvested in increased advertising and promotions. We are making good progress with savings programmes and have been progressively recovering the impact of devaluation-led cost increases.

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## Operating review by region

### Latin America (continued)

#### 2002 results compared with 2001

	€ million 2002 at 2001 rates	€ million Exchange rate effects	€ million 2002 at 2002 rates	€ million 2001 at 2001 rates	% Change at actual current rates	% Change at constant 2001 rates
Group turnover	7 106	(1 673)	5 433	6 591	(18)%	8%
Group operating profit	648	(143)	505	338	49%	92%
Turnover	7 119	(1 674)	5 445	6 605	(18)%	8%
Operating profit BEIA	1 022	(252)	770	882	(13)%	16%
Exceptional items	(95)	37	(58)	(261)		
Amortisation goodwill and intangible assets	(279)	72	(207)	(282)		
Operating profit	648	(143)	505	339	49%	91%
Operating margin	9.1%		9.3%	5.1%		
Operating margin BEIA	14.4%		14.1%	13.4%		

#### Turnover and underlying sales

growth (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	12.1
Effect of acquisitions (%)	0.5
Effect of disposals (%)	(4.4)
Turnover growth (%)	7.8

Turnover fell by 18%, after a reduction of 26% arising from currency movements. Weaker currencies in Argentina and Brazil contributed 10% and 5% respectively to this decline. Operating profit rose by 49% and operating profit BEIA fell by 13%, with currency movements contributing reductions of 42% and 29% respectively. The underlying performance of the business after eliminating exchange translation effects is discussed below at constant exchange rates.

Underlying sales grew by 12.1%, driven by pricing action to recover devaluation-led cost increases, particularly in Argentina. Outside Argentina, volumes grew by 2% with price ahead by 9%. Including the impact of disposals, turnover in the region grew by 8%. Excluding the impact of acquisitions and disposals, turnover was 14% below 2001 levels.

Personal care performed very strongly in 2002. *Sunsilk* shampoo marketed in Latin America as *Sedal* grew well across the region. *Dove* shampoo was launched in Brazil, Chile, Mexico and Peru and made very good progress. In deodorants, *Rexona* was successfully launched in Venezuela and relaunched in Colombia and we took clear market leadership in Mexico. In laundry,

market shares have held firm against our nearest competitor and we responded to changed economic conditions with packs which specifically address the reduced spending power of consumers.

In Foods, ice cream grew by over 10%, mostly volume, with the main contributions from Brazil and Mexico. Good performances were led by the launch of *Knorr* noodle cups in Mexico, an energised *Hellmann* s campaign in Chile and significant growth in

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*Arisco* in Brazil. In spreads, *Becel de Capullo* was launched in Mexico, introducing the *Becel* brand to that country. *Lipton* ready-to-drink tea continued to grow well in Brazil and the soy-based beverage *AdeS* made very good progress in both Brazil and Mexico.

In Argentina, consumer demand was considerably down and volumes were affected as a result. We continued to hold strong market shares and our experienced local management managed the business in a way which preserves its long-term health.

Operating margin increased 4.0% to 9.1% and operating margin BEIA increased by 1.0% to 14.4% in 2002, after an increase in investment behind the leading brands.



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## Operating review by category **Foods**

### Financial overview

<b>2003 results compared with 2002</b>	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>	<b>%</b>	<b>%</b>
	<b>2003 at</b>	<b>Exchange</b>	<b>2003 at</b>	<b>2002 at</b>	<b>Change at</b>	<b>Change at</b>
	<b>2002 rates</b>	<b>rate</b>	<b>2003 rates</b>	<b>2002 rates</b>	<b>actual</b>	<b>constant</b>
		<b>effects</b>			<b>current</b>	<b>2002 rates</b>
					<b>rates</b>	
Group turnover	<b>26 212</b>	<b>(2 241)</b>	<b>23 971</b>	26 937	(11)%	(3)%
Group operating profit	<b>2 794</b>	<b>(146)</b>	<b>2 648</b>	2 083	27%	34%
Turnover	<b>26 470</b>	<b>(2 270)</b>	<b>24 200</b>	27 390	(12)%	(3)%
Operating profit BEIA	<b>4 226</b>	<b>(326)</b>	<b>3 900</b>	3 885	0%	9%
Exceptional items	<b>(115)</b>	<b>24</b>	<b>(91)</b>	(489)		
Amortisation goodwill and intangible assets	<b>(1 265)</b>	<b>150</b>	<b>(1 115)</b>	(1 230)		
Operating profit	<b>2 846</b>	<b>(152)</b>	<b>2 694</b>	2 166	24%	31%
Operating margin	<b>10.8%</b>		<b>11.1%</b>	7.9%		
Operating margin BEIA	<b>16.0%</b>		<b>16.1%</b>	14.2%		

Pages 32 to 39 present a review of performance in each major product category, which are as follows:

- Savoury and dressings
- Spreads and cooking products
- Health & wellness and beverages
- Ice cream and frozen foods

Included in the figures for each category are the results of our *UBF Foodsolutions* business.

#### Foods

During 2003, our leading brands grew by 1.2%, while underlying sales grew by 0.4%. Turnover fell by 12% at current rates of exchange, with currency movements contributing 9% of this decline. Operating profit rose by 24% and operating profit BEIA was flat. Operating margin increased to 11.1% (2002: 7.9%) and operating margin BEIA increased to 16.1% (2002: 14.2%).

Unilever's food and beverage brands and products are enjoyed by millions of people around the world. Our portfolio focuses increasingly on brands with the potential to grow across borders and categories, in markets that are growing rapidly as consumers demand more choice, great taste, healthier options and convenience.

Since the creation of Unilever Bestfoods in 2000, we have continued to build the basis for sustained, profitable growth. We are shaping our leading brands for growth through innovation that targets fast-growing segments of the food and beverage market and by building brand equity, rationalising brand families and migrations. We are focusing our portfolio with an ambitious programme of disposals. We are improving profitability, simplifying the business and making good progress on all other key levers of value creation.

**UBF Foodsolutions**

*UBF Foodsolutions* is one of the world's largest food service businesses. It operates in more than 60 countries around the world.

The business is focused on delivering innovative, relevant solutions to the professional chef and caterer, leveraging our consumer brands already 85% of product sales and technology. In 2008 *UBF Foodsolutions* continued to grow despite challenging conditions in key markets.

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## Operating review by category Foods

### Savoury and dressings

2003 results compared with 2002	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	9 419	(868)	8 551	9 272	(8)%	2%
Group operating profit	499	(24)	475	399	19%	25%
Turnover	9 482	(873)	8 609	9 503	(9)%	0%
Operating profit BEIA	1 642	(146)	1 496	1 483	1%	11%
Exceptional items	(124)	14	(110)	8		
Amortisation goodwill and intangible assets	(1 016)	108	(908)	(1 064)		
Operating profit	502	(24)	478	427	12%	18%
Operating margin	5.3%		5.6%	4.5%		
Operating margin BEIA	17.3%		17.4%	15.6%		

Turnover and underlying sales growth (at constant 2002 rates)	2003 vs 2002
Underlying sales growth (%)	1.6
Effect of acquisitions (%)	1.6
Effect of disposals (%)	(3.3)
Turnover growth (%)	(0.2)

Turnover fell by 9% at current rates of exchange, with currency movements contributing a 9% decline. Operating profit grew by 12% and operating profit BEIA grew by 1%, with currency movements contributing a 6% and 10% decline respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Unilever's world leadership of both the savoury and dressings foods categories was maintained. The rate of growth in savoury slowed in 2003, partially due to a hot summer in Europe and weakness in food service markets in the first half of the year.

Brazil had a strong performance where the *Cica* migration to *Knorr* has gone well, substantially improving overall growth. Elsewhere, innovations responsive to consumer needs sparked growth. The success of wet soups in France continued, with *Knorr* growing and riding the ready-to and Good For You wave. *bipon* Asian side dish innovations in the US helped regain category leadership, while the *Knorr Cubitos* seasonings in Latin America is a fine example of the creative use of technology to target low-income consumers.

*Knorr* frozen is gaining momentum, now having an established presence in seven markets in Europe and with turnover now exceeding €100 million.

Dressings had a good year, with strong performances in Europe and the US. Results reflect good share performance in core markets and the positive impact of innovations.

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Category growth was driven by *Hellmann's*, *Calvé* and *Amora*. *Hellmann's* benefited in key countries, particularly UK and Ireland, from a successful launch of snack sauces, strong promotional activity and favourable weather. *Calvé* was driven by good performance in Russia, based on the continued relaunch of mayonnaise and ketchup.

In North America, results were driven by a strong *Hellmann's* performance in a robust mayonnaise market, helped by additional promotional investment.

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## Operating review by category Foods

### Savoury and dressings (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	9 887	(615)	9 272	9 597	(3)%	3%
Group operating profit	413	(14)	399	744	(46)%	(44)%
Turnover	10 138	(635)	9 503	9 999	(5)%	1%
Operating profit BEIA	1 602	(119)	1 483	1 634	(9)%	(2)%
Exceptional items	(4)	12	8	349		
Amortisation goodwill and intangible assets	(1 155)	91	(1 064)	(1 218)		
Operating profit	443	(16)	427	765	(44)%	(42)%
Operating margin	4.4%		4.5%	7.7%		
Operating margin BEIA	15.8%		15.6%	16.3%		

Turnover and underlying sales growth (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	4.1
Effect of acquisitions (%)	1.5
Effect of disposals (%)	(4.1)
Turnover growth (%)	1.4

Turnover fell by 5% at current rates of exchange, with currency movements accounting for a reduction of 6%. Operating profit fell by 44% and operating profit BEIA fell by 9%, with currency movements contributing reductions of 2% and 7% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

We are world leaders in both the savoury and dressings foods categories. *Knorr*, Unilever's biggest brand, grew across 100 markets in 2002 with products as diverse as seasonings and meal kits, snacks and frozen food. There was a clear acceleration in the pace of growth as the year progressed.

Innovation met the needs of consumers with a love of good food but little time to cook: for example, we introduced *Knorr* soupy snacks, *Knax* noodle cups, a snack launched in Latin America, and *Knorr Vie*, a healthy eating range in Europe. The growing international appeal of *Bertolli* delivered underlying sales growth for the brand of 8.5%. Once solely an Italian olive oil, the *Bertolli* portfolio now ranges from pasta sauces and meal solutions to spreads and snacks.

The enduring popularity of mayonnaise drove good growth in *Hellmann's* in Europe and Latin America, but competitive pressure in North America and our withdrawal from liquid salad dressings affected the brand's overall performance, leaving turnover flat year-on-year. Australia was welcomed to the world of *Hellmann's* with the launch of dressings and mayonnaise.

*Calvé* and *Wishbone* also delivered strong results. Growth was fuelled by innovations that took our key dressings brands beyond mayonnaise into new tastes and flavours, dips and sauces, many inspired by *Amora* and *Maille*.

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Underlying sales growth was 4% and, allowing for disposals, turnover increased 1% in 2002. Operating margin decreased 3.3% to 4.4% and operating margin BEIA was moderately below 2001 at 15.8%, after an increase in advertising and promotions.

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## Operating review by category **Foods**

### Spreads and cooking products

<b>2003 results compared with 2002</b>	€ million	€ million	€ million	€ million	%	%
	2003 at	Exchange	2003 at	2002 at	Change at	Change at
	2002 rates	rate	2003 rates	2002 rates	actual	constant
		effects			current	2002 rates
					rates	
Group turnover	5 366	(389)	4 977	6 145	(19)%	(13)%
Group operating profit	806	(24)	782	768	2%	5%
Turnover	5 419	(391)	5 028	6 216	(19)%	(13)%
Operating profit BEIA	911	(46)	865	967	(10)%	(6)%
Exceptional items	(9)	7	(2)	(161)		
Amortisation goodwill and intangible assets	(89)	15	(74)	(19)		
Operating profit	813	(24)	789	787	0%	3%
Operating margin	15.0%		15.7%	12.7%		
Operating margin BEIA	16.8%		17.2%	15.5%		

#### Turnover and underlying sales growth

(at constant 2002 rates) **2003 vs 2002**

Underlying sales growth (%)	(2.9)
Effect of acquisitions (%)	0.7
Effect of disposals (%)	(10.9)
Turnover growth (%)	(12.8)

Turnover fell by 19% at current rates of exchange, with currency movements contributing a 6% decline. Operating profit was flat and operating profit BEIA fell by 10%, with currency movements contributing 3% and 4% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Against the backdrop of two years of strong growth, 2003 was a tough year for the margarine category due to relatively low butter prices in key markets, and the adverse impact on bread consumption driven by a strong consumer trend towards low carbohydrate diets in the US and UK. However, we maintained our market shares in key countries.

*Becel/Flora*, our Healthy Heart spreads brands, continued to grow on the strength of *pro activ*, which grew strongly during 2003.

Sustained product efficacy endorsement by key opinion formers and healthcare professionals was key to continued momentum. The unique partnership of *Becel/Flora* with the World Heart Federation helped increase awareness on how lowering cholesterol can contribute to a healthy lifestyle.

*Rama/Blue Band* had a difficult start to the year due to severe price pressures mainly in Europe. The launch of dairy cream alternatives in several countries in Europe and Latin America in the fourth quarter is progressing well, with a roll-out to additional markets in 2004.

Innovation continues to be the key driver of growth in this category. Examples of adapting to local taste and storage conditions are evident in the launch of ambient stable margarines and sweet spreads in Africa and savoury spreads in Latin America.





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## Operating review by category Foods

### Spreads and cooking products (continued)

<b>2002 results compared with 2001</b>	€ million	€ million	€ million	€ million	%	%
	2002 at	Exchange	2002 at	2001 at	Change at	Change at
	2001 rates	rate	2002 rates	2001 rates	actual	constant
		effects			current	2001 rates
					rates	
Group turnover	6 401	(256)	6 145	6 681	(8)%	(4)%
Group operating profit	779	(11)	768	751	2%	4%
Turnover	6 474	(258)	6 216	6 771	(8)%	(4)%
Operating profit BEIA	990	(23)	967	1 039	(7)%	(5)%
Exceptional items	(169)	8	(161)	(259)		
Amortisation goodwill and intangible assets	(22)	3	(19)	(9)		
Operating profit	799	(12)	787	771	2%	4%
Operating margin	12.3%		12.7%	11.4%		
Operating margin BEIA	15.3%		15.5%	15.3%		

<b>Turnover and underlying sales growth</b>	2002
(at constant 2001 rates)	vs 2001
Underlying sales growth (%)	2.3
Effect of acquisitions (%)	0.5
Effect of disposals (%)	(6.9)
Turnover growth (%)	(4.4)

Turnover fell by 8% at current rates of exchange, with currency movements contributing a 4% reduction. Operating profit grew by 2% and operating profit BEIA fell by 7% with currency movements contributing reductions of 2% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

In 2002, we built on our position as the market leader in branded margarine and spreads. In this sector, as elsewhere, the strength of our local roots and understanding of regional tastes and cultures helped deliver growth.

Innovation was key to our strong performance. The sustained success of *pro activ*, an innovation that is proven to reduce cholesterol, continued to drive rapid growth in our leading

spreads brands, *Becel/Flora*, which grew by 11.6%. Healthier, more convenient cooking products, including *Rama* and *Culinesse* and family-oriented spreads, such as *Blue Band*, all contributed towards our good performance.

An important driver of success has been increasing support from key opinion formers, such as healthcare professionals. During the year, we complemented our alliances with national heart associations with the worldwide sponsorship of the World Heart Federation's World Heart Day.

Including the impact of disposing of several oil businesses, turnover fell 4% in 2002, while underlying sales grew by over 2%. Operating margin increased 0.9% to 12.3% but operating margin BEIA was unchanged from 2001 at 15.3%, after increased advertising and promotions investment.



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## Operating review by category

### Foods

### Health & wellness and beverages

2003 results compared with 2002	€ million 2003 at 2002 rates	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	3 910	(461)	3 449	4 064	(15)%	(4)%
Group operating profit	413	(46)	367	347	6%	19%
Turnover	4 052	(483)	3 569	4 215	(15)%	(4)%
Operating profit BEIA	603	(76)	527	602	(12)%	0%
Exceptional items	(11)		(11)	(99)		
Amortisation goodwill and intangible assets	(137)	24	(113)	(120)		
Operating profit	455	(52)	403	383	5%	19%
Operating margin	11.2%		11.3%	9.0%		
Operating margin BEIA	14.9%		14.8%	14.3%		

#### Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	(1.7)
Effect of acquisitions (%)	0.4
Effect of disposals (%)	(2.5)
Turnover growth (%)	(3.9)

Turnover fell by 15% at current rates of exchange, with currency movements contributing an 11% decline. Operating profit grew by 5% and operating profit BEIA fell by 12%, with currency movements contributing a 14% and 12% decline respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

#### Health & wellness

In 2003, we encountered many challenges with the *Slim Fast* brand while other parts of the health & wellness category performed well.

Turnover of *Slim Fast* declined by 21% as the entire weight-loss category was hit by an unprecedented shift in consumer preferences towards low-carbohydrate products. The impact was especially pronounced in the US, the largest market for *Slim Fast*. *Slim Fast* has responded by focusing on the *Slim Fast* Plan as a proven and effective weight-loss programme with an expanded range of products, including pasta and soups. Low-carbohydrate and high-protein products were also launched at the end of 2003.

*Ades*, our healthy, nutritious drink had another very strong year in Latin America.

#### Beverages

*Lipton* had an excellent year with underlying sales growth of 8%. *Lipton* has continued to build on its natural vitality positioning and provides healthy, refreshing beverages, including a wide range of leaf tea offerings and ready-to-drink *Lipton* Ice Tea.

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Growth was particularly strong in Europe where hot summer weather provided ideal market conditions for *Lipton* Ice Tea. *Lipton* Brewed Ice Tea was a very successful new innovation launched by *UBF Foodsolutions* in the US as we continue to build *Lipton* in the out-of-home segment. An improved marketing mix for *Lipton* Green in both a cold and hot format was successfully launched in Europe and extends *Lipton* into an important segment. We also expanded our successful North American partnership with Pepsi to include many more countries.

We continue to have strong positions in key traditional tea markets. In 2003, we had a very successful relaunch of the *Brooke Bond* brand in India.

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## Operating review by category Foods

### Health & wellness and beverages (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	4 308	(244)	4 064	4 150	(2)%	4%
Group operating profit	372	(25)	347	255	36%	46%
Turnover	4 467	(252)	4 215	4 299	(2)%	4%
Operating profit BEIA	641	(39)	602	559	8%	15%
Exceptional items	(105)	6	(99)	(127)		
Amortisation goodwill and intangible assets	(127)	7	(120)	(136)		
Operating profit	409	(26)	383	296	29%	38%
Operating margin	9.2%		9.0%	6.9%		
Operating margin BEIA	14.3%		14.3%	13.0%		

#### Turnover and underlying sales growth

(at constant 2001 rates) 2002 vs 2001

Underlying sales growth (%)	3.9
Effect of acquisitions (%)	0.6
Effect of disposals (%)	(0.5)
Turnover growth (%)	3.9

Turnover fell by 2% at current rates of exchange, with currency movements contributing a 6% reduction. Operating profit grew by 29% and operating profit BEIA grew by 8%, with currency movements contributing reductions of 9% and 7% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Turnover increased by 4% and operating margin BEIA improved from 13.0% to 14.3%, through the benefits of our savings programmes and the exit from less profitable tea businesses in India.

#### Health & wellness

In 2002, we continued to meet the growing consumer demand for healthy food products, in both industrialised and developing markets.

New additions to the *Slim Fast* range helped consumers to manage their weight healthily with food that fits into their daily lives. *Slim Fast* turnover grew 10.8%, with a range extending from meal replacement drinks and bars to soups. It continued to expand beyond its US heartland, in the UK, Germany and the Netherlands. *Slim Fast* continues to focus on the health & wellness consumer hotspot and is well positioned in relation to emerging concerns about obesity.

*AdeS*, our nutritious, healthy drink continued to grow strongly in Brazil, while we expanded *Telma*, a cereal brand from Israel, into snacking with the launch of children's cereal bars.

### Beverages

*Lipton* grew by 3.8% with turnover in more than 100 countries. The *Lipton* product range is inspired by the healthy, refreshing qualities of tea and includes ready-to-drink *Lipton* Ice Tea, new concepts such as *Lipton Brisk* lemonade and a wide range of leaf tea offerings.

Ready-to-drink beverages continue to perform strongly. In leaf tea, an area which is critical for the overall health of our beverage business, we continued to focus on improving profitability and innovation. We continued to drive growth around the world through our *Lipton* Paint the World Yellow campaign. This enabled us to position *Lipton* as a contemporary brand and to perform strongly in the growing out-of-home sector. As around a third of beverages are consumed outside the home, this sector is important for continued growth.

We maintained leadership positions in key traditional tea markets such as the UK and India.

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## Operating review by category **Foods**

### Ice cream and frozen foods

2003 results compared with 2002	€ million	€ million	€ million	€ million	%	%
	2003 at 2002 rates	Exchange rate effects	2003 at 2003 rates	2002 at 2002 rates	Change at actual current rates	Change at constant 2002 rates
Group turnover	7 517	(523)	6 994	7 456	(6)%	1%
Group operating profit	1 076	(52)	1 024	569	80%	89%
Turnover	7 517	(523)	6 994	7 456	(6)%	1%
Operating profit BEIA	1 070	(58)	1 012	833	22%	28%
Exceptional items	29	3	32	(237)		
Amortisation goodwill and intangible assets	(23)	3	(20)	(27)		
Operating profit	1 076	(52)	1 024	569	80%	89%
Operating margin	14.3%		14.6%	7.6%		
Operating margin BEIA	14.2%		14.5%	11.2%		

#### Turnover and underlying sales growth (at constant 2002 rates)

	2003 vs 2002
Underlying sales growth (%)	2.4
Effect of acquisitions (%)	0.2
Effect of disposals (%)	(1.8)
Turnover growth (%)	0.8

Turnover fell by 6% at current rates of exchange, with currency movements contributing a 7% decline. Operating profit grew by 80% and operating profit BEIA grew by 22%, with currency movements contributing a 9% and 6% decline respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

#### Ice cream

Ice cream had a strong year with 4.3% underlying sales growth, assisted by good weather in Europe. In quarter one, there launch of the *Heart* brand strengthened its resonance with contemporary consumers, and innovations such as *Magnum 7 Sins*, *Magnum Bar & Sandwich* and *Carte d'Or* artisanal delivered strong growth. Originally launched in Australia, *Magnum 7 Sins* was successfully rolled out across Europe. Roll-out of *Cornetto* into the growing soft-serve out-of-home sector continued.

It was another excellent year for North America with strong performances from *Breyers*, *Klondike* and *Popsicle*, and new low-carbohydrate ice creams. Latin America continues to make good progress, driven by Mexico and Brazil.

#### Frozen foods

Frozen foods experienced a difficult year, resulting in a decline in 2003 with share growth in meals being offset by a decline in vegetables and fish. Recessionary trends and increased competition from private labels and discounters impacted sales in

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Germany and in the Netherlands. The main shortfalls were in *Iglo* and *Mora* while *Birds Eye* showed progress. *Knorr* frozen continued to deliver good growth and further roll-out is planned.



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## Operating review by category Foods

### Ice cream and frozen foods (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	7 646	(190)	7 456	7 727	(4)%	(1)%
Group operating profit	577	(8)	569	386	47%	49%
Turnover	7 646	(190)	7 456	7 727	(4)%	(1)%
Operating profit BEIA	849	(16)	833	736	13%	15%
Exceptional items	(244)	7	(237)	(321)		
Amortisation goodwill and intangible assets	(28)	1	(27)	(29)		
Operating profit	577	(8)	569	386	47%	49%
Operating margin	7.5%		7.6%	5.0%		
Operating margin BEIA	11.1%		11.2%	9.5%		

#### Turnover and underlying sales growth

(at constant 2001 rates) vs 2001

Underlying sales growth (%)	2.9
Effect of acquisitions (%)	
Effect of disposals (%)	(3.8)
Turnover growth (%)	(1.0)

Turnover fell by 4% at current rates of exchange, with currency movements contributing a 3% decline. Operating profit grew by 47% and operating profit BEIA grew by 13%, with currency movements contributing a reduction of 2% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Underlying sales growth for the year was 3%, but after the impact of disposals, turnover fell 1%. Operating margin BEIA improved from 9.5% to 11.1% after restructuring gains and higher brand investment.

#### Ice cream

In 2002, innovations under the *Heart* brand, including *Corretto Soft*, *Magnum 7 Sins*, and others under *Paddle Pop* and *Carte d'Or*, delivered strong growth as they gave a new twist to a traditional favourite. North American ice cream brands *Breyers* and *Ben & Jerry's* also delivered good results.

In 2002 we took brands like *Corretto* out of the static freezer box and into the growing soft-serve out-of-home sector, and continued to target the in-home sector with innovations such as mini multi-packs and *Corretto* snack-size ice cream, both of which made good progress during the year.

We made good progress in Latin America and North America and, in the context of a poor summer, performed well in Europe.

**Frozen foods**

Convenience combined with fresh-tasting, high quality ingredients drove the success of our *Iglo*, *Birds Eye* and *Findus* frozen ready meal solutions, which grew by 11%. Our overall frozen foods turnover fell by 8% in 2002, primarily due to disposals. A strong fourth quarter driven by quality innovations and brand support resulted in an underlying sales growth of 1% for the year.

In 2002, underlying sales growth in ready meals was offset by the implications of the end of the BSE crisis, which in 2001 drove stronger demand for fish, especially in the UK.

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## Operating review by category Home & Personal Care

### Financial overview

2003 results compared with 2002	€ million 2003 at 2002 rates	€ million Exchange rate effects	€ million 2003 at 2003 rates	€ million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	20 802	(2 434)	18 368	20 801	(12)%	0%
Group operating profit	3 134	(368)	2 766	2 882	(4)%	9%
Turnover	20 818	(2 435)	18 383	20 824	(12)%	0%
Operating profit BEIA	3 279	(401)	2 878	3 127	(8)%	5%
Exceptional items	(115)	29	(86)	(213)		
Amortisation goodwill and intangible assets	(30)	4	(26)	(30)		
Operating profit	3 134	(368)	2 766	2 884	(4)%	9%
Operating margin	15.1%		15.0%	13.8%		
Operating margin BEIA	15.8%		15.7%	15.0%		

### Home & Personal Care

Turnover fell by 12% at current rates of exchange, due to currency movements. Operating profit fell by 4% and operating profit BEIA fell by 8%, with currency movements contributing 13% in both cases.

In 2003, leading brands continued to drive growth in our Home & Personal Care (HPC) Division, in line with our Path to Growth strategy. At constant rates of exchange, these brands grew 4%, while underlying sales grew 3%. Operating profit rose by 9%, operating profit BEIA rose by 5% and operating margin BEIA reached 15.8%.

The breadth of choice that consumers enjoy today suggests that strong brand equities are more important than they have ever been. As part of our Path to Growth strategy, we have focused

our portfolio on powerful brands that are aligned globally but crafted from intimate local consumer understanding. Our key brands continue to grow behind core innovations as well as expansion into new categories and geographies. We have further leveraged our strength in developing markets and our portfolio is evolving into one that is weighted towards the faster-growing, higher-margin personal care business.

Operating margin was improved by numerous simplification initiatives and we continued to focus our brand portfolio through disposals of non-core businesses including our oral care business and *Brut* fragrances in North America and *Bio Presto* in Italy. We have also signed binding agreements to sell *Sunlight* dishwasher in North America.

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## Operating review by category Home & Personal Care

### Home care

2003 results compared with 2002	€ million 2003 at 2002 rates	€million Exchange rate effects	€million 2003 at 2003 rates	€million 2002 at 2002 rates	% Change at actual current rates	% Change at constant 2002 rates
Group turnover	8 029	(804)	7 225	8 565	(16)%	(6)%
Group operating profit	977	(69)	908	837	9%	17%
Turnover	8 034	(804)	7 230	8 579	(16)%	(6)%
Operating profit BEIA	996	(82)	914	917	0%	9%
Exceptional items	(4)	12	8	(64)		
Amortisation goodwill and intangible assets	(16)	2	(14)	(17)		
Operating profit	976	(68)	908	836	9%	17%
Operating margin	12.1%		12.6%	9.7%		
Operating margin BEIA	12.4%		12.6%	10.7%		

#### Turnover and underlying sales growth (at constant 2002 rates)

2003  
vs 2002

Underlying sales growth (%)	
Effect of acquisitions (%)	1.0
Effect of disposals (%)	(7.4)
Turnover growth (%)	(6.4)

Turnover fell by 16% at current rates of exchange, with currency movements contributing a 10% decline. Operating profit grew by 9% and operating profit BEIA was flat, with currency movements contributing declines of 8% and 9% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Turnover from our laundry and household care business remained relatively flat in 2003, while operating margins increased by 2.4%. Growth in developing markets was partially offset by difficult trading conditions in North America and Europe.

Our top-performance fabric cleaning brand, *Omo*, is now aligned behind a common brand proposition across the world. This has extended to a focus on larger innovations and generated substantial savings through standardised packaging, formulation and advertising. The *Omo* brand remains a strong market leader in Brazil, Indonesia, Morocco, South Africa and Thailand while rebuilding a strong position in Turkey.

In order to meet the everyday needs of consumers around the world, we offer quality products at affordable prices. In South Africa, *Sunlight* is now the most recognised household consumer goods brand. Its clear positioning of Gentle care I trust is underpinned by the brand's strong values of dependability, honesty and reliability. As a mid-priced brand, the strong consumer value proposition of *Sunlight* has helped generate growth of over 3% in 2003.

In Europe, innovation helped *Comfort* grow its leading market position in the UK and gain market leadership in Portugal. The new fast-dry variant of *Comfort* shortens the drying time for clothes and eases the burden of washing laundry for consumers.

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While our household cleaning brands performed below expectations, results improved in the second half as innovation around the core business showed signs of a return to growth. Within the portfolio, *Cif* and *Domestos* remain leading brands with number one or number two positions in the majority of key markets in which they operate.

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## Operating review by category Home & Personal Care

### Home care (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	9 421	(856)	8 565	10 432	(18)%	(10)%
Group operating profit	893	(56)	837	626	34%	43%
Turnover	9 436	(857)	8 579	10 467	(18)%	(10)%
Operating profit BEIA	990	(73)	917	845	9%	17%
Exceptional items	(81)	17	(64)	(200)		
Amortisation goodwill and intangible assets	(17)		(17)	(18)		
Operating profit	892	(56)	836	627	33%	42%
Operating margin	9.5%		9.7%	6.0%		
Operating margin BEIA	10.5%		10.7%	8.1%		

#### Turnover and underlying sales growth

(at constant 2001 rates)

2002  
vs 2001

Underlying sales growth (%)	0.8
Effect of acquisitions (%)	2.0
Effect of disposals (%)	(12.2)
Turnover growth (%)	(9.8)

Turnover fell by 18% at current rates of exchange, with currency movements contributing an 8% decline. Operating profit grew by 33% and operating profit BEIA grew by 9%, with currency movements contributing reductions of 9% and 8% respectively. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

In 2002, underlying sales grew by 0.8% and operating margin BEIA improved by 2.4%, through the benefit of our savings programmes. Growth was driven by *Radiant*, *Snuggle* and *Comfort*.

Around the world in 2002, we repositioned *Omo*, our top-performance washing detergent, as a brand for parents and their families. This strategy was driven by the message that getting dirty is all part of the experience children need to learn and

develop. It helped to consolidate the leading position of *Omo* in Brazil and South Africa and to achieve market share gains in such countries as Morocco and Thailand.

In Morocco, *Omo* overtook its rivals to become the market leader. In Thailand, new innovations helped the brand to extend its leadership, while in South Africa it maintained its strong leadership position in a growing market.

To reinforce our position in the sector, we launched *Persil Aloe Vera*. This successfully introduced new customers to the brand. During 2002, *Persil* achieved its highest market share for 10 years.

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On 3 May 2002 we completed the sale of our DiverseyLever business to Johnson Professional Holdings Inc., leading to a 9.8% reduction in turnover, despite underlying sales growth of 0.8%.

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## Operating review by category Home & Personal Care

### Personal care

At current exchange rates

At current exchange rates

At current exchange rates

<b>2003 results compared with 2002</b>	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>	<b>%</b>	<b>%</b>
	<b>2003 at</b>	<b>Exchange</b>	<b>2003 at</b>	<b>2002 at</b>	<b>Change at</b>	<b>Change at</b>
	<b>2002 rates</b>	<b>rate</b>	<b>2003 rates</b>	<b>2002 rates</b>	<b>actual</b>	<b>constant</b>
		<b>effects</b>			<b>current rates</b>	<b>2002 rates</b>
Group turnover	12 773	(1 630)	11 143	12 236	(9)%	4%
Group operating profit	2 157	(299)	1 858	2 045	(9)%	5%
Turnover	12 784	(1 631)	11 153	12 245	(9)%	4%
Operating profit BEIA	2 283	(319)	1 964	2 210	(11)%	3%
Exceptional items	(111)	17	(94)	(149)		
Amortisation goodwill and intangible assets	(14)	2	(12)	(13)		
Operating profit	2 158	(300)	1 858	2 048	(9)%	5%
Operating margin	16.9%		16.7%	16.7%		
Operating margin BEIA	17.9%		17.6%	18.1%		

#### Turnover and underlying sales growth

(at constant 2002 rates) vs 2002

Underlying sales growth (%)	5.4
Effect of acquisitions (%)	0.1
Effect of disposals (%)	(1.0)
Turnover growth (%)	4.4

Turnover fell by 9% at current rates of exchange, with currency movements contributing a 13% decline. Operating profit fell by 9% and operating profit BEIA fell by 11%, with currency movements contributing 14% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.



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Our leading personal care brands, which include *Axe*, *Dove*, *Lux*, *Pond's*, *Rexona* and *Sunsilk*, grew underlying sales by 6%. Turnover increased by 4.4% and operating margin increased by 0.2%.

*Dove*, our largest personal care brand, grew underlying sales more than 20% in 2003. Growth of the core range was driven by the launch of the *Dove* exfoliating bar in more than 30 countries around the world. We also continued to extend *Dove* into new categories in North America with the launch of *Dove* face care and *Dove* shampoo and conditioner.

Our global hair business grew underlying sales by 8%. This growth was driven both by the continued success of *Dove* shampoo and conditioner and by our largest hair care brand, *Sunsilk*. The lively approach to women and how they really feel about their hair by *Sunsilk* has helped re-introduce the brand successfully into Europe. *Sunsilk* also continued to grow strongly in Latin America with the introduction of new variants and full

roll-out of colorants in Brazil. A relaunch of the brand in China (under the name *Hazeline*) has nearly doubled the rate of sale.

Unilever remains the world leader in deodorants and antiperspirants and our deodorant category grew underlying sales by over 12% behind the strength of *Axe* and *Rexona*. *Axe* has developed innovative approaches to talking to young men throughout the world. The brand is carving out a strong position in the North American male deodorant market on the basis of this deep consumer understanding. The launch of new fragrances and antiperspirants, along with improved product efficacy, has translated into outstanding growth.

*Rexona for Men* continued to grow with the relaunch of the range in Europe and launch of the *24 Hour Deo Fresh* range in Latin America. New formulations also supported the core range with improved efficacy to offer longer freshness and the launch of the low residue *Crystal* range in Europe.

Our prestige fragrance business declined amid weak category performance and weak economic conditions in key markets. The sale of the *Valentino* licence also contributed to the decline in turnover. Innovation in 2003 included the launch of *Purple Orchid* (*Eternity*), *Truth for Men* in Europe and *Nautica Competition* in the Americas.

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## Operating review by category Home & Personal Care

### Personal care (continued)

2002 results compared with 2001	€ million	€ million	€ million	€ million	%	%
	2002 at 2001 rates	Exchange rate effects	2002 at 2002 rates	2001 at 2001 rates	Change at actual current rates	Change at constant 2001 rates
Group turnover	13 265	(1 029)	12 236	12 307	(1)%	8%
Group operating profit	2 235	(190)	2 045	2 135	(4)%	5%
Turnover	13 273	(1 028)	12 245	12 310	(1)%	8%
Operating profit BEIA	2 416	(206)	2 210	2 194	1%	10%
Exceptional items	(166)	17	(149)	(46)		
Amortisation goodwill and intangible assets	(12)	(1)	(13)	(11)		
Operating profit	2 238	(190)	2 048	2 137	(4)%	5%
Operating margin	16.9%		16.7%	17.4%		
Operating margin BEIA	18.2%		18.1%	17.8%		

Turnover and underlying sales growth (at constant 2001 rates)	2002 vs 2001
Underlying sales growth (%)	9.0
Effect of acquisitions (%)	
Effect of disposals (%)	(1.1)
Turnover growth (%)	7.8

Turnover fell by 1% at current rates of exchange, with currency movements contributing a 9% decline. Operating profit fell by 4% and operating profit BEIA rose by 1%, with currency movements contributing reductions of 9% in both cases. The underlying performance of the business after eliminating these exchange translation effects is discussed below at constant exchange rates.

Our leading brands, which include *Axe*, *Dove*, *Lux*, *Pond's*, *Rexona*, *Signal* and *Sunsilk* saw underlying sales growth of 10% in 2002. Turnover rose by 8%, with operating margin BEIA increasing to 18.2%.

From New York to New Delhi, image and beauty are important to millions of people. To meet their desire for attractive, healthy hair we continued to focus on *Dove* and *Sunsilk* during 2002.

The *Dove* hair range reached the number one position in its initial launch market of Korea and Taiwan and number two in Japan, where it was launched in 2001. During the year, we rolled out *Dove* shampoo and conditioners across more than 30 countries in Europe, Latin America and South East Asia.

In 2002, the underlying sales growth of *Sunsilk* was strong, with good performances in Brazil and Mexico and new market entries in Algeria and Central America. In Ghana and South Africa we launched our new Afro Hair range. We further drove the growth of *Sunsilk* with the launch of new products, such as permanent colourant *Pro-Color* in Argentina and Brazil.

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In Canada, we are migrating *Pears* to the highly successful North American brand *Suave*.

Washing away the everyday grime that builds up on skin is a daily ritual for countless people. In Brazil, although around 70 million consumers have black or mulatto skin, there had never been a mass-market soap specially designed for them. To meet their aspirations we launched a *Lux* variant specifically for this skin type during 2002.

In 2002, the growth of *Axe* was 17%, driven by powerful innovation in the core body spray range, including the launch of a new longer-lasting 24-hour formulation. We launched *Axe* in North America with a campaign targeting young men between 14 and 24 – a group that spends around \$8 billion a year on personal grooming products.

*Rexona* enjoyed strong growth with the best performance coming from our antiperspirant deodorant for men. *Rexona for Men* grew by 30% in the core regions of Europe and Latin America.

A clean, bright smile can say more than words, whatever language you speak. In 2002, we sought to reinforce the strength of our *Signal* brand through a strong competitive position in the electric toothbrush market. We launched the first electric toothbrush to offer the choice of two heads – for cleaning and whitening.

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## Risk management

The following discussion about risk management activities includes forward-looking statements that involve risk and uncertainties. The actual results could differ materially from those projected. See the Cautionary Statement on page 3.

Unilever's system of risk management is outlined on page 71. Particular risks and uncertainties that could cause actual results to vary from those described in forward-looking statements within this document, or which could impact on our ability to meet our published targets under the Path to Growth strategy which consists of focusing resources on leading brands, closing manufacturing sites and reorganising or divesting under-performing businesses include the following:

### Our brands:

A key element of our strategy is the development of a small number of global leading brands. Any adverse event affecting consumer confidence or continuity of supply of such a brand would have an impact on the overall business.

### Innovation:

Our growth depends in large part on our ability to generate and implement a stream of consumer-relevant improvements to our products. The contribution of innovation is affected by the level of funding that can be made available, the technical capability of the research and development functions, and the success of operating management in rolling out quickly the resulting improvements.

### Developing our managers:

Unilever's performance requires it to have the right calibre of managers in place. We must compete to obtain capable recruits for the business, and then train them in the skills and competencies that we need to deliver growth.

### Economic conditions in developing countries:

About a third of Unilever's turnover comes from the group of developing and emerging economies. We have long experience in these markets, which are also an important source of our growth. These economies are more volatile than those in the developed world, and there is a risk of downturns in effective consumer demand that would reduce the sales of our products.

### Customer relationships and distribution:

Unilever's products are generally sold through its sales force and through independent brokers, agents and distributors to chain, wholesale, co-operative and independent grocery accounts, food service distributors and institutions. Products are distributed through distribution centres, satellite warehouses, company-operated and public storage facilities, depots and other facilities. Sales to large customers or sales via specialised distribution channels are significant in some of our businesses.

The loss of a small number of major customers or a major disruption of a specialised distribution centre or channel could have an adverse effect on the Group's business and results of operations.

Price and supply of raw materials and commodities contracts: Unilever's products are manufactured from a large number of diverse materials. Unilever has experience in managing fluctuations in both price and availability. However, movements outside the normal range may have an impact upon margins.

Some of our businesses, principally edible fats companies in Europe, may use forward contracts over a number of oils to hedge future requirements. We purchase forward contracts in bean, rape, sunflower, palm, coconut and palm kernel oils, almost always for physical delivery. We may also use futures contracts to hedge future price movements; however, the amounts are not material. The total value of open forward contracts at the end of 2003 was €292 million compared with €417 million in 2002.

In addition, our plantations businesses may use forward contracts for physical delivery of palm oil and tea under strictly controlled policies and exposure limits. Outstanding forward contracts at the end of 2003 were not material.

### Managing restructuring and reorganisation programmes:

Unilever is engaged in a wide-ranging business transformation programme, Path to Growth, which has the potential temporarily to disrupt normal business operations. Through our change management expertise and detailed execution plans, we have experienced no material disruption during the first four years of Path to Growth.

**Reputation:**

Unilever has a good corporate reputation and many of our businesses, which operate in some 100 countries around the world, have a high profile in their region. Unilever products carrying our well-known brand names are sold in over 150 countries. Should we fail to meet high product safety, social, environmental and ethical standards in all our operations and activities, Unilever's corporate reputation could be damaged, leading to the rejection of our products by consumers, devaluation of our brands and diversion of management time into rebuilding our reputation. Examples of initiatives to manage key social and environmental risks are mentioned on pages 11 and 12.

**Borrowings:**

The Group had gross borrowings totalling €15 900 million at the end of 2003. Any shortfalls in our cash flow to service these borrowings could undermine our credit rating and overall investor confidence. Market, interest rate and foreign exchange risks to which the Group is exposed are described on page 46.

**Pensions and similar obligations:**

Pension assets and liabilities (pre-tax) of €12 918 million and €17 870 million respectively are held on the Group's balance sheet as at 31 December 2003. Movements in equity markets, interest rates and life expectancy could materially affect the level of surpluses and deficits in these schemes, and could prompt the need for the Group to make additional pension contributions in the future. The key assumptions used to value our pension liabilities are set out in note 17 on page 99.

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## Risk management

### Treasury risks:

Unilever Treasury manages a variety of market risks, including the effects of changes in foreign exchange rates, interest rates and credit spreads. Other risks managed include liquidity, country and counterparty risks.

Unilever has an interest rate management policy aimed at optimising net interest cost and reducing volatility. This is achieved by modifying the interest rate exposure of debt and cash positions through the use of interest rate swaps. Further details on the fixing levels of the projected net debt are given in note 15 on page 97.

Unilever's foreign exchange policy requires that operating companies hedge trading and financial foreign exchange exposures. This is achieved primarily through the use of forward foreign exchange contracts. Some flexibility is permitted within overall exposure limits. Business groups monitor compliance with this policy. At the end of 2003, there was no material exposure from companies holding assets and liabilities other than in their functional currency.

Unilever conducts business in many foreign currencies but publishes its financial statements and measures its performance in euros. As a result, it is subject to exchange risk due to the effects that exchange rate movements have on the translation of the results and underlying net assets of its foreign subsidiaries. Unilever aims to reduce its foreign exchange exposure in operating companies by borrowing in the local currency, except where inhibited by local regulations, lack of local liquidity or local market conditions. An exception may also be made where the economic value of the net assets locally is considered substantially to exceed their book value. From time to time, currency revaluations will trigger exchange translation movements in our balance sheet as a result of these exceptions. In 2003, the significant weakening of the US dollar against the euro has had a negative impact on our results, but has had a positive impact on our debt and equity, when reported in euros.

Counterparty exposures are minimised by restricting dealing counterparties to a limited number of financial institutions that have secure credit ratings, by working within agreed counterparty limits, by obtaining collateral for outstanding positions and by setting limits on the maturity of exposures. Counterparty credit ratings are closely monitored and concentration of credit risk with any single counterparty is avoided. There was no significant concentration of credit risks with any single counterparty as at the year end.

As a result of the share option plans for employees, we are exposed to movements in our own share price. In recent years we have hedged this risk through buying Unilever shares in the market when the share option is granted and holding these shares until the share option is exercised or lapses. In 2001, we also entered into a contract with a bank for the forward purchase of Unilever shares, further details of which are given in note 15 on page 98. At the year end, 93% of all outstanding employee share options were hedged; based on Unilever's experience with the exercise level of options we consider this position as being fully hedged.

The analysis below presents the sensitivity of the fair value of the financial and derivative instruments the Group held at 31 December 2003, to the hypothetical changes described below

### Interest rate sensitivity:

The fair values of debt, investments and related hedging instruments are affected by movements in interest rates. The analysis shows the sensitivity of the fair value of interest rate sensitive instruments to a hypothetical 10% change in the interest rates across all maturities as at 31 December 2003.

### Foreign exchange rate sensitivity:

The values of debt, investments and hedging instruments, denominated in currencies other than the functional currency of the entities holding them, are subject to exchange rate movements. The analysis shows the sensitivity of these values to a hypothetical 10% change in foreign exchange rates as at 31 December 2003.

### Fair value changes:

	Sensitivity to a hypothetical 10% change in rates as at 31 December
€ million 2003	€ million 2002

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Interest rate risk	175	218
Foreign exchange rate risk	5	1

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The above-mentioned interest rate sensitivity relates to financial and derivative instruments with fair values amounting to €16 411 million at the end of 2003 (2002: €20 854 million). For further information on fair values see note 15 on page 98. The above-mentioned foreign exchange rate risk relates to a value of financial instruments and derivatives of €46 million at the end of 2003 (2002: €10 million).

Further details on derivatives, foreign exchange exposures and other related information on financial instruments are given in note 15 on pages 97 and 98.

In addition, as a multinational group, Unilever's businesses are exposed to varying degrees of risk and uncertainty related to other factors including competitive pricing, consumption levels, physical risks, legislative, fiscal, tax and regulatory developments, terrorism and economic, political and social conditions in the environments where we operate. All of these risks could materially affect the Group's business, our turnover, operating profit, net profit, net assets and liquidity. There may also be risks which are unknown to Unilever or which are currently believed to be immaterial.

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## Corporate governance

### Organisational structure of Unilever

NV and PLC are the two parent companies of the Unilever Group of companies. NV was incorporated under the name Naamlooze Vennootschap Margarine Unie in the Netherlands in 1927. PLC was incorporated under the name Lever Brothers Limited in Great Britain in 1894.

Since 1930 when the Unilever Group was formed, NV and PLC together with their group companies have operated, as nearly as is practicable, as a single entity. They have the same directors, adopt the same accounting principles, and are linked by a series of agreements. The Equalisation Agreement, which regulates the mutual rights of the two sets of shareholders, is particularly important. It makes the position of the shareholders of both companies, as far as possible, the same as if they held shares in a single company.

NV and PLC are separate companies, with separate stock exchange listings and different shareholders. You cannot convert or exchange the shares of one for shares of the other and the relative share prices on the various markets can, and do, fluctuate. This happens for a number of reasons, including changes in exchange rates. However, over time the prices of NV and PLC shares do stay in close relation to each other, in particular because of our equalisation arrangements.

NV and PLC are holding and service companies. Our businesses are carried out by our group companies around the world. The holding companies have agreed to co-operate in all areas, to exchange all relevant business information and to ensure all group companies act accordingly. Usually, shares in the group companies are held ultimately by either NV or PLC, with the main exception being that the US companies are owned by both and, as a result of the legal integration of Bestfoods into Unilever, a number of the group companies are partly held by Unilever United States, Inc. These group companies are therefore also ultimately owned jointly by NV and PLC.

These arrangements are designed to create a balance between the funds generated by the NV and PLC parts of the Group.

See pages 142 to 145 for a listing of the Group's principal subsidiaries and also Control of Unilever on page 152.

### Legal structure of the Group

#### Corporate governance developments

The text that follows describes Unilever's corporate governance arrangements throughout 2003. This text should be read in the light of the proposals that will be put to the NV and PLC shareholders for consideration at the Annual General Meetings in 2004 to change those arrangements. The principal change is to make individuals who are currently Advisory Directors formal, non-executive members of the Boards of NV and PLC, with full entitlement to vote at meetings and responsibility for the actions of the Boards. Full information on these proposed changes can be found on the Unilever website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/).

These and other changes are being proposed in order to maintain Unilever's high standards of corporate governance in response to the latest developments in Europe and the US. Subject to acceptance of these proposals by shareholders, fuller details of Unilever's changed corporate governance arrangements will be placed on Unilever's website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/).

#### Directors

The Chairmen and all of the Directors are full-time executives and directors of both NV and PLC and, as well as holding specific management responsibilities, they are responsible for the conduct of the business as a whole.

The Chairmen of NV and PLC are the principal executive officers of Unilever.

Our operations are organised into two global divisions – Foods and Home & Personal Care – headed by Division Directors. Reporting to their respective Division Directors are the Foods and the Home & Personal Care Business Presidents, responsible for the



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profitability of their regional and global businesses. For details of the Division Directors and Business Presidents, see pages 52 to 53.

The Directors have set out a number of areas for which the Boards have direct responsibility for decision making. They meet at least five times a year to consider the following corporate events and actions:

- Agreement of quarterly results announcements
- Approval of the Annual Report and Accounts and Form 20-F
- Declaration of dividends
- Convening of shareholders meetings
- Approval of corporate strategy
- Authorisation of major transactions

All other matters are delegated to committees whose actions are reported to and monitored by the Boards.

Board meetings are held in London and Rotterdam and chaired by the Chairmen of NV and PLC. The Chairmen are assisted by the Joint Secretaries, who ensure the Boards are supplied with all the information necessary for their deliberations. Information is normally supplied a week prior to each meeting.

Directors are elected by shareholders at the Annual General Meetings of NV and PLC, to hold office until the end of the next Annual General Meetings. For details of the nomination procedure for Directors, see Control of Unilever on page 152. All the Directors submit themselves for re-election each year and

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## Corporate governance

retire at the latest by the age of 62. They are executive officers, and cease to hold executive office on ceasing to be directors. We appoint our other executive officers, who are full time, for an indefinite period. These other executive officers are the corporate officers listed on page 53. None of our Directors or executive officers are elected or appointed under any arrangement or understanding.

All of our Directors have been with Unilever full time for at least five years, and in most cases for most of their business careers. For details see pages 52. There are no family relationships between any of our Directors or executive officers.

A procedure is in place to enable Directors, if they so wish, to seek independent professional advice. On election, Directors are briefed thoroughly on their responsibilities and updates on corporate governance developments are a frequent item at board meetings. The Directors regularly visit Unilever's operations around the world and the Business Presidents routinely give presentations to the Boards.

The Joint Secretaries are appointed and removed by the Boards.

### Advisory Directors

The Advisory Directors have hitherto been the principal external presence in the governance of Unilever. The role of an independent Advisory Director involves giving advice to the Boards in general, and to the Executive Committee in particular, on corporate governance, business, social and economic issues. They serve on certain key Board committees, the roles and membership of which are described below.

The appointment of Advisory Directors is provided for in the Articles of Association of both parent companies, although they are not formally members of the Boards. They are therefore not entitled to vote at meetings of the Boards and bear no legal responsibility for the Boards' actions. Their terms of appointment, role and powers are enshrined in resolutions of the Boards. As well as Board committee meetings, they attend the quarterly Directors' meetings, other Directors' conferences, and other meetings with the Chairmen. In addition, the Advisory Directors may meet as a body, at their discretion, and appoint a senior member as their spokesman.

Our Advisory Directors are chosen for their broad experience, international outlook and independence. They are appointed by resolutions of the Boards, normally for an initial term of three to four years and thereafter for terms of three years.

Their remuneration is determined by the Boards and it, and any other financial relationships, are reported on page 67. All appointments and re-appointments are based on the recommendations of the Nomination Committee.

In the context of Unilever's unique arrangements for corporate governance, all the Advisory Directors are considered to be independent of Unilever. The report on pages 59 and 67 describes the relationships between the Advisory Directors and Unilever.

The position of Advisory Director will cease if shareholders accept the proposals being put to the NV and PLC shareholders at the Annual General Meetings in 2004. See page 47.

### Board Committees

The Directors have established the following committees:

#### Executive Committee

The Executive Committee comprises the Chairmen of NV and PLC and five other members: the two Division Directors for Foods and for Home & Personal Care; the Corporate Development Director; the Financial Director; and the Personnel Director. Members of the Executive Committee are appointed by all of the Directors for one year at a time. The Executive Committee is responsible for agreeing priorities and allocating resources, setting overall corporate targets, agreeing and monitoring divisional strategies and plans, identifying and exploiting opportunities created by Unilever's scale and scope, managing external relations at the corporate level and developing future leaders. The Executive Committee generally meets formally at least monthly and is chaired, alternately, by the Chairmen of NV and PLC. The Committee is supplied with information by the Executive Committee Secretariat.

### **Audit Committee**

The Audit Committee comprises a minimum of three Advisory Directors. The Committee met five times in 2003. It is chaired by Hilmar Kopper, and its other members are Oscar Fanjul and Claudio X Gonzalez. The Boards have satisfied themselves that all the members of the Committee are competent in financial matters and that, for the purposes of the US Sarbanes-Oxley Act of 2002, Hilmar Kopper is the Committee's financial expert. The Committee's meetings are attended by the Financial Director, the General Counsel, the Controller, the Chief Auditor and our external auditors. The Audit Committee assists the Boards in fulfilling their oversight responsibilities in respect of the integrity of Unilever's financial statements, risk management and internal control arrangements, compliance with legal and regulatory requirements, the performance, qualifications and independence of the external auditors and the performance of the internal audit function. The Committee is directly responsible, subject to local laws regarding shareholder approval, for the nomination, compensation and oversight of the external auditors. The Chief Auditor ensures that the Committee is supplied with necessary information. Both the Chief Auditor and the external auditors have direct access to the Audit Committee separately from other management.

See page 69 for the Report of the Audit Committee to the shareholders.

The Committee's terms of reference, including its full responsibilities, can be read on the Unilever website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/).

### **Corporate Risk Committee**

The Corporate Risk Committee currently comprises the Financial Director, the Foods Director, the Home & Personal Care Director, the Personnel Director, the General Counsel, the Chief Auditor and the Controller. It meets at least four times a year. The objective of the Committee is to assist the Boards to carry out their responsibilities to ensure effective risk management and systems of internal control. It reports to the Boards, the Executive Committee and, as relevant, to the Audit Committee. The Committee is supplied with information by the Controller.

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### External Affairs and Corporate Relations Committee

The External Affairs and Corporate Relations Committee currently comprises four Advisory Directors and normally meets four times a year. It is chaired by Lady Chalker, and its other members are Lord Brittan, Senator George J Mitchell and Professor Wim Dik. Charles R Shoemate retired as a member in 2003. The Committee oversees the Code of Business Principles, advises on external matters of relevance to the business including issues of corporate social responsibility and reviews our corporate relations strategy. The Committee is supplied with necessary information by the Corporate Development Director.

### Nomination Committee

The Nomination Committee comprises a minimum of three Advisory Directors and the Chairmen of NV and PLC and meets at least once a year. It was chaired by Frits Fentener van Vlissingen until his retirement at the 2003 Annual General Meeting and thereafter by Bertrand Collomb. Its other members are Antony Burgmans, Niall FitzGerald, Lord Simon and Jeroen van der Veer. It recommends to the Boards candidates for the positions of Director, Advisory Director and Executive Committee member. The Committee is supplied with information by the Joint Secretaries. The Committee's terms of reference are on our website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/).

### Remuneration Committee

The Remuneration Committee currently comprises three Advisory Directors and meets at least three times a year. It was chaired by Frits Fentener van Vlissingen until his retirement at the 2003 Annual General Meeting and thereafter by Bertrand Collomb. Its other members are Lord Simon and Jeroen van der Veer. It reviews executive Directors' remuneration and is responsible for the executive share-based incentive plans. The Committee determines specific remuneration packages for each of the Directors. The Committee is supplied with information by J A A van der Bijl, Joint Secretary of Unilever.

The detailed report to shareholders on Directors' remuneration is on pages 54 to 68. The Committee's terms of reference are on our website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/).

### Other committees

The Boards and the Board Committees are assisted by:

- a Code Compliance Committee, that is responsible for monitoring and reporting on compliance with the Code of Business Principles. The Joint Secretaries are responsible for the operation of this Committee; and
- a Disclosures Committee, that is responsible for helping the Boards ensure that information that ought to be disclosed publicly is disclosed and that the information that is disclosed is complete and accurate. The Controller is responsible for the operation of this Committee.

Committees are also set up to conduct routine business as and when they are necessary. They comprise any two of the Directors and certain senior executives and company officers. They administer certain matters previously agreed by the Boards or the Executive Committee. The Joint Secretaries are responsible for the operation of these committees.

All these committees are formally set up by Board resolution with carefully defined remits. They report regularly and are responsible to the Boards of NV and PLC.

### Requirements general

Unilever is subject to corporate governance requirements in the Netherlands, the United Kingdom and the United States. A vital factor in the arrangements between NV and PLC is their having the same directors. The concept of the non-executive director, as recognised in the United Kingdom, was, until recently, not a feature of corporate governance in the Netherlands, and the supervisory board, as recognised in the Netherlands, is hitherto unknown in the United Kingdom. It is also the case that the role of the board differs in certain key respects between the UK and the US. Nevertheless, Unilever's Advisory Directors have long provided a strong independent element, performing many of the functions of supervisory and non-executive directors. The Audit, External Affairs and Corporate Relations and Remuneration Committees consist exclusively of Advisory Directors and the majority of the members of the Nomination Committee are Advisory Directors. See page 52 for details. It had hitherto not been considered practicable to appoint supervisory or non-executive directors who could serve on both Boards. However, as indicated above, following a review in 2003, proposals to change this aspect of Unilever's corporate governance arrangements will be put to

shareholders for adoption in 2004.

#### **Requirements the Netherlands**

In December 2003, the Corporate Governance Committee (Tabaksblat Committee) published the definitive version of the Dutch Corporate Governance Code ( Dutch Code ) which replaces the 1997 Recommendations on Corporate Governance in the Netherlands of the Peters Committee. The Dutch legislature will provide the Dutch Code with a legal basis, and is expected to apply the Dutch Code to all companies, such as NV, whose registered office is in the Netherlands and whose shares or depositary receipts are officially listed on a recognised stock exchange with effect from financial years starting on or after 1 January 2004.

Unilever's compliance at present with the Dutch Code should be considered in the light of the proposals that will be put to the NV shareholders for consideration and approval at the Annual General Meeting of 2004. Unilever has taken the Dutch Code into account when making the changes to its governance arrangements that will become effective, subject to shareholder approval, as from the NV Annual General Meeting of 2004. In this meeting we will discuss our corporate governance structure and arrangements with the NV shareholders. The notice for the Meeting will address Unilever's main departures from the Dutch Code.

As from the 2004 financial year onwards, Unilever will fully disclose in its Annual Report & Accounts and Form 20-F its compliance with the Dutch Code, as well as any non-application of provisions of the Dutch Code and an explanation. Unilever expects to comply with the Dutch Code to a substantial extent. However, due to our structure, we may have to depart in certain respects from the provisions of the Dutch Code. In line with the recommendation made in the Dutch Code, NV intends to discuss its compliance with the Dutch Code at the Annual General Meeting of 2005.

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## Corporate governance

### Requirements the United Kingdom

PLC is required, as a company that is incorporated in the United Kingdom and listed on the London Stock Exchange, to state how it has applied the principles and how far it has complied with the provisions set out in Section 1 of the Combined Code issued in 1998 ( the Combined Code ) appended to the United Kingdom Listing Rules.

As already explained, the Boards exercise control through the Executive Committee. Responsibilities are shared by the Chairmen of NV and PLC, while the Advisory Directors perform many of the functions of the supervisory board members or non-executive directors, although they were not formally members of the Boards in 2003. For the purposes of the Combined Code, the Boards had not appointed a senior independent director during 2003, on the basis that issues for the Boards can be raised with whichever Advisory Director is the Chairman of the relevant Board Committee and the Advisory Directors are entitled to meet as a body and appoint a senior member as their spokesman. A senior independent director will be appointed as a consequence of the proposals put to the Annual General Meetings in 2004.

Unilever's remuneration policy is contained within the report on the directors' remuneration and interests on pages 54 to 68. This also deals with aspects of non-compliance with the Combined Code in this area. Members of the Audit, Remuneration and Nomination Committees will be available to answer questions at the Annual General Meetings of both NV and PLC. The members attending each meeting will not necessarily include the Chairman of the Committee, since these meetings take place at about the same time in Rotterdam and London respectively.

A description of Unilever's compliance with Internal Control Guidance for Directors on the Combined Code is given on page 71.

NV and PLC are separate legal entities, each subject to its own national traditions and practices and each with responsibilities to different sets of shareholders. Unilever has, since its inception, adopted the principle that it is good practice that the most senior roles in NV and PLC are shared and not concentrated in one person. As a consequence it is a principal tenet of its governance philosophy, which finds expression in two people who each combine the roles of Chairman and Chief Executive and who meet regularly for joint decision making. This carefully balanced arrangement has served Unilever's unique constitutional arrangements very well for many years and the Boards believe that to separate these roles would only introduce undesirable and unnecessary complexity.

In all other respects, PLC has complied with the Combined Code throughout 2003.

For Unilever, the revisions made to the Combined Code in 2003 apply as from 1 January 2004. Unilever has had the new requirements in mind in making the changes in its corporate governance arrangements that will, subject to shareholder approval, be effective from the Annual General Meetings in 2004. See page 47. It will therefore report formally on its compliance in next year's Annual Report & Accounts and Form 20-F. Before then, further information will be placed on Unilever's website [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/).

### Requirements the United States

Both NV and PLC are listed on The New York Stock Exchange and must therefore comply with such of the requirements of US legislation, such as The Sarbanes-Oxley Act of 2002, SEC regulations and the Listing Rules of The New York Stock Exchange as are applicable to foreign listed companies. In some cases the requirements are mandatory and in other cases the obligation is to comply or explain.

Unilever has complied with these requirements concerning corporate governance that were in force during 2003. Attention is drawn in particular to the Report of the Audit Committee on page 69. Actions taken to ensure compliance that are not specifically disclosed elsewhere or otherwise clear from reading this document include:

- the issue of a Code of Ethics for senior financial officers;
- the issue of instructions restricting the employment of former employees of the audit firm; and
- establishment of standards of professional conduct for US attorneys.

In each of these cases, existing practices have been revised and/or documented in such a way as to conform to the new requirements.

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The Code of Ethics applies to the senior executive, financial and accounting officers and comprises the standards prescribed by the SEC, and a copy has been posted on Unilever's website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/). The Code of Ethics comprises an extract of the relevant provisions of Unilever's Code of Business Principles and the more detailed rules of conduct that implement it. The only amendment to these pre-existing provisions and rules that was made in preparing the Code of Ethics was made at the request of the Audit Committee and consisted of a strengthening of the explicit requirement to keep proper accounting records. No waiver from any provision of the Code of Ethics was granted to any of the persons falling within the scope of the SEC requirement in 2003.

Unilever has also taken into account the US requirements taking effect in 2004 and 2005 applicable to both foreign and US listed companies in preparing the changes in its corporate governance arrangements that will be effective from the NV and PLC Annual General Meetings on 12 May 2004. Further information will be placed on Unilever's website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/) following those meetings, and will be reported in the Annual Report & Accounts and Form 20-F for 2004.

### **Auditors**

Subject to the annual appointment of auditors by the shareholders and in addition to our ongoing process of monitoring the auditors performance, we undertake a formal review every three years. The most recent review was completed in November 2002 and resulted in the re-appointment of PricewaterhouseCoopers. On the recommendation of the Audit Committee, the Directors will be proposing the re-appointment of PricewaterhouseCoopers at the Annual General Meetings on 12 May 2004 (see pages 148 and 151).

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## Corporate governance

Both the Executive Committee and the auditors have for many years had safeguards to avoid the possibility that the auditors' objectivity and independence could be compromised. In overview, our procedures in respect of services provided by PricewaterhouseCoopers are:

- **Statutory audit** Procedures in respect of statutory audit services are detailed on page 50. This category includes fees for the statutory audit of Unilever's financial statements and those of its subsidiaries.
- **Other audit services** This is audit and similar work that regulations or agreements with third parties require the auditors to undertake. These services include formalities relating to borrowings, shareholder and other circulars and various other regulatory reports.
- **Audit-related services** This is work that, in their position as the auditors, they are best placed to undertake. It includes internal control reviews, other reports and work in respect of acquisitions and disposals.
- **Tax services** In cases where they are best suited, we use the auditors. All other significant tax consulting work is put to tender.
- **General consulting and other services** Since early 2002, our policy has been that our external auditors may not tender for any new general consulting work. We use our auditors to perform a limited number of other services, including risk management advisory work and training, where these are compatible with their work and subject to the appropriate level of pre-approval.

The Audit Committee has approved a policy regarding the above three non-audit categories. This lists in detail the particular services which PricewaterhouseCoopers is and is not permitted to provide. In the case of the types of work which PricewaterhouseCoopers is allowed to perform, the policy provides that they are only appointed to an assignment if proper consideration has been given to other potential service providers, there must be bona fide advantages in using PricewaterhouseCoopers, and, in addition, if the fee is over €100 000, the engagement must be specifically approved in advance by the Chairman of the Audit Committee.

Potential engagements for any services not already covered by this policy must be referred to the Chairman of the Audit Committee for specific pre-approval (to be ratified at the next meeting of the Audit Committee) before PricewaterhouseCoopers can be appointed.

The policy is regularly reviewed and updated in the light of internal developments, external developments and best practice.

The external auditors report to the Directors and the Audit Committee on the actions they take to comply with the professional and regulatory requirements and best practice designed to ensure their independence from Unilever, including, for example, the periodic rotation of key team members. The lead partner in charge of the audit changed in 2001.

See note 2 on page 85 for the actual fees payable to PricewaterhouseCoopers.

### Relations with shareholders and other investors

We believe it is important both to explain the business developments and financial results to investors and to understand their objectives. Within the Executive Committee, the Financial Director has lead responsibility for investor relations, with the active involvement of the Chairmen. They are supported by an Investor Relations Department which organises presentations for analysts and investors. Such presentations are generally made available on our website. Briefings on quarterly results are given via teleconference and are accessible by telephone or via our website. For further information visit our website at [www.unilever.com/investorcentre/](http://www.unilever.com/investorcentre/).

Both NV and PLC communicate with their respective shareholders through the Annual General Meetings. At the Annual General Meetings, each Chairman gives a full account of the progress of the business over the last year and a review of the current issues. A summary of their addresses is published on our website and released to stock exchanges and media. Copies are freely available on request.



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Our Chairmen, both in communications about the Annual General Meetings and at the actual meetings, encourage shareholders to attend and to ask questions. Question and answer sessions form an important part of the meetings in both the Netherlands and the United Kingdom. We are committed to efforts to establish more effective ways of shareholder communication. We actively participate in the Shareholders Communication Channel which facilitates proxy voting in the Netherlands and make CREST electronic proxy voting available to institutional shareholders in the UK.

Electronic communication is becoming an important medium for shareholders, providing ready access to shareholder information and reports, and for voting purposes. Shareholders of PLC in the United Kingdom can now choose to receive electronic notification that the Annual Review, Annual Report & Accounts and Form 20-F and Notice of Annual General Meeting have been published on our website, instead of receiving printed copies, and can also electronically appoint a proxy to vote on their behalf at the Annual General Meeting. Registration for electronic communication by shareholders of PLC can be made at [www.shareview.co.uk](http://www.shareview.co.uk).

We publish the proxy vote at the meetings and the outcome of the vote, including the proxy vote, on our website.

### Reporting to shareholders

The Directors' responsibilities are set out formally on page 71. The report to shareholders on Directors' remuneration and interests is set out on pages 54 to 68. The report of the Audit Committee is set out on page 69.

The responsibility of the auditors to report on these matters is set out on page 72.

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## Corporate governance

### Biographical details:

#### Directors

##### **Antony Burgmans**\*<sup>1</sup>

[Chairman, Unilever N.V.](#)

Nationality : Dutch. Aged 57. Chairman of Unilever N.V. and Vice-Chairman of Unilever PLC since 4 May 1999. Joined Unilever 1972. Appointed Director 8 May 1991. Previous posts include: Vice-Chairman of Unilever N.V. 1998. Business Group President, Ice Cream & Frozen Foods Europe and Chairman of Unilever Europe Committee 96/98. Responsible for South European Foods business 94/96. Personal Products Co-ordinator 91/94. External appointments include: Member, Supervisory Board of ABN AMRO Bank N.V., Non-Executive Director of BP p.l.c. and Member, International Advisory Board of Allianz AG.

##### **Niall FitzGerald** KBE\*<sup>1</sup>

[Chairman, Unilever PLC](#)

Nationality : Irish. Aged 58. Chairman of Unilever PLC and Vice-Chairman of Unilever N.V. since 1 September 1996. Joined Unilever 1967. Appointed Director 20 May 1987. Previous posts include: Vice-Chairman of Unilever PLC 1994. Detergents Co-ordinator 91/95. Member, Foods Executive 89/91. Edible Fats & Dairy Co-ordinator 89/90. Financial Director 87/89. External appointments include: Non-Executive Director of Reuters Group PLC.

##### **Clive Butler**\*

[Corporate Development Director](#)

Nationality : British. Aged 57. Corporate Development Director since 1 January 2001. Joined Unilever 1970. Appointed Director 6 May 1992. Previous posts include: Category Director, Home & Personal Care 1996. Personnel Director 93/96. Corporate Development and IT Director 1992.

##### **Patrick Cescau**\*<sup>2</sup>

[Foods Director](#)

Nationality : French. Aged 55. Foods Director since 1 January 2001. Joined Unilever 1973. Appointed Director 4 May 1999. Previous posts include: Financial Director 1999. Contoller and Deputy Financial Director 98/99. President, Lipton USA 97/98. President and CEO, Van den Bergh Foods USA 95/97. Chairman, Indonesia 91/95. External appointments include: Non-Executive Director of Pearson plc and Conseiller du Commerce Extérieur de la France in the Netherlands.

##### **Keki Dadiseth**\*<sup>2</sup>

[Home & Personal Care Director](#)

Nationality : Indian. Aged 58. Home & Personal Care Director since 1 January 2001. Joined Unilever 1973. Appointed Director 3 May 2000. Previous posts include: Hindustan Lever Chairman 1996, Vice-Chairman and Managing Director 95/96. External appointments include: Non-Executive Director of The Indian Hotels Company. Member, International Advisory Board of DaimlerChrysler AG.

##### **André baron van Heemstra**\*<sup>2</sup>

[Personnel Director](#)

Nationality : Dutch. Aged 58. Personnel Director since 3 May 2000. Joined Unilever 1970. Appointed Director 3 May 2000. Previous posts include: Business Group President, East Asia Pacific 1996. Chairman, Langnese-Iglo 92/96.

##### **Rudy Markham**\*<sup>3</sup>

[Financial Director](#)

Nationality : British. Aged 57. Financial Director since 4 August 2000. Joined Unilever 1968. Appointed Director 6 May 1998. Previous posts include: Strategy & Technology Director 1998. Business Group President, North East Asia 96/98. Chairman, Nippon Lever Japan 92/96. Chairman, Unilever Australasia 89/92. Group Treasurer 86/89. External appointments include: Non-Executive Director of Standard Chartered PLC.

**Charles Strauss**

President, Home & Personal Care North America and Global Prestige Business. Chairman, North America Committee

Nationality : American. Aged 61. Joined Unilever 1986 upon Unilever's acquisition of Ragú Foods. Appointed Director 3 May 2000. Previous posts include: Business Group President, Latin America 96/99. President, Lever Brothers USA 93/96. Chairman, Langnese-Iglo 89/92. External appointments include: Non-Executive Director of Hartford Financial Services Group, Inc. and Aegis Group PLC.

**Advisory Directors**

**The Rt Hon The Lord Brittan of Spennithorne QC, DL<sup>4</sup>**

Nationality : British. Aged 64. Appointed 2000. Vice-Chairman of UBS Investment Bank and Chairman of UBS Limited. Member of the European Commission and Vice-President 89/99. Member of the UK Government 79/86. Home Secretary 83/85 and Secretary of State for Trade and Industry 85/86.

**Baroness Chalker of Wallasey<sup>5</sup>**

Nationality : British. Aged 61. Appointed 1998. Director of Freeplay Energy plc, Group 5 (Pty) Ltd and Ashanti Goldfields Company Ltd. Member, International Advisory Board of Lafarge et Cie. UK Minister of State at the Foreign and Commonwealth Office 86/97. Created Life Peer in 1992. Member of Parliament for Wallasey 74/92.

**Bertrand Collomb<sup>6,7</sup>**

Nationality : French. Aged 61. Appointed 1994. Chairman of Lafarge S.A. Director of Vivendi Universal, TotalFinaElf and Atco. Member, Supervisory Board of Allianz AG and Advisory Board of Banque de France.

**Professor Wim Dik<sup>4</sup>**

Nationality : Dutch. Aged 65. Appointed 2001. Professor at Delft University of Technology. Chairman, Supervisory Boards of Van Gansewinkel Groep, Holland Casino and N.V. Casema. Member, Supervisory Boards of ABN AMRO Bank N.V. and Tele Atlas N.V. Non-Executive Director of Aviva plc and LogicaCMG plc. Chairman and CEO of Koninklijke PTT Nederland (KPN) 88/98 and Koninklijke KPN N.V. (Royal Dutch Telecom) 98/00. Minister for Foreign Trade, Netherlands 81/82.

**Oscar Fanjul<sup>8</sup>**

Nationality : Spanish. Aged 54. Appointed 1996. Honorary Chairman of Repsol-YPF S.A. Director of Marsh & McLennan Companies, the London Stock Exchange, Acerinox S.A. and Técnicas Reunidas S.A. Member, International Advisory Boards of Marsh & McLennan Companies and Sviluppo Italia and of the European Advisory Board of the Carlyle Group. Chairman and CEO of Repsol 86/96.

**Claudio X Gonzalez<sup>8</sup>**

Nationality : Mexican. Aged 69. Appointed 1998. Chairman and CEO of Kimberly-Clark de Mexico S.A. Director of Kimberly-Clark Corporation, Kellogg Company, General Electric Company (USA), Grupo Carso S.A., Grupo Alfa, Grupo Mexico, Grupo Televisa, Fondo Mexico, Home Depot, America Movil and Investment Company of America. Member, International Advisory Council of JPMorgan Chase Bank. Special Advisor to the President of Mexico 88/94.

**Hilmar Kopper<sup>9</sup>**

Nationality : German. Aged 68. Appointed 1998. Chairman, Supervisory Board of DaimlerChrysler AG. Non-Executive Director of Xerox Corp. Former CEO and former Chairman of the Supervisory Board of Deutsche Bank AG.

**Senator George J Mitchell<sup>4</sup>**

Nationality : American. Aged 70. Appointed 1998. Partner of the law firm Piper Rudnik. Director of Walt Disney Company, Federal Express Corp., Starwood Hotels and Resorts and Staples Inc. Member, International Advisory Board of Thames Water Plc. Member of the US Senate 80/95 and Senate Majority Leader 88/95. Chairman of the Northern Ireland Peace Initiative 95/99.

**The Lord Simon of Highbury CBE<sup>1,10</sup>**

Nationality : British. Aged 64. Appointed 2000. Member, Advisory Board of LEK Consulting and International Advisory Council of Fortis. Non-Executive Director of Suez Group. Member, Supervisory Board of Volkswagen AG. Senior Advisor and Member, European Advisory Board of Morgan Stanley Dean Witter. UK Government Minister 97/99. Group Chief Executive of BP 92/95 and Chairman 95/97.

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### **Jeroen van der Veer**<sup>1,10</sup>

Nationality : Dutch. Aged 56. Appointed 2002. President of Royal Dutch Petroleum Company and Chairman of the Committee of Managing Directors of Royal Dutch/Shell Group of Companies. Member, Supervisory Board of De Nederlandsche Bank.

- |   |   |
|---|---|
| * Member Executive Committee                                | 5 Chairman External Affairs and Corporate Relations Committee |
| 1 Member Nomination Committee                               | 6 Chairman Nomination Committee                               |
| 2 Member Corporate Risk Committee                           | 7 Chairman Remuneration Committee                             |
| 3 Chairman Corporate Risk Committee                         | 8 Member Audit Committee                                      |
| 4 Member External Affairs and Corporate Relations Committee | 9 Chairman Audit Committee                                    |
|   | 10 Member Remuneration Committee                              |

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## Corporate governance

### Business Presidents Foods

#### Regions

**Manfred Stach**, [Europe](#). [Chairman, Europe Committee](#) Aged 61. Joined Unilever 1970. Appointed Business President 1998. Previous position: Business Group President Africa.

**Kees van der Graaf**, [Ice Cream and Frozen Foods Europe](#) Aged 53. Joined Unilever 1976. Appointed Business President 2001. Previous position: Chief Executive Officer, Unilever Bestfoods Europe.

**John Rice**, [North America](#) Aged 52. Joined Unilever 1981. Appointed Business President 2001. Previous position: Business President Latin America.

**Rachid M Rachid**, [North Africa, Middle East and Turkey](#) Aged 49. Joined Unilever 1987. Appointed Business President 2001. (Also is a representative of the region for HPC). He is interested through family holdings in the partner that holds 40% of Unilever Mashreq, which comprises Unilever's operations in Egypt and the Levant.

**Tex Gunning**, [Asia](#) Aged 53. Joined Unilever 1982. Appointed Business President 2000. Previous position: Business Group President East Asia Pacific.

**Alberto Sobredo**, [Latin America](#) Aged 54. Joined Unilever 1998. Appointed Business President 2002. Previous position: Executive Vice-President, Latin America and Chairman, Unilever Chile.

#### Global Businesses

**Diego Bevilacqua**, [Foodsolutions](#) Aged 50. Joined Unilever 2000 upon Unilever's acquisition of Bestfoods. Appointed Business President 2001. Previous position: Vice-President Bestfoods and President Bestfoods, Asia.

**Robert Polet**, [Ice Cream and Frozen Foods Global](#) Aged 48. Joined Unilever 1978. Appointed Business President 1998. Previous position: Business Group President Ice Cream and Frozen Foods Europe.

**John Rice**, [Slim FasWorldwide](#) See above.

#### Function

**Anthony Simon**, [Marketing](#) Aged 58. Joined Unilever 2000 upon Unilever's acquisition of Bestfoods. Appointed Business President 2001. Previous position: Vice-President Strategies and Core Businesses Bestfoods.

### Business Presidents Home & Personal Care

#### Regions

**Ralph Kugler**, [Europe](#) Aged 48. Joined Unilever 1979. Appointed Business President 1999. Previous position: Business Group President Latin America.

**Charles Strauss**, [North America](#) Unilever Director. See page 52.

**Anton Lenstra**, [Africa](#) Aged 55. Joined Unilever 1989. Appointed Business President 2000. (Also is a representative of the region for Foods). Previous position: Vice-President Home & Personal Care Europe.

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**Jeff Fraser**, [Asia](#) Aged 60. Joined Unilever 1967. Appointed Business President 1996. Previous position: Business Group President Central Asia & Middle East.

**Harish Manwani**, [Latin America](#) Aged 50. Joined Unilever 1976. Appointed Business President 2001. Previous position: Senior Vice-President, Home & Personal Care Category Group.

### Global Businesses

**Charles Strauss**, [Prestige](#) Unilever Director. See page 52.

### Function

**Simon Clift**, [Marketing](#) Aged 45. Joined Unilever 1982. Appointed Business President 2001. Previous position: Chairman Personal Care Category Group, Latin America.

### Corporate Officers

**Jan van der Bijl**, [Joint Secretary and Head of Group Taxation](#) Aged 54. Appointed 1 July 2001. Years of service on 31 December 2003: 16 years.

**Stephen Williams**,<sup>2</sup> [Joint Secretary and General Counsel](#) Aged 56. Appointed 1 December 1986. Years of service on 31 December 2003: 17 years.

**John Bird**,<sup>2</sup> [Controller](#) Aged 50. Appointed 1 November 2003. Years of service on 31 December 2003: 28 years.

**Henning Rehder**, [Treasurer](#) Aged 50. Appointed 23 April 2002. Years of service on 31 December 2003: 23 years.

**James Duckworth**,<sup>2</sup> [Chief Auditor](#) Aged 59. Appointed 1 March 1999. Years of service on 31 December 2003: 35 years.

### Board changes

In February 2004 we announced that Niall FitzGerald would be retiring as a Director of NV and PLC on 30 September 2004. All his colleagues wish to record their sincere appreciation of his major contribution to the development of Unilever over 37 years of service, 17 of them as a Director and the last 8 as a Chairman. Patrick Cescau will succeed him as Chairman of PLC and Vice-Chairman of NV. Kees van der Graaf will succeed Patrick Cescau as Foods Director.

All Executive Directors held office throughout the year.

In accordance with the Articles of Association of NV and PLC, all existing Directors, with the exception of Charles Strauss, will retire from office at the Annual General Meetings on 12 May 2004 and, with the full support of the Nomination Committee, will offer themselves for re-election.

Charles Strauss and Senator George Mitchell will retire from office at these Annual General Meetings. Their colleagues wish to thank them for their contribution to Unilever.

Kees van der Graaf is nominated for election as a Director of NV and PLC at the 2004 AGMs. He is currently Business President for Ice Cream and Frozen Foods Europe. His biography is set out on this page.

Details of Executive Directors' service contracts are given on pages 58 and 67.

The Boards, in line with the recommendations of the Nomination Committee, have nominated Lord Brittan, Lady Chalker, Bertrand Collomb, Professor Dik, Oscar Fanjul, Claudio Gonzalez, Hilmar Kopper, Lord Simon and Jeroen van der Veer as candidates for election as Non-Executive Directors of NV and PLC at the Annual General Meetings on 12 May 2004. All were Advisory Directors in 2003 and their biographies are set out on page 52.

These nominations are subject to the approval by shareholders at those meetings of the related proposals to amend the Articles of Association of NV and PLC. Upon adoption of those amendments, the position of Advisory Director will cease.

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As anticipated, Frits H Fentener van Vlissingen and Charles R Shoemate retired as Advisory Directors in 2003.

### **Business President changes**

John Rice, President Foods North America, will succeed Charles Strauss as Chairman of the North America Committee and Harish Manwani will succeed Charles Strauss as President Home & Personal Care North America and Prestige. Anton Lenstra, President Africa Business Group, will succeed Harish Manwani and Doug Baillie, Chairman Lever Ponds South Africa, will succeed Anton Lenstra. Robert Polet will take over Kees van der Graaf's responsibilities in addition to his current responsibility for Ice Cream and Frozen Foods Global.

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## Remuneration report policy

### Introduction

This report of the Remuneration Committee sets out Unilever's current policy on Directors' remuneration and so far as practicable, the policy for subsequent years. It also contains full details of the 2003 remuneration of the Directors and Advisory Directors.

The report, which is set out on pages 54 to 68, is divided into two parts. The first part contains a commentary on Directors' remuneration, while the second part contains the detailed financial information for 2003.

The Boards have approved this report and it has been signed on their behalf by the Joint Secretaries of Unilever. It will be presented to shareholders at the Annual General Meetings on 12 May 2004.

### Remuneration commentary

#### Introductory remarks of the Remuneration Committee

Dear Shareholder,

We should like to make some introductory remarks about the annual Directors' Remuneration Report for 2003.

#### Our philosophy

Our remuneration philosophy remains that of attracting, motivating and retaining the highest calibre of business executives. We ensure that all elements of Directors' remuneration are carefully benchmarked in the market. The Directors are also required to build up a personal shareholding in Unilever in order to link their personal interests with those of other shareholders.

We believe this approach is essential to the successful leadership

and effective management of Unilever as a major global company.

#### Rewards based on performance

The current Directors' package dates from 2001 when, following shareholder approval, various changes were introduced. Among these was the introduction of the TSR based Long-Term Incentive Plan and the increase of the annual bonus to a maximum of 100% of base salary. The package was designed to support enhanced shareholder value during the period to 2004, as set out in the 'Path to Growth' strategy.

The package is linked to clear measures of performance. In this way, when results are outstanding, the variable elements can form a significant part of the total remuneration package. Equally important, this ensures that indifferent or unsatisfactory performance is not rewarded. This approach delivers appropriate rewards for outstanding performers who create outstanding value for shareholders. It is also consistent with the performance-related remuneration culture in place across the Unilever Group.

The bonus payable in respect of 2003 is substantially less than the bonus paid for 2002 because the business results for 2003 were below expectations, particularly with regard to the growth in leading brands.

#### Our commitment

Our continuing commitment is to link Directors' pay with performance. We are focused on achieving business goals, rewarding outstanding performance and retaining the best talent.

#### Looking ahead

The Committee keeps the Directors' package under constant review to ensure it remains in line with the European market. We strive to ensure that the package continues to deliver the best possible value for shareholders.



**Bertrand Collomb, Chairman**  
**David Simon**  
**Jeroen van der Veer**

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## Remuneration report policy

### Directors

#### Remuneration policy

##### Main principles

Unilever's objective is to attract, motivate and retain business executives of the highest calibre. This is essential to the successful leadership and effective management of Unilever as a major global company. To meet this objective the Committee follows three key principles, validated by shareholders:

- The reward policy is benchmarked regularly against arrangements for comparable companies in Europe. This ensures that Directors' remuneration levels remain competitive.
- A comparison is made with the remuneration arrangements for other senior executives within Unilever.
- The Committee links a significant proportion of the Directors' total remuneration to a number of key measures of company performance. This is in line with the Path to Growth strategy. The three main measures are:
  - Earnings per share growth (BEIA);
  - Sales growth in the leading brands; and
  - Total shareholder return generated by Unilever, in comparison with a group of 20 relevant competitors.

Where Group performance is on-target, the variable elements of the remuneration package, such as the annual bonus and long-term incentive payments, can account for about 60% of the total package (excluding pension provision). However, outstanding Group results can increase the variable elements to around 75% of the total package. If the Group results were below target, the variable elements would reduce significantly.

Closely linking the package to key performance measures ensures that Directors' remuneration is aligned effectively with shareholders' interests. This is also consistent with the remuneration policy for senior executives below board level, who have a significant performance-related element of pay within their remuneration package.

Directors are also required to build up a significant personal shareholding in Unilever. Within five years of appointment, they are expected to hold shares worth 150% of their basic annual salary.

On a limited basis Unilever Directors serve as non-executives on the Boards of other companies. Unilever requires that all remuneration and fees earned from outside directorships are paid directly to Unilever.

##### Future developments

The Remuneration Committee keeps its remuneration policy under review in the light of company and market developments. Currently the share-based elements of the remuneration package and the pension arrangements are being reviewed.

#### Remuneration Committee

##### Tasks and responsibilities

The Committee is responsible for setting the remuneration policy for Directors and advising the Boards accordingly. It is also responsible for setting individual remuneration packages for Directors and for monitoring and approving all executive share-based incentive arrangements. The Committee meets at least three times a year and, during 2003, it met on four occasions. Every member was present at each meeting.

##### Structure

The Committee members are all independent Advisory Directors, chosen for their broad experience and international outlook. During 2003 the members were:

- Bertrand Collomb (appointed Chairman May 2003)
- Lord Simon of Highbury
- Jeroen van der Veer; and

- Frits Fentener van Vlissingen (former Chairman, retired May 2003)

#### **Advice and assistance**

The Committee does not formally retain remuneration consultants. It seeks professional advice from external advisers as and when required. During 2003, the Committee sought advice from Towers Perrin (an independent firm of human resources specialists) on market data, remuneration trends and performance-related pay. Towers Perrin also provides general consultancy advice to Unilever Group companies on pension, communications and other human resource matters.

The Committee is supplied with information by Jan van der Bijl, who is also Joint Secretary of Unilever.

The Chairmen of NV and PLC are invited to attend Committee meetings to provide their own insights to the Committee on business objectives and the individual performance of their direct reports. Naturally, the Chairmen do not attend when their own remuneration is being discussed.

#### **Remuneration package**

##### **Reward structure**

The Directors' total remuneration package consists of:

- Base salary;
- Annual performance bonus;
- Long-term incentives;
- Pension provision; and
- Other benefits/allowances

The Committee regularly reviews the reward structure to ensure that it meets its objectives. The structure of the package is benchmarked against arrangements for comparable European companies.

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## Remuneration report policy

### Base salary

Each Director receives a base salary which is fixed in the currency appropriate to the country in which the individual is based.

There is one overall salary framework for all Directors. Each year, the Committee agrees separate salary ranges for Directors based in continental Europe, the UK and the US. Each Director's salary is reviewed annually within the agreed salary ranges.

When granting pay rises, the Committee looks at a range of factors including individual and company performance. The Committee also uses independent expert advice to compare Unilever's remuneration for executives of this calibre with competitors.

### Annual performance bonus

The annual performance bonus aims to focus the Directors on the business priorities for the coming financial year, in accordance with Unilever's annual plan. The bonus can range between 0% and 100% of base salary. However, the maximum level is payable only in the case of exceptional performance.

To receive a bonus, Directors must achieve demanding corporate and personal targets, set by the Committee at the beginning of each year:

- Corporate targets: based on a combination of the increase in earnings per share (BEIA) at current rates of exchange and sales growth of the leading brands. A Director can receive a performance bonus of up to 80% of base salary in respect of these corporate targets.
- Personal targets: based on agreed key objectives relative to the Director's specific responsibilities. A Director can receive a performance bonus of up to 20% of base salary in respect of personal targets.

At the end of each financial year, the Committee reviews the results against the targets set.

The Directors receive 75% of the annual bonus in cash, with the remaining 25% paid in NV and PLC shares. The Directors are then awarded, on a conditional basis, an equivalent number of matching shares. These form part of the long-term incentive arrangements described below.

### Long-term incentive arrangements

The long-term incentive arrangements for Directors consist of three main elements:

- Share Matching Plan (linked to annual bonus)
- TSR Long-Term Incentive Plan
- Share options, which includes:
  - Executive Option Plans
  - All-Employee Share Plans

#### Share Matching Plan (linked to annual bonus)

As noted above, the Directors receive 25% of the annual bonus in the form of NV and PLC shares, known as bonus shares. The company then awards an equivalent number of matching shares, which will vest three years after the award provided that:

- The original number of bonus shares have been retained for that three-year period; and
- The Director has not resigned or been dismissed.

The necessity to hold the bonus shares for a minimum of three years (during which time the share price of NV and PLC will be influenced by the performance of the companies) is consistent with the shareholding requirements described on page 55.

The Committee believes that the three-year vesting period for matching shares supports, as far as is possible, the retention of key executives. It also encourages the Directors to build up a significant shareholding in the business, so that their interests are aligned with those of other shareholders. Moreover, a three-year vesting period is consistent with international practice.

The Committee considers that there is no need for further performance conditions on the vesting of the matching shares because the number of matching shares is directly linked to the annual bonus (which is itself subject to demanding performance conditions).

**TSR Long-Term Incentive Plan**

Directors receive annual conditional awards in the form of rights over shares in NV and PLC. These awards vest after three years. However, the number of shares that vest depends on how Unilever's Total Shareholder Return (TSR) compares with the TSR results from a defined peer group.

The awards made, on a conditional basis, in March 2003 were as follows:

	Number of NV shares	Number of PLC shares
Chairmen	7 260	46 198
European based Directors	4 537	28 877
US based Director	3 646	23 284

For the US based Director the conditional NV shares were awarded in the form of NV New York shares and the conditional PLC shares were awarded in the form of American Depositary Receipts (1 ADR equivalent to 4 PLC shares).

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## Remuneration report policy

Further details are shown in the TSR Long-Term Incentive Plan table on page 63.

Unilever's TSR results are measured over a three-year performance cycle and compared with those of a defined peer group, currently comprising:

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

The number of shares that vest depends on Unilever's three-year TSR performance when ranked against the TSR performance of each of the peer group companies over the same period in accordance with the following table:

TSR peer group ranking	Vested award (% of original conditional award that will vest)
12th to 21st	0%
10th or 11th	25%
8th or 9th	50%
5th to 7th	100%
3rd or 4th	150%
1st or 2nd	200%

No award will vest unless Unilever is ranked in the top eleven of the peer group. Between 150% and 200% of an award will only vest if Unilever achieves a top-four ranking. The ultimate pay-out can only be determined once the TSR ranking over the three-year performance period is known.

Using the TSR peer group ranking as a performance indicator demonstrates a clear link between the reward provided to Directors, and the investment growth enjoyed by our shareholders (in comparison with that enjoyed by investors in the defined peer group of companies).

### Share options

Directors may participate in the following share option plans.

- Executive Option Plans
- All-Employee Share Plans

### Executive Option Plans

Under the Executive Option Plans, Directors are granted options over shares in NV and PLC. The Committee has established an annual benchmark for each Director's grant level. This is known as the normal allocation (see below):

	Normal allocation	
	NV shares	PLC shares
Chairmen	12 000	80 000
US-based Director	12 000	80 000
European-based Directors	7 500	50 000

The annual grants will only be made if the following performance conditions are met:

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Firstly, the earnings per share (BEIA) over the preceding three financial years must have cumulatively risen by at least 6% more than the rate of inflation (within the UK and the eurozone) when measured at current rates of exchange.

- Secondly (and subject to the first condition being met), the actual grant (a percentage of the normal allocation ) is determined by reference to the growth in earnings per share (BEIA) at current rates of exchange for the preceding financial year, as shown below:

EPS (BEIA) growth over inflation (achieved in preceding financial year)	Actual grant (as percentage of normal allocation )
Inflation + less than 4%	0%
Inflation + 4 %	50%
Inflation + 5%	75%
Inflation + 6 %	100%
Inflation + 7%	125%
Inflation + 8 %	150%

The earnings per share (BEIA) growth at current rates of exchange in 2002 exceeded inflation by more than 8%. This means that the actual level of grant made in 2003 was 150% of the normal allocation .

The Committee regards earnings per share (BEIA) growth at current rates of exchange as an appropriate measure of the Group's underlying financial performance. The Committee's view is that less than 4% growth after inflation is below standard and, at that level, no grant should be made. Real EPS (BEIA) growth above 6%, however, represents above-target performance.

Following grant, the options are not subject to any further performance conditions on exercise. The Executive Option Plans extend to Unilever executives throughout the world and in many countries it is not common practice to have performance conditions on the exercise of options. The Committee therefore takes the view that the underlying financial performance of the Group, which in turn affects the growth in share price between grant and exercise of an option, is sufficient.

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## Remuneration report policy

The minimum price payable for each share, on the exercise of the options, is not less than the market price of the shares as at the date of grant. Normally, an option granted under the Executive Plans may not be exercised earlier than three years from the date of grant. It cannot be exercised any later than ten years from the date of grant.

### Premium Options

For options granted between 1997 and 2000, rights to further options (known as premium options) arise five years after the date of the original option grant. These premium options will amount to 20% of the original number of options granted provided that:

- During the relevant five-year period, both the Group and the individual Director have performed well, and
- The Director has not exercised the original options granted five years previously or, if he has, he retains all profit of the exercise in the form of shares.

This incentive of premium options was discontinued in 2001, as part of the changes in the remuneration package of the Directors, approved by shareholders at that time. No further rights to premium options arise on grants made from 2001 onwards.

### All-Employee Share Plans

Directors are able to participate in the UK Employee ShareSave Plan, the UK Share Incentive Plan ( ShareBuy ) and the Netherlands Employee Option Plan. These arrangements are known as All-Employee plans. The US based Director is able to participate in the North American Employee Stock Purchase Plan.

Details of all the plans are shown in note 29 on page 116.

### Directors pensions

Directors are provided with defined benefit final salary pensions. This is consistent with the pension provision for all UK and Netherlands employees. This provides Directors with a pension of up to two-thirds of final pensionable pay from age 60, which is in line with market practice in continental Europe and the UK.

Final pensionable pay includes the average annual performance bonuses paid in the last three years, up to a maximum of 20% of base pay. This is similar to the current Group practice for long-serving senior executives. It is the view of the Committee that a significant part of Directors' remuneration should be performance-related, and that therefore part of the annual performance-related bonus should be pensionable. The Committee reconsiders this topic from time to time in the light of the recommendations of the Combined Code and continues to take the view that, at present, these arrangements should be kept in place.

The tables on page 65 give details of the Directors' pensions values for the year ended 31 December 2003.

### Other benefits/allowances

Directors enjoy similar benefits to many other employees of the Unilever Group. These include subsidised medical insurance, the use of company cars (or cash in lieu) and assistance with relocation costs when moving from one country to another. They also receive an allowance to cover small out-of-pocket expenses not covered by the reimbursement of their business entertaining expenses.

In addition, certain UK based Directors receive an allowance to compensate for the fact that some of their remuneration is paid in the Netherlands.

### Directors service contracts

The Directors have service contracts with both NV and PLC. The notice period under the service contracts for Directors is one year. If they choose, NV and PLC may pay a Director a sum equal to twelve months' salary in lieu of notice.

NV's and PLC's Articles of Association require that all Directors retire from office at every Annual General Meeting. Directors' contracts of service with the Unilever Group are generally terminated no later than the end of the month in which the Annual General Meeting closest to their 62nd birthday is held. See table on page 67.

The Directors are long-serving Unilever executives who can reasonably expect, subject to satisfactory performance, to be employed by Unilever until retirement. The Committee takes the view that the entitlement of the Directors to the security of twelve



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months' notice of termination of employment is in line both with the practice of many comparable companies and the entitlement of other senior executives within Unilever.

The Remuneration Committee's aim is always to deal fairly with cases of termination while taking a robust line in minimising any compensation.

In both 2003 and 2002, all eight Directors served for the whole of the year.

### Other items

#### Statement of Compliance

This report sets out the policy and disclosures on Directors' remuneration, as required by legislation in the Netherlands and the United Kingdom. It also takes into account:

- The Dutch Corporate Governance Code;
- The Combined Code of the United Kingdom Listing Rules (the Combined Code); and
- The requirements of the Directors' Remuneration Report Regulations 2002.

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## Remuneration report policy

### Unilever's share performance relative to broad-based equity indices

Under the UK Directors' Remuneration Report Regulations 2002, we are required to show Unilever's relative share performance, based on Total Shareholder Return, against a holding of shares in a broad-based equity index for the last five years. The Remuneration Committee has decided to show Unilever's performance against two indices, Euronext AEX Index, Amsterdam and FTSE 100 Index, as these are the most generally used indices in the Netherlands and the UK, where we have our principal listings.

#### Unilever NV vs AEX Amsterdam

Five years ended 31 December 2003

#### Unilever PLC vs FTSE 100

Five years ended 31 December 2003

### Advisory Directors

The Advisory Directors were not formally members of the Boards of NV and PLC during 2003 and are therefore excluded when reference is made to Directors in this report.

The remuneration of the Advisory Directors is decided by the Boards. It is their intention that the Advisory Directors' remuneration should reflect the commitment and contribution of the Advisory Directors and be consistent with levels for other global companies of a similar size and nature. The Boards receive professional advice on competitive market levels from Towers Perrin, an independent firm of human resources specialists.

Advisory Directors receive an annual fee and are reimbursed expenses incurred in attending meetings. They do not receive any performance-related bonuses, pension provisions, share options or other forms of benefit as Advisory Directors. They do not have service contracts. The annual fees paid to each Advisory Director in 2003 are as shown on page 67.

[Back to Contents](#)[Remuneration report](#) [detailed information](#)**Detailed Information on Directors Remuneration 2003**

The following section contains detailed information on the Directors' annual remuneration, long-term incentives, pension benefits and share interests in respect of 2003.

**Table of aggregate remuneration for Directors**

The following table gives the aggregate monetary value received by all Directors from the remuneration programme in 2003. For convenience, the amounts are shown both in euros and [in brackets] in pounds sterling based on average exchange rates for the year of €1 = £0.6912, €1 = \$1.126 (2002: €1 = £0.6280, €1 = \$0.9398)

	2003 000	2002 000
<b>Annual emoluments<sup>(1)</sup></b>		
Base salary	<b>€7 942</b> [£5 489]	€7 975 [£5 008]
Allowances	<b>€279</b> [£193]	€515 [£323]
Value of benefits in kind	<b>€768</b> [£531]	€800 [£503]
Performance-related payments (annual bonus) <sup>(2)</sup>	<b>€1 781</b> [£1 231]	€8 024 [£5 039]
<b>Sub-total of annual emoluments</b>	<b>€10 770</b> [£7 444]	€17 314 [£10 873]
<b>Other income arising from long-term incentives<sup>(3)</sup></b>		
Gains on exercise of share options	<b>€644</b> [£446]	€3 037 [£1 907]
Vesting of matching shares	<b>€116</b> [£80]	€0 [£0]
<b>Total of annual emoluments and other income arising from long-term incentives</b>	<b>€11 530</b> [£7 970]	€20 351 [£12 780]

(1) Annual emoluments includes base salary, allowances and the value of benefits in kind received in 2003. It also includes the annual bonus (both the cash element and the bonus paid in shares) payable in March 2004 relating to the performance year 2003.

(2) The value of matching shares, totalling €1 605 thousand, awarded in respect of the performance period 2002 is included in the figures of performance-related payments (annual bonus) shown for 2002 above. For 2003, the value of these matching shares, totalling €445 thousand, is not included in the 2003 figures shown above, but will be reported when they vest in 2007.

(3) Includes the gains realised in 2003 following the exercise of share options granted in earlier years. It also includes the value of the matching shares vested in 2003 which were originally awarded in 1998.



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## Remuneration report detailed information

## Table of remuneration for individual Directors

The following table gives details of the total monetary value received by each Director from the remuneration programme in 2003:

Name and Base Country	Annual emoluments <sup>(1)</sup> 2003					Other income arising from long-term incentives <sup>(2)</sup> in 2003		Total of annual emoluments and other income arising from long-term incentives <sup>(3)</sup> in 2003
	Base salary 000	Allowances <sup>(4)</sup> 000	Value of benefits in kind <sup>(5)</sup> 000	Annual bonus <sup>(6)</sup> 000	Total annual emoluments for 2003 000	Total annual emoluments <sup>(10)</sup> 2002 000	Vesting of matching shares in 2003 000	
A Burgmans <sup>(7)</sup> NL	€1 310 [£905]	€74 [£51]	€140 [£96]	€262 [£181]	€1 786 [£1 233]	€2 681 [£1 684]	€42 [£29]	€1 828 [£1 262]
N W A FitzGerald <sup>(8)</sup> UK	€1 476 [£1 020]	€159 [£110]	€79 [£54]	€295 [£204]	€2 009 [£1 388]	€3 340 [£2 097]	€74 [£51]	€2 083 [£1 439]
AC Butler UK	€738 [£510]	€3 [£2]	€34 [£24]	€148 [£102]	€923 [£638]	€1 664 [£1 045]		€923 [£638]
PJ Cescau NL	€1 020 [£705]	€6 [£4]	€162 [£112]	€204 [£141]	€1 392 [£962]	€2 205 [£1 385]		€1 392 [£962]
KB Dadiseth UK	€926 [£640]	€4 [£3]	€80 [£56]	€185 [£128]	€1 195 [£827]	€2 098 [£1 318]	€15 [£11]	€1 210 [£838]
AR van Heemstra NL	€700 [£484]	€6 [£4]	€74 [£51]	€140 [£97]	€920 [£636]	€1 549 [£972]		€920 [£636]
RHP Markham UK	€839 [£580]	€10 [£7]	€36 [£25]	€168 [£116]	€1 053 [£728]	€1 787 [£1 122]		€1 053 [£728]
CB Strauss <sup>(9)</sup> US	€933 [£645]	€17 [£12]	€163 [£113]	€379 [£262]	€1 492 [£1 032]	€1 990 [£1 250]	€629 [£435]	€2 121 [£1 467]

(1) Annual emoluments includes base salary, allowances and the value of benefits in kind received in 2003. It also includes the annual bonus (both the cash element and the bonus paid in shares) payable in March 2004 relating to the performance year 2003. The value of the matching shares conditionally awarded in 2004 in respect of the performance year 2003 is not included as these form part of the long-term incentives and the value will be reported when they vest in 2007.

(2) Other income includes the gains realised in 2003 following the exercise of share options granted in earlier years. It also includes the value of the matching shares vested in 2003, which were originally awarded in 1998.

(3) Total includes all annual emoluments earned in 2003 together with other income arising from long-term incentives in that year.

(4) Includes cash allowances in lieu of company car, entertaining allowance, financial planning assistance and an allowance, where applicable, payable to UK based Directors to compensate for the fact that part of their remuneration is paid in the

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Netherlands. All allowances are taxable in either the UK, the Netherlands or the US, apart from the entertaining allowance which is tax free.

- (5) Includes value of benefits in kind relating to company provided accommodation, company cars and subsidised medical insurance. All such items are taxable in the country of residence of the Directors concerned (apart from the value of accommodation provided for Netherlands based Directors).
- (6) Part of the annual bonus is paid in the form of shares in NV and PLC. The value of these bonus shares is included in the figures of annual bonus shown above. In addition to these shares each Director is awarded, on a conditional basis, an equivalent number of matching shares which, for 2003 are not included above.
- (7) Chairman of NV.
- (8) Chairman of PLC.
- (9) Excluded from the emoluments are payments totalling \$582 thousand paid in 2003 which relate to an appointment prior to joining the Boards.
- (10) Total for 2002 includes the value of the matching shares awarded in respect of the performance period 2002.

[Back to Contents](#)Remuneration report [detailed information](#)**Directors Share Matching Plan**

The following conditional shares were outstanding, awarded or vested during 2003 under the share matching plan:

	Share type	Balance of conditional shares at 1 Jan 2003	Conditional shares awarded in 2003 <sup>(1)</sup>		Shares vested during 2003 <sup>(2)</sup>			Balance of conditional shares at 31 Dec 2003
		No. of shares	No. of shares	Price at award	No. of shares	Market price at vesting	Original price at award	No. of shares
A Burgmans	NV	3 635	2 361	€55.10	382	€52.60	€60.90	5 614
	PLC	26 592	15 022	585p	2 704	566p	564p	38 910
N W A FitzGerald	NV	5 511	2 714	€55.10	671	€52.60	€60.90	7 554
	PLC	40 581	17 275	585p	4 749	566p	564p	53 107
A C Butler	NV	2 439	1 370	€55.10	0			3 809
	PLC	18 091	8 718	585p	0			26 809
P J Cescau	NV	2 403	1 902	€55.10	0			4 305
	PLC	17 471	12 108	585p	0			29 579
K B Dadiseth	NV	1 752	1 699	€55.10	0			3 451
	PLC	12 499	10 812	585p	0			23 311
A R van Heemstra	NV	1 953	1 180	€55.10	0			3 133
	PLC	14 174	7 506	585p	0			21 680
R H P Markham	NV	2 598	1 494	€55.10	0			4 092
	PLC	19 173	9 486	585p	0			28 659
C B Strauss	NV	4 157	1 144	€55.10	0			5 301
	PLC	30 014	7 276	585p	0			37 290

(1) Each award of matching shares is conditional and vests three years after the date of the award in question subject to certain conditions. The 2003 awards were made on 25 March 2003 (relating to the 2002 performance period) and will vest on 24 March 2006.

(2) The conditional shares awarded on 3 March 1998 (relating to the 1997 performance period) vested on 2 March 2003. The closing market prices of ordinary shares at 31 December 2003 were €51.85 (NV shares) and 521p (PLC shares). During 2003 the highest market prices were €59.95 and 628p respectively, and the lowest market prices were €45.81 and 475p respectively.

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## Remuneration report detailed information

### Directors conditional share awards under the TSR Long-Term Incentive Plan

Conditional rights to ordinary shares in NV and PLC were granted in 2003 as shown in the table below. No awards vested or lapsed in 2003:

	Share type	Balance of conditional shares at 1 January 2003	Conditional awards made 25 March 2003 (Performance period 2003 to 2005) <sup>(3)</sup>		Balance of conditional shares at 31 December 2003	Award to vest in May 2004 based on the 2001 to 2003 performance period <sup>(4)</sup>
		No. of shares	No. of shares	Original price at award	No. of shares	No. of shares
A Burgmans	NV	12 452	7 260	€55.10	19 712	6 472
	PLC	90 679	46 198	585p	136 877	48 360
N W A FitzGerald	NV	12 452	7 260	€55.10	19 712	6 472
	PLC	90 679	46 198	585p	136 877	48 360
A C Butler	NV	7 782	4 537	€55.10	12 319	4 045
	PLC	56 675	28 877	585p	85 552	30 225
P J Cescau	NV	7 782	4 537	€55.10	12 319	4 045
	PLC	56 675	28 877	585p	85 552	30 225
K B Dadiseth	NV	7 782	4 537	€55.10	12 319	4 045
	PLC	56 675	28 877	585p	85 552	30 225
A R van Heemstra	NV	7 782	4 537	€55.10	12 319	4 045
	PLC	56 675	28 877	585p	85 552	30 225
R H P Markham	NV	7 782	4 537	€55.10	12 319	4 045
	PLC	56 675	28 877	585p	85 552	30 225
C B Strauss	NV <sup>(1)</sup>	6 200	3 646	\$58.35	9 846	3 223
	PLC <sup>(2)</sup>	44 612	23 284	\$9.1375	67 896	23 580

(1) NV New York shares.

(2) The award was made in the form of American Depository Receipts (1 ADR equivalent to 4 PLC shares).

(3) The end date of the final performance period in respect of the conditional award made in 2003 is 31 December 2005.

(4) The conditional award made in May 2001 will vest in May 2004. This award is based on the TSR performance of Unilever (when ranked against its defined peer group of companies) for the three-year performance period ending 31 December 2003. Details of Unilever's TSR ranking for this performance period are shown in the graph below.

### TSR ranking of Unilever shares against its defined peer group of companies for period 2001 to 2003

The following graph shows Unilever's position relative to the TSR peer group of companies for the period from 1 January 2001 to 31 December 2003. The ranking for this period determines the level of vesting in respect of the conditional award made in 2001. As will be seen from this graph, Unilever is ranked at position 6 out of the reference group of 21 companies. This ranking results in a 100% vesting of the number of shares which were conditionally awarded in May 2001. See page 122 for full details of the TSR LTIP arrangements.

### Unilever's position relative to the TSR reference group



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

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## Remuneration report [detailed information](#)

### Directors [share options](#)

Details of the option plans under which Directors and employees are able to acquire ordinary shares of NV and PLC are shown in note 29 on page 116.

Options to acquire NV ordinary shares of €0.51 each and options to acquire PLC ordinary shares of 1.4p each were granted, exercised, expired and held during 2003 as follows:

	Share type	1		Exercised or expired	31		Options outstanding below market price at 31 December 2003		Options outstanding above market price at 31 December 2003		First exercisable date	Final expiry date
		January 2003	Number granted		December 2003	Number of shares	Weighted average exercise price	Number of shares	Weighted average exercise price			
<b>A Burgmans</b>												
Executive Plan	NV	76 800	18 000(1)	9 000(4)	87 600	12 000	€42.83	75 600	€60.46	24/03/02	07/05/13	
			1 800(2)									
Executive Plan	PLC	512 000	120 000(1)	60 000(4)	584 000	200 000	425.70p	384 000	576.02p	24/03/02	07/05/13	
			12 000(2)									
NL All-Employee Plan	NV	250	50(3)	50(5)	250	50	€51.00	200	€62.31	01/06/02	02/06/08	
UK ShareSave Plan	PLC	2 904			2 904			2 904	594.00p	01/10/03	31/03/04	
<b>N W A FitzGerald</b>												
Executive Plan	NV	105 600	18 000(1)		127 200	30 000	€42.81	97 200	€62.08	02/06/00	07/05/13	
			3 600(2)									
Executive Plan	PLC	746 300	120 000(1)		890 300	362 300	405.67p	528 000	597.96p	29/05/99	07/05/13	
			24 000(2)									
NL All-Employee Plan	NV	250	50(3)	50(5)	250	50	€51.00	200	€62.31	01/06/02	02/06/08	
UK ShareSave Plan	PLC	3 543	1 103(12)		4 646	2 382	425.00p	2 264	585.72p	01/10/03	06/12/08	
<b>A C Butler</b>												
Executive Plan	NV	66 002	11 250(1)		79 502	18 752	€42.81	60 750	€62.08	02/06/00	07/05/13	
			2 250(2)									
Executive Plan	PLC	678 212	75 000(1)		768 212	438 212	357.44p	330 000	597.96p	07/06/98	07/05/13	
			15 000(2)									
	NV	200	50(3)		250	50	€51.00	200	€62.31	01/06/02	02/06/08	

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NL  
All-Employee  
Plan

**P J Cescau**

Executive Plan	NV	63 393	11 250(1) 1 800(2)		76 443	7 500	€42.83	68 943	€62.46	08/05/01	07/05/13
Executive Plan	PLC	429 666	75 000(1) 12 000(2)		516 666	125 000	425.70p	391 666	583.97p	08/05/01	07/05/13
All-Employee Plan	NV	100	50(3)		150	50	€51.00	100	€66.28	30/05/04	02/06/08
US Executive Plan	NV <sup>(7)</sup>	45 000			45 000	45 000	\$38.84			29/05/97	02/06/07
US Executive Plan	PLC <sup>(7)</sup>	100 192			100 192	100 192	\$6.72			03/06/98	02/06/07

**K B Dadiseth**

Executive Plan	NV	42 600	11 250(1) 900(2)		54 750	10 500	€42.82	44 250	€60.85	02/06/00	07/05/13
Executive Plan	PLC	298 248	75 000(1) 6 000(2)	4 148(6)	375 100	155 100	415.30p	220 000	592.01p	07/06/98	07/05/13
All-Employee Plan	NV		50(3)		50	50	€51.00			02/06/06	02/06/08
ShareSave Plan	PLC	2 744			2 744			2 744	603.00p	01/10/07	31/03/08

**A R van Heemstra**

Executive Plan	NV	49 800	11 250(1) 1 800(2)	9 000(4)	53 850	7 500	€42.83	46 350	€60.30	24/03/02	07/05/13
Executive Plan	PLC	332 000	75 000(1) 12 000(2)	60 000(4)	359 000	125 000	425.70p	234 000	578.33p	24/03/02	07/05/13
All-Employee Plan	NV	100	50(3)		150	50	€51.00	100	€66.28	30/05/04	02/06/08

**R H P Markham**

Executive Plan	NV	63 300	11 250(1) 2 250(2)		76 800	16 500	€42.81	60 300	€62.04	02/06/00	07/05/13
Executive Plan	PLC	454 292	75 000(1) 15 000(2)		544 292	217 292	408.16p	327 000	597.72p	06/12/99	07/05/13
All-Employee Plan	NV	250	50(3)	50(5)	250	50	€51.00	200	€62.31	01/06/02	02/06/08
ShareSave Plan	PLC	3 283			3 283	3 283	514.00p			01/10/04	31/03/05

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**C B Strauss**

US Executive Plan	NV <sup>(7)</sup>	184 800	18 000(8)	22 000(11)	182 600	162 800	\$40.95	19 800	\$72.28	10/06/95	07/05/13
			1 800(9)								
US Executive Plan	PLC <sup>(7)</sup>	512 000	120 000(8)		644 000	584 000	\$7.81	60 000	\$10.85	03/06/98	07/05/13
			12 000(9)								
US All-Employee Plan NV <sup>(7)</sup>			184(10)		184	184	\$54.11			01/01/04	01/01/04

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## Remuneration report detailed information

Footnotes for table on preceding page:

- (1) Grants made under the Executive Plan on 25 March 2003 at an option price of €55.10 (NV shares) and 585p (PLC shares).
  - (2) Premium grants made under the Executive Plan on 8 May 2003 at an option price of €52.05 (NV shares) and 578.50p (PLC shares).
  - (3) Grants made under the Netherlands All-Employee Option Plan on 2 June 2003 at an option price of €51.00 (NV shares).
  - (4) Options expired without value on 8 May 2003. The options were originally granted on 8 May 1998 with a five-year exercise period at an option price of €69.29 (NV shares) and 667.50p (PLC shares).
  - (5) Options expired without value on 15 September 2003. The options were originally granted on 15 September 1998 with a five-year exercise period at an option price of €57.63 (NV shares).
  - (6) Options exercised on 4 November 2003 at a market price of 508.50p per share. The options were originally granted in 1994 at a price of 253.75p per share.
  - (7) NV options granted in the form of NV New York shares. PLC options granted in the form of American Depositary Receipts (1 ADR equivalent to 4 PLC shares).
  - (8) Grants made under the Executive Plan on 25 March 2003 at an option price of \$58.35 (NV New York shares) and \$9.14 (PLC shares).
  - (9) Premium grants made under the Executive Plan on 8 May 2003 at an option price of \$59.40 (NV New York shares) and \$9.24 (PLC shares).
  - (10) Grant made in 2003 under the US All-Employee Plan at an option price of \$54.11.
  - (11) Options exercised on 5 May 2003 at a market price of \$59.00 per share. The options were originally granted on 10 June 1993 at a price of \$26.81 per share.
  - (12) Options granted under UK ShareSave Plan on 6 June 2003 at an option price of 577p per share.
- The term "Executive Plan" refers to options granted under the PLC, NV or NA Executive Option Plans (see page 57).

The closing market prices of ordinary shares at 31 December 2003 were €51.85 (NV shares), 521p (PLC shares), \$64.90 (NV New York shares) and \$37.60 (PLC ADRs). During 2003 the highest market prices were €59.95, 628p, \$64.90 and \$39.49 respectively, and the lowest market prices were €45.81, 475p, \$52.95 and \$31.44 respectively.

### Directors pensions

Directors' pension values for the year ended 31 December 2003 are set out below. For convenience amounts are shown both in euros and [in brackets] in pounds sterling:

	Age at 31/12/03	Accrued annual benefit as at(1) 31/12/03	Increase in accrued annual benefit during(1) 2003	Increase in accrued annual benefit during 2003 (excl. inflation)	Transfer value at 31/12/03 of the increase in accrued benefit (excl. inflation)	Transfer value of accrued benefit(2) at 31/12/03	Transfer value of accrued benefit(2) at 31/12/02	Difference in 2002 and 2003 transfer values (less individual contributions) <sup>(3)</sup>
		000	000	000	000	000	000	000
A Burgmans	56	€915 [£648]	€73 [£50]	€45 [£31]	€764 [£541]	€11 613 [£8 219]	€9 747 [£6 340]	€1 866 [£1 879]
N W A FitzGerald	58	€1 102 [£780]	€90 [£62]	€80 [£55]	€1 381 [£977]	€19 624 [£13 888]	€18 017 [£11 720]	€1 572 [£2 144]
A C Butler	57	€533 [£377]	€16 [£11]	€12 [£8]	€185 [£131]	€9 097 [£6 438]	€8 809 [£5 730]	€271 [£696]
P J Cescau <sup>(4)</sup>	55	€717 [£507]	€54 [£37]	€32 [£22]	€549 [£389]	€9 535 [£6 748]	€8 394 [£5 460]	€1 141 [£1 288]

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K B Dadiseth	58	<b>€682</b> [£483]	<b>€91</b> [£63]	<b>€85</b> [£59]	<b>€1 512</b> [£1 070]	<b>€12 323</b> [£8 721]	<b>€10 684</b> [£6 950]	<b>€1 617</b> [£1 756]
A R van Heemstra	57	<b>€527</b> [£373]	<b>€52</b> [£36]	<b>€36</b> [£25]	<b>€593</b> [£420]	<b>€7 695</b> [£5 446]	<b>€6 702</b> [£4 360]	<b>€993</b> [£1 086]
R H P Markham	57	<b>€620</b> [£439]	<b>€67</b> [£46]	<b>€61</b> [£42]	<b>€1 036</b> [£733]	<b>€10 899</b> [£7 713]	<b>€9 746</b> [£6 340]	<b>€1 133</b> [£1 359]
C B Strauss	60	<b>€666</b> [£471]	<b>€36</b> [£25]	<b>€12</b> [£8]	<b>€160</b> [£113]	<b>€10 073</b> [£7 129]	<b>€11 811</b> [£7 683]	<b>€(1 738)</b> [£(554)]

- (1) The accrued annual benefits are calculated using the Directors' service to 31 December 2003 and include all benefits provided from Unilever pension plans. The NV Directors' arrangement operates on the basis of a justifiable expectation and does not provide any vested deferred entitlement. NV Directors leaving before age 55 are only entitled to benefits from other Unilever pension plans. The accrued annual benefits are calculated on the basis that benefits commence at age 60; in the event the Director leaves service prior to age 60 and payment of the benefit commences earlier than age 60, the benefits payable would be on a reduced basis. Within last year's report the NV Directors' accrued annual benefits were presented on the basis of an immediate but reduced pension. This year the accrued annual benefits for NV and PLC Directors are presented on the same basis, as described above, therefore for NV Directors the total accrued benefits at December 2002 were actuarially converted to be consistent with the form of the 31 December 2003 accrued annual benefits.
- (2) The transfer values for the NV Directors' arrangement are calculated on the basis used by the Unilever Netherlands pension plan (Progress), in line with the Netherlands regulations. The transfer values for the PLC Directors' arrangement are calculated on the basis used by the Unilever United Kingdom pension plan (UPF), in line with the GN11 guidance note published by the Institute and Faculty of Actuaries in the United Kingdom.
- (3) During 2003 the UK based Directors paid compulsory contributions equivalent to 2% of their pensionable salary. The Netherlands and US based Directors made no compulsory contributions in that year, in line with the then current practice for all employees in those countries.
- (4) Reached age 55 during the year, therefore the increase in total accrued benefits during 2003 was calculated using the 31 December 2002 total accrued benefits, actuarially converted to be consistent with the form of the 31 December 2003 accrued annual benefit.

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## Remuneration report detailed information

### Directors interests: share capital

The interests in the share capitals of NV and PLC and their group companies of those who were Directors at the beginning and end of 2003 and of their immediate families were as shown in the table below:

	Share type <sup>(1)</sup>	Shares held at 1 January 2003 (excluding unvested matching shares)	Shares held at 31 December 2003 <sup>(2)</sup> (excluding unvested matching shares)
A Burgmans	NV	30 533	33 275
	NV <sup>(3)</sup>	7 750	7 750
	PLC	37 159	54 885
N W A FitzGerald <sup>(4)</sup>	NV	5 510	8 895
	PLC	361 951	382 799
A C Butler	NV	3 502	4 872
	PLC	44 910	53 628
P J Cescau	NV	2 403	4 305
	PLC	17 471	29 579
K B Dadiseth	NV	1 752	3 451
	PLC	17 679	32 712
	Hindustan Lever Limited	107 490	107 490
A R van Heemstra	NV	1 953	3 133
	PLC	14 174	21 680
R H P Markham	NV	33 430	34 924
	PLC	57 689	67 224
C B Strauss	NV	12 971	36 015
	PLC <sup>(5)</sup>	30 014	37 290

(1) Except where otherwise stated, NV shares are ordinary €0.51 shares and PLC shares are ordinary 1.4p shares.

(2) The balance of shares held at 31 December 2003 includes PLC shares acquired under the UK Share Incentive Plan (ShareBuy).

(3) Held as preference shares of €0.05.

(4) N W A FitzGerald also holds jointly as a trustee of the Leverhulme Trust and the Leverhulme Trade Charities Trust with no beneficial interest 156 815 034 PLC ordinary shares and 400 shares Margarine Union (1930) Limited, both at 1 January 2003 and 31 December 2003. The holding of PLC shares represents approximately 5.38% of the ordinary issued share capital of PLC.

(5) Partially held as American Depositary Receipts (ADRs).

The Directors, in common with other employees of PLC and its United Kingdom subsidiaries, had beneficial interests in 43 176 360 PLC ordinary shares at 1 January 2003 and 47 080 138 PLC ordinary shares at 31 December 2003, acquired by the Unilever Employee Share Trusts for the purpose of satisfying options under the PLC Executive Option Plans and the UK Employee ShareSave Plan. Further information, including details of the NV and PLC ordinary shares acquired by certain group companies in connection with other share option plans, is given in note 29 on page 116.

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The voting rights of the Directors who hold interests in the share capitals of NV and PLC are the same as for other holders of the class of shares indicated. Except as stated above, none of the Directors or other executive officers' shareholdings amounts to more than 1% of the issued shares in that class of share. Except as stated above, all shareholdings are beneficial.

The only changes in the interests of the Directors and their families in NV and PLC ordinary shares between 31 December 2003 and 28 February 2004 were that:

- (i) The holding of the Unilever Employee Share Trust (Jersey) has reduced to 46 697 306 PLC ordinary shares.
- (ii) Messrs FitzGerald, Dadiseth and Markham each became interested in a further 23 and 24 PLC shares in January and February due to monthly ShareBuy purchases.
- (iii) Mr FitzGerald acquired 31 PLC shares through dividend reinvestment.
- (iv) Mr Cescau purchased 825 NV shares. He also exercised 100 192 PLC (25 048 ADR s) executive options from which number he retained 22 712 PLC (5 678 ADR s) and 45 000 NV NY executive options from which number he retained 12 905 NV NY shares.
- (v) Mr Strauss acquired 156 NV NY shares by exercising options under the North American Employee Stock Purchase Plan. He also exercised 30 000 NV NY executive options, from which number he retained 12 800 NV NY shares.
- (vi) Mr van Heemstra acquired 50 000 PLC shares and 7 500 NV shares by exercising executive options, all of which were immediately sold.



[Back to Contents](#)[Remuneration report](#) [detailed information](#)**Summary Information in respect of Directors and Executive Officers**

The total amount of remuneration (including other income arising under long-term incentives but excluding pension provisions) received by all Directors and Executive Officers (being the Directors and corporate officers listed on pages 52 and 53 respectively) for services in all capacities during 2003 was €16 375 000 [£11 319 000] (2002: €26 474 466 [£16 625 972]).

The total amount set aside by the Unilever Group during 2003 to provide pension, retirement or similar benefits for Directors and Executive Officers was €3 264 293 [£2 256 279] (2002: €4 585 032 [£2 879 401]).

No compensation for loss of office or other termination payments were paid to Directors in 2003.

As at 28 February 2004 the Directors and Executive Officers as a group held options to purchase the following ordinary shares:

707 715 NV shares of €0.51

5 115 129 PLC shares of 1.4p

152 600 NV shares of €0.51 of the New York Registry

644 000 PLC shares of 1.4p (held as 161 000 ADRs)

**Directors service contracts**

	Date of appointment	Effective date of current contract	Expiry/retirement date*	Notice period for company	Notice period for Director
A Burgmans	8 May 1991	5 May 1993	31 May 2009	12 months	6 months
N W A FitzGerald	20 May 1987	5 May 1993	31 May 2007	12 months	6 months
A C Butler	6 May 1992	5 May 1993	31 May 2008	12 months	6 months
P J Cescau	4 May 1999	4 May 1999	31 May 2010	12 months	6 months
K B Dadiseth	3 May 2000	3 May 2000	31 May 2007	12 months	6 months
A R van Heemstra	3 May 2000	3 May 2000	31 May 2008	12 months	6 months
R H P Markham	6 May 1998	6 May 1998	31 May 2008	12 months	6 months
C B Strauss	3 May 2000	3 May 2000	31 May 2005	12 months	6 months

\*Assumes that the Annual General Meeting is held in May, as is the current practice.

**Advisory Directors**

The Advisory Directors were not formally members of the Boards of NV and PLC during 2003 and are therefore excluded when reference is made to Directors in this report.

Advisory Directors fees paid in 2003:

Paid in euros			Paid in pounds sterling		
Name	Fees €	£ Equivalent	Name	Fees £	€ Equivalent
B Collomb	55 000	[38 016]	Lord Brittan	[35 000]	50 637
Professor W Dik	55 000	[38 016]	Lady Chalker	[35 000]	50 637
O Fanjul	55 000	[38 016]	C X Gonzalez	[35 000]	50 637
F H Fentener van Vlissingen	27 500	[19 008]	Senator G J Mitchell	[35 000]	50 637
H Kopper	55 000	[38 016]	C R Shoemate	[14 583]	21 098
J van der Veer	55 000	[38 016]	Lord Simon	[35 000]	50 637

In addition, Advisory Directors benefited directly or indirectly from the following payments made in 2003:

Lady Chalker: £26 400 paid to Africa Matters Limited for advice provided to Unilever's Africa Business Group by her and other consultants from that company; and Senator G J Mitchell: US \$75 000 paid to him for advice provided to Unilever's North American businesses.

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As at 28 February 2004 the interests of the Advisory Directors in the share capital of NV and PLC were as follows:

	NV(1)	PLC(2)
Lord Brittan		
Lady Chalker		2 526
B Collomb	111	
Professor W Dik		
O Fanjul	692	
C X Gonzalez <sup>(3)</sup>		100 000
H Kopper		
Senator G Mitchell	1 000	
Lord Simon		2 947
J van der Veer	5 600	
Aggregate interests	7 403	105 473

(1) Ordinary €0.51 shares of NV.

(2) Ordinary 1.4p shares of PLC.

(3) Held as American Depositary Receipts (ADRs).

As at 28 February 2003, the aggregate interests of the Advisory Directors in the share capital of NV and PLC were 19 788 Ordinary €0.51 shares of NV and 65 383 Ordinary 1.4p shares of PLC.

The voting rights of the Advisory Directors are the same as for other holders of the class of share indicated.

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## Remuneration report [detailed information](#)

The Report has been approved by the Boards and has been signed on their behalf by the Joint Secretaries, J A A van der Bijl and S G Williams.

By order of the Boards

**J A A van der Bijl**  
**S G Williams**

Joint Secretaries of Unilever N.V. and Unilever PLC

2 March 2004

### **Auditable part of remuneration report**

In compliance with the UK Directors' Remuneration Report Regulation 2002, and under Title 9, Book 2 of the Civil Code in the Netherlands, the auditable part of the remuneration report comprises the Table of aggregate remuneration for Directors on page 60, the Table of remuneration for individual Directors on page 61, the Directors' share matching plan on page 62, the Directors' conditional share awards under the TSR Long-Term Incentive Plan on page 63, Directors' share options on pages 64 and 65, Directors' pensions on page 65, Directors' interests: share capital on page 66 and Advisory Directors on page 67.

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## Report of the Audit Committee

The role of the Audit Committee is to assist the Unilever Boards in fulfilling their oversight responsibilities regarding the integrity of Unilever'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 2003 the principal activities of the Committee were as follows:

### Financial Statements

The Committee considered reports from the Financial Director on the quarterly and annual financial statements and reviewed the Annual Report & Accounts and Form 20-F prior to publication. It also reviewed critical accounting policies including proposed changes in accounting principles in response to the changes in Netherlands and UK law and UK and US GAAP.

### Audit of the Annual Accounts

PricewaterhouseCoopers, Unilever's external auditors, reported in depth to the Committee on the scope and outcome of the annual audit, and management's response. Their reports included accounting matters, governance and control, and accounting developments.

### Risk Management and Internal Control Arrangements

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

- Corporate Audit's interim and year-end reports on the Status of Risk Management & Control, and management's response
- The Corporate Risk Committee's annual report, which included its recommendation for the Boards' statement on internal control and its analysis of the 2003 risk assessment process
- The reports from the Code of Business Principles Compliance Committee
- Controls over trade marketing investments
- Corporate risk management benchmarking study
- Implementation of recent corporate governance requirements (as outlined on page 47)
- Proceedings of the Disclosure Committee
- Progress on the establishment of a global Ethics hotline which included a procedure for handling complaints and concerns relating to accounting, internal control and auditing matters
- An updated Code of Ethics for senior financial officers for communication to the relevant officials in the Group

### External Auditors

The report from PricewaterhouseCoopers confirming their independence and objectivity was reviewed by the Committee. It also reviewed the audit, audit-related, tax and consulting services provided by PricewaterhouseCoopers, and compliance with Unilever's policy, introduced in January 2002, under which the types of engagements for which the external auditors can be used are prescribed. All non-audit services undertaken by the external auditors were reviewed and authorised by the Committee in advance. For further information, see page 50.

The Committee conducted a formal evaluation of the effectiveness of the external audit process and held independent meetings with the external auditors, and have reported on their conclusions to the Boards.

The Committee has recommended to the Boards the re-appointment of the external auditors.

### Internal Audit Function

The Committee engaged in discussion and review of the Corporate Audit Department's audit plan for the year, together with its budget and resource requirements.

The Committee held independent meetings with the Chief Auditor.

**Audit Committee Charter**

The Committee's terms of reference have been updated to reflect recent developments in corporate governance in the UK, the European Union and the US. The revised charter enhances the Committee's role and responsibilities and, in particular, makes the Committee responsible for overseeing Unilever's relations with the external auditors.

The Audit Committee Charter/terms of reference can be viewed on Unilever's website at [www.unilever.com](http://www.unilever.com).

The Committee conducted a self-assessment of its own performance for review with the Boards.

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## Statement of Directors responsibilities

### Annual accounts

The Directors are required by Title 9, Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985 to prepare accounts for each financial year which give a true and fair view of the state of affairs of the Unilever Group, NV and PLC as at the end of the financial year and of the profit or loss for that year.

The Directors consider that in preparing the accounts, the Group, NV and PLC have used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all United Kingdom accounting standards which they consider to be applicable have been followed, except as noted under [Accounting standards](#) on page 73.

The Directors have responsibility for ensuring that NV and PLC keep accounting records which disclose with reasonable accuracy their financial position and which enable the Directors to ensure that the accounts comply with the relevant legislation. They also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

This statement, which should be read in conjunction with the [Report of independent auditors](#) set out on page 72, is made with a view to distinguishing for shareholders the respective responsibilities of the Directors and of the auditors in relation to the accounts.

A copy of the financial statements of the Unilever Group is placed on our website at [www.unilever.com](http://www.unilever.com). The maintenance and integrity of the website is the responsibility of the Directors, and 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. Legislation in the United Kingdom and the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### Going concern

The Directors continue to adopt the going concern basis in preparing the accounts. This is because the Directors, after making enquiries and following a review of the Group's budget for 2004 and 2005, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

### Internal and disclosure controls and procedures

Unilever has a well established control environment, which is well documented and regularly reviewed by the Boards. This incorporates risk management, internal control procedures and disclosure controls and procedures which are designed to provide reasonable, but not absolute, assurance that assets are safeguarded, the risks facing the business are being controlled and all information required to be disclosed is reported to the Group's senior management, including where appropriate the Chairmen and Financial Director, within the required timeframe. Our procedures cover financial, operational, social and environmental risks and regulatory matters. The Boards of NV and PLC have also established a clear organisational structure,

including delegation of appropriate authorities. The Group's control environment is supported through a Code of Business Principles, which sets standards of professionalism and integrity for its operations worldwide.

The Boards have overall responsibility for establishing key procedures designed to achieve systems of internal control and disclosure control and for reviewing and evaluating their effectiveness. The day-to-day responsibility for implementation of these procedures and ongoing monitoring of risk and the effectiveness of controls rests with the Group's senior management at individual operating company and Business Group level. Business Groups, each of which has its own Risk Committee, review, on an ongoing basis, the risks faced by their group and the related internal control arrangements and provide written reports to the Corporate Risk Committee, the composition and function of which are set out on page 48.

Unilever's corporate internal audit function plays a key role in providing an objective view and continuous reassurance of the effectiveness of the risk management and related control systems throughout Unilever to both operating management and the Boards. The Group has an independent Audit Committee, entirely comprised of Advisory Directors. This Committee meets regularly with the Chief Auditor and the external auditors.

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Unilever has a comprehensive budgeting system with an annual budget approved by the Boards, which is regularly reviewed and updated. Performance is monitored against budget and the previous year through monthly and quarterly reporting routines. The Group reports to shareholders quarterly.

Unilever's system of risk management has been in place throughout 2003 and up to the date of this report, and complies with the recommendations of Internal Control Guidance for Directors on the Combined Code, published by the Internal Control Working Party of the Institute of Chartered Accountants in England & Wales in September 1999. The Boards have carried out an annual review of the effectiveness of the systems of risk management and internal control during 2003 in accordance with this guidance, and have ensured that the necessary actions have been taken to address any weaknesses or deficiencies arising out of that review.

Based on an evaluation by the Boards, which comprises the Chairmen, the Financial Director and the Group's senior management, each Chairman and the Financial Director concluded that the design and operation of the Group's disclosure controls and procedures as at 31 December 2003 were reasonably effective and that subsequently there have been no significant changes in the Group's internal controls or in other factors that could significantly affect those controls.

It is Unilever's policy to bring acquired companies within the Group's governance procedures as soon as is practicable and, in any event, by the end of the first full year of operation.



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## Report of independent auditors

### Report of the independent auditors to the members of Unilever N.V. and Unilever PLC

We have audited the accounts, which have been prepared under the historical cost convention, set out on pages 73 to 125, 131 to 147 and 149 to 150. We have also audited the auditable part of the Directors' Remuneration Report as set out on page 68.

### Respective responsibilities of Directors and auditors

As described on page 71, the Directors are responsible for preparing the Annual Report & Accounts and Form 20-F. This includes responsibility for preparing the accounts in accordance with applicable Netherlands and United Kingdom law and United Kingdom accounting standards. Our responsibility is to audit the accounts and the auditable part of the Directors' Remuneration Report in accordance with applicable law, auditing standards and listing rules in the Netherlands and United Kingdom.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with Title 9, Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. We also report to you whether the auditable part of the Directors' Remuneration Report is properly prepared in accordance with the applicable requirements in the Netherlands and the United Kingdom. We would also report to you if, in our opinion, the Directors' Report was not consistent with the accounts, if proper accounting records had not been kept, if we had not received all the information and explanations we require for our audit, or if information required regarding Directors' remuneration and transactions were not disclosed.

We read the other information contained in the Annual Report & Accounts and Form 20-F and consider the implications for our audit report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

As auditors of Unilever PLC, we review whether the statement on page 50 reflects the Company's compliance with the seven provisions of the Combined Code (issued in June 1998) specified for our review by the Listing Rules of the United Kingdom's Financial Services Authority and we report if it does not. We are not required to consider whether the Directors' statements on internal control cover all risks and controls or to form an opinion on the effectiveness of the Group's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands, the United Kingdom and the United States. An audit includes an examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts and the auditable part of the Directors' Remuneration Report. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the accounts, and of whether the accounting policies are appropriate to the Group's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the accounts and the auditable part of the Directors' Remuneration Report are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the accounts and the auditable part of the Directors' Remuneration Report.

### Netherlands and United Kingdom opinion

In our opinion, the accounts give a true and fair view of the state of affairs of the Unilever Group, Unilever N.V. and Unilever PLC at 31 December 2003 and of the profit and cash flows of the Group for the year then ended. In our opinion the accounts of the Unilever Group, and of Unilever N.V. and Unilever PLC respectively, have been properly prepared in accordance with Title 9, Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. In our opinion, the auditable part of the Directors' Remuneration Report has been properly prepared in accordance with the applicable requirements in the Netherlands and the United Kingdom.

### United States opinion

In our opinion, the accounts present fairly, in all material respects, the financial position of the Unilever Group at 31 December 2003 and 2002, and the results of its operations, total recognised gains and its cash flows for each of the three years in the period ended 31 December 2003, in accordance with the accounting information and policies on pages 73 to 75.

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The accounting principles applied vary in certain significant respects from accounting principles generally accepted in the United States. The effect of the major differences in the determination of net profit and capital and reserves is shown on pages 131 and 132.

As discussed in note 17 and in note 29 to the consolidated accounts, the Group changed its method of accounting for pensions and share options in 2003. The change has been accounted for by restating comparative information at 31 December 2002 and 2001, and for the years then ended.

PricewaterhouseCoopers Accountants N.V.  
Rotterdam, The Netherlands  
As auditors of Unilever N.V.

PricewaterhouseCoopers LLP  
Chartered Accountants and Registered Auditors  
London, England  
As auditors of Unilever PLC

2 March 2004

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## Accounting information and policies

### Unilever

The two parent companies, NV and PLC, together with their group companies, operate as nearly as is practicable as a single entity (the Unilever Group, also referred to as Unilever or the Group). NV and PLC have the same Directors and are linked by a series of agreements, including an Equalisation Agreement, which are designed so that the position of the shareholders of both companies is as nearly as possible the same as if they held shares in a single company.

The Equalisation Agreement provides for both companies to adopt the same accounting principles and requires as a general rule the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl. 12 (€5.445) nominal of ordinary share capital of NV to be equal in value at the relevant rate of exchange to the dividends and other rights and benefits attaching to each £1 nominal of ordinary share capital of PLC, as if each such unit of capital formed part of the ordinary capital of one and the same company. For additional information please refer to [Control of Unilever](#) on page 152.

### Basis of consolidation

Because of the operational and contractual arrangements referred to above and the internal participating interests set out in note 21 on page 110, NV and PLC and their group companies constitute a single group under Netherlands and United Kingdom legislation for the purposes of presenting consolidated accounts.

Accordingly, the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts. These accounts are supplemented in notes 22 and 23 on page 111 and note 30 on page 125 by additional information for the NV and PLC parts of the Group in which group companies are consolidated according to respective ownership.

### Companies legislation

The consolidated accounts of the Unilever Group comply with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. The consolidated accounts of the Unilever Group also comply with accounting standards generally accepted in the United Kingdom, as allowed by Article 362.1 of Book 2 of the Civil Code in the Netherlands, unless such standards conflict with the Civil Code in the Netherlands which would in such case prevail. The company accounts, the notes to those accounts and the further statutory information given for each of NV and PLC comply with legislation in the Netherlands and the United Kingdom respectively. As explained under [Group companies](#) below, in order to give a true and fair view, the presentation of the consolidated capital and reserves differs from that specified by the United Kingdom Companies Act 1985.

### Accounting standards

The accounts are prepared under the historical cost convention and comply in all material respects with legislation in the Netherlands and with United Kingdom Accounting Standards.

The accounting policies of the Unilever Group are set out on pages 73 to 75. Our accounting policy for the treatment of exceptional items is given on page 86. Material variations from United States generally accepted accounting principles are set out on pages 131 to 136. In order to maintain the most appropriate accounting policies, Unilever has made the changes described below.

In line with recommendations of various standard setting bodies, from 1 January 2003 Unilever changed its accounting policy for share options. The impact of adoption of this change has been reflected by means of adjustments to the profit and loss accounts for the prior years. Existing share option programmes have been hedged 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. In determining this charge we are applying an option pricing model (usually an adjusted Black-Scholes or multinomial model) of which the resulting cost is spread over the vesting period of the option. For further information see note 29 on page 116.

Unilever has adopted United Kingdom Financial Reporting Standard 17 [Retirement Benefits](#) (FRS 17) as the basis of accounting for retirement benefits from 1 January 2003. Figures for prior years have been restated onto the same basis. The effect of the implementation of this standard is discussed in note 17 on page 99.

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In addition, we have made a change to the presentation of securities held as collateral in respect of derivative financial instruments. The effect of this change in accounting policy is discussed in note 14 on page 94. Figures for prior years have been restated. This change has had no effect on reported earnings.

Recent changes in reporting requirements under US GAAP are discussed on page 136.

### OECD Guidelines

In preparing its Annual Review and Annual Report & Accounts and Form 20-F, Unilever adheres to disclosure recommendations of the OECD Guidelines for Multinational Enterprises.

### Group companies

Group companies are those companies in whose share capital NV or PLC holds an interest directly or indirectly, and whose consolidation is required for the accounts to give a true and fair view.

In order that the consolidated accounts should present a true and fair view, it is necessary to differ from the presentational requirements of the United Kingdom Companies Act 1985 by including amounts attributable to both NV and PLC shareholders in the capital and reserves shown in the balance sheet. The Companies Act would require presentation of the capital and reserves attributable to NV and PLC shareholders as minority interests in the respective consolidated accounts of PLC and NV. This presentation would not give a true and fair view of the effect of the Equalisation Agreement, under which the position of all shareholders is as nearly as possible the same as if they held shares in a single company.

Net profit and result for the year retained are presented on a combined basis on page 76, with the net profit attributable to NV and PLC shown separately. Movements in profit retained are analysed between those attributable to NV and PLC in note 22 on page 111.

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## Accounting information and policies

### Foreign currencies

Exchange differences arising in the accounts of individual companies are dealt with in their respective profit and loss accounts. Those arising on trading transactions are taken to operating profit; those arising on cash, current investments and borrowings are classified as interest.

In preparing the consolidated accounts, the profit and loss account, the cash flow statement and all other movements in assets and liabilities are translated at annual average rates of exchange. The balance sheet, other than the ordinary share capital of NV and PLC, is translated at year-end rates of exchange. In the case of hyper-inflationary economies, which are those in which inflation exceeds 100% cumulatively over a three-year period, the accounts are adjusted to reflect current price levels and remove the influences of inflation before being translated.

The ordinary share capital of NV and PLC is translated at the rate contained in the Equalisation Agreement of £1 = Fl. 12 (equivalent to €5.445). The difference between this and the value derived by applying the year-end rate of exchange is taken to other reserves (see note 23 on page 111).

The effects of exchange rate changes during the year on net assets at the beginning of the year are recorded as a movement in profit retained, as is the difference between profit of the year retained at average rates of exchange and at year-end rates of exchange.

### Goodwill and intangible assets

No value is attributed to internally generated intangible assets. Goodwill (being the difference between the fair value of consideration paid for new interests in group companies, joint ventures and associated companies and the fair value of the Group's share of their net assets at the date of acquisition) and identifiable intangible assets purchased after 1 January 1998 are capitalised and amortised in the profit and loss account over the period of their expected useful lives, up to a maximum of 20 years. Periods in excess of five years are used only where the Directors are satisfied that the life of these assets will clearly exceed that period. Goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained.

On disposal of a business acquired prior to 1 January 1998, purchased goodwill written off on acquisition is reinstated in arriving at the profit or loss on disposal.

The treatment of goodwill and intangible assets under US GAAP is discussed on pages 132 to 134.

Goodwill and intangible assets are subject to review for impairment in accordance with United Kingdom Financial Reporting Standard (FRS) 11 Impairment of Fixed Assets and Goodwill and United States Statement of Financial Accounting Standards (SFAS) 142 Goodwill and Other Intangible Assets. Any impairment is charged to the profit and loss account as it arises.

### Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation.

Depreciation is provided on a straight-line basis at percentages of cost based on the expected average useful lives of the assets. Estimated useful lives by major class of assets are as follows:

Freehold buildings (no depreciation on freehold land)	40 years
Leasehold land	Life of lease
Leasehold buildings	*40 years
Plant and equipment	2-20 years
Motor vehicles	3-6 years
*or life of lease if less than 40 years	

Tangible fixed assets are subject to review for impairment in accordance with FRS 11 and United States SFAS 144 Accounting for the Impairment or Disposal of Long-Lived Assets (SFAS 144). Any impairment is charged to the profit and loss account as it arises.

### Fixed investments

Joint ventures are undertakings in which the Group has a long-term participating interest and which are jointly controlled by the Group and one or more other parties. Associated companies are undertakings in which the Group has a participating interest and exercises significant influence.

Interests in joint ventures and associated companies are stated in the consolidated balance sheet at the Group's share of their aggregate assets and liabilities.

Other fixed investments are stated at cost less any amounts written off to reflect a permanent impairment. Any impairment is charged to the profit and loss account as it arises.

### Current assets

Stocks are valued at the lower of cost and estimated net realisable value. Cost is mainly average cost, and comprises direct costs and, where appropriate, a proportion of production overheads.

Debtors are stated after deducting adequate provision for doubtful debts.

Current investments are liquid funds temporarily invested and are stated at their realisable value. The difference between this and their original cost is taken to interest in the profit and loss account.

### Retirement benefits

With effect from 1 January 2003, the Group accounts for pensions and similar benefits under the United Kingdom Financial Reporting Standard 17 (FRS 17). Figures for 2002 and 2001 have been restated. In accordance with the new standard, the operating and financing costs of defined benefit plans are recognised separately in the profit and loss account; service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of total recognised gains and losses. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the profit and loss account. The liabilities and, where applicable, the assets of defined benefit plans are recognised at fair value in the balance sheet. The charges to the profit and loss account for defined contribution plans are the company contributions payable and the assets of such plans are not included in the Group balance sheet.

## Accounting information and policies

### Deferred taxation

Full provision is made for deferred taxation on all significant timing differences arising from the recognition of items for taxation purposes in different periods from those in which they are included in the Group accounts. Full provision is made at the rates of tax prevailing at the year end unless future rates have been enacted or substantively enacted. Deferred tax assets and liabilities have not been discounted.

Provision is made for taxation which will become payable if retained profits of group companies and joint ventures are distributed to the parent companies only to the extent that we are committed to such distributions.

## Provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reasonably estimated.

## Derivative financial instruments

The types of derivative financial instruments used by Unilever are described in note 15 on page 97, in the Financial review on page 20 and under Risk management on page 46. Hedge accounting, as described below, is applied.

Changes in the value of forward foreign exchange contracts are recognised in the results in the same period as changes in the values of the assets and liabilities they are intended to hedge. Interest payments and receipts arising from interest rate derivatives such as swaps and forward rate agreements are matched to those arising from underlying debt and investment positions.

Payments made or received in respect of the early termination of derivative financial instruments are spread over the original life of the instrument so long as the underlying exposure continues to exist.

## Research, development and market support costs

Expenditure on research and development and on market support costs such as advertising is charged against the profit of the year in which it is incurred.

## Group turnover and Turnover

Group turnover comprises sales of goods and services after deduction of discounts and sales taxes. It includes sales to joint ventures and associated companies but does not include sales by joint ventures and associated companies or sales between group companies. Turnover includes the Group share of the turnover of joint ventures, net of the Group share of any sales to the joint ventures already included in the Group figures, but does not include our share of the turnover of associates.

Discounts given by Unilever include rebates, price reductions and incentives given to customers in cash or company products. At each balance sheet date the degree of expenditure incurred but not yet invoiced is estimated and accrued.

Revenue is recognised when the risks and rewards of the underlying products and services have been substantially transferred to the customer.

## Exceptional items

Exceptional items are those items within ordinary activities which,

because of their size or nature, are disclosed to give a proper understanding of the underlying result for the period. These include restructuring charges in connection with reorganising businesses (comprising impairment of fixed assets, costs of severance, and other costs directly attributable to the restructuring), and profits and losses on disposal of businesses. United Kingdom FRS 3 would require profits and losses on disposal of most businesses to be excluded from operating profit. However, because the business disposals in the period and the restructuring costs are part of a series of linked initiatives, separate presentation would not give a true and fair view and therefore all exceptional items arising from these initiatives have been included on a single line in operating profit. Costs associated with restructuring, such as training, are recognised as they arise and are not treated as exceptional.

## Transfer pricing

The preferred method for determining transfer prices for our own manufactured goods is to take the market price. Where there is no market price, the companies concerned follow established transfer pricing guidelines, where available, or else engage in arm's length negotiations.

Trademarks owned by the parent companies and used by operating companies are, where appropriate, licensed in return for royalties or a fee.

General services provided by central advisory departments, business groups, divisions and research laboratories are charged to operating companies on the basis of fees.

## Leases

Lease payments, which are principally in respect of operating leases, are charged to the profit and loss account on a straight-line

basis over the lease term, or over the period between rent reviews where these exist.

### **Share-based payments**

From 1 January 2003, Unilever has reflected the economic cost of awarding shares and share options to employees by recording a charge in the profit and loss account equivalent to the fair value of the benefit awarded. The fair value is determined with reference to option pricing models, principally adjusted Black-Scholes models or the multinomial pricing model. The charge is recognised in the profit and loss account over the vesting period of the award. Figures for prior years have been restated on the same basis. Share-based payments are described in more detail in note 29 on page 116.

### **Shares held by employee share trusts**

Unilever's accounting policy for the treatment of its own shares has always followed the requirements of Netherlands law. The recently issued United Kingdom Urgent Issues Task Force Abstracts 37 and 38 (UITF 37 and UITF 38) regarding the treatment of own shares is now consistent with Netherlands law and therefore Unilever has adopted UITF 37 and UITF 38 with no effect on the consolidated financial statements.

The assets and liabilities of certain PLC trusts, NV and group companies which purchase and hold NV and PLC shares to satisfy options granted are included in the Group accounts. The book value of shares held is deducted from other reserves, and trust borrowings are included in the Group's borrowings. The costs of the trusts are included in the results of the Group. These shares are excluded from the calculation of earnings per share.



[Back to Contents](#)**Consolidated profit and loss account**

Unilever Group for the year ended 31 December

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
<b>Turnover 1</b>	<b>42 942</b>	48 760	52 206
Less: Share of turnover of joint ventures 1	<b>(249)</b>	(490)	(692)
<b>Group turnover 1</b>	<b>42 693</b>	48 270	51 514
Cost of sales 2	<b>(21 192)</b>	(24 049)	(27 095)
<b>Gross profit</b>	<b>21 501</b>	24 221	24 419
Distribution, selling and administrative costs 2	<b>(16 018)</b>	(19 214)	(19 473)
<b>Group operating profit 1</b>	<b>5 483</b>	5 007	4 946
After charging:			
Exceptional items	<b>(97)</b>	(707)	(579)
Amortisation of goodwill and intangible assets 1	<b>(1 139)</b>	(1 245)	(1 387)
Add: Share of operating profit of joint ventures 1	<b>46</b>	84	84
<b>Operating profit 1</b>	<b>5 529</b>	5 091	5 030
After charging:			
Exceptional items 4	<b>(100)</b>	(702)	(579)
Amortisation of goodwill and intangible assets 1	<b>(1 143)</b>	(1 261)	(1 423)
Share of operating profit of associates 1	<b>25</b>	34	
Other income from fixed investments 11	<b>(3)</b>	(7)	12
Interest 5	<b>(847)</b>	(1 173)	(1 646)
Other finance income/(cost) pensions and similar obligations 17	<b>(166)</b>	108	42
<b>Profit on ordinary activities before taxation</b>	<b>4 538</b>	4 053	3 438
Taxation on profit on ordinary activities 6	<b>(1 527)</b>	(1 605)	(1 519)
<b>Profit on ordinary activities after taxation</b>	<b>3 011</b>	2 448	1 919
Minority interests	<b>(249)</b>	(312)	(239)
<b>Net profit</b>	<b>2 762</b>	2 136	1 680
Attributable to: <b>NV 22</b>	<b>1 976</b>	1 679	764
<b>PLC 22</b>	<b>786</b>	457	916
Dividends	<b>(1 709)</b>	(1 701)	(1 581)
Preference dividends	<b>(27)</b>	(42)	(51)
Dividends on ordinary capital 8	<b>(1 682)</b>	(1 659)	(1 530)
<b>Result for the year retained</b>	<b>1 053</b>	435	99
<b>Combined earnings per share 7</b>			
Basic earnings per share:			

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Euros per €0.51 of ordinary capital	<b>2.82</b>	2.14	1.66
Euro cents per 1.4p of ordinary capital	<b>42.33</b>	32.16	24.86
On a diluted basis the figures would be:			
Euros per €0.51 of ordinary capital	<b>2.74</b>	2.08	1.61
Euro cents per 1.4p of ordinary capital	<b>41.09</b>	31.20	24.19

All amounts are related to continuing operations as defined by United Kingdom Financial Reporting Standard 3.

References in the consolidated profit and loss account, consolidated statement of total recognised gains and losses, consolidated cash flow statement and consolidated balance sheet relate to notes on pages 79 to 125, which form an integral part of the consolidated financial statements.

Accounting policies of the Unilever Group are set out on pages 73 to 75.

Variations from United States generally accepted accounting principles and Regulation S-X are outlined on pages 131 to 141.

In accordance with Article 402 of Book 2 of the Civil Code in the Netherlands, the profit and loss account of the entity NV on page 146 shows only the income from fixed investments after taxation and other income and expenses as separate items.

Amounts for 2002 and 2001 reported in the financial statements have been restated following changes in our accounting policies for pensions and other post-employment benefits and for share-based payments. See note 17 on page 99 and note 29 on page 116.

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## Consolidated statement of total recognised gains and losses

Unilever Group for the year ended 31 December

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Net profit	2 762	2 136	1 680
Unrealised gain on partial disposal of a group company		56	
Pensions and similar obligations: 17			
Net actuarial gain/(loss) recognised	148	(4 152)	(2 195)
Deferred taxation thereon	(176)	1 341	709
Currency retranslation	159	(1 567)	(1 274)
<b>Total recognised gains/(losses) for the year</b>	<b>2 893</b>	<b>(2 186)</b>	<b>(1 080)</b>
Prior year restatement 20	(1 165)		
<b>Total recognised gains since last annual accounts</b>	<b>1 728</b>		

## Consolidated cash flow statement

Unilever Group for the year ended 31 December

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
<b>Cash flow from group operating activities 26</b>	<b>6 780</b>	7 883	7 497
Dividends from joint ventures	52	83	82
Returns on investments and servicing of finance 27	(1 180)	(1 386)	(1 887)
Taxation	(1 423)	(1 817)	(2 205)
Capital expenditure and financial investment 27	(1 024)	(1 706)	(1 358)
Acquisitions and disposals 27	622	1 755	3 477
Dividends paid on ordinary share capital	(1 715)	(1 580)	(1 420)
<b>Cash flow before management of liquid resources and financing</b>	<b>2 112</b>	3 232	4 186
Management of liquid resources 27	(41)	(592)	1 106
Financing 27	(2 917)	(3 078)	(5 172)
<b>Increase/(decrease) in cash in the period</b>	<b>(846)</b>	(438)	120

### Reconciliation of cash flow to movement in net funds/(debt)

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
<b>Net funds/(debt) at 1 January 28</b>	<b>(16 966)</b>	(23 199)	(26 468)
<b>Increase/(decrease) in cash in the period</b>	<b>(846)</b>	(438)	120
Cash flow from (increase)/decrease in borrowings	2 909	3 087	5 169

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Cash flow from increase/(decrease) in liquid resources	41	592	(1 106)
Change in net funds resulting from cash flows	<b>2 104</b>	3 241	4 183
Borrowings within group companies acquired	<b>(25)</b>	(77)	(1)
Borrowings within group companies sold	<b>5</b>	20	3
Liquid resources within group companies sold	<b>(3)</b>	(1)	
Non-cash movements	<b>690</b>	1 467	(408)
Currency retranslation	<b>1 640</b>	1 583	(508)
<b>(Increase)/decrease in net debt in the period</b>	<b>4 411</b>	6 233	3 269
<b>Net funds/(debt) at 31 December 28</b>	<b>(12 555)</b>	(16 966)	(23 199)

Amounts for 2002 and 2001 reported in the financial statements have been restated following changes in our accounting policies for pensions and other post-employment benefits, for share-based payments and for the presentation of securities held as collateral. See note 17 on page 99, note 29 on page 116 and note 14 on page 94.

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## Consolidated balance sheet

Unilever Group as at 31 December

	€ million 2003	€ million 2002
		Restated
<b>Fixed assets</b>		
Goodwill and intangible assets 9	17 713	20 274
Tangible fixed assets 10	6 655	7 436
Fixed investments 11	199	679
<b>Total fixed assets</b>	<b>24 567</b>	<b>28 389</b>
<b>Current assets</b>		
Stocks 12	4 175	4 500
Debtors 13	5 881	6 571
Debtors due within one year 13	5 082	5 875
Debtors due after more than one year 13	799	696
Current investments 14	1 491	1 226
Cash at bank and in hand 14	1 854	1 678
<b>Total current assets</b>	<b>13 401</b>	<b>13 975</b>
<b>Creditors due within one year</b>	<b>(17 074)</b>	<b>(19 955)</b>
Borrowings 14	(7 434)	(8 937)
Trade and other creditors 16	(9 640)	(11 018)
<b>Net current assets/(liabilities)</b>	<b>(3 673)</b>	<b>(5 980)</b>
<b>Total assets less current liabilities</b>	<b>20 894</b>	<b>22 409</b>
<b>Creditors due after more than one year</b>	<b>9 130</b>	<b>11 574</b>
Borrowings 14	8 466	10 933
Trade and other creditors 16	664	641
<b>Provisions for liabilities and charges (excluding pensions and similar obligations)</b>	<b>1 645</b>	<b>1 578</b>
Deferred taxation 18	747	375
Restructuring and other provisions 19	871	1 188
Interest in associates 11	27	15
<b>Net liabilities for pensions and similar obligations 17</b>	<b>3 759</b>	<b>3 936</b>
Net pension asset for funded schemes in surplus 17	(490)	(381)
Net pension liability for funded schemes in deficit 17	1 629	1 767
Net pension liability for unfunded schemes 17	2 620	2 550
<b>Minority interests</b>	<b>440</b>	<b>619</b>
<b>Capital and reserves 20</b>	<b>5 920</b>	<b>4 702</b>
Attributable to: <b>NV:</b> Called up share capital 21	<b>420</b>	<b>420</b>

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Share premium account	1 397	1 397
Other reserves 23	(1 783)	(1 534)
Profit retained 22	6 835	5 655
	<b>6 869</b>	5 938
<b>PLC:</b> Called up share capital 21	222	222
Share premium account	133	144
Other reserves 23	(659)	(610)
Profit retained 22	(645)	(992)
	<b>(949)</b>	(1 236)
<b>Total capital employed</b>	<b>20 894</b>	22 409

Capital and reserves include €1 502 million relating to preference shares in NV which under United Kingdom Financial Reporting Standard 4 are classified as non-equity. Minority interests in group companies are substantially all equity interests.

Commitments and contingent liabilities are shown in note 24 on page 112.

Amounts for 2002 and 2001 reported in the financial statements have been restated following changes in our accounting policies for pensions and other post-employment benefits, for share-based payments and for the presentation of securities held as collateral. See note 17 on page 99, note 29 on page 116 and note 14 on page 94.

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## Notes to the consolidated accounts

### Unilever Group

#### 1 Segmental information

	€ million	€ million	€ million	€ million	€ million	€ million
<b>Analysis by geographical area</b>	Europe	North America	Africa, Middle East & Turkey	Asia & Pacific	Latin America	Total
<b>2003</b>						
<b>Turnover<sup>(a)</sup></b>	<b>18 297</b>	<b>9 869</b>	<b>3 302</b>	<b>7 094</b>	<b>4 380</b>	<b>42 942</b>
Less: Share of turnover of joint ventures	(89)	(95)	(26)	(31)	(8)	(249)
<b>Group turnover<sup>(a)</sup></b>	<b>18 208</b>	<b>9 774</b>	<b>3 276</b>	<b>7 063</b>	<b>4 372</b>	<b>42 693</b>
<b>Group operating profit</b>	<b>2 563</b>	<b>1 071</b>	<b>419</b>	<b>1 072</b>	<b>358</b>	<b>5 483</b>
After charging:						
Exceptional items	52	(139)	6	88	(104)	(97)
Amortisation of goodwill and intangible assets	(505)	(419)	(22)	(37)	(156)	(1 139)
Add: Share of operating profit of joint ventures	13	30	3			46
<b>Operating profit<sup>(b)(c)</sup></b>	<b>2 576</b>	<b>1 101</b>	<b>422</b>	<b>1 072</b>	<b>358</b>	<b>5 529</b>
After charging:						
Exceptional items	49	(139)	6	88	(104)	(100)
Amortisation of goodwill and intangible assets	(505)	(420)	(22)	(40)	(156)	(1 143)
Share of operating profit of associates <sup>(d)</sup>	11	8		4	2	25
<b>2002 (restated)</b>						
<b>Turnover<sup>(a)</sup></b>	<b>19 657</b>	<b>12 568</b>	<b>3 225</b>	<b>7 865</b>	<b>5 445</b>	<b>48 760</b>
Less: Share of turnover of joint ventures	(84)	(122)	(86)	(186)	(12)	(490)
<b>Group turnover<sup>(a)</sup></b>	<b>19 573</b>	<b>12 446</b>	<b>3 139</b>	<b>7 679</b>	<b>5 433</b>	<b>48 270</b>
<b>Group operating profit</b>	<b>1 598</b>	<b>1 541</b>	<b>282</b>	<b>1 081</b>	<b>505</b>	<b>5 007</b>
After charging:						
Exceptional items	(621)	(3)	(39)	14	(58)	(707)
Amortisation of goodwill and intangible assets	(511)	(494)	(16)	(17)	(207)	(1 245)
Add: Share of operating profit of joint ventures	22	32	9	21		84
<b>Operating profit<sup>(b)(c)</sup></b>	<b>1 620</b>	<b>1 573</b>	<b>291</b>	<b>1 102</b>	<b>505</b>	<b>5 091</b>
After charging:						
Exceptional items	(615)	(3)	(39)	13	(58)	(702)
Amortisation of goodwill and intangible assets	(511)	(494)	(19)	(30)	(207)	(1 261)
Share of operating profit of associates <sup>(d)</sup>	12	14	1	5	2	34
<b>2001 (restated)</b>						
<b>Turnover<sup>(a)</sup></b>	<b>20 220</b>	<b>13 880</b>	<b>3 455</b>	<b>8 046</b>	<b>6 605</b>	<b>52 206</b>

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Less: Share of turnover of joint ventures	(101)	(113)	(264)	(200)	(14)	(692)
<b>Group turnover<sup>(a)</sup></b>	<b>20 119</b>	<b>13 767</b>	<b>3 191</b>	<b>7 846</b>	<b>6 591</b>	<b>51 514</b>
<b>Group operating profit</b>	<b>2 412</b>	<b>1 127</b>	<b>196</b>	<b>873</b>	<b>338</b>	<b>4 946</b>
After charging:						
Exceptional items	254	(276)	(139)	(157)	(261)	(579)
Amortisation of goodwill and intangible assets	(511)	(564)	(4)	(26)	(282)	(1 387)
Add: Share of operating profit of joint ventures	21	32	12	18	1	84
<b>Operating profit<sup>(b)(c)</sup></b>	<b>2 433</b>	<b>1 159</b>	<b>208</b>	<b>891</b>	<b>339</b>	<b>5 030</b>
After charging:						
Exceptional items	254	(276)	(139)	(157)	(261)	(579)
Amortisation of goodwill and intangible assets	(511)	(564)	(26)	(40)	(282)	(1 423)
<b>Net operating assets</b>						
<b>2003</b>	<b>11 306</b>	<b>7 750</b>	<b>1 236</b>	<b>1 346</b>	<b>3 283</b>	<b>24 921</b>
<b>2002 (restated)</b>	<b>12 301</b>	<b>9 681</b>	<b>1 213</b>	<b>1 232</b>	<b>3 760</b>	<b>28 187</b>

- (a) The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between geographical areas and between product categories as on page 80 are not material.
- (b) In 2003 the Group's share of amortisation of goodwill and intangible assets in joint ventures was €(4) million (2002: €(16) million; 2001: €(36) million), of which €(1) million (2002: € nil; 2001: € nil) arose in North America, € nil (2002: €(3) million; 2001: €(22) million) arose in Africa, Middle East and Turkey and €(3) million (2002: €(13) million; 2001: €(14) million) in Asia and Pacific.
- (c) In 2003 the Group's share of exceptional items in joint ventures was €(3) million (2002: €5 million; 2001: € nil), of which €(3) million (2002: €6 million; 2001: € nil) arose in Europe and € nil (2002: €(1) million; 2001: € nil) arose in Asia and Pacific.
- (d) There were no associates in 2001.



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## Notes to the consolidated accounts

### Unilever Group

#### 1 Segmental information *continued*

Segmental information is provided below on the basis of product categories. These categories are:

**Savoury and dressings** including sales of soups, bouillons, sauces, snacks, mayonnaise, salad dressings and olive oil.

**Spreads and cooking products** including sales of branded margarines and spreads and cooking products such as liquid margarines.

**Health & wellness and beverages** including sales of tea, weight management products, and nutritionally enhanced staples sold in developing markets.

**Ice cream and frozen foods** including sales of ice cream and frozen food.

**Home care** including sales of home care products, such as laundry powders and liquids and a wide range of cleaning products. In May 2002 we sold DiverseyLever, our professional cleaning business, the revenues of which were also included within this segment for the years ending 31 December 2002 and 2001. The profit from our retained stake in this business, which is an associated company, continues to be reported in this segment.

**Personal care** including sales of skin care and hair care products, deodorants and antiperspirants, oral care products, and a number of prestige fragrances.

**Other operations** to support our consumer brands, we own tea plantations and palm oil plantations, the results of which are reported within this segment.

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
<b>Analysis by operation</b>	Savoury and dressings	Spreads and cooking products	Health & wellness and beverages	Ice cream and frozen foods	Home care	Personal care	Other operations	Total
<b>2003</b>								
<b>Turnover</b>	<b>8 609</b>	<b>5 028</b>	<b>3 569</b>	<b>6 994</b>	<b>7 230</b>	<b>11 153</b>	<b>359</b>	<b>42 942</b>
Less: Share of turnover of joint ventures	(58)	(51)	(120)		(5)	(10)	(5)	(249)
<b>Group turnover</b>	<b>8 551</b>	<b>4 977</b>	<b>3 449</b>	<b>6 994</b>	<b>7 225</b>	<b>11 143</b>	<b>354</b>	<b>42 693</b>
<b>Group operating profit</b>	<b>475</b>	<b>782</b>	<b>367</b>	<b>1 024</b>	<b>908</b>	<b>1 858</b>	<b>69</b>	<b>5 483</b>
After charging:								
Exceptional items	(108)	(1)	(11)	32	8	(94)	77	(97)
Amortisation of goodwill and intangible assets	(906)	(73)	(112)	(20)	(14)	(12)	(2)	(1 139)
Add: Share of operating profit of joint ventures	3	7	36					46
<b>Operating profit<sup>(e)(f)</sup></b>	<b>478</b>	<b>789</b>	<b>403</b>	<b>1 024</b>	<b>908</b>	<b>1 858</b>	<b>69</b>	<b>5 529</b>
After charging:								
Exceptional items	(110)	(2)	(11)	32	8	(94)	77	(100)
Amortisation of goodwill and intangible assets	(908)	(74)	(113)	(20)	(14)	(12)	(2)	(1 143)
Share of operating profit of associates <sup>(d)</sup>					25			25

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2002 (restated)

<b>Turnover</b>	9 503	6 216	4 215	7 456	8 579	12 245	546	48 760
Less: Share of turnover of joint ventures	(231)	(71)	(151)		(14)	(9)	(14)	(490)
<b>Group turnover</b>	9 272	6 145	4 064	7 456	8 565	12 236	532	48 270
<b>Group operating profit</b>	399	768	347	569	837	2 045	42	5 007
After charging:								
Exceptional items	9	(167)	(99)	(237)	(64)	(149)		(707)
Amortisation of goodwill and intangible assets	(1 051)	(17)	(119)	(27)	(17)	(13)	(1)	(1 245)
Add: Share of operating profit of joint ventures	28	19	36		(1)	3	(1)	84
<b>Operating profit<sup>(e)(f)</sup></b>	427	787	383	569	836	2 048	41	5 091
After charging:								
Exceptional items	8	(161)	(99)	(237)	(64)	(149)		(702)
Amortisation of goodwill and intangible assets	(1 064)	(19)	(120)	(27)	(17)	(13)	(1)	(1 261)
Share of operating profit of associates <sup>(d)</sup>					34			34

(d) Please refer to footnote on page 79.

(e) In 2003, the Group's share of amortisation of goodwill and intangible assets in joint ventures was €(4) million (2002: €(16) million; 2001: €(36) million), of which €(2) million (2002: €(13) million; 2001: €(36) million) arose in savoury and dressings, €(1) million (2002: €(2) million; 2001: € nil) arose in spreads and cooking products and €(1) million (2002: €(1) million; 2001: € nil) arose in the health & wellness and beverages segment.

(f) In 2003, the Group's share of exceptional items in joint ventures was €(3) million (2002: €5 million; 2001: € nil), of which €(2) million (2002: €(1) million; 2001: € nil) arose in savoury and dressings and €(1) million (2002: €6 million; 2001: € nil) arose in the spreads and cooking products segment.

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## Notes to the consolidated accounts

### Unilever Group

#### 1 Segmental information *continued*

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
<b>Analysis by operation</b>	Savoury and dressings	Spreads and cooking products	Health & wellness and beverages	Ice cream and frozen foods	Home care	Personal care	Other operations	Total
<b>2001</b> (restated)								
<b>Turnover</b>	9 999	6 771	4 299	7 727	10 467	12 310	633	52 206
Less: Share of turnover of joint ventures	(402)	(90)	(149)		(35)	(3)	(13)	(692)
<b>Group turnover</b>	9 597	6 681	4 150	7 727	10 432	12 307	620	51 514
<b>Group operating profit</b>	744	751	255	386	626	2 135	49	4 946
After charging:								
Exceptional items	349	(259)	(127)	(321)	(200)	(46)	25	(579)
Amortisation of goodwill and intangible assets	(1 182)	(9)	(136)	(29)	(18)	(11)	(2)	(1 387)
Add: Share of operating profit of joint ventures	21	20	41		1	2	(1)	84
<b>Operating profit<sup>(e)(f)</sup></b>	765	771	296	386	627	2 137	48	5 030
After charging:								
Exceptional items	349	(259)	(127)	(321)	(200)	(46)	25	(579)
Amortisation of goodwill and intangible assets	(1 218)	(9)	(136)	(29)	(18)	(11)	(2)	(1 423)
<b>Net operating assets</b>								
<b>2003</b>	15 624	1 949	2 550	2 346	951	1 229	272	24 921
<b>2002</b> (restated)	17 787	1 823	3 231	2 315	1 308	1 317	406	28 187

(e) Please refer to footnote on page 80.

(f) Please refer to footnote on page 80.

#### Additional segmental information as required by US GAAP

Segmental information is provided on the following pages in accordance with SFAS 131 on the basis of the product categories described on page 80.

Unilever has reviewed the extent of its business with major customers. As a result, Unilever has concluded that it has no major customers that would require separate disclosure during the reporting periods covered by this filing.

For management reporting purposes, Unilever uses a number of measures of segment performance at constant average rates of exchange (that is, the same rates as in the preceding year). The internal management measure of profit which is most consistent with operating profit reported in the accounts is Trading Result. This differs from operating profit, mainly because Trading Result includes a number of other adjustments, including the application of an inflation charge on working capital which is added back to

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arrive at operating profit, and certain other statistical items. Prior to 1 January 2003 these statistical items included the use of replacement cost depreciation of tangible fixed assets. In presenting results from 1 January 2003 this adjustment has been eliminated as financial depreciation is also used for internal management reporting purposes. Prior years have been restated onto a comparable basis. The change in internal management reporting has reduced depreciation in 2002 by €220 million and by €248 million in 2001.

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## Notes to the consolidated accounts

### Unilever Group

#### 1 Segmental information continued

##### Additional segmental information as required by US GAAP continued

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Savoury	Spreads and	Health &	Ice cream	Home	Personal	Other	
	and	cooking	wellness and	and	Home	Personal	Other	
	dressings	products	beverages	frozen foods	care	care	operations	Total
<b>Analysis by operation</b>								
<b>2003</b>								
<b>Turnover</b>								
At constant 2002 exchange rates	9 482	5 419	4 052	7 517	8 034	12 784	412	47 700
Exchange rate adjustments	(873)	(391)	(483)	(523)	(804)	(1 631)	(53)	(4 758)
At current 2003 exchange rates	8 609	5 028	3 569	6 994	7 230	11 153	359	42 942
<b>Trading result</b>								
At constant 2002 exchange rates:								
Before exceptional items	1 644	914	605	1 073	1 000	2 289	(4)	7 521
Exceptional items	(144)	(4)	(10)	32	(27)	(110)	99	(164)
Exchange rate adjustments	(131)	(49)	(78)	(70)	(77)	(291)	(18)	(714)
At current 2003 exchange rates	1 369	861	517	1 035	896	1 888	77	6 643
Amortisation of goodwill and intangible assets								(1 143)
Other adjustments								29
<b>Operating profit</b>								<b>5 529</b>
<b>2002 (restated)</b>								
<b>Turnover</b>								
At constant 2001 exchange rates	10 138	6 474	4 467	7 646	9 436	13 273	586	52 020
Exchange rate adjustments	(635)	(258)	(252)	(190)	(857)	(1 028)	(40)	(3 260)
At current 2002 exchange rates	9 503	6 216	4 215	7 456	8 579	12 245	546	48 760
<b>Trading result<sup>(g)</sup></b>								
At constant 2001 exchange rates:								
Before exceptional items	1 588	1 022	641	945	989	2 344	19	7 548
Exceptional items	(127)	(160)	(100)	(226)	(74)	(166)	14	(839)

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Exchange rate adjustments	1 461 (80)	862 (13)	541 (31)	719 (13)	915 (61)	2 178 (180)	33 (3)	6 709 (381)
At current 2002 exchange rates	1 381	849	510	706	854	1 998	30	6 328
Amortisation of goodwill and intangible assets								(1 261)
Other adjustments								24
<b>Operating profit</b>								<b>5 091</b>
<b>2001 (restated)</b>								
<b>Turnover</b>								
At constant 2000 exchange rates	10 154	6 917	4 367	7 748	10 884	12 685	645	53 400
Exchange rate adjustments	(155)	(146)	(68)	(21)	(417)	(375)	(12)	(1 194)
At current 2001 exchange rates	9 999	6 771	4 299	7 727	10 467	12 310	633	52 206
<b>Trading result<sup>(g)</sup></b>								
At constant 2000 exchange rates:								
Before exceptional items	1 675	1 037	563	808	880	2 313	28	7 304
Exceptional items	350	(264)	(127)	(328)	(202)	(28)	36	(563)
Exchange rate adjustments	2 025 (5)	773 (2)	436 (1)	480 5	678 (30)	2 285 (74)	64 (2)	6 741 (109)
At current 2001 exchange rates	2 020	771	435	485	648	2 211	62	6 632
Amortisation of goodwill and intangible assets								(1 423)
Other adjustments								(179)
<b>Operating profit</b>								<b>5 030</b>

(g) Amounts for 2002 and 2001 have been restated following a change in the method of calculating depreciation for internal management reporting purposes. See page 81 for further details.

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## Notes to the consolidated accounts

### Unilever Group

#### 1 Segmental information continued

##### Additional segmental information as required by US GAAP continued

	€ million	€ million	€ million	€ million	€ million	€ million	€ million	€ million
	Savoury	Spreads and cooking products	Health & wellness and beverages	Ice cream and frozen foods	Home care	Personal care	Other operations	Total
<b>Analysis by operation</b>								
<b>Depreciation and amortisation</b>								
<b>2003</b>								
At constant 2002 exchange rates	1 243	194	206	267	149	203	24	2 286
Exchange rate adjustments	(124)	(22)	(33)	(20)	(17)	(25)	(7)	(248)
At current 2003 exchange rates	1 119	172	173	247	132	178	17	2 038
<b>2002<sup>(g)(h)</sup></b>								
At constant 2001 exchange rates	1 370	187	227	298	442	242	19	2 785
Exchange rate adjustments	(105)	(9)	(18)	(11)	(40)	(20)		(203)
At current 2002 exchange rates	1 265	178	209	287	402	222	19	2 582
<b>2001<sup>(g)(h)</sup></b>								
At constant 2000 exchange rates	1 465	248	211	349	348	246	33	2 900
Exchange rate adjustments	(30)	(24)	(5)	21	(11)	(5)	(1)	(55)
At current 2001 exchange rates	1 435	224	206	370	337	241	32	2 845
<b>Capital expenditure</b>								
<b>2003</b>								
At constant 2002 exchange rates	213	123	91	234	184	282	23	1 150
Exchange rate adjustments	(23)	(9)	(13)	(14)	(19)	(31)	(3)	(112)
At current 2003 exchange rates	190	114	78	220	165	251	20	1 038
<b>2002</b>								
At constant 2001 exchange rates	216	171	178	280	231	274	30	1 380
Exchange rate adjustments	(14)	(5)	(11)	(10)	(16)	(23)	(3)	(82)
At current 2002 exchange rates	202	166	167	270	215	251	27	1 298
<b>2001</b>								
At constant 2000 exchange rates	245	157	108	313	374	327	28	1 552
Exchange rate adjustments	29	(13)	(8)	(21)	(14)	(9)	(3)	(39)
At current 2001 exchange rates	274	144	100	292	360	318	25	1 513

#### Total assets

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<b>2003</b>								
Total assets by operation	18 050	2 806	3 044	3 573	2 904	3 771	431	34 579
Corporate								3 389
								<u>37 968</u>
<b>2002<sup>(g)(h)</sup></b>								
Total assets by operation	19 426	3 589	4 051	3 834	3 580	4 083	597	39 160
Corporate <sup>(i)</sup>								3 204
								<u>42 364</u>

(g) Please refer to footnote on page 82.

(h) Amounts for prior years have been restated to allocate certain central assets to geographic and operational segments.

(i) Amounts for prior years have been restated following a change in the presentation for securities held as collateral in connection with derivative financial instruments. See note 14 on page 94.



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## Notes to the consolidated accounts

### Unilever Group

#### 1 Segmental information continued

##### Additional segmental information as required by US GAAP continued

	€ million United Kingdom & Netherlands	€ million United States	€ million Other	€ million Total
<b>Additional geographic analysis<sup>(j)(k)</sup></b>				
<b>Turnover</b>				
<b>2003</b>				
At constant 2002 exchange rates	5 229	10 733	31 738	47 700
Exchange rate adjustments	(361)	(1 772)	(2 625)	(4 758)
At current 2003 exchange rates	4 868	8 961	29 113	42 942
<b>2002</b>				
At constant 2001 exchange rates	5 444	12 120	34 456	52 020
Exchange rate adjustments	(38)	(578)	(2 644)	(3 260)
At current 2002 exchange rates	5 406	11 542	31 812	48 760
<b>2001</b>				
At constant 2000 exchange rates	5 794	12 388	35 218	53 400
Exchange rate adjustments	(89)	351	(1 456)	(1 194)
At current 2001 exchange rates	5 705	12 739	33 762	52 206
<b>Tangible fixed assets</b>				
<b>2003</b>	<b>1 145</b>	<b>1 260</b>	<b>4 250</b>	<b>6 655</b>
<b>2002<sup>(h)</sup></b>	<b>1 333</b>	<b>1 564</b>	<b>4 539</b>	<b>7 436</b>

(h) Please refer to footnote on page 83.

(j) The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between geographical areas and between product categories are not material.

(k) For the United Kingdom and the Netherlands, the combined operating profit was €918 million (2002: €750 million; 2001: €1 473 million). The 2002 and 2001 amounts have been restated for the change in accounting policy for pensions and the restatement discussed in footnote (h).

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## Notes to the consolidated accounts

### Unilever Group

#### 2 Operating costs

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Cost of sales	<b>(21 192)</b>	(24 049)	(27 095)
Distribution and selling costs	<b>(10 096)</b>	(12 185)	(12 605)
Administrative expenses <sup>(a)</sup>	<b>(5 922)</b>	(7 029)	(6 868)
<b>Operating costs</b>	<b>(37 210)</b>	(43 263)	(46 568)
Operating costs include:			
Staff costs <a href="#">3</a>	<b>(6 225)</b>	(7 042)	(7 359)
Raw materials and packaging	<b>(15 874)</b>	(18 086)	(19 924)
Amortisation of goodwill and intangible assets <sup>(b)</sup>	<b>(1 139)</b>	(1 245)	(1 387)
Depreciation of tangible fixed assets <sup>(c)</sup>	<b>(899)</b>	(1 337)	(1 458)
Advertising and promotions	<b>(6 069)</b>	(6 839)	(6 648)
Research and development	<b>(1 065)</b>	(1 166)	(1 178)
Remuneration of auditors: <sup>(d)</sup>			
Statutory audit fees	<b>(13)</b>	(15)	(16)
Other audit services	<b>(2)</b>	(2)	(4)
Other payments to PricewaterhouseCoopers for non-audit services:			
Audit-related services	<b>(1)</b>	(10)	(6)
Tax <sup>(e)</sup>	<b>(14)</b>	(6)	(5)
General consulting	<b>(2)</b>	(16)	(60)
Other services	<b>(1)</b>	(1)	(1)
Lease rentals:			
Minimum lease payments	<b>(413)</b>	(503)	(548)
Contingent lease payments	<b>(3)</b>	(15)	(28)
	<b>(416)</b>	(518)	(576)
Less: Sub-lease income	<b>8</b>	8	10
	<b>(408)</b>	(510)	(566)
of which:			
Plant and machinery	<b>(113)</b>	(141)	(147)
Other	<b>(295)</b>	(369)	(419)

(a) Includes amortisation of goodwill and intangible assets.

(b) Includes exceptional amount of €(11) million in 2003, €(22) million in 2002 and €(8) million in 2001.

(c) Includes exceptional amount of €(50) million in 2003, €(256) million in 2002 and €(263) million in 2001.

(d) A description of the services we allow our auditors to perform is given within the Corporate governance section on page 50.

(e) Includes €(10) million in 2003 for fees in respect of a prior year tax settlement.

#### 3 Staff costs and employees

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Remuneration of employees	<b>(4 895)</b>	(5 748)	(5 975)
Emoluments of Directors as managers	<b>(11)</b>	(17)	(18)

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Pensions and other post-employment benefits 17	(430)	(351)	(494)
Social security costs	(681)	(741)	(766)
Share option costs 29	(208)	(185)	(106)
	<hr/>		
Total staff costs	(6 225)	(7 042)	(7 359)
	<hr/>		

Details of the remuneration of Directors and Advisory Directors are given in the auditable part of the Remuneration report as defined on page 68.

The average number of employees during the year was:

	000 2003	000 2002	000 2001
Europe	57	65	75
North America	20	22	30
Africa, Middle East and Turkey	53	52	49
Asia and Pacific	79	84	84
Latin America	31	35	41
	<hr/>		
Total	240	258	279
	<hr/>		

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## Notes to the consolidated accounts

### Unilever Group

#### 4 Exceptional items

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
<b>Included in operating profit</b>			
Restructuring	(470)	(1 163)	(1 506)
Other, principally business disposals	370	461	927
<b>Total</b>	<b>(100)</b>	<b>(702)</b>	<b>(579)</b>

These amounts, which include amounts relating to joint ventures, are mainly included in administrative expenses.

Exceptional items are those items within ordinary activities which, because of their size or nature, are disclosed to give a proper understanding of the underlying result for the period. These include restructuring charges in connection with reorganising businesses (comprising impairment of fixed assets, costs of severance, and other costs directly attributable to the restructuring), and profits and losses on disposal of businesses. United Kingdom FRS 3 would require profits and losses on disposal of most businesses to be excluded from operating profit. However, because the business disposals above and the restructuring costs are part of a series of linked initiatives, separate presentation would not give a true and fair view and therefore we have included all exceptional items arising from these initiatives on a single line in operating profit. Costs associated with restructuring, such as training, are recognised as they arise and are not treated as exceptional.

The exceptional items in 2003, 2002 and 2001 principally relate to a series of linked initiatives (the Path to Growth), announced on 22 February 2000 to align the organisation behind plans for accelerating growth and expanding margins and to restructuring arising from the integration of Bestfoods. The total net cost of these programmes is estimated to be €6.2 billion over five years, most of which is expected to be exceptional restructuring costs. Provisions for these costs and asset write downs are being recognised as necessary consultations are completed and plans finalised.

In 2003, €0.3 billion of net costs have been incurred under Path to Growth programmes, of which a net €0.1 billion is exceptional. To date, which is four years into the five-year programme, the total net cost incurred is €5.4 billion, of which a net €4.5 billion is exceptional.

In 2002, exceptional items included €1.1 billion of Path to Growth net costs. Other exceptional items in 2002 included the release of provisions (€98 million) against environmental exposures when events showed that the provisions were no longer required. These provisions were originally recorded on the acquisition of the Bestfoods business.

In 2001, exceptional items included €1.4 billion of Path to Growth net costs and €811 million gain on the sale of brands to secure regulatory approval for the acquisition of Bestfoods.

Information relating to the cash flows arising from restructuring is given in note 19 on page 108. Information relating to business disposals is given in note 25 on page 112.

#### 5 Interest

	€ million 2003	€ million 2002	€ million 2001
Total interest payable and similar charges	(1 173)	(1 446)	(1 914)
Group interest payable and similar charges:			
Bank loans and overdrafts	(158)	(186)	(451)
Bonds and other loans	(965)	(1 228)	(1 463)
Share of interest payable of joint ventures	(2)	(5)	
Share of interest payable of associates	(48)	(27)	

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Group interest receivable and similar income <sup>(a)</sup>	<b>320</b>	247	210
Exchange differences	<b>6</b>	26	(3)
	<b>(847)</b>	(1 173)	(1 707)
Less: interest capitalised on businesses held for resale			61
Total net interest	<b>(847)</b>	(1 173)	(1 646)

(a) Includes in 2003 one-off credits of €23 million in respect of profit on the sale of the JohnsonDiversey senior discount note and €13 million in respect of the early termination of an interest rate swap.

Other finance income/(cost) in respect of pensions and similar obligations is not included above but is analysed in note 17 on page 99.

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## Notes to the consolidated accounts

### Unilever Group

#### 6 Taxation on profit on ordinary activities

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Parent and group companies <sup>(a)(b)</sup>	(1 529)	(1 582)	(1 494)
Joint ventures	(5)	(19)	(25)
Associates	7	(4)	
<b>Total</b>	<b>(1 527)</b>	<b>(1 605)</b>	<b>(1 519)</b>
Of which:			
Adjustments to previous years			
United Kingdom taxes	46	11	(3)
Other taxes	167	245	61
(a) United Kingdom Corporation Tax at 30.0%	(346)	(161)	(371)
less: double tax relief	191	66	140
United Kingdom taxes	(155)	(95)	(231)
plus: non-United Kingdom taxes	(1 374)	(1 487)	(1 263)
	(1 529)	(1 582)	(1 494)
(b) Of which, tax on exceptional items amounted to	94	180	228
Deferred taxation has been included on a full provision basis for:			
Accelerated depreciation	18	50	87
Other	(238)	175	(179)
	(220)	225	(92)
Of which:			
United Kingdom deferred taxes	23	31	20
Non-United Kingdom deferred taxes	(243)	194	(112)

Europe is Unilever's domestic tax base. The reconciliation between the computed rate of income tax expense which is generally applicable to Unilever's European companies and the actual rate of taxation charged, expressed in percentages of the profit of ordinary activities before taxation, is as follows:

	% 2003	% 2002	% 2001
		Restated	Restated
Computed rate of tax (see below)	32	34	34
Differences due to:			
Other rates applicable to non-European countries	1	3	(1)
Incentive tax credits	(2)	(3)	(3)
Withholding tax on dividends	1	2	3

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Adjustments to previous years	(5)	(6)	(2)
Non-deductible goodwill amortisation	7	9	12
Other		1	1
Actual rate of tax (current and deferred)	<b>34</b>	40	44
Actual rate of deferred tax for:			
Accelerated depreciation		1	3
Other	(5)	4	(5)
Actual rate of current tax	<b>29</b>	45	42

In the above reconciliation, the computed rate of tax is the average of the standard rate of tax applicable in the European countries in which Unilever operates, weighted by the amount of profit on ordinary activities before taxation generated in each of those countries.

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## Notes to the consolidated accounts

## Unilever Group

**6 Taxation on profit on ordinary activities continued**

The total charge in future periods will be affected by any changes to the corporate tax rates in force in the countries in which the Group operates. The current tax charges will also be affected by changes in the excess of tax depreciation over book depreciation and the use of tax credits.

Analyses of European and non-European profit on ordinary activities before taxation, and of the actual taxation charge thereon, are as follows:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
<b>Profit on ordinary activities before taxation</b>			
Europe:			
Parent and group companies	2 586	2 077	2 372
Joint ventures	11	19	21
Associates	11	12	
	<b>2 608</b>	2 108	2 393
Outside Europe:			
Group companies	1 931	1 890	982
Joint ventures	33	60	63
Associates	(34)	(5)	
	<b>1 930</b>	1 945	1 045
Total	<b>4 538</b>	4 053	3 438
<b>Taxation on profit on ordinary activities</b>			
Europe:			
Parent and group companies			
Taxes payable	(644)	(723)	(760)
Deferred taxation	(67)	65	(107)
of which:			
Accelerated depreciation	18	113	62
Other	(85)	(48)	(169)
Joint ventures	(4)	(6)	(6)
Associates	(3)	(5)	
	<b>(718)</b>	(669)	(873)
Outside Europe:			
Group companies			
Taxes payable	(665)	(1 084)	(642)
Deferred taxation	(153)	160	15
of which:			
Accelerated depreciation	(153)	(63)	25
Other	(153)	223	(10)



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Joint ventures	(1)	(13)	(19)
Associates	10	1	
	<hr/>		
	(809)	(936)	(646)
	<hr/>		
Total	(1 527)	(1 605)	(1 519)
	<hr/>		

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## Notes to the consolidated accounts

## Unilever Group

## 7 Combined earnings per share

	Per €0.51 share of NV ordinary capital			Per 1.4p share of PLC ordinary capital		
	€ 2003	€ 2002	€ 2001	€ cents 2003	€ cents 2002	€ cents 2001
		Restated	Restated		Restated	Restated
Basic earnings per share	<b>2.82</b>	2.14	1.66	<b>42.33</b>	32.16	24.86
Diluted earnings per share	<b>2.74</b>	2.08	1.61	<b>41.09</b>	31.20	24.19
Basic earnings per share before exceptional items and amortisation of goodwill and intangible assets	<b>4.02</b>	3.95	3.39	<b>60.31</b>	59.27	50.80

**Basis of calculation:**

The calculations of combined earnings per share are based on the net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary capital of NV and PLC in issue during the year, after deducting shares held to meet Unilever employee share options which are not yet exercised. For the calculation of combined ordinary capital, the exchange rate of £1 = Fl. 12 = €5.445 has been used, in accordance with the Equalisation Agreement.

Earnings per share before exceptional items and amortisation of goodwill and intangible assets is provided in this Annual Report & Accounts because the Directors believe it better explains the ongoing trends in the Group's performance during the duration of the Path to Growth programme. This measure is an important component of the targets on which Directors' annual performance bonuses are based. United Kingdom Financial Reporting Standard 14 requires the company to provide a reconciliation of earnings in the notes to the accounts in these circumstances. This is set out below.

The calculations of diluted earnings per share are based on (a) conversion into PLC ordinary shares of the shares in a group company which are convertible in the year 2038 as described in 'Control of Unilever' on page 152, and (b) the exercise of share options, details of which are set out in note 29 on page 116.

**Calculation of average number of share units:**

	Millions of €0.51 share units			Millions of 1.4p share units		
	2003	2002	2001	2003	2002	2001
Average ordinary capital: NV	<b>571.6</b>	571.6	571.6	<b>3 810.5</b>	3 810.5	3 810.5
PLC	<b>436.7</b>	436.7	436.7	<b>2 911.5</b>	2 911.5	2 911.5
less: shares held by employee share trusts and companies	<b>(39.4)</b>	(31.6)	(25.5)	<b>(262.6)</b>	(210.4)	(169.7)
Combined average number of share units for all bases except diluted earnings per share	<b>968.9</b>	976.7	982.8	<b>6 459.4</b>	6 511.6	6 552.3
add: shares issuable in 2038	<b>23.6</b>	23.6	23.6	<b>157.5</b>	157.5	157.5
add: shares under option	<b>42.2</b>	35.3	23.5	<b>281.4</b>	235.3	156.3
less: shares issuable at fair value	<b>(36.6)</b>	(29.0)	(19.9)	<b>(244.0)</b>	(193.6)	(132.7)
Adjusted combined average number of share units for diluted earnings per share basis	<b>998.1</b>	1 006.6	1 010.0	<b>6 654.3</b>	6 710.8	6 733.4

**Calculation of earnings:**

	<b>€ million 2003</b>	€ million 2002	€ million 2001
		Restated	Restated
Net profit	<b>2 762</b>	2 136	1 680
less: preference dividends	<b>(27)</b>	(42)	(51)
Net profit attributed to ordinary capital for basic and diluted earnings per share calculations	<b>2 735</b>	2 094	1 629
add: exceptional items net of tax	<b>67</b>	550	329
add: amortisation of goodwill and intangible assets net of tax	<b>1 094</b>	1 216	1 371
Net profit attributed to ordinary capital before exceptional items and amortisation	<b>3 896</b>	3 860	3 329

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## Notes to the consolidated accounts

### Unilever Group

#### 8 Dividends on ordinary capital

	€ million 2003	€ million 2002	€ million 2001
Dividends on ordinary capital			
Interim	(574)	(537)	(491)
Final	(1 108)	(1 122)	(1 039)
<b>Total</b>	<b>(1 682)</b>	<b>(1 659)</b>	<b>(1 530)</b>

	Per €0.51 share of NV ordinary capital			Per 1.4p share of PLC ordinary capital		
	€ 2003	€ 2002	€ 2001	pence 2003	pence 2002	pence 2001
Dividends per share						
Interim	0.59	0.55	0.50	6.16	5.21	4.65
Final	1.15	1.15	1.06	11.92	10.83	9.89
<b>Total</b>	<b>1.74</b>	<b>1.70</b>	<b>1.56</b>	<b>18.08</b>	<b>16.04</b>	<b>14.54</b>

#### 9 Goodwill and intangible assets

No value is attributed to internally generated intangible assets. Goodwill and identifiable intangible assets purchased after 1 January 1998 are capitalised and amortised in operating profit over the period of their expected useful lives, up to a maximum of 20 years. Goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained.

Goodwill and intangible assets are subject to review for impairment in accordance with United Kingdom FRS 11 and United States SFAS 142. Any impairment is charged to the profit and loss account as it arises.

Acquisitions include goodwill transferred from joint ventures following the buyout of the interest of our partners Ajinomoto of Japan.

Intangible assets principally consist of trademarks.

	€ million 2003	€ million 2002
At cost less amortisation		
Goodwill	13 457	15 328
Intangible assets	4 256	4 946
<b>Total</b>	<b>17 713</b>	<b>20 274</b>

	€ million Goodwill	€ million Intangible assets	€ million Total
Movements during 2003			

**Cost**

1 January	17 345	5 603	22 948
Acquisitions of group companies	422	187	609
Disposals of group companies	(98)	(54)	(152)
Currency retranslation	(1 586)	(617)	(2 203)

31 December	16 083	5 119	21 202
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**Amortisation**

1 January	(2 017)	(657)	(2 674)
Acquisitions of group companies		(20)	(20)
Disposals of group companies	16	9	25
Charged to profit and loss account <sup>(a)</sup>	(852)	(287)	(1 139)
Currency retranslation	227	92	319

31 December	(2 626)	(863)	(3 489)
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**Net book value 31 December**

	13 457	4 256	17 713
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(a) Includes exceptional write down of €11 million.

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## Notes to the consolidated accounts

### Unilever Group

#### 10 Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided on a straight-line basis at percentages of cost based on the expected average useful lives of the assets. Estimated useful lives by major class of assets are as follows:

Freehold buildings (no depreciation on freehold land)	40 years
Leasehold land	Life of lease
Leasehold buildings	*40 years
Plant and equipment	2 20 years
Motor vehicles	3 6 years

\*or life of lease if less than 40 years

Tangible fixed assets are subject to review for impairment in accordance with United Kingdom FRS 11 and United States SFAS 144. Any impairment in the value of such fixed assets is charged to the profit and loss account as it arises.

	€ million 2003	€ million 2002
At cost less depreciation:		
Land and buildings <sup>(a)</sup>	2 278	2 622
Plant and machinery	4 377	4 814
<b>Total</b>	<b>6 655</b>	<b>7 436</b>
(a) includes:		
freehold land	238	282
leasehold land (mainly long-term leases)	58	63
Commitments for capital expenditure at 31 December	167	244

	€ million Land and buildings	€ million Plant and machinery	€ million Total
Movements during 2003			
<b>Gross</b>			
1 January	3 850	11 448	15 298
Currency retranslation	(321)	(821)	(1 142)
Capital expenditure	143	895	1 038
Disposals	(196)	(849)	(1 045)
Acquisitions of group companies	25	74	99
Disposals of group companies	(120)	(324)	(444)
Other adjustments	5	(5)	
<b>31 December</b>	<b>3 386</b>	<b>10 418</b>	<b>13 804</b>
<b>Depreciation</b>			
1 January	(1 228)	(6 634)	(7 862)
Currency retranslation	103	478	581
Disposals	84	748	832

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Acquisitions of group companies	(6)	(38)	(44)
Disposals of group companies	41	202	243
Charged to profit and loss account <sup>(b)</sup>	(93)	(806)	(899)
Other adjustments	(9)	9	
	<hr/>		
31 December	(1 108)	(6 041)	(7 149)
	<hr/>		
<b>Net book value 31 December</b>	<b>2 278</b>	<b>4 377</b>	<b>6 655</b>
	<hr/>		
Includes payments on account and assets in course of construction	77	524	601
	<hr/>		

(b) Including a charge of €50 million in respect of fixed assets written down to net realisable value in connection with restructuring projects, all of which was exceptional.

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## Notes to the consolidated accounts

### Unilever Group

#### 11 Fixed investments

Joint ventures are undertakings in which the Group has a long-term participating interest and which are jointly controlled by the Group and one or more other parties. Associated companies are undertakings in which the Group has a participating interest and exercises significant influence.

Interests in joint ventures and associated companies are stated in the consolidated balance sheet at the Group's share of their aggregate assets and liabilities.

Other fixed investments are stated at cost less any amounts written off to reflect a permanent impairment. Any impairment is charged to the profit and loss account as it arises.

	€ million 2003	€ million 2002
Share of gross assets of joint ventures	79	370
Share of gross liabilities of joint ventures	(39)	(96)
Interest in net assets of joint ventures	40	274
Interest in net assets of associates	16	1
Total joint ventures and associates	56	275
Other fixed investments	143	404
Total fixed investments	199	679

The following tables show the movements during the year in connection with joint ventures, associates and other fixed investments:

Joint ventures	movements during 2003	€ million Goodwill	€ million Other	€ million Total
1 January		211	63	274
Acquisitions/disposals <sup>(a)</sup>		(187)	(24)	(211)
Additions/reductions			10	10
Amortisation of goodwill		(4)		(4)
Share of profit retained			(6)	(6)
Currency retranslation		(16)	(7)	(23)
31 December		4	36	40

(a) During 2003, the Ajinomoto Joint Ventures in Asia have been reclassified as subsidiaries following the buy-out of the interests of our partners Ajinomoto of Japan.

Associates	movements during 2003	€ million Goodwill	€ million Other	€ million Total
1 January		154	(168)	(14)
Acquisitions/disposals			15	15
Additions/reductions			2	2
Amortisation of goodwill		(7)		(7)



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Share of profit retained		(8)	(8)
Currency retranslation	(25)	26	1
	122	(133)	(11)
Of which: Net liabilities of JohnsonDiversey reclassified to provisions for liabilities and charges (€27 million net)	(122)	149	27
31 December		16	16

Associated companies primarily comprise our investments in JohnsonDiversey Holdings Inc. and Langholm Capital. Other Unilever Ventures investments are included under Other fixed investments below.

Other fixed investments movements during 2003	€ million
1 January	404
Additions/reductions	(236)
Currency retranslation	(25)
31 December	143

Other fixed investments consist mainly of investments in a number of companies and financial institutions in India, Europe and the US.

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## Notes to the consolidated accounts

### Unilever Group

#### 11 Fixed investments continued

	€ million 2003	€ million 2002
Analysis of listed and unlisted investments		
Investments listed on a recognised stock exchange	7	19
Unlisted investments	192	660
Total fixed investments	199	679
Market value of listed investments	10	19

  

	€ million 2003	€ million 2002	€ million 2001
<b>Other income from fixed investments</b>			
Income from other fixed investments	8	8	2
Exceptional impairment	(26)		
Profit/(loss) on disposal	15	(15)	10
	(3)	(7)	12

Unlisted investments included in 2002 the Senior Discount Note issued by JohnsonDiversey as part consideration for the purchase of the DiverseyLever business; this note was sold on 11 September 2003. The profit on disposal of this note was recorded against interest (see note 5 on page 86).

The following related party balances existed with associates at 31 December:

	€ million 2003	€ million 2002
Trading balances receivable	28	38
Financing balances receivable		247

Sales agency fees to JohnsonDiversey were incurred of approximately €77 million in 2003 (2002: €85 million).

#### 12 Stocks

	€ million 2003	€ million 2002
Raw materials and consumables	1 498	1 720
Finished goods and goods for resale	2 677	2 780
Total stocks	4 175	4 500

#### 13 Debtors

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	€ million 2003	€ million 2002
		Restated
Due within one year:		
Trade debtors	<b>3 510</b>	4 112
Prepayments and accrued income	<b>551</b>	573
Other debtors	<b>1 021</b>	1 190
	<b>5 082</b>	5 875
Due after more than one year:		
Deferred taxation 18	<b>637</b>	472
Other debtors	<b>162</b>	224
	<b>799</b>	696
Total debtors	<b>5 881</b>	6 571

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## Notes to the consolidated accounts

### Unilever Group

#### 13 Debtors *continued*

The following information is required by schedule 210.12-09 under Regulation S-X of the United States Securities and Exchange Commission:

	€ million 2003	€ million 2002	€ million 2001
<b>Provision for doubtful debtors</b>			
Movements during the year:			
1 January	294	328	307
Charged to profit and loss account	38	155	96
Charged to other accounts <sup>(a)</sup>	(24)	(24)	13
Reductions	(29)	(165)	(88)
31 December	<b>279</b>	294	328

(a) Includes currency retranslation of opening balances.

#### 14 Net funds/(debt)

	€ million 2003	€ million 2002
		Restated
<b>Current investments</b>		
Listed	91	62
Unlisted	1 400	1 164
	<b>1 491</b>	1 226
<b>Cash at bank and in hand</b>		
On call and in hand	1 304	1 028
Repayment notice required	550	650
	<b>1 854</b>	1 678
<b>Borrowings</b>		
Bank loans and overdrafts	(1 834)	(1 844)
Bonds and other loans	(14 066)	(18 026)
	<b>(15 900)</b>	(19 870)
<b>Total net funds/(debt)</b>	<b>(12 555)</b>	(16 966)

Current investments include government securities and A- or higher rated money and capital market instruments.

An amount of €20 million (2002: €13 million) is included in cash at bank with repayment notice required. This relates to cash collateral deposited as required by a forward purchase contract with a counterparty bank to buy 10 000 000 PLC shares at 559p per share in November 2006. Further details are given in note 15 on page 98.

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	€ million 2003	€ million 2002
		Restated
<b>Borrowings additional details</b>		
The repayments fall due as follows:		
Within one year:		
Bank loans and overdrafts	1 629	1 514
Bonds and other loans	5 805	7 423
	<hr/>	<hr/>
Total due within one year	7 434	8 937
	<hr/>	<hr/>
After one year but within two years	1 881	1 734
After two years but within three years	1 719	2 047
After three years but within four years	1 806	1 807
After four years but within five years	163	1 807
After five years: By instalments	5	
Not by instalments	2 892	3 538
	<hr/>	<hr/>
Total due after more than one year	8 466	10 933
	<hr/>	<hr/>
Total amount repayable by instalments any of which are payable after five years	8	2
	<hr/>	<hr/>
Secured borrowings	177	44
	<hr/>	<hr/>
Of which secured against tangible fixed assets	120	6
	<hr/>	<hr/>

During 2003 Unilever changed its accounting policy for the presentation of securities held as collateral in respect of derivative financial instruments. Until 2002 Unilever presented such collateral under cash on call and in hand and under bonds and other loans respectively. Because, in normal circumstances, Unilever has to return the securities in the same form as the original security received, and Unilever does not retain the benefit of any dividends or interest on those securities, they are not presented as assets and liabilities of the Group. As a result, both cash on call and in hand and bonds and other loans at 31 December 2002 have been reduced by €574 million.

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## Notes to the consolidated accounts

### Unilever Group

#### 14 Net funds/(debt) continued

The tables set out below and on page 96 take into account the various interest rate swaps and forward foreign currency contracts entered into by the Group, details of which are set out in note 15 on pages 97 and 98. Details of specific bonds and other loans are also given below.

	€ million 2003	€ million 2002
		Restated
<b>NV</b>		
Floating rate notes 2003 (€)		1 000
Floating rate notes 2003 (US \$)		477
Floating rate notes 2003 (Japanese Yen)		402
4.750% Bonds 2004 (€)	<b>999</b>	998
7.250% Bonds 2004 (US \$)	<b>198</b>	238
6.500% Bonds 2004 (€)	<b>159</b>	159
7.125% Bonds 2004 (€)	<b>229</b>	228
6.625% Notes 2005 (US \$)	<b>159</b>	191
3.375% Bonds 2005 (Swiss Francs)	<b>320</b>	343
5.125% Bonds 2006 (€)	<b>998</b>	998
5.125% Notes 2006 (US \$)	<b>395</b>	474
4.250% Bonds 2007 (€)	<b>997</b>	996
5.000% Bonds 2007 (US \$)	<b>514</b>	617
Commercial paper (€)	<b>1 733</b>	962
Commercial paper (£)	<b>629</b>	234
Commercial paper (US \$)	<b>950</b>	595
Commercial paper (Swiss Francs)	<b>158</b>	93
Other	<b>164</b>	214
	<b>8 602</b>	9 219
<b>Total NV</b>	<b>8 602</b>	9 219
<b>PLC</b>		
5.375% Notes 2003 (€)		1 250
Commercial paper (€)		59
Commercial paper (£)		98
		<b>1 407</b>
<b>Total PLC</b>		<b>1 407</b>
<b>Other group companies:</b>		
United States:		
6.750% Notes 2003 (US \$)		1 429
6.875% Notes 2003 (US \$)		95
6.875% Notes 2005 (US \$)	<b>1 188</b>	1 427
6.150% Bonds 2006 (US \$)	<b>233</b>	277
7.125% Bonds 2010 (US \$)	<b>1 379</b>	1 657
7.000% Bonds 2017 (US \$)	<b>113</b>	135
7.250% Bonds 2026 (US \$)	<b>225</b>	270
6.625% Bonds 2028 (US \$)	<b>175</b>	209
5.900% Bonds 2032 (US \$)	<b>785</b>	943
5.000% Bonds 2045 (Swiss Francs)	<b>128</b>	138
5.600% Bonds 2097 (US \$)	<b>96</b>	87

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Commercial paper (US \$)	<b>269</b>	351
Other	<b>7</b>	41
India:		
9.000% Debenture loan 2005 (Indian Rupee)	<b>111</b>	
Thailand:		
3.300% Bonds 2007 (Thai Baht)	<b>130</b>	144
South Africa:		
10.200% Bonds 2008 (South African Rand)	<b>120</b>	
Other countries	<b>505</b>	197
	<hr/>	
Total other group companies	<b>5 464</b>	7 400
	<hr/>	
Total bonds and other loans	<b>14 066</b>	18 026
	<hr/>	

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## Notes to the consolidated accounts

### Unilever Group

#### 14 Net funds/(debt) continued

Unilever had the following undrawn committed facilities at 31 December 2003:

- revolving 364-day bilateral credit facilities of in aggregate US \$3 403 million (2002: US \$3 403 million) with a 364-day term out;
- revolving 5-year bilateral credit facilities of in aggregate US \$334 million (2002: US \$334 million);
- revolving 364-day notes commitments of US \$400 million (2002: US \$400 million) with the ability to issue notes with a maturity up to 364 days; and
- 364-day bilateral money market commitments of in aggregate US \$2 080 million (2002: US \$2 080 million), under which the underwriting banks agree, subject to certain conditions, to subscribe for notes with maturities of up to three years.

The facilities which matured in February 2004 have since been renewed until February 2005. In addition, operating companies have a variety of facilities, most of which are uncommitted.

The average interest rate on short-term borrowings in 2003 was 4% (2002: 5%).

The interest rate profiles of the Group's financial assets and liabilities analysed by principal currency are set out in the table below.

#### Interest rate profile and currency analysis of financial assets

	€ million			€ million	€ million
	Fixed rate	Fixed rate	Fixed rate	Floating rate	Total
		Weighted average interest rate	Weighted average fixing period		
<b>Assets 2003</b>					
Euro <sup>(a)</sup>	1 703	5.3%	0.9 years	(2)	1 701
Sterling				50	50
US Dollar				108	108
Indian Rupee				496	496
Other				990	990
<b>Total</b>	<b>1 703</b>			<b>1 642</b>	<b>3 345</b>
<b>Assets 2002<sup>(b)</sup></b>					
Euro <sup>(a)</sup>	512	10.9%	1.4 years	556	1 068
Sterling				123	123
US Dollar	246	10.7%	10.3 years	45	291
Indian Rupee				568	568
Other				1 062	1 062
<b>Total<sup>(c)</sup></b>	<b>758</b>			<b>2 354</b>	<b>3 112</b>

(a) The fixed interest rate of 5.3% in 2003 includes one leg of a cross-currency interest rate swap of an intercompany loan of €478 million (2002: €512 million) with a fixed rate of 12.1% (2002: 10.9%). A corresponding interest charge is included in the US Dollar fixed rate liabilities.

(b) Amounts for 2002 have been restated. See page 94.

(c) Includes, in addition to cash and current investments, certain non-equity assets held within fixed investments.

#### Interest rate profile and currency analysis of financial liabilities



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	€ million			€ million	€ million
	Fixed rate	Fixed rate	Fixed rate	Floating rate	Total
		Weighted average interest rate	Weighted average fixing period		
<b>Liabilities 2003</b>					
Euro	121	4.8%	1.5 years	1 178	1 299
Sterling	79	5.4%	2.9 years	(58)	21
US Dollar	8 240	6.6%	7.0 years	2 475	10 715
Thai Baht	210	3.1%	3.3 years	153	363
Other	552	5.4%	7.7 years	2 950	3 502
<b>Total</b>	<b>9 202</b>			<b>6 698</b>	<b>15 900</b>
<b>Liabilities 2002<sup>(d)</sup></b>					
Euro	32	4.8%	4.7 years	107	139
Sterling	367	6.3%	1.4 years	1 017	1 384
US Dollar	11 363	6.2%	6.7 years	4 142	15 505
Thai Baht	262	3.7%	2.9 years	128	390
Other	247	5.1%	24.0 years	2 205	2 452
<b>Total</b>	<b>12 271</b>			<b>7 599</b>	<b>19 870</b>

(d) Amounts for 2002 have been restated. See page 94.

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## Notes to the consolidated accounts

### Unilever Group

#### 15 Financial instruments

The Group has comprehensive policies in place, approved by the Directors, covering the use of derivative financial instruments. These instruments are used for hedging purposes. Established controls are in place covering all financial instruments. These include policies, guidelines, exposure limits, a system of authorities and independent reporting. Performance is closely monitored with independent reviews undertaken by internal audit. The accounting policies governing these instruments are in line with generally accepted practice in the UK and the Netherlands and follow hedge accounting principles described in the accounting policies on page 75. The use of leveraged instruments is not permitted. Details of the instruments used for interest rate and foreign exchange exposure management, together with information on related exposures, are given below.

Except for the description of Unilever's currency exposures, all debtors and trade and other creditors have been excluded from the analysis below and from the interest rate and currency profiles in note 14 on page 96 either due to the exclusion of short-term items, as permitted by United Kingdom Financial Reporting Standard 13, or because the amounts are not material.

Unilever's interest rate management policy is described on page 46. The Group's financial position is mainly fixed by fixed rate long-term debt issues and straightforward derivative financial instruments, such as interest rate swaps. In general, cash is invested short-term at floating interest rates.

At the end of 2003, interest rates were fixed on approximately 61% of the projected net debt for 2004 and 62% of the projected net debt for 2005 (compared with 80% for 2003 and 47% for 2004 at the end of 2002).

Nominal values of interest rate derivative instruments are shown in the table below. These nominal values do not reflect the actual level of use of financial instruments when compared with the nominal value of the underlying debt. This is because certain financial instruments have consecutive strike and maturity dates on the same underlying debt in different time periods. Whilst the nominal amounts reflect the volume of activity, they are not indicative of the amount of credit risk to which the Group is exposed. For details of our policy for managing credit risk see page 46.

	€ million	€ million
	Nominal amounts at 31	
	Dec	
	2003	2002
Interest rate swaps	<b>10 190</b>	15 804

The following table shows the extent to which the Group had unrecognised gains and losses in respect of interest rate instruments at the beginning and end of the year. It shows the movement in the market value of these instruments during the year ended 31 December 2003.

	€ million	€ million	€ million
	Gains	Losses	Total net gains/ (losses)
Unrecognised gains and losses:			
Balance at 1 January	<b>300</b>	<b>(204)</b>	<b>96</b>
Brought forward balance recognised in current year	<b>129</b>	<b>(147)</b>	<b>(18)</b>
Brought forward balance not recognised in current year	<b>171</b>	<b>(57)</b>	<b>114</b>
Current year items not recognised in current year	<b>18</b>	<b>(4)</b>	<b>14</b>
Balance at 31 December 2003	<b>189</b>	<b>(61)</b>	<b>128</b>

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Expected to be dealt with next year	<b>89</b>	<b>(48)</b>	<b>41</b>
Expected to be dealt with later	<b>100</b>	<b>(13)</b>	<b>87</b>

The following table shows the extent to which the Group had recognised but deferred gains and losses in respect of interest rate instruments at the beginning and end of the year. It also shows the amount which has been included in the profit and loss account for the year and those gains and losses which will be reflected in the profit and loss account in 2004 or in subsequent years.

	<b>€ million</b>	<b>€ million</b>	<b>€ million</b>
	Gains	Losses	Total net gains/ (losses)
<b>Deferred gains and losses:</b>			
Balance at 1 January	<b>5</b>	<b>(48)</b>	<b>(43)</b>
Brought forward balance recognised in current year	<b>5</b>	<b>(25)</b>	<b>(20)</b>
Brought forward balance not recognised in current year		<b>(23)</b>	<b>(23)</b>
Current year items not recognised in current year		<b>3</b>	<b>3</b>
Balance at 31 December 2003		<b>(20)</b>	<b>(20)</b>
To be recognised in the profit and loss account for next year		<b>(8)</b>	<b>(8)</b>
To be recognised in the profit and loss account later		<b>(12)</b>	<b>(12)</b>

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## Notes to the consolidated accounts

### Unilever Group

#### 15 Financial instruments continued

Under the Group's foreign exchange policy, transaction exposures, which usually have a maturity of less than one year, are generally hedged; this is primarily achieved through the use of forward foreign exchange contracts. The market value of these instruments at the end of 2003 represented a recognised unrealised gain of €793 million (2002: gain of €572 million) which was largely offset by recognised unrealised losses on the underlying assets and liabilities.

		€ million	€ million
		Nominal amounts at 31	
		2003	Dec 2002
Foreign exchange contracts	buy	<b>4 909</b>	3 627
	sell	<b>10 350</b>	11 076
Total		<b>15 259</b>	14 703

Our policy for financing the net investments in our subsidiaries is discussed in the Financial Review on page 19. At the end of 2003, some 90% (2002: 75%) of Unilever's total capital and reserves were denominated in the currencies of the two parent companies, euros and sterling.

Our policy for the management of counterparty exposures is set out on page 46.

Master netting agreements are in place for the majority of interest rate derivative instruments. The risk in the event of default by a counterparty is determined by the extent to which market prices have moved since the contracts were made. The Group believes that the risk of incurring such losses is remote.

The following table summarises the fair values and carrying amounts of the various classes of financial instruments as at 31 December:

	€ million Fair value 2003	€ million Fair value 2002	€ million Carrying amount 2003	€ million Carrying amount 2002
		Restated		Restated
Financial assets:				
Other fixed investments	<b>146</b>	404	<b>143</b>	404
Current investments	<b>1 491</b>	1 226	<b>1 491</b>	1 226
Cash	<b>1 854</b>	1 678	<b>1 854</b>	1 678
	<b>3 491</b>	3 308	<b>3 488</b>	3 308
Financial liabilities:				
Bank loans and overdrafts	<b>(1 834)</b>	(1 849)	<b>(1 834)</b>	(1 844)
Bonds and other loans	<b>(14 705)</b>	(19 101)	<b>(14 066)</b>	(18 026)

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	(16 539)	(20 950)	(15 900)	(19 870)
Derivatives:				
Interest rate swaps				
assets	189	300	113	152
liabilities	(61)	(204)	(1)	(6)
Foreign exchange contracts				
assets	984	780	984	780
liabilities	(191)	(208)	(191)	(208)

The fair values of listed fixed investments are based on their market values. The fair values of unlisted fixed investments are not materially different from their carrying amounts. The carrying amount of current investments is based on their market value. Cash, bank loans and overdrafts have fair values which approximate to their carrying amounts because of their short-term nature. The fair values of forward foreign exchange contracts represent the unrealised gain or loss on revaluation of the contracts to year-end exchange rates. The fair values of bonds and other loans, interest rate swaps and forward rate agreements are based on the net present value of the anticipated future cash flows associated with these instruments. Short-term debtors and creditors have fair values which approximate to their carrying values.

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. 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 31 December 2003 €20 million (2002: €13 million) was so deposited. At 31 December 2003 the market value of the forward purchase contract was €(11) million (2002: €(1) million). See note 14 on page 94.

Counterparties have deposited securities with a market value of €832 million (2002: €574 million) as collateral for their obligations in respect of derivative financial instruments. Such collateral is not regarded as an asset of Unilever and is excluded from the balance sheet. See note 14 on page 94.

#### Currency exposures

Unilever's foreign exchange policies are described on page 46. Compliance with the Group's policies means that the net amount of monetary assets and liabilities at 31 December 2003 that are exposed to currency fluctuations is not material.

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## Notes to the consolidated accounts

### Unilever Group

#### 16 Trade and other creditors

	€ million 2003	€ million 2002
		Restated
<b>Due within one year:</b>		
Trade creditors	3 707	4 341
Social security and sundry taxes	346	458
Accruals and deferred income	2 548	2 889
Taxation on profits	728	857
Dividends	1 125	1 138
Others	1 186	1 335
	<b>9 640</b>	<b>11 018</b>
<b>Due after more than one year:</b>		
Accruals and deferred income	207	147
Taxation on profits	330	365
Others	127	129
	<b>664</b>	<b>641</b>
<b>Total trade and other creditors</b>	<b>10 304</b>	<b>11 659</b>

#### 17 Pensions and similar obligations

##### Description of Plans

In most countries the Group operates defined benefit pension plans based on employee pensionable remuneration and length of service. The majority of these plans are externally funded. The Group also provides other post-employment benefits, mainly post-employment medical plans in the United States. These plans are predominantly unfunded. The Group also operates a number of defined contribution plans, the assets of which are held in external funds.

##### Accounting policies

With effect from 1 January 2003, the Group accounts for pensions and similar benefits under the United Kingdom Financial Reporting Standard 17 (FRS 17). Figures for prior years have been restated. In accordance with the new standard, the operating and financing costs of defined benefit plans are recognised separately in the profit and loss account; service costs are systematically spread over the service lives of employees, and financing costs are recognised in the periods in which they arise. Variations from expected costs, arising from the experience of the plans or changes in actuarial assumptions, are recognised immediately in the statement of total recognised gains and losses. The costs of individual events such as past service benefit enhancements, settlements and curtailments are recognised immediately in the profit and loss account. The liabilities and, where applicable, the assets of defined benefit plans are recognised at fair value in the balance sheet. The charges to the profit and loss account for defined contribution plans are the company contributions payable and the assets of such plans are not included in the Group balance sheet.

All defined benefit plans are subject to regular actuarial review using the projected unit method, either by external consultants or by actuaries employed by Unilever. Group policy is that the most important plans representing over 75% of the defined benefit liabilities are formally valued every year and other principal plans accounting for approximately a further 15% of liabilities have their

liabilities updated each year. Group policy for other plans requires a full actuarial valuation at least every three years. Asset values for all plans are updated every year.

Prior to 1 January 2003, the Group accounted for pensions and similar obligations under the UK accounting standard SSAP 24. The objective of that standard was to spread pension costs systematically over the service lives of employees and for the regular costs to be a reasonably stable percentage of pay. In line with the accounting objectives, assumptions were generally set reflecting long-term expectations and with asset values smoothed relative to market values. Under SSAP 24, unlike FRS 17, all components of pension expense were recognised in operating profit. Had the Group continued to account for pensions and similar obligations in 2003 under SSAP 24, the charge to operating profit would have been €561 million (2002: €416 million; 2001: €326 million), there would have been no charge to financing cost and the charge to profit after tax would have been €361 million (2002: €261 million; 2001: €205 million). No gains or losses would have been recognised in the statement of recognised gains and losses.

#### Healthcare

In December 2003 the Medicare Prescription Drug, Improvement and Modernisation Act became law in the US. Under the provisions of this Act, the Group's US healthcare benefit plan will be able to benefit from a subsidy towards the cost of prescription drugs. In order to be eligible to receive this subsidy it is expected that we will need to make minor changes to the rules of the Group's US plan. Until these changes are made, no recognition of the drug subsidy is reflected in the Group accounts. Preliminary estimates indicate that once eligible, the Group's liability will reduce by approximately €55 million and the ongoing service cost would reduce by an immaterial amount.

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## Notes to the consolidated accounts

## Unilever Group

## 17 Pensions and similar obligations continued

## FRS 17 Disclosures

## Assumptions

With the objective of presenting pensions and other post-employment benefit plans assets and liabilities at their fair value on the balance sheet, assumptions for FRS 17 are set by reference to market conditions at the valuation date. The actuarial assumptions used to calculate the benefit obligations vary according to the country in which the plan is situated. The assumptions, weighted by liabilities, used to value the principal defined benefit pension plans (covering approximately 90% of pension liabilities the principal pension plans ) and plans providing other post-employment benefits, and in addition the expected long-term rates of return on assets, weighted by asset value, are:

	31 Dec 2003		31 Dec 2002		31 Dec 2001	
	Principal defined benefit pension plans	Other post-employment benefit plans	Principal defined benefit pension plans	Other post-employment benefit plans	Principal defined benefit pension plans	Other post-employment benefit plans
Discount rate	5.50%	6.10%	5.70%	6.50%	6.00%	7.25%
Inflation assumption	2.40%	n/a	2.30%	n/a	2.25%	n/a
Rate of increase in salaries	3.70%	4.50%	3.60%	4.30%	3.50%	4.50%
Rate of increase for pensions in payment	2.20%	n/a	2.20%	n/a	2.00%	n/a
Rate of increase for pensions in deferment (where provided)	2.60%	n/a	2.60%	n/a	1.50%	n/a
Long-term medical cost inflation <sup>(a)</sup>	n/a	4.90%	n/a	4.90%	n/a	5.00%
Expected long-term rates of return:						
Equities	8.40%		8.20%		9.00%	
Bonds	5.00%		4.90%		5.50%	
Others	6.40%		5.40%		6.00%	

(a) The valuations of other benefit plans generally assume a higher initial level of medical cost inflation, which falls from 9.50% to the long-term rate within the next five years.

Assumptions for the remaining defined benefit plans vary considerably depending on the economic conditions of the country where they are situated.

For the most important pension plans, representing over 75% of all defined benefit plans by liabilities, the assumptions used at 31 December 2003 and 2002 were:

	United Kingdom		Netherlands		United States		Germany	
	2003	2002	2003	2002	2003	2002	2003	2002
Discount rate	5.40%	5.50%	5.20%	5.40%	6.10%	6.50%	5.20%	5.40%
Inflation assumption	2.70%	2.25%	1.80%	2.25%	2.50%	2.50%	1.80%	2.00%
Rate of increase in salaries	4.20%	3.75%	2.50%	3.00%	4.50%	4.50%	2.50%	2.75%
Rate of increase for pensions in payment	2.80%	2.50%	1.80%	2.25%	0.00%	0.00%	1.80%	2.00%
Rate of increase for pensions in deferment (where provided)	2.80%	2.50%	1.80%	2.25%	0.00%	0.00%	0.00%	0.00%
Expected long-term rates of return:								
Equities	8.30%	8.00%	8.30%	8.30%	8.60%	8.30%	8.30%	8.30%



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Bonds	<b>5.30%</b>	4.90%	<b>4.70%</b>	4.70%	<b>4.70%</b>	4.30%	<b>4.70%</b>	4.70%
Others	<b>6.40%</b>	5.80%	<b>6.80%</b>	5.60%	<b>4.70%</b>	4.30%	<b>5.50%</b>	4.90%

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## Notes to the consolidated accounts

### Unilever Group

#### 17 Pensions and similar obligations continued

##### Balance Sheet

The assets, liabilities and surplus/deficit position of the pension and other post-employment benefit plans and the expected rates of return on the plan assets, at the balance sheet date, were:

	€ million	€ million	%	€ million	€ million	%	€ million	€ million	%
	Pension plans	Other post-employment benefit plans	Long-term rates of return expected	Pension plans	Other post-employment benefit plans	Long-term rates of return expected	Pension plans	Other post-employment benefit plans	Long-term rates of return expected
	31 December 2003			31 December 2002			31 December 2001		
Assets of principal plans:									
Equities	8 054		8.4%	7 281		8.2%	10 494		9.0%
Bonds	3 123		5.0%	3 383		4.9%	4 138		5.5%
Other	1 582		6.4%	1 644		5.4%	1 808		6.0%
Assets of other plans	272	3	7.5%	417	2	8.2%	536	3	8.0%
<b>Total plan assets</b>	<b>13 031</b>	<b>3</b>		<b>12 725</b>	<b>2</b>		<b>16 976</b>	<b>3</b>	
Present value of liabilities									
Principal plans	(15 740)			(15 305)			(15 547)		
Other plans	(1 052)	(1 078)		(1 675)	(1 042)		(1 781)	(1 171)	
<b>Total present value of liabilities</b>	<b>(16 792)</b>	<b>(1 078)</b>		<b>(16 980)</b>	<b>(1 042)</b>		<b>(17 328)</b>	<b>(1 171)</b>	
Aggregate net surplus/(deficit) of the plans	(3 761)	(1 075)		(4 255)	(1 040)		(352)	(1 168)	
Irrecoverable surplus	(116)			(87)			(265)		
Related deferred tax asset/(liability)	814	379		1 058	388		(74)	467	
<b>Net pension asset/(liability)</b>	<b>(3 063)</b>	<b>(696)</b>		<b>(3 284)</b>	<b>(652)</b>		<b>(691)</b>	<b>(701)</b>	

Of which in respect of

Funded plans in surplus:

Aggregate surplus	858	677	2 454
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Irrecoverable surplus <sup>(a)</sup>	(116)		(87)		(265)	
Related deferred tax liability	(252)		(209)		(740)	
Net pension asset	490		381		1 449	
Funded plans in deficit:						
Aggregate deficit	(2 294)		(2 575)		(607)	
Related deferred tax asset	665		808		199	
Net pension liability	(1 629)		(1 767)		(408)	
Unfunded plans:						
Aggregate liability	(2 325)	(1 075)	(2 357)	(1 040)	(2 199)	(1 168)
Related deferred tax asset	401	379	459	388	467	467
Net pension liability	(1 924)	(696)	(1 898)	(652)	(1 732)	(701)

(a) The surplus in the plans is only recoverable to the extent that the Group can benefit from either refunds formally agreed or future contribution reductions.

The above amounts have been included in the restated balance sheet.

The definition of Principal plans has been extended during 2003 such that some plans have been moved from Other plans into Principal plans.

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## Notes to the consolidated accounts

### Unilever Group

#### 17 Pensions and similar obligations continued

##### Profit and loss account

The charge to the profit and loss account comprises:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Charged to operating profit:			
Defined benefit pension and other benefit plans:			
Current service cost	(336)	(364)	(384)
Special termination benefits	(73)	(96)	(79)
Past service cost	(5)	9	(16)
Gains on settlements/curtailments	14	119	9
Recognition of previously irrecoverable surplus		7	
Defined contribution plans	(30)	(26)	(24)
<b>Total operating cost</b>	<b>(430)</b>	<b>(351)</b>	<b>(494)</b>
Charged to other finance income/(cost):			
Interest on retirement benefits	(966)	(1 072)	(1 121)
Exceptional financing loss on recoverable surplus			(128)
Refund of previously irrecoverable surplus	7		
Expected return on assets	793	1180	1291
<b>Total other finance income/(cost)</b>	<b>(166)</b>	<b>108</b>	<b>42</b>
<b>Net impact on the profit and loss account (before tax)</b>	<b>(596)</b>	<b>(243)</b>	<b>(452)</b>

##### Cash flow

Group cash flow in respect of pensions and similar benefits comprises company contributions paid to funded plans and benefits paid by the company in respect of unfunded plans. In 2003, the benefits paid in respect of unfunded plans amounted to €295 million (2002: €260 million; 2001: €352 million). Company contributions to funded plans have been at a reduced level for a number of years resulting from the generally strong stock market performance of the 1990s. Following the falls in stock markets in 2000, 2001 and 2002, contribution holidays are ending for many Unilever plans and the aggregate level of contributions is now rising. In 2003, contributions to funded defined benefit plans, including one-off contributions of €32 million, amounted to €170 million (2002: €140 million; 2001: €214 million net refund). The contributions in 2001 were net of a €221 million refund in the Netherlands and a €76 million refund in Finland. In 2003 a refund of €7 million was received in Finland out of previously irrecoverable surplus. Contributions are subject to periodic review and current expectations are that in 2004 contributions will restart or increase in a number of countries. Total contributions to funded plans and benefit payments by the Group in respect of unfunded plans are expected to be about €850 million in 2004. This includes one-off contributions to funded plans in the US, Germany, Switzerland and Austria of approximately €145 million.

##### Statement of total recognised gains and losses

The following amounts have been recognised in the statement of total recognised gains and losses:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated

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Actual return less expected return on pension and other benefit plan assets	<b>967</b>	(3 276)	(2 343)
Experience gains/(losses) arising on pension plan and other benefit plan liabilities	<b>(135)</b>	(95)	197
Changes in assumptions underlying the present value of the pension and other benefit plan liabilities	<b>(644)</b>	(952)	(198)
Actuarial gain/(loss)	<b>188</b>	(4 323)	(2 344)
Change in unrecognised surplus	<b>(40)</b>	171	149
Net actuarial gain/(loss) recognised in statement of total recognised gains and losses (before tax)	<b>148</b>	(4 152)	(2 195)

**Reconciliation of change in surplus/deficit**

Movements in surplus/deficit during the year:

	<b>€ million 2003</b>	€ million 2002	€ million 2001
Surplus/(deficit) at beginning of the year	<b>(5 295)</b>	(1 520)	1126
Movements in year			
Acquisitions	<b>(1)</b>		
Reclassification of employee benefits as pension liabilities	<b>(23)</b>		
Current service cost	<b>(336)</b>	(364)	(384)
Special termination benefits	<b>(73)</b>	(96)	(79)
Past service costs	<b>(5)</b>	9	(16)
Settlements/curtailments	<b>14</b>	119	9
Other finance income	<b>(173)</b>	108	42
Actuarial gain/(loss)	<b>188</b>	(4 323)	(2 344)
Contributions	<b>465</b>	400	138
Currency retranslation	<b>403</b>	372	(12)
Surplus/(deficit) at end of the year	<b>(4 836)</b>	(5 295)	(1 520)

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## Notes to the consolidated accounts

### Unilever Group

#### 17 Pensions and similar obligations continued

##### History of experience gains and losses

	2003	2002	2001
Actual return less expected return on plan assets (€m)	967	(3 276)	(2 343)
As % of plan assets at beginning of year (%)	8	(19)	(12)
Experience gains/(losses) on plan liabilities (€m)	(135)	(95)	197
As % of present value of plan liabilities at beginning of year (%)	(1)	(1)	1
Total actuarial gain/(loss) (€m)	188	(4 323)	(2 344)
As % of present value of plan liabilities at beginning of year (%)	1	(23)	(13)

##### US GAAP disclosures

Under US GAAP, the actuarial assumptions used to calculate the benefit obligations are set by reference to market conditions at the balance sheet date, in a similar manner to that used under FRS 17. The accounting methodology however is not the same as under FRS 17, since under US GAAP all costs are recognised in operating profit and certain cost items are amortised in the profit and loss account rather than recognised immediately.

The disclosures below show the benefit obligations, assets, funded status and balance sheet impact, as well as the periodic expense, cash flows and related economic assumptions associated with the defined benefit pension plans and other post-employment benefit plans as computed in accordance with SFAS 87 and SFAS 106.

##### Measurement dates

All plan assets are valued at fair value at the balance sheet date. Liabilities in respect of the most important pension plans comprising approximately 75% of the pension liabilities are subject to actuarial valuations every year. The valuations use membership data for the current year with the liability projected forward to the balance sheet date. Valuations of all other plans are carried out every three years and in the case of the other principal pension plans, comprising approximately a further 15% of the liabilities, the valuations are updated each year.

##### Benefit obligations

The table below shows changes in benefit obligations during 2003 and 2002.

	€ million	€ million	€ million	€ million
	Pension plans 2003	Pension plans 2002	Other post-employment benefit plans 2003	Other post-employment benefit plans 2002
<b>Change in benefit obligations</b>				
Benefit obligations at 1 January	15 215	12 750	1 012	1 171
Extension of coverage <sup>(a)</sup>	1 690	2 261	77	
Service cost	308	315	23	20
Interest cost	895	864	63	78
Plan member contributions	21	8		
Amendments	3			(4)
Plan mergers		170		
Actuarial (gains)/losses	661	1 215	132	33
Acquisitions/disposals	1	(57)		(22)
Settlements/curtailments	(12)	(321)	(5)	

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Special termination benefits	<b>75</b>		<b>1</b>	
Benefits paid	<b>(1 139)</b>	(1 204)	<b>(78)</b>	(88)
Currency retranslation	<b>(1 000)</b>	(786)	<b>(176)</b>	(176)
	<hr/>		<hr/>	
Benefit obligations at 31 December	<b>16 718</b>	15 215	<b>1 049</b>	1 012

(a) With effect from 1 January 2003 a number of additional pension plans were included in the SFAS 87 disclosures. This increases the overall coverage from 90% to 100% of liabilities. With effect from 1 January 2002 other plans had been included that had raised the coverage to 90% in 2002 from 76% in 2001.

**Assumptions**

The assumptions used to value the benefit obligations in respect of the principal plans are:

	%	%	%	%
	<b>Pension plans 2003</b>	Pension plans 2002	<b>Other post- employment benefit plans 2003</b>	Other post- employment benefit plans 2002
<hr/>				
<b>Weighted average assumptions used to determine benefit obligations for the principal plans at 31 December</b>				
Discount rate	<b>5.50</b>	5.70	<b>6.10</b>	6.50
Salary increases	<b>3.70</b>	3.60	<b>4.50</b>	4.30
Pension increases	<b>2.20</b>	2.20	<b>n/a</b>	n/a

Assumptions for the remaining defined benefits plans vary considerably, depending on the economic conditions of the country where they are situated.

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## Notes to the consolidated accounts

### Unilever Group

#### 17 Pensions and similar obligations continued

##### Post-employment healthcare benefits

Additional assumptions in respect of healthcare benefits are:

	2003	2002
<b>Weighted average healthcare trend rates at 31 December</b>		
Healthcare cost trend rate assumed for next year	<b>9.50%</b>	10.00%
Rate to which the cost trend rate gradually declines	<b>4.90%</b>	4.90%
Year that the rate reaches the rate at which it is assumed to remain	<b>2009</b>	2008

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effect:

	€ million 1% point increase	€ million 1% point decrease
Effect on post-employment benefit obligation	59	(53)

##### Plan assets

The table below shows the changes in plan assets during 2003 and 2002.

	€ million Pension plans 2003	€ million Pension plans 2002	€ million Other post- employment benefit plans 2003	€ million Other post- employment benefit plans 2002
<b>Change in plan assets</b>				
Fair value of plan assets at 1 January	<b>1 2097</b>	13 560	<b>2</b>	3
Extension of coverage <sup>(a)</sup>	<b>485</b>	2 320		
Plan mergers		154		
Actual return on plan assets	<b>1 744</b>	(1 953)		(1)
Acquisitions/(disposals)		(10)		
Settlements	<b>1</b>	(249)		
Employer contributions/surplus refunds	<b>390</b>	36	<b>79</b>	88
Plan member contributions	<b>21</b>	8		
Benefits paid from plan assets	<b>(1 139)</b>	(1 118)	<b>(78)</b>	(88)
Currency retranslations	<b>(749)</b>	(651)		
Fair value of plan assets at 31 December	<b>12 850</b>	12 097	<b>3</b>	2

(a) With effect from 1 January 2003, a number of additional pension plans were included in the SFAS 87 disclosures. This increased the coverage from 90%



to 100%. With effect from 1 January 2002, other plans had been included that had raised the coverage to 90% in 2002, from 76% in 2001.

### Asset allocation

The asset allocation for the Group's principal pension plans at 31 December 2002 and 2003, target allocation for 2004, and expected long-term rates of return by asset category are as follows:

	Target percentage allocation for 2004	Percentage of plan assets at 31 December 2003	Percentage of plan assets at 31 December 2002	Long-term expected return on plan assets at 31 December 2003
Long-term asset category				
Equity securities	63	63	59	8.4%
Debt securities	28	25	28	5.0%
Property	8	9	10	6.8%
Other	1	3	3	5.3%
Total	100	100	100	7.2%

Equity securities include Unilever securities amounting to €44 million (0.3% of total plan assets) and €43 million (0.3% of total plan assets) at 31 December 2003 and 2002 respectively.

### 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 bonds, property and cash. Most assets are managed by a number of external fund managers, with a small proportion managed in house.

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## Notes to the consolidated accounts

### Unilever Group

#### 17 Pensions and similar obligations continued

##### Funded status

The funded status of the plans, reconciled to the amount reported in the statement of financial position is as follows:

	€ million Pension plans 2003	€ million Pension plans 2002	€ million Other post- employment benefit plans 2003	€ million Other post- employment benefit plans 2002
Fair value of plan assets	12 850	12 097	3	2
Benefit obligations	(16 718)	(15 215)	(1 049)	(1 012)
Funded status at 31 December	(3 868)	(3 118)	(1 046)	(1 010)
Unrecognised net transition liability/(asset)	(117)	(178)		
Unrecognised net actuarial loss/(gain)	2 662	3 285	156	(34)
Unrecognised prior service cost	142	178	1	1
Other (SFAS 112 liabilities)	n/a	n/a	(29)	(30)
Net amount recognised at 31 December	(1 181)	167	(918)	(1 073)
Amount recognised in the statement of financial position consists of:				
Prepaid benefit cost	1 147	1 543		
Accrued benefit liability	(2 328)	(1 376)	(918)	(1 069)
Additional minimum liability	(2 233)	(2 454)		
Intangible asset	148	94		
Accumulated other comprehensive income	2 085	2 360		(4)
Net amount recognised at 31 December	(1 181)	167	(918)	(1 073)

The projected benefit obligation, accumulated benefit obligation, and fair value of plan assets, in total and for plans where the accumulated benefit obligation (ABO) is in excess of plan assets is as follows:

	€ million Pension plans 2003	€ million Pension plans 2002	€ million Plans where ABO exceeds plan assets 2003	€ million Plans where ABO exceeds plan assets 2002
As at 31 December				
Projected benefit obligations	16 718	15 215	10 703	11 015
Accumulated benefit obligations	15 531	14 049	9 980	10 188
Fair value of plan assets	12 850	12 097	6 073	7 334

##### Net periodic cost

€ million Pension	€ million Pension	€ million Pension	€ million Other post- employment	€ million Other post- employment	€ million Other post- employment
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	plans 2003	plans 2002	plans 2001	benefit plans 2003	benefit plans 2002	benefit plans 2001
<b>Components of net periodic benefit cost (a)</b>						
Service cost (gross)	329	324	253	23	20	20
Interest cost	895	864	737	63	78	83
Expected returns on plan assets	(791)	(1 189)	(1 007)			
Expected employee contributions	(21)	(9)	(1)			
Amortisation of prior service cost	36	33	24	1		
Amortisation of transition (asset)	(59)	(63)	(63)			
Amortisation of actuarial loss/(gain)	217	(45)	(81)	(1)	(6)	(2)
Total before SFAS 88 events	606	(85)	(138)	86	92	101
Adjustments for SFAS 88 events	83	(118)	43	(1)	(23)	(2)
Net periodic benefit cost	689	(203)	(95)	85	69	99

(a) With effect from 1 January 2003, a number of additional pension plans were included in the SFAS 87 valuation exercise. This increased the coverage from 90% to 100%. With effect from 1 January 2002, other plans had been included that had raised the coverage to 90% in 2002, from 76% in 2001.

In 2002 and previous years the Group did not calculate pension costs and balances under SFAS 87 for a number of small defined benefit plans. The amounts originally recognised for these plans in the group accounts under SSAP 24 would not have been materially different under SFAS 87. The amounts previously provided in the Group balance sheet for these plans were 2002: €1 129 million (2001: €1 685 million). The amounts previously charged in the profit and loss account were 2002: €158 million (2001: €202 million).

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## Notes to the consolidated accounts

### Unilever Group

#### 17 Pensions and similar obligations continued

##### Assumptions

The assumptions in respect of principal plans used to determine the periodic expense in the table above for pensions and other retirement benefits are given in the table below:

	%	%	%	%	%	%
	<b>Pension</b>	Pension	Pension	<b>Other post-</b>	Other post-	Other post-
	<b>plans</b>	plans	plans	<b>employment</b>	employment	employment
	<b>2003</b>	2002	2001	<b>benefit plans</b>	benefit plans	benefit plans
				<b>2003</b>	2002	2001
<b>Weighted average assumptions used to determine net cost for the principal plans for the years ended 31 December</b>						
Discount rate	<b>5.70</b>	6.00	6.25	<b>6.50</b>	7.25	7.50
Expected long-term rate of return on plan assets	<b>6.90</b>	7.75	7.25	<b>n/a</b>	n/a	n/a
Salary increases	<b>3.60</b>	3.75	3.75	<b>4.30</b>	4.50	4.50
Pension increases	<b>2.20</b>	2.50	2.50	<b>n/a</b>	n/a	n/a

##### Expected rate of return on plan assets

The expected rate of return on plan assets was determined, based on actuarial advice, by a process that takes the current long-term rates of return available on government bonds and applies to these rates suitable risk premiums that take account of available historic market returns and current market expectations.

##### Post-employment healthcare benefits

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plans. A one-percentage-point change in assumed healthcare cost trend rates would have the following effects:

	€ million 1% point increase	€ million 1% point decrease
Effect on total of service and interest cost components	6	(5)

##### Expected cash flows

During 2004 Unilever expects to make cash contributions of €500 million to funded defined benefit plans. This includes both mandatory and discretionary payments. In addition, a further €30 million is expected to be contributed to defined contribution plans.

The table below shows the expected benefit payments from defined benefit plans. The benefits paid from funded plans include amounts funded by employee contributions. The benefits paid in respect of unfunded plans are made from the Group's cash resources.

	€ million		€ million	
	Funded	Pension benefits Unfunded	Funded	Other benefits Unfunded
Expected benefit payments 2004	863	223	863	96

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2005	840	236	99
2006	872	244	102
2007	902	255	104
2008	916	265	106
2009 2013	4 950	1 477	560

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## Notes to the consolidated accounts

### Unilever Group

#### 18 Deferred taxation

Following the adoption of the new pension accounting standard (FRS 17) with effect from 1 January 2003, deferred tax balances in respect of pensions are now reported as a separate component of the pensions balances and no longer aggregated with the rest of the deferred tax balances. This treatment has resulted in a decrease of the opening deferred tax liability balance of €129 million and the deferred tax asset balance of €820 million.

	€ million 2003	€ million 2002
		Restated
Deferred taxation on:		
Accelerated depreciation	<b>859</b>	877
Stock reliefs	<b>31</b>	41
Short-term and other timing differences	<b>(780)</b>	(1 015)
	<b>110</b>	(97)
Less: asset balances reclassified as debtors due after more than one year 13	<b>637</b>	472
	<b>747</b>	375
Movements in deferred taxation:		
1 January	<b>375</b>	
Currency retranslation	<b>(30)</b>	
Acquisition of group companies	<b>(2)</b>	
Disposal of group companies	<b>(5)</b>	
Profit and loss account	<b>262</b>	
Other movements	<b>147</b>	
31 December	<b>747</b>	

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## Notes to the consolidated accounts

### Unilever Group

#### 19 Restructuring and other provisions

Provisions are recognised when either a legal or constructive obligation, as a result of a past event, exists at the balance sheet date and where the amount of the obligation can be reasonably estimated.

	€ million 2003	€ million 2002
Restructuring provisions	445	633
Other provisions	426	555
<b>Total</b>	<b>871</b>	<b>1 188</b>
Movements in restructuring provisions:		
1 January	633	
Currency retranslation	(34)	
Disposal of group companies	2	
Profit and loss account:		
New charges	308	
Releases	(48)	
Utilisation	(416)	
<b>31 December</b>	<b>445</b>	
Movements in other provisions:		
1 January	555	
Currency retranslation	(30)	
Disposal of group companies		
Profit and loss account:		
New charges	11	
Releases	(32)	
Utilisation	(78)	
<b>31 December</b>	<b>426</b>	

Restructuring provisions at the end of 2003 relate to the Path to Growth initiatives described in note 4 on page 86. These amounted to €0.4 billion, the cash impact of which is expected to be a cash outflow of €0.3 billion in 2004 and €0.1 billion thereafter. Other provisions principally comprise balances held in respect of legal, environmental and other exposures. The cash impact of these balances is expected to be a cash outflow of €0.1 billion in 2004, and €0.3 billion thereafter.

#### 20 Capital and reserves

Amounts reported in the financial statements have been restated following changes in our accounting policy for pensions and other post-employment benefits and in our accounting for share-based payments. The impact of these changes on capital and reserves was as follows:

	€ million As at 31 Dec 2002	€ million As at 31 Dec 2001	€ million As at 31 Dec 2000
Capital and reserves as reported in the 2002 Annual Report & Accounts	5 867	6 993	7 974

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Accounting policy change pensions	(1 238)	1 444	3 237
Accounting policy change share options	73		
	<hr/>		
Capital and reserves as restated	4 702	8 437	11 211
	<hr/>		

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## Notes to the consolidated accounts

### Unilever Group

#### 20 Capital and reserves continued

The following tables present combined disclosure of movements in capital and reserves of NV and PLC for the years 2003, 2002 and 2001 in order to show these changes for the Unilever Group as a whole. This information does not reflect the separate legal status of NV and PLC; information on capital and reserves attributable to each of NV and PLC is given in notes 21, 22 and 23 on pages 110 and 111.

	€ million	€ million	€ million	€ million	€ million
	Called up share capital	Share premium account	Other reserves <sup>(b)</sup>	Profit retained	Total
<b>2003</b>					
1 January 2003	642	1 541	(2 144)	4 663	4 702
Result for the year retained	□	□	□	1 053	1 053
Goodwill movements	□	□	□	135	135
Actuarial gains/(losses) on pension schemes net of tax	□	□	□	(28)	(28)
Change in number of shares or certificates held in connection with share options	□	□	(400)	□	(400)
Share option credit <sup>(a)</sup>	□	□	□	208	208
Currency retranslation	□	(11)	102	159	250
31 December 2003	642	1 530	(2 442)	6 190	5 920
<b>2002 (restated)</b>					
1 January 2002	642	1 551	(1 663)	7 907	8 437
Result for the year retained	□	□	□	435	435
Goodwill movements	□	□	□	458	458
Actuarial gains/(losses) on pension schemes net of tax	□	□	□	(2 811)	(2 811)
Change in number of shares or certificates held in connection with share options	□	□	(556)	□	(556)
Share option credit <sup>(a)</sup>	□	□	□	185	185
Unrealised gain on partial disposal of a group company	□	□	□	56	56
Currency retranslation	□	(10)	75	(1 567)	(1 502)
31 December 2002	642	1 541	(2 144)	4 663	4 702
<b>2001 (restated)</b>					
1 January 2001	642	1 548	(1 167)	10 188	11 211
Result for the year retained	□	□	□	99	99
Goodwill movements	□	□	□	274	274
Actuarial gains/(losses) on pension schemes net of tax	□	□	□	(1 486)	(1 486)
Change in number of shares or certificates held in connection with share options	□	□	(482)	□	(482)
Share option credit <sup>(a)</sup>	□	□	□	106	106
Currency retranslation	□	3	(14)	(1 274)	(1 285)
31 December 2001	642	1 551	(1 663)	7 907	8 437

- (a) The share option credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options awarded to employees.
- (b) Following our change in accounting policy for share-based payments, certain balances have been reclassified from other reserves to profit retained

	<b>€ million 2003</b>	€ million 2002	€ million 2001
Profit retained as reported	<b>6 190</b>	4 663	7 907
Liabilities/(assets) in respect of funded pensions and similar obligations	<b>1 139</b>	1 386	(1 041)
Liabilities in respect of unfunded pensions and similar obligations	<b>2 620</b>	2 550	2 433
Profit retained excluding pensions and similar obligations	<b>9 949</b>	8 599	9 299

As required by UK Financial Reporting Standard 4 capital and reserves can be analysed as follows:

	<b>€ million 2003</b>	€ million 2002
Equity:		Restated
Ordinary capital	<b>4 418</b>	3 200
Non-equity:		
7% Cumulative Preference	<b>13</b>	13
6% Cumulative Preference	<b>73</b>	73
4% Cumulative Preference	<b>34</b>	34
5 euro cents Cumulative Preference	<b>1 382</b>	1 382
Total non-equity	<b>1 502</b>	1 502
Total capital and reserves	<b>5 920</b>	4 702

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## Notes to the consolidated accounts

### Unilever Group

#### 21 Called up share capital

Number of shares authorised	€ million Authorised 2003	€ million Authorised 2002	Preferential share capital NV	Nominal value per share	Number of shares issued	€ million Issued, called up and fully paid 2003	€ million Issued, called up and fully paid 2002
75 000	34	34	7% Cumulative Preference	€453.78	29 000	13	13
200 000	91	91	6% Cumulative Preference	€453.78	161 060	73	73
750 000	34	34	4% Cumulative Preference	€45.38	750 000	34	34
650 000 000	29	29	5 euro cents Cumulative Preference	€0.05	211 473 785	10	10
	<b>188</b>	188				<b>130</b>	130
			<b>Ordinary share capital NV</b>				
1 000 000 000	508	508	Ordinary	€0.51	571 575 900	290	290
2 400	1	1	Ordinary (Shares numbered 1 to 2 400 Special Shares )	€453.78	2 400	1	1
			Internal holdings eliminated on consolidation (€453.78 shares)			(1)	(1)
	<b>509</b>	509				<b>290</b>	290
			Total NV share capital			<b>420</b>	420

Number of shares authorised	£ million 2003	£ million 2002	Ordinary share capital PLC			£ million 2003	£ million 2002
9 726 834 428	136.2	136.2	Ordinary	1.4p	2 911 458 580	40.8	40.8
100 000	0.1	0.1	Deferred Internal holdings eliminated on	£1 stock	100 000	0.1	0.1

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		consolidation (£1 stock)	(0.1)	(0.1)
<b>136.3</b>	136.3	Total PLC share capital	<b>40.8</b>	40.8
		Euro equivalent in millions (at £1 = €5.445)	<b>222</b>	222

For NV share capital, the euro amounts shown above and elsewhere in this document are representations in euros on the basis of Article 67c of Book 2 of the Civil Code in the Netherlands, rounded to two decimal places, of underlying amounts of share capital in Dutch guilders, which have not been converted into euros in NV's Articles of Association. Until conversion formally takes place by amendment of the Articles of Association the entitlements to dividends and voting rights are based on the underlying Dutch guilder amounts.

The 7%, 6% and 4% preference shares of NV are entitled to dividends at the rates indicated. The €0.05 preference shares of NV are entitled to a dividend of 65% of the six months Euribor interest rate on their notional value of €6.580 each. A nominal dividend of 1/4% is paid on the deferred stock of PLC.

The 4% cumulative preference capital of NV is redeemable at par at the company's option either wholly or in part.

NV has agreed that it will not buy back the 5 euro cents cumulative preference shares of the company before 9 June 2004. At any time after this date, at NV's option, €6.534 of the notional value of the preference shares is convertible into ordinary NV shares and the remaining notional value is then redeemable. NV expects to exercise the conversion right if any preference shares remain outstanding after 1 December 2004.

The other classes of preferential share capital of NV and the deferred stock of PLC are not redeemable.

For information on the rights of shareholders of NV and PLC and the operation of the Equalisation Agreement, see Control of Unilever on pages 152 to 155.

#### Internal holdings

The ordinary shares numbered 1 to 2 400 (inclusive) in NV and deferred stock of PLC are held as to one half of each class by N.V. Elma a subsidiary of NV and one half by United Holdings Limited a subsidiary of PLC. This capital is eliminated on consolidation. It carries the right to nominate persons for election as Directors at general meetings of shareholders. The subsidiaries mentioned above have waived their rights to dividends on their ordinary shares in NV. For more information see Control of Unilever on pages 152 to 155.

#### Share options

The Group operates a number of equity-based compensation plans involving options over ordinary shares of NV and PLC. Full details of these plans are given in note 29 on page 116.

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## Notes to the consolidated accounts

### Unilever Group

#### 22 Profit retained

	€ million NV 2003	€ million NV 2002	€ million NV 2001	€ million PLC 2003	€ million PLC 2002	€ million PLC 2001
		Restated	Restated		Restated	Restated
Net profit	<b>1 976</b>	1 679	764	<b>786</b>	457	916
Preference dividends	<b>(27)</b>	(42)	(51)			
Dividends on ordinary capital	<b>(954)</b>	(941)	(868)	<b>(728)</b>	(718)	(662)
Result for the year retained	<b>995</b>	696	(155)	<b>58</b>	(261)	254
Goodwill movements	<b>99</b>	158	192	<b>36</b>	300	82
Actuarial gains/(losses) on pension schemes net of tax	<b>(19)</b>	(1 220)	(747)	<b>(9)</b>	(1 591)	(739)
Share option credit <sup>(a)</sup>	<b>146</b>	133	73	<b>62</b>	52	33
Unrealised gain on partial disposal of a group company					56	
Adjustment arising from change in ownership of group companies <sup>(b)</sup>	<b>(31)</b>	1 646		<b>31</b>	(1 646)	
Currency retranslation	<b>(10)</b>	(1 206)	(1 026)	<b>169</b>	(361)	(248)
Net movement during the year	<b>1 180</b>	207	(1 663)	<b>347</b>	(3 451)	(618)
Profit retained 1 January <sup>(c)</sup>	<b>5 655</b>	5 448	7 111	<b>(992)</b>	2 459	3 077
Profit retained 31 December	<b>6 835</b>	5 655	5 448	<b>(645)</b>	(992)	2 459
Of which retained by:						
Parent companies	<b>7 304</b>	6 581	3 508	<b>1 527</b>	1 590	1 552
Other group companies	<b>(388)</b>	(895)	1 929	<b>(2 171)</b>	(2 593)	904
Joint ventures and associates	<b>(81)</b>	(31)	11	<b>(1)</b>	11	3
	<b>6 835</b>	5 655	5 448	<b>(645)</b>	(992)	2 459
Cumulative goodwill written off directly to reserves	<b>(5 199)</b>	(5 298)	(5 456)	<b>(2 063)</b>	(2 099)	(2 399)

- (a) The share option credit relates to the reversal of the non-cash charge recorded against operating profit in respect of the fair value of share options awarded to employees.
- (b) During 2002, as part of the legal and fiscal integration of the Bestfoods businesses, a number of internal ownership changes took place. These internal transactions, which took place at fair value, did not involve any third party and therefore had no effect on the results or net assets of the consolidated Unilever Group. The historical cost of the net assets of the business transferred by PLC was greater than the historical cost of the net assets of the business transferred by NV. As it would be inappropriate to recognise revaluations to assets and liabilities of the Group arising from internal transactions, this imbalance led to NV recording an unrealised gain of €1 646 million on the transfer while PLC recorded an equal and opposite goodwill balance which is eliminated on consolidation. A further re-organisation in 2003 produced a similar type of adjustment with a small unrealised gain in PLC and goodwill eliminated in NV.
- (c) Profit retained has been restated following changes in our accounting policy for pensions and other post-employment benefits and in our accounting policy for share-based payments. Profit retained at 1 January 2001 has been increased in aggregate by €3 237 million (of which €237 million relates to NV and €1 000 million relates to PLC). Profit retained at 1 January 2002 has been increased in aggregate by €1 490 million (of which €1 299 million relates to NV and €191 million relates to PLC). Movements in

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profit retained in 2001 and 2002 have been restated as appropriate. Profit retained at 31 December 2002 has been decreased in aggregate by €1 114 million (of which an increase of €274 million relates to NV and a reduction of €1 388 million relates to PLC).

### 23 Other reserves

	€ million NV 2003	€ million NV 2002	€ million NV 2001	€ million PLC 2003	€ million PLC 2002	€ million PLC 2001
		Restated	Restated		Restated	Restated
Adjustment on translation of PLC s ordinary capital at £1 = Fl. 12 = €5.445				<b>(164)</b>	(159)	(155)
Capital redemption reserve				<b>16</b>	18	18
Book value of shares or certificates held in connection with share options	<b>(1 783)</b>	(1 534)	(1 108)	<b>(511)</b>	(469)	(418)
	<b>(1 783)</b>	(1 534)	(1 108)	<b>(659)</b>	(610)	(555)

The effect of the change in number of shares or certificates held in connection with share options on the other reserves of NV was €(249) million (2002: €(426) million; 2001: €(551) million) and for PLC was €(42) million (2002: €(51) million; 2001: €(59) million).

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## Notes to the consolidated accounts

### Unilever Group

#### 24 Commitments and contingent liabilities

	€ million 2003	€ million 2002
Long-term lease commitments under operating leases in respect of:		
Land and buildings	1 462	1 399
Other tangible fixed assets	419	475
	<b>1 881</b>	<b>1 874</b>
The commitments fall due as follows:		
Within 1 year	321	321
After 1 year but within 2 years	283	301
After 2 years but within 3 years	244	260
After 3 years but within 4 years	227	226
After 4 years but within 5 years	205	204
After 5 years	601	562
	<b>1 881</b>	<b>1 874</b>
Other commitments	655	516
Of which payable within one year	315	226

Other commitments principally comprise commitments under contracts to purchase materials and services.

Contingent liabilities amounted to some €550 million (2002: €511 million), of which €166 million (2002: €176 million) relates to guarantees. These guarantees are not expected to give rise to any material loss. Guarantees given by parent or group companies relating to liabilities included in the consolidated accounts are not included. Other contingent liabilities arise in respect of litigation against companies in the Group, investigations by competition and regulatory authorities and obligations under environmental legislation in various countries. These are not expected to give rise to any material loss.

The total value of guarantees which arose or were revised during 2003 was €82 million.

#### 25 Acquisition and disposal of group companies

##### Acquisitions

The net assets and results of acquired companies are included in the consolidated accounts from their respective dates of acquisition. The following tables set out the effect of acquisitions of group companies in 2003 on the consolidated balance sheet. Acquisition accounting (purchase accounting) has been applied in all cases. The fair values currently established for all acquisitions made in 2003 are provisional. The goodwill arising on these transactions has been capitalised and is being amortised over 20 years in accordance with our declared accounting policies as set out on page 74.

The principal acquisition during the year was the purchase at the end of March of the remaining 50% share in Asian foods businesses from our joint venture partner Ajinomoto of Japan. These businesses are now consolidated as subsidiaries.

On 1 April 2002, Unilever disposed of its assets in Unifoods South Africa and Hudson & Knight South Africa to Unilever Bestfoods Robertsons, a joint venture between Unilever and Robertsons in which Unilever had a 50% equity stake. In exchange, Unilever received a 9% equity interest in Unilever Bestfoods Robertsons thereby obtaining control.

€ million	€ million	€ million	€ million
Balance sheets of acquired businesses	Provisional adjustments to align accounting	Provisional revaluations	Provisional fair values at date of acquisition

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policies

**2003 acquisitions**

Fixed assets	98	(2)	66	162
Current assets	70			70
Creditors	(58)	(13)		(71)
Provisions for liabilities and charges	(3)	4		1
Minority interest		13		13
	<b>107</b>	<b>2</b>	<b>66</b>	<b>175</b>
Adjustment to reflect 50% net assets previously owned				(23)
Net assets acquired				<b>152</b>

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## Notes to the consolidated accounts

### Unilever Group

#### 25 Acquisition and disposal of group companies continued

	€ million 2003	€ million 2002	€ million 2001
<b>Acquisitions</b>			
Net assets acquired	152	37	49
Adjustments to acquisitions made in prior years	75		5 546
Goodwill and intangible assets arising in subsidiaries	235	116	(5 407)
Goodwill arising in joint ventures			(51)
	<b>462</b>	<b>153</b>	<b>137</b>
Consideration			
Of which:			
Cash <a href="#">27</a>	262	57	132
Cash balances of businesses acquired <a href="#">27</a>	(10)		1
Current investments, cash deposits and borrowings of businesses acquired	25	77	1
Non-cash items and deferred consideration	185	(57)	3
Fair value of Unilever business contributed		76	

#### Disposals

The results of disposed businesses are included in the consolidated accounts up to their date of disposal. The principal disposals were *Ambrosia* in the United Kingdom, *John West* in Australasia, cheese businesses in Austria and Germany and the Pamol oil business in Malaysia. Various trademarks were also sold as part of our Path to Growth strategy, including *Brut* in the US and Latin America and a number of oral care brands in the US. In 2002 the principal sale was that of the DiverseyLever business to JohnsonDiversey Inc. in exchange for cash, loan notes and a 33.3% stake in JohnsonDiversey's parent, JohnsonDiversey Holdings Inc. During 2001 we completed the disposal of Elizabeth Arden, which is therefore reflected in the table below.

	€ million 2003	€ million 2002	€ million 2001
<b>Disposals</b>			
Goodwill and intangible assets	127	274	6
Other fixed assets	205	531	273
Current assets	111	776	351
Creditors	(63)	(330)	(112)
Provisions for liabilities and charges	(15)	(100)	(11)
Minority interest	(5)	3	(2)
	<b>360</b>	<b>1 154</b>	<b>505</b>
33% interest in DiverseyLever		(114)	
	<b>360</b>	<b>1 040</b>	<b>505</b>
Net assets sold		159	
Specific provisions related to the disposal	135	458	223
Attributable goodwill	379	249	927
Profit on sale attributable to Unilever			
Consideration	<b>874</b>	<b>1 906</b>	<b>1 655</b>
Of which:			
Cash <a href="#">27</a>	889	1 834	1 650
Cash balances of businesses sold <a href="#">27</a>	(17)	(34)	(9)
Current investments, cash deposits and borrowings of businesses sold	2	19	3

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Non-cash items and deferred consideration	217	11
Fair value of Johnson Professional business acquired	(130)	

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## Notes to the consolidated accounts

### Unilever Group

#### 26 Reconciliation of group operating profit to operating cash flows

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Group operating profit	5 483	5 007	4 946
Depreciation and amortisation	2 038	2 582	2 845
Changes in working capital:			
Stocks	(107)	(98)	(177)
Debtors	547	88	(40)
Creditors	(640)	382	440
Pensions and similar provisions less payments	(147)	(109)	282
Restructuring and other provisions less payments	(208)	(53)	173
Elimination of (profits)/losses on disposals	(357)	(143)	(941)
Non-cash charge for share options	208	185	106
Other adjustments	(37)	42	(137)
<b>Cash flow from group operating activities</b>	<b>6 780</b>	<b>7 883</b>	<b>7 497</b>

Cash flow from exceptional items included in the group operating profit above comprises:

	€ million 2003	€ million 2002	€ million 2001
Restructuring	(407)	(406)	(1 131)
Business disposals	889	1 834	1 650
Other, including asset disposals	18	229	429
<b>Total</b>	<b>500</b>	<b>1 657</b>	<b>948</b>
Of which related to items included in group operating profit in the current year	846	2 064	
Of which related to items included in group operating profit in prior years	(346)	(407)	
<b>Total</b>	<b>500</b>	<b>1 657</b>	

The cash flows of pension funds (other than contributions and other direct payments made by the Group in respect of pensions and similar obligations) are not included in the Group cash flow statement.

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## Notes to the consolidated accounts

### Unilever Group

#### 27 Analysis of cash flows for headings netted in the cash flow statement

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
<b>Returns on investments and servicing of finance</b>			
Dividends from other fixed investments	8	8	7
Interest received	304	324	191
Interest paid	(1 114)	(1 467)	(1 842)
Preference dividend paid	(27)	(31)	(48)
Dividends and other payments to minority shareholders	(351)	(220)	(195)
Total	(1 180)	(1 386)	(1 887)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible assets	(3)	(18)	
Purchase of tangible fixed assets	(1 038)	(1 295)	(1 536)
Disposal of tangible fixed assets	168	233	579
Acquisition/disposal of fixed investments	249	(68)	35
Purchase of own shares (employee share plans)	(400)	(558)	(436)
Total	(1 024)	(1 706)	(1 358)
<b>Acquisitions and disposals</b>			
Acquisition of group companies <a href="#">25</a>	(262)	(57)	(132)
Cash balances of businesses acquired <a href="#">25</a>	10		(1)
Consideration paid in respect of acquisitions made in previous years			(1)
Disposal of acquired business held for resale			1 968
Disposal of group companies <a href="#">25</a>	889	1 834	1 650
Cash balances of businesses sold <a href="#">25</a>	(17)	(34)	(9)
Consideration received in respect of disposals made in previous years	2	12	2
Total	622	1 755	3 477
<b>Management of liquid resources</b>			
Purchase of current investments	(137)	(219)	(108)
Sale of current investments	48	30	121
(Increase)/decrease in cash on deposit	48	(403)	1 093
Total	(41)	(592)	1 106
<b>Financing</b>			
Issue/purchase of shares by group companies to/(from) minority shareholders	(8)	9	(3)
Debt due within one year:			
Increases	4 068	2 698	3 854
Repayments	(7 378)	(8 834)	(13 692)
Debt after one year:			
Increases	509	3 195	4 933
Repayments	(108)	(146)	(264)

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Total	(2 917)	(3 078)	(5 172)
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Included as liquid resources are term deposits of less than one year, government securities and A- or higher rated money and capital market instruments.

The cash flows of pension funds (other than contributions and other direct payments made by the Group in respect of pensions and similar obligations) are not included in the Group cash flow statement.

Amounts for 2002 and 2001 have been restated following a change in the presentation for securities held as collateral in connection with derivative financial instruments. See note 14 on page 94.

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## Notes to the consolidated accounts

### Unilever Group

#### 28 Analysis of net funds/(debt)

	€ million	€ million	€ million	€ million	€ million	€ million
	1 January 2003	Cash flow	Acquisitions/ disposals (excl. cash & overdrafts)	Other non-cash changes	Currency movements	31 December 2003
Cash on call and in hand	1 028	(785)			1 061	1 304
Overdrafts	(277)	(61)			18	(320)
		(846)				
Borrowings due within one year	(8 660)	3 310	(20)	(1 507)	(237)	(7 114)
Borrowings due after one year	(10 933)	(401)		1 968	900	(8 466)
		2 909				
Current investments	1 226	89	(3)	229	(50)	1 491
Cash on deposit	650	(48)			(52)	550
		41				
<b>Net funds/(debt)</b>	<b>(16 966)</b>	<b>2 104</b>	<b>(23)</b>	<b>690</b>	<b>1 640</b>	<b>(12 555)</b>

Other non-cash changes include profits and losses on disposal and adjustments to realisable value of current investments; exchange gains and losses on inter-company borrowings and related derivatives; and the reclassification of long-term borrowings falling due within one year at the balance sheet date.

Balances at 1 January 2003 have been restated following a change in accounting policy for the presentation of securities received as collateral in connection with derivative financial instruments. See note 14 on page 94.

#### 29 Equity-based compensation plans

As at 31 December 2003, the Group had a number of equity-based compensation plans:

##### (i) All-Employee Option Plans

Local All-Employee Option Plans have been set up in 16 countries to enhance employee involvement with Unilever and its performance by providing a potential financial benefit linked to the Unilever share price. There are no individual performance targets to be met. The plans permit participation by all permanent employees in the country where the relevant plan applies.

##### (ii) Executive Option Plans

The Executive Option Plans were introduced in 1985 to reward key employees throughout the world for their contribution to the enhancement of the Group's longer-term future and their commitment to the Group over a sustained period. The grant is dependent on performance of the Group and the individual.

##### (iii) The Share Matching Plans

If managers invest part of their annual bonus in Unilever shares, the company will match this with the same number of shares on the condition that they keep all shares for an agreed number of years and will still be employed by Unilever on the vesting date.

(iv) The TSR Long-Term Incentive Plan

This plan was introduced in 2001 and, depending on the TSR ranking (see page 20) of Unilever in comparison with its peer group, it will potentially award top executives on the vesting date three years later with between 0% and 200% of the original conditional award.

(v) The Restricted Share Plan

Restricted shares are awarded to a select number of executives for special performance. After the agreed number of years the awards will vest provided the executives are still employed by Unilever at that time.

(vi) The North American Performance Share Plan

A long-term incentive plan for North American managers, awarding Unilever shares if company and personal performance targets are met over a three-year period.

Unilever will not grant share options in total in respect of Executive Option Plans for more than 5% of its issued ordinary capital, and for all Plans together, for more than 10% of its issued ordinary capital. The Board does not apportion these limits to each plan separately.

In recent years we have met the obligations under our share option and award plans by purchasing shares in advance and transferring them, in return for the exercise price, to Directors and employees as the options are exercised.

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## Notes to the consolidated accounts

### Unilever Group

#### 29 Equity-based compensation plans continued

From 1 January 2003, for US GAAP purposes, Unilever has adopted SFAS 123. The economic fair value of the awards is calculated using an option pricing model (usually an adjusted Black-Scholes or multinomial model) and the resulting cost is recognised as remuneration cost amortised over the vesting period of the grant. Variable plans, being those with performance criteria other than a service period, are also accounted for in accordance with SFAS 123. The actual remuneration cost charged in each period is shown below. Amounts for prior years have been restated to reflect compensation costs for all the employee awards granted or modified in fiscal years beginning after 1994.

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
All-Employee Option Plans	19	22	25
Executive Option Plans	101	88	56
Share Matching Plans	18	12	2
TSR Long-Term Incentive Plan	8	4	2
Restricted Share Plan	3	6	6
North American Performance Share Plan	59	53	15
	<b>208</b>	185	106

The change in accounting policy has reduced operating profit in 2003 by €116 million (2002: €99 million; 2001: €60 million). Basic earnings per NV ordinary €0.51 share is reduced by €0.12 (2002: €0.10; 2001: €0.06). Basic earnings per PLC ordinary 1.4p share is reduced by €0.02 (2002: €0.02; 2001: €0.01).

The disclosures required by SFAS 123, including a description of the method and significant assumptions used to estimate the fair values of options and the weighted average information, are given below for each type of plan, on a combined basis.

#### (i) All-Employee Option Plans

Unilever has All-Employee Plans in 16 countries, which can be grouped together as follows:

- (a) Plans which follow a standard framework: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, Netherlands, Portugal, Spain, Sweden and Switzerland.
- (b) Other plans: North America, South Africa and United Kingdom.

Group (a):

The standard framework for these countries means, in principle, an annual grant of options over NV shares (Ireland: NV or PLC shares), at the same grant date, exercise price (the market price on the grant date) and grant size (including part-time employees pro rata) and with the same eligibility criteria (all permanent employees in a country). There are no vesting conditions other than being continuously employed by a Group company until the vesting date.

Group (b):

The UK and South Africa plans annually offer options over PLC shares, combined with a compulsory (UK) or optional (South Africa) savings plan. The exercise price is the market price at date of grant. In 2003, Unilever UK introduced ShareBuy, an All-Employee Share Incentive Plan. It is currently only being used as a tax efficient savings plan for employees, for which Unilever neither gives nor receives value. Accordingly, no figures for this plan are included in this note.

The North American plan is a share purchase offering, with a compulsory savings plan, under which up to 10% of the salary of eligible employees is withheld. At the end of the period employees can use the savings to buy NV New York shares at a discount. The maximum number of shares made available under the plan is 8.9 million. Until 2001 the plan had an offering period of two years, thereafter one year.

The table below summarises the main country-specific differences between the plans applicable in 2003:



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Country (year of introduction)	Maximum term	Vesting period	Exercise period	Remarks
	Years	Years		
Austria (2001)	5	3	24 months	
Belgium (2001)	5	3.5	18 months	
Denmark (2001)	5	3	24 months	
Finland (2001)	5	3	24 months	On 3rd, 4th or 5th anniversary
France (2000)	5	4	12 months	
Germany (2000)	5	3	24 months	
Ireland (2002)	5	3	24 months	
Italy (2001)	5	3	24 months	
Netherlands (1995)	5	0	5 years	Keep shares during the first 3 years after grant
Portugal (2001)	3.5	3	6 months	
Spain (2001)	5	3	24 months	
Sweden (2001)	5	5	1 day	Partly convertible bonds
Switzerland (2001)	5	3	24 months	
UK (1985)	5.5	5	6 months	ShareSave plan
South Africa (2001)	3.5	3	6 months	Optional sharesave plan
North America (1995)	1	1	1 day	Purchase plan

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### Unilever Group

#### 29 Equity-based compensation plans *continued*

A summary of the status of the All-Employee Plans as at 31 December 2003, 2002 and 2001 and changes during the years ended on these dates is presented below:

	Number of options	2003 Weighted average exercise price	Number of options	2002 Weighted average exercise price	Number of options	2001 Weighted average exercise price
<b>NV shares of €0.51</b>						
Outstanding at 1 January	4 026 430	€63.38	3 109 260	€60.56	1 634 437	€54.41
Granted	1 356 143	€51.01	1 589 107	€67.90	1 853 007	€64.65
Exercised	(21 254)	€54.48	(322 625)	€58.72	(225 614)	€51.85
Forfeited	(748 773)	€61.61	(349 312)	€63.24	(152 570)	€57.10
Expired <sup>(a)</sup>	(131 873)	€57.63				
Outstanding at 31 December	4 480 673	€60.24	4 026 430	€63.38	3 109 260	€60.56
Exercisable at 31 December	683 702	€57.24	231 979	€67.90	42 412	€42.99
<b>PLC shares of 1.4p</b>						
Outstanding at 1 January	18 005 592	£5.17	22 002 314	£4.61	26 512 577	£4.14
Granted	2 667 950	£5.72	4 122 000	£6.06	4 411 833	£5.29
Exercised	(570 578)	£4.57	(5 771 480)	£3.78	(5 756 768)	£2.94
Forfeited	(2 809 935)	£5.30	(2 347 242)	£4.90	(3 165 328)	£4.62
Expired <sup>(a)</sup>	(221 974)	£3.68				
Outstanding at 31 December	17 071 055	£5.28	18 005 592	£5.17	22 002 314	£4.61
Exercisable at 31 December	1 978 465	£5.88	430 696	£3.71	250 760	£2.78
<b>NV New York shares of €0.51</b>						
Outstanding at 1 January	149 431	\$54.11			470 680	\$52.43
Granted	162 745	\$55.25	149 431	\$54.11		
Exercised	(145 867)	\$54.05			(255 208)	\$52.43
Forfeited	(19 549)	\$54.11			(215 472)	\$52.43
Expired <sup>(a)</sup>						
Outstanding at 31 December	146 760	\$55.44	149 431	\$54.11		
Exercisable at 31 December						

(a) Prior to 2003 the number of expired options was immaterial.

	2003	2002	2001
<b>NV option value information<sup>(b)</sup></b>			
Fair value per option <sup>(c)</sup>	<b>€8.86</b>	€14.66	€15.13
Valuation assumptions			
Expected option term	<b>3.6 years</b>	3.8 years	3.5 years
Expected volatility	<b>27.5%</b>	26.8%	29.3%
Expected dividend yield	<b>3.4%</b>	2.4%	2.2%
Risk-free interest rate	<b>2.5%</b>	4.5%	4.5%
<b>PLC option value information<sup>(b)</sup></b>			
Fair value per option <sup>(c)</sup>	<b>£1.13</b>	£1.57	£1.31
Valuation assumptions			
Expected option term	<b>4.4 years</b>	4.7 years	4.7 years
Expected volatility	<b>27.5%</b>	28.5%	28.1%
Expected dividend yield	<b>3.0%</b>	2.5%	2.8%
Risk-free interest rate	<b>3.7%</b>	5.2%	5.4%
<b>NV New York shares option value information<sup>(b)</sup></b>			
Fair value per option <sup>(c)</sup>	<b>\$9.14</b>	\$8.57	
Valuation assumptions			
Expected option term	<b>1 year</b>	1 year	
Expected volatility	<b>27.5%</b>	25.2%	
Expected dividend yield	<b>3.3%</b>	2.5%	
Risk-free interest rate	<b>1.8%</b>	1.2%	

(b) Weighted average of options granted during each period.

(c) Estimated using Black-Scholes option pricing method.

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## Notes to the consolidated accounts

### Unilever Group

#### 29 Equity-based compensation plans *continued*

The exercise prices and remaining life of the All-Employee Option Plans as at 31 December 2003 are as follows:

	Options outstanding				Options exercisable	
	Range of exercise prices	Number outstanding at 31 December 2003	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 31 December 2003	Weighted average exercise price
<b>NV shares of €0.51</b>	€51.00	848 480	3 years	€51.66	461 541	€52.11
	€57.63 €63.65 €70.00	632 193	3 years	€66.27	222 161	€67.90
<b>PLC shares of 1.4p</b>	£3.71	4 587 832	2 years	£4.24	50 104	£3.71
	£4.25	12 483	3 years	£5.65	1 928 361	£5.94
	£5.14	223				
<b>NV New York shares of €0.51</b>	\$55.44	146 760	1 year	\$55.44		

#### (ii) Executive Option Plans

The Executive Option Plans are made up of the following plans, under which options are granted to key employees of the Group on a discretionary basis:

##### The NV Executive Option Plan

The NV Executive Option Plan provides for the granting of options to purchase shares of Unilever N.V. and, from 1997 onwards, also shares of Unilever PLC, at a price not lower than the market price on the day the options were granted. Options granted until March 2001 become exercisable immediately from the date of grant but the shares cannot be sold within three years; options granted from November 2001 become exercisable after three years. The options have a maximum term of five years for the grants made up to 1998 and of ten years for subsequent grants.

##### The PLC Executive Option Plan

The PLC Executive Option Plan provides for the granting of options to purchase shares of Unilever PLC and from 1997 onwards, also shares of Unilever N.V., at a price not lower than the market price on the day the options were granted. These options become exercisable after a three-year period from the date of grant and have a maximum term of ten years.

##### The NA Executive Option Plan

The NA Executive Option Plan is covered by the North American 2002 Omnibus Equity Compensation Plan and provides for the granting of options to purchase a maximum of 40.5 million shares in Unilever N.V. of the New York Registry, and 262.0 million shares of Unilever PLC, at a price not lower than the market value on the day the options are granted. These options become exercisable over a three-year period from the date of grant and have a maximum term of ten years.

Managers working in India can participate in an Executive Option Plan relating to Hindustan Lever Limited's shares. As these are neither NV nor PLC shares, no figures for this plan are disclosed in this note, but the fair value costs (2003: €3 million; 2002: €2 million; 2001: € nil) are included in the costs of Executive Option Plans on page 117.

A summary of the status of the Executive Option Plans as at 31 December 2003, 2002 and 2001 and changes during the years ended on these dates is presented below:

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	Number of options	2003 Weighted average exercise price	Number of options	2002 Weighted average exercise price	Number of options	2001 Weighted average exercise price
<b>NV shares of €0.51</b>						
Outstanding at 1 January	11 139 397	€61.71	8 198 049	€58.95	4 835 834	€57.68
Granted	3 508 997	€55.03	3 658 548	€66.84	4 017 741	€58.26
Exercised	(35 315)	€48.64	(373 219)	€51.37	(372 052)	€33.83
Forfeited	(646 555)	€61.27	(343 981)	€62.73	(283 474)	€60.40
Expired <sup>(a)</sup>	(433 046)	€69.18				
Outstanding at 31 December	13 533 478	€59.80	11 139 397	€61.71	8 198 049	€58.95
Exercisable at 31 December	4 546 269	€58.26	4 795 216	€59.84	4 788 521	€58.75
<b>PLC shares of 1.4p</b>						
Outstanding at 1 January	75 140 770	£5.28	57 255 712	£4.96	34 455 159	£4.89
Granted	22 848 640	£5.85	23 811 993	£5.83	26 126 694	£4.97
Exercised	(1 570) 256	£4.05	(3 931) 699	£3.96	(1 649) 129	£3.42
Forfeited	(3 749) 776	£5.53	(1 995) 236	£5.48	(1 677) 012	£5.11
Expired <sup>(a)</sup>	(2 908) 993	£6.61				
Outstanding at 31 December	89 760 385	£5.39	75 140 770	£5.28	57 255 712	£4.96
Exercisable at 31 December	30 704 526	£4.87	33 370 192	£5.07	34 846 599	£4.90

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## Notes to the consolidated accounts

### Unilever Group

#### 29 Equity-based compensation plans *continued*

	Number of options	2003 Weighted average exercise price	Number of options	2002 Weighted average exercise price	Number of options	2001 Weighted average exercise price
<b>NV New York shares of €0.51</b>						
Outstanding at 1 January	3 221 014	\$52.54	2 736 921	\$49.23	2 030 941	\$47.29
Granted	706 632	\$58.48	755 295	\$59.44	840 937	\$52.22
Exercised	(278 763)	\$36.15	(242 276)	\$36.00	(119 965)	\$36.02
Forfeited	(47 619)	\$63.61	(28 926)	\$57.52	(14 992)	\$59.43
Expired <sup>(a)</sup>						
Outstanding at 31 December	3 601 264	\$54.83	3 221 014	\$52.54	2 736 921	\$49.23
Exercisable at 31 December	2 275 533	\$53.22	1 888 079	\$50.10	1 632 955	\$46.29
<b>PLC shares of 1.4p in the form of ADRs<sup>(d)</sup></b>						
Outstanding at 1 January	16 997	\$8.06	12 744	\$7.89	7 491 864	\$8.33
	152		844			
Granted	4 671 336	\$9.13	4 994 640	\$8.42	5 566 904	\$7.25
Exercised	(600 348)	\$7.04	(598 300)	\$7.14	(208 116)	\$6.86
Forfeited	(289 304)	\$8.92	(144 032)	\$8.40	(105 808)	\$8.08
Expired <sup>(a)</sup>						
Outstanding at 31 December	20 778 836	\$8.32	16 997 152	\$8.06	12 744 844	\$7.88
Exercisable at 31 December	12 040 552	\$8.15	8 175 172	\$8.29	5 415 724	\$8.57

(a) Prior to 2003 the number of expired options was immaterial.

(d) 1 ADR is equivalent to 4 PLC shares.

	2003	2002	2001
<b>NV option value information<sup>(b)</sup></b>			
Fair value per option <sup>(c)</sup>			
NV Executive Option Plan	€12.43	€18.74	€16.57
PLC Executive Option Plan	£8.41	£11.59	£8.94
NA Executive Option Plan	\$12.42	\$16.32	\$13.96
Valuation assumptions			
Expected option term	6.0 years	6.0 years	6.3 years
Expected volatility	27.5%	27.6%	28.5%
Expected dividend yield	3.2%	2.4%	2.5%
Risk-free interest rate	3.5%	5.0%	4.1%
<b>PLC option value information<sup>(b)</sup></b>			
Fair value per option <sup>(c)</sup>			
NV Executive Option Plan	€2.14	€2.62	€2.01

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PLC Executive Option Plan	<b>£1.45</b>	£1.62	£1.24
NA Executive Option Plan	<b>\$2.05</b>	\$2.23	\$1.86
Valuation assumptions			
Expected option term	<b>6.0 years</b>	6.0 years	6.8 years
Expected volatility	<b>27.5%</b>	27.1%	26.0%
Expected dividend yield	<b>2.8%</b>	2.6%	2.9%
Risk-free interest rate	<b>4.0%</b>	5.3%	4.6%

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(b) Weighted average of options granted during each period.

(c) Estimated using Black-Scholes option pricing method.

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## Notes to the consolidated accounts

### Unilever Group

#### 29 Equity-based compensation plans *continued*

The exercise prices and remaining life of the Executive Option Plans as at 31 December 2003 are as follows:

	Options outstanding				Options exercisable		
	Range of exercise prices		Number outstanding at 31 Dec 2003	Weighted average remaining contractual life	Weighted average exercise price	Number exercisable at 31 Dec 2003	Weighted average exercise price
NV shares of €0.51	€42.79	€60.85	8 481 110	8 years	€56.02	2 879 303	€54.60
	€63.50	€73.97	5 052 368	7 years	€66.14	1 666 966	€64.57
PLC shares of 1.4p	£2.83	£4.07	2 824 299	3 years	£3.46	2 824 299	£3.46
	£4.29	£5.55	40 694 973	7 years	£4.97	26 185 257	£4.91
	£5.77	£6.79	46 241 113	9 years	£5.88	1 694 970	£6.68
NV New York shares of €0.51	\$25.67	\$33.89	454 549	2 years	\$31.55	454 549	\$31.55
	\$41.16	\$56.13	1 219 878	6 years	\$51.46	988 748	\$51.30
	\$58.35	\$76.69	1 926 837	8 years	\$62.46	832 236	\$67.35
PLC shares of 1.4p in the form of ADRs <sup>(d)</sup>	\$5.56	\$7.73	7 988 692	7 years	\$7.09	6 460 564	\$7.05
	\$8.35	\$10.85	12 790 144	8 years	\$9.09	5 579 988	\$9.43

(d) 1 ADR is equivalent to 4 PLC shares.

#### (iii) The Share Matching Plans

Under these plans managers can invest up to 25% of their gross bonus in Unilever shares. The company matches this with the same number of shares on condition that all shares are held for the agreed period (five years for awards made until 2001, three years from 2002 onwards), and that the manager has not resigned from Unilever at the end of this period. The North American managers participate in the North American Share Bonus Plan, the others in the Variable Pay in Shares Plan. The numbers below include the numbers for the Directors shown in the Remuneration report on page 62.

A summary of the status of the Share Matching Plans as at 31 December 2003, 2002 and 2001 and changes during the years ended on these dates is presented below:

	2003		2002		2001	
	Number of shares	Weighted average price	Number of shares	Weighted average price	Number of shares	Weighted average price
<b>NV shares of €0.51</b>						
Outstanding at 1 January	225 404	€0.00	77 613	€0.00	26 302	€0.00
Awarded	153 483	€0.00	148 990	€0.00	51 526	€0.00
Exercised	(2 664)	€0.00	(143)	€0.00		
Forfeited	(2 377)	€0.00	(1 056)	€0.00	(215)	€0.00
Outstanding at 31 December	373 846	€0.00	225 404	€0.00	77 613	€0.00



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Exercisable at 31 December

**PLC shares of 1.4p**

Outstanding at 1 January	<b>1 627 386</b>	<b>£0.00</b>	570 703	£0.00	198 676	£0.00
Awarded	<b>1 002 635</b>	<b>£0.00</b>	1 065 406	£0.00	373 646	£0.00
Exercised	<b>(18 910)</b>	<b>£0.00</b>	(1 053)	£0.00		
Forfeited	<b>(16 924)</b>	<b>£0.00</b>	(7 670)	£0.00	(1 619)	£0.00
Outstanding at 31 December	<b>2 594 187</b>	<b>£0.00</b>	1 627 386	£0.00	570 703	£0.00

Exercisable at 31 December

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### Unilever Group

#### 29 Equity-based compensation plans *continued*

	Number of shares	2003 Weighted average price	Number of shares	2002 Weighted average price	Number of shares	2001 Weighted average price
<b>NV New York shares of €0.51</b>						
Outstanding at 1 January	116 485	\$0.00	29 255	\$0.00	5 034	\$0.00
Awarded	52 889	\$0.00	87 743	\$0.00	24 221	\$0.00
Exercised						
Forfeited	(2 218)	\$0.00	(513)	\$0.00		
Outstanding at 31 December	167 156	\$0.00	116 485	\$0.00	29 255	\$0.00
Exercisable at 31 December						
<b>PLC shares of 1.4p in the form of ADRs<sup>(d)</sup></b>						
Outstanding at 1 January	810 248	\$0.00	214 752	\$0.00	37 264	\$0.00
Awarded	338 560	\$0.00	599 064	\$0.00	177 488	\$0.00
Exercised						
Forfeited	(15 080)	\$0.00	(3 568)	\$0.00		
Outstanding at 31 December	1 133 728	\$0.00	810 248	\$0.00	214 752	\$0.00
Exercisable at 31 December						

(d) 1 ADR is equivalent to 4 PLC shares.

	2003	2002	2001
<b>NV share award value information<sup>(b)</sup></b>			
Fair value per share award			
NV/PLC Plan	€55.45	€69.14	€61.73
North American Plan	\$56.63	\$58.68	\$56.54
<b>PLC share award value information<sup>(b)</sup></b>			
Fair value per share award			
NV/PLC Plan	£5.87	£6.17	£5.22
North American Plan	\$8.83	\$8.58	\$7.70

(b) Weighted average of share awards granted during each period.

#### (iv) The TSR Long-Term Incentive Plan

Under this plan, introduced in 2001, grants are made to Board members and some senior executives. The level of share award which will vest three years later will vary in accordance with the Total Shareholder Return in comparison with a peer group (see description on page 20). If the ranking is below the median, the share award will lapse; the higher the ranking above the median, the higher the share award.

A summary of the status of the TSR Long-Term Incentive Plan as at 31 December 2003, 2002 and 2001 and changes during the year ended on these dates is presented below:

2003	2002	2001
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	Number of shares	Weighted average price	Number of shares	Weighted average price	Number of shares	Weighted average price
<b>NV shares of €0.51</b>						
Outstanding at 1 January	188 514	€0.00	71 564	€0.00		
Awarded	138 831	€0.00	118 445	€0.00	71 564	€0.00
Exercised						
Forfeited			(1 495)	€0.00		
Outstanding at 31 December	327 345	€0.00	188 514	€0.00	71 564	€0.00
Exercisable at 31 December						
<b>PLC shares of 1.4p</b>						
Outstanding at 1 January	1 360 874	£0.00	533 481	£0.00		
Awarded	888 510	£0.00	837 973	£0.00	533 481	£0.00
Exercised						
Forfeited			(10 580)	£0.00		
Outstanding at 31 December	2 249 384	£0.00	1 360 874	£0.00	533 481	£0.00
Exercisable at 31 December						

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## Notes to the consolidated accounts

### Unilever Group

#### 29 Equity-based compensation plans *continued*

	2003	2002	2001
<b>NV share award value information</b>			
Fair value per share award <sup>(e)</sup>	€43.57	€26.94	€57.33
<b>PLC share award value information</b>			
Fair value per share award <sup>(e)</sup>	£4.63	£2.41	£5.11

(e) Estimated using option pricing models taking account of peer group TSR volatilities and correlations.

#### (v) The Restricted Share Plan

In specific one-off cases a number of executives are awarded the right to receive NV and PLC shares at a specified date in the future, on the condition that they are still employed by Unilever at that time. No Directors participate in this plan.

A summary of the status of the Restricted Share Plan as at 31 December 2003, 2002 and 2001 and changes during the years ended on these dates is presented below:

	2003 Number of shares	2003 Weighted average price	2002 Number of shares	2002 Weighted average price	2001 Number of shares	2001 Weighted average price
<b>NV shares of €0.51</b>						
Outstanding at 1 January	250 607	€0.00	381 328	€0.00	165 046	€0.00
Awarded	48 269	€0.00	37 380	€0.00	256 662	€0.00
Exercised	(258 378)	€0.00	(160 405)	€0.00	(40 380)	€0.00
Forfeited			(7 696)	€0.00		
Outstanding at 31 December	40 498	€0.00	250 607	€0.00	381 328	€0.00
<b>PLC shares of 1.4p</b>						
Outstanding at 1 January	1 854 816	£0.00	2 815 138	£0.00	1 220 226	£0.00
Awarded	275 848	£0.00	275 502	£0.00	1 894 148	£0.00
Exercised	(1 914 282)	£0.00	(1 178 708)	£0.00	(299 236)	£0.00
Forfeited			(57 116)	£0.00		
Outstanding at 31 December	216 382	£0.00	1 854 816	£0.00	2 815 138	£0.00

	2003	2002	2001
<b>NV share award value information<sup>(b)</sup></b>			
Fair value per share award	€52.48	€64.21	€67.40
<b>PLC share award value information<sup>(b)</sup></b>			
Fair value per share award	£5.32	£5.65	£5.73

(b) Weighted average of share awards granted during each period.

**(vi) The North American Performance Share Plan**

This long-term incentive plan for North American managers awards Unilever shares if company and personal performance targets are met over a three-year period. It was introduced in 2001 to replace a former long-term incentive plan which had cash awards rather than shares.

A summary of the status of the North American Performance Share Plan as at 31 December 2003, 2002 and 2001 and changes during the years ended on these dates is presented below:

	Number of shares	2003 Weighted average price	Number of shares	2002 Weighted average price	Number of shares	2001 Weighted average price
<b>NV New York shares of €0.51</b>						
Outstanding at 1 January	1 223 292	\$0.00	625 451	\$0.00		
Awarded	563 982	\$0.00	639 396	\$0.00	625 451	\$0.00
Exercised						
Forfeited	(15 931)	\$0.00	(41 555)	\$0.00		
Outstanding at 31 December	<b>1 771 343</b>	<b>\$0.00</b>	1 223 292	\$0.00	625 451	\$0.00
Exercisable at 31 December						

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### Unilever Group

#### 29 Equity-based compensation plans continued

	Number of shares	2003 Weighted average price	Number of shares	2002 Weighted average price	Number of shares	2001 Weighted average price
<b>PLC shares of 1.4p in the form of ADRs<sup>(d)</sup></b>						
Outstanding at 1 January	9 130 532	\$0.00	4 665 064	\$0.00		
Awarded	4 191 296	\$0.00	4 769 348	\$0.00	4 665 064	\$0.00
Exercised						
Forfeited	(118 912)	\$0.00	(303 880)	\$0.00		
	<b>13 202 916</b>	<b>\$0.00</b>	<b>9 130 532</b>	<b>\$0.00</b>	<b>4 665 064</b>	<b>\$0.00</b>
Outstanding at 31 December						
Exercisable at 31 December						

(d) 1 ADR is equivalent to 4 PLC shares.

	2003	2002	2001
<b>NV share award value information<sup>(b)</sup></b>			
Fair value per share award	\$58.35	\$59.00	\$59.65
<b>PLC share award value information<sup>(b)</sup></b>			
Fair value per share award	\$9.14	\$8.35	\$8.59

(b) Weighted average of share awards granted during each period.

#### Additional information

At 31 December 2003, there were options outstanding to purchase 19 625 369 (2002: 16 693 951) €0.51 ordinary NV shares, and 96 512 423 (2002: 79 141 530) 1.4p ordinary PLC shares in respect of equity-based compensation plans of NV and its subsidiaries and the North American plans, and 4 816 994 (2002: 3 846 623) €0.51 ordinary NV shares and 50 494 450 (2002: 45 785 840) 1.4p ordinary PLC shares in respect of equity-based compensation plans of PLC and its subsidiaries.

To satisfy the options granted, certain NV group companies hold 22 163 785 (2002: 17 711 169) certificates or depositary receipts of ordinary shares of NV and 84 450 131 (2002: 69 162 782) of PLC and a forward equity contract to buy 10 000 000 PLC shares in 2006, and trusts in Jersey and the United Kingdom hold 47 085 636 (2002: 43 176 360) PLC shares. The book value of the shares held by the trusts, together with their borrowings, is taken up in the entity accounts of PLC, as required by United Kingdom Urgent Issues Task Force Abstract 38 (UITF 38). The trustees of these trusts have agreed, until further notice, to waive dividends on these shares, save for the nominal sum of 0.01p per 1.4p ordinary share. Shares acquired during 2003 represent 0.8% of the Group's called up capital. The balance at year end is 4.2% (2002: 3.4%).

The book value of €2 294 million (2002: €2 003 million) of all shares held in respect of equity-based compensation plans for both NV and PLC is eliminated on consolidation by deduction from other reserves (see note 23 on page 111). Their market value at 31 December 2003 was €2 117 million (2002: €2 058 million).

At 31 December 2003 the exercise price of 17 072 651 (2002: 11 163 031) NV options and of 79 751 021 (2002: 13 156 190) PLC options was above the market price of the shares.

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Shares held to satisfy options are accounted for in accordance with Netherlands law and United Kingdom UITF 37 and UITF 38. All differences between the purchase price of the shares held to satisfy options granted and the proceeds received for the shares, whether on exercise or lapse, are charged to reserves. In 2003 this includes €8 million (2002: €8 million) for shares held to meet options expiring in the short term which are priced above market value. The basis of the charge to operating profit for the economic value of options granted is discussed on page 117.

Obligations over the following number of shares were granted, exercised, forfeited or expired between 31 December 2003 and 28 February 2004. In this period we have also, in line with prior years practice, purchased 437 371 NV New York shares and 2 795 732 PLC shares in the form of ADRs to satisfy awards under the North American PSP.

	Granted		Exercised, forfeited or expired	
	Shares of 1.4p(i)	Shares of €0.5(ii)	Shares of 1.4p(i)	Shares of €0.5(ii)
All-Employee Option Plans			428 338	37 193
Executive Option Plans			2 026 858	533 842
Share Matching Plans			3 149	450
TSR Long-Term Incentive Plan				
Restricted Share Plan				
North American Performance Share Plan				

(i) When under a North American Plan, in the form of PLC ADRs.

(ii) When under a North American Plan, in the form of NV New York shares.

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## Notes to the consolidated accounts

## Unilever Group

**30 Summarised accounts of the NV and PLC parts of the Group**

The following summarised accounts present the profit and loss account and balance sheet of the Unilever Group, analysed between the NV and PLC parts of the Group according to respective ownership. Amounts for 2002 and 2001 have been restated following changes in our accounting policies for pensions and other post-employment benefits, for share-based payments and for the presentation of securities held as collateral. See note 17 on page 99, note 29 on page 116 and note 14 on page 94.

<b>Profit and loss account for the year ended 31 December</b>	<b>€ million NV 2003</b>	€ million NV 2002	€ million NV 2001	<b>€ million PLC 2003</b>	€ million PLC 2002	€ million PLC 2001
<b>Group turnover</b>	<b>28 964</b>	Restated 31 828	Restated 35 584	<b>13 729</b>	Restated 16 442	Restated 15 930
<b>Group operating profit</b>	<b>3 559</b>	3 507	2 860	<b>1 924</b>	1 500	2 086
Total income from fixed investments	<b>68</b>	73	43		38	53
Interest	<b>(530)</b>	(812)	(1 228)	<b>(317)</b>	(361)	(418)
Other finance income/(cost) pensions and similar obligations	<b>(110)</b>	(10)	30	<b>(56)</b>	118	12
<b>Profit on ordinary activities before taxation</b>	<b>2 987</b>	2 758	1 705	<b>1 551</b>	1 295	1 733
Taxation	<b>(947)</b>	(1 028)	(897)	<b>(580)</b>	(577)	(622)
<b>Profit on ordinary activities after taxation</b>	<b>2 040</b>	1 730	808	<b>971</b>	718	1 111
Minority interests	<b>(64)</b>	(51)	(44)	<b>(185)</b>	(261)	(195)
<b>Net profit</b>	<b>1 976</b>	1 679	764	<b>786</b>	457	916

<b>Balance sheet as at 31 December</b>	<b>€ million NV 2003</b>	€ million NV 2002	<b>€ million PLC 2003</b>	€ million PLC 2002
		Restated		Restated
<b>Fixed assets</b>				
Goodwill and intangible assets	<b>13 793</b>	15 593	<b>3 920</b>	4 681
Tangible fixed assets	<b>4 375</b>	4 749	<b>2 280</b>	2 687
Fixed investments		394	<b>199</b>	285
<b>Total fixed assets</b>	<b>18 168</b>	20 736	<b>6 399</b>	7 653
<b>Current assets</b>				
Stocks	<b>2 679</b>	2 870	<b>1 496</b>	1 630
Debtors	<b>4 458</b>	4 824	<b>1 423</b>	1 747
Debtors due within one year	<b>3 808</b>	4 323	<b>1 274</b>	1 552
Debtors due after more than one year	<b>650</b>	501	<b>149</b>	195
Cash and current investments	<b>2 497</b>	1 885	<b>848</b>	1 019
<b>Total current assets</b>	<b>9 634</b>	9 579	<b>3 767</b>	4 396
<b>Creditors due within one year</b>	<b>(13 411)</b>	(14 242)	<b>(3 663)</b>	(5 713)
Borrowings	<b>(6 835)</b>	(6 719)	<b>(599)</b>	(2 218)



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Trade and other creditors	(6 576)	(7 523)	(3 064)	(3 495)
<b>Net current assets/(liabilities)</b>	<b>(3 777)</b>	<b>(4 663)</b>	<b>104</b>	<b>(1 317)</b>
<b>Total assets less current liabilities</b>	<b>14 391</b>	<b>16 073</b>	<b>6 503</b>	<b>6 336</b>
<b>Creditors due after more than one year</b>	<b>7 558</b>	<b>10 013</b>	<b>1 572</b>	<b>1 561</b>
Borrowings	7 024	9 536	1 442	1 397
Trade and other creditors	534	477	130	164
<b>Provisions for liabilities and charges (excluding pensions and similar obligations)</b>	<b>1 252</b>	<b>1 070</b>	<b>393</b>	<b>508</b>
<b>Net liabilities for pensions and similar obligations</b>	<b>2 011</b>	<b>2 130</b>	<b>1 748</b>	<b>1 806</b>
Net pension asset for funded schemes in surplus	(381)	(297)	(109)	(84)
Net pension liability in respect of funded schemes in deficit and unfunded schemes	2 392	2 427	1 857	1 890
<b>Intra-group NV/PLC Minority interests Capital and reserves<sup>(a)</sup></b>	<b>(3 350) 51 6 869</b>	<b>(3 106) 28 5 938</b>	<b>3 350 389 (949)</b>	<b>3 106 591 (1 236)</b>
<b>Total capital employed</b>	<b>14 391</b>	<b>16 073</b>	<b>6 503</b>	<b>6 336</b>

(a) Capital and reserves of PLC decreased during 2002 due to the elimination of goodwill arising on intercompany transfers as explained in note 22 on page 111.

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## Five-year record

### Unilever Group

The following are definitions of measures used within the five-year record and elsewhere within this report:

Return on invested capital	Profit after tax but excluding net interest on net borrowings (excluding joint ventures and associates interest) and amortisation of goodwill and intangible assets (excluding joint ventures and associates amortisation) both net of tax, divided by average invested capital for the year. Invested capital is the sum of tangible fixed assets and fixed investments, working capital (stocks, debtors and trade and other creditors due within one year), goodwill and intangible assets at gross book value and cumulative goodwill written off directly to reserves under an earlier accounting policy.
Ungeared free cash flow	Ungeared free cash flow is cash flow from group operating activities, less capital expenditure and financial investment and less a tax charge adjusted to reflect an ungeared position, all expressed at current exchange rates.
Net profit margin	Net profit expressed as a percentage of group turnover.
Net interest cover	Profit on ordinary activities excluding associates before net interest on net borrowings and taxation divided by net interest on net borrowings excluding associates.
Net interest cover based on EBITDA	Earnings on ordinary activities excluding associates and non-cash share option costs before net interest on net borrowings, taxation, depreciation and amortisation divided by net interest on net borrowings excluding associates.
Net operating assets	<p>The total of:</p> <ul style="list-style-type: none"> <li>• goodwill and intangible assets of subsidiaries, joint ventures and associates purchased after 1 January 1998</li> <li>• tangible fixed assets</li> <li>• stocks</li> <li>• debtors (excluding deferred taxation)</li> </ul> <p>less:</p> <ul style="list-style-type: none"> <li>• trade and other creditors (excluding taxation and dividend creditors)</li> <li>• provisions for liabilities and charges (excluding deferred taxation, pensions balances and deferred purchase consideration).</li> </ul>
Ratio of earnings to fixed charges	Earnings consist of net profit excluding joint ventures and associates increased by fixed charges and income taxes. Fixed charges consist of interest payable on debt and a portion of lease costs determined to be representative of interest. This ratio takes no account of interest receivable although Unilever's treasury operations involve both borrowing and depositing funds.
Funds from operations after interest and tax over lease-adjusted net debt	Cash from operating activities including dividends from joint ventures after net interest paid and tax paid, expressed as a percentage of the lease-adjusted net debt. Lease-adjusted net debt is calculated by adding to the net debt five times the lease costs.
Weighted average cost of capital	The real (ie. excluding inflation) cost of equity multiplied by the market capitalisation, plus the real after taxation interest cost of debt multiplied by the market value of the net debt, divided by the sum of the market values of debt and equity.

Following the introduction of new rules regarding the use of non-GAAP measures, adjusted net gearing is no longer presented as a measure in the five-year record.



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## Five-year record

### Unilever Group

The financial data below shows key figures which are derived from the audited consolidated accounts of the Unilever Group for the last five years and is qualified by reference to those accounts and notes. Please refer also to the notes on page 128.

From 1 January 2000, Unilever adopted the euro as its principal reporting currency. The effect of exchange fluctuations over time means that the trends shown may differ significantly from those previously shown in sterling and from those which would arise if these euro amounts had been translated from the historical sterling accounts.

Following the changes in accounting policies for share-based payments and for the presentation of securities received as collateral, the consolidated profit and loss accounts, balance sheets and cash flow statements in respect of prior years have been restated. The adoption of UK Financial Reporting Standard 17 on pensions accounting has been reflected by restating the consolidated profit and loss accounts for the years ended and the balance sheets as at 31 December 2002 and 31 December 2001. As allowed by the transitional provisions of FRS 17, the financial statements in respect of earlier years have not been restated for this change in accounting policy.

<b>Consolidated profit and loss account<sup>(a)</sup></b>	<b>€ million 2003</b>	€ million 2002	€ million 2001	€ million 2000	€ million 1999
		Restated	Restated	Restated	Restated
<b>Group turnover</b>	<b>42 693</b>	48 270	51 514	47 582	40 977
<b>Group operating profit</b>	<b>5 483</b>	5 007	4 946	3 130	4 260
After charging:					
Exceptional items	(97)	(707)	(579)	(2 113)	(269)
Amortisation of goodwill and intangible assets	(1 139)	(1 245)	(1 387)	(435)	(23)
Income from fixed investments	68	111	96	53	52
Interest <sup>(b)</sup>	(1 013)	(1 065)	(1 604)	(632)	(14)
<b>Profit on ordinary activities before taxation</b>	<b>4 538</b>	4 053	3 438	2 551	4 298
<b>Profit on ordinary activities after taxation</b>	<b>3 011</b>	2 448	1 919	1 269	2 940
<b>Net profit</b>	<b>2 762</b>	2 136	1 680	1 054	2 739
Preference dividends	(27)	(42)	(51)	(44)	(20)
Dividends on ordinary capital	(1 682)	(1 659)	(1 530)	(1 414)	(1 245)
<b>Result for the year retained</b>	<b>1 053</b>	435	99	(404)	1 474
<b>Combined earnings per share<sup>(c)</sup></b>					
Euros per €0.51 of ordinary capital	<b>2.82</b>	2.14	1.66	1.02	2.60
Euro cents per 1.4p of ordinary capital	<b>42.33</b>	32.16	24.86	15.32	39.02
<b>Ordinary dividends</b>					
NV euros per €0.51 of ordinary capital	<b>1.74</b>	1.70	1.56	1.43	1.27
PLC pence per 1.4p of ordinary capital	<b>18.08</b>	16.04	14.54	13.07	12.50
<b>Consolidated balance sheet<sup>(a)</sup></b>	<b>€ million 2003</b>	€ million 2002	€ million 2001	€ million 2000	€ million 1999
		Restated	Restated	Restated	

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Goodwill and intangible assets	<b>17 713</b>	20 274	24 964	26 390	643
Other fixed assets and investments	<b>6 854</b>	8 115	10 124	10 996	8 963
Stocks	<b>4 175</b>	4 500	5 343	5 421	5 124
Debtors	<b>5 881</b>	6 571	8 024	9 726	7 405
Acquired businesses held for resale				1 666	
Total cash and current investments <sup>(e)</sup>	<b>3 345</b>	2 904	2 214	3 260	5 473
<b>Total assets</b>	<b>37 968</b>	42 364	50 669	57 459	27 608
Creditors due within one year <sup>(e)</sup>	<b>(17 074)</b>	(19 955)	(23 125)	(28 351)	(12 134)
<b>Total assets less current liabilities</b>	<b>20 894</b>	22 409	27 544	29 108	15 474
Creditors due after one year	<b>9 130</b>	11 574	15 026	14 085	2 832
Provisions for liabilities and charges	<b>5 404</b>	5 514	3 411	6 431	4 608
Minority interests	<b>440</b>	619	670	618	579
Capital and reserves <sup>(f)</sup>	<b>5 920</b>	4 702	8 437	7 974	7 455
<b>Total capital employed</b>	<b>20 894</b>	22 409	27 544	29 108	15 474

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## Five-year record

### Unilever Group

<b>Consolidated cash flow statement<sup>(a)</sup></b>	<b>€ million 2003</b>	<b>€ million 2002</b>	<b>€ million 2001</b>	<b>€ million 2000</b>	<b>€ million 1999</b>
		Restated	Restated	Restated	
<b>Cash flow from operating activities</b>	<b>6 780</b>	7 883	7 497	6 738	5 654
Dividends from joint ventures	52	83	82	38	28
Returns on investments and servicing of finance	(1 180)	(1 386)	(1 887)	(798)	(156)
Taxation	(1 423)	(1 817)	(2 205)	(1 734)	(1 443)
Capital expenditure and financial investment	(1 024)	(1 706)	(1 358)	(1 061)	(1 501)
Acquisitions and disposals	622	1 755	3 477	(27 373)	(362)
Dividends paid on ordinary share capital	(1 715)	(1 580)	(1 420)	(1 365)	(1 266)
Special dividend					(6 093)
<b>Cash flow before management of liquid resources and financing</b>	<b>2 112</b>	3 232	4 186	(25 555)	(5 139)
Management of liquid resources	(41)	(592)	1 106	2 464	5 675
Financing <sup>(e)</sup>	(2 917)	(3 078)	(5 172)	22 889	(146)
<b>Increase/(decrease) in cash in the period<sup>(e)</sup></b>	<b>(846)</b>	(438)	120	(202)	390
<b>Key ratios</b>	<b>2003</b>	<b>2002</b>	<b>2001</b>	<b>2000</b>	<b>1999</b>
		Restated	Restated	Restated	Restated
Return on invested capital (%)	12.5	9.8	8.7	6.2	16.5
Net profit margin (%)	6.5	4.4	3.3	2.2	6.7
Net interest cover (times)	6.7	4.5	3.1	5.0	308.0
Adjustment for depreciation and amortisation	2.8	2.5	1.8	3.2	85.9
Net interest cover based on EBITDA (times)	9.5	7.0	4.9	8.2	393.9
Ratio of earnings to fixed charges (times)	4.6	3.6	2.6	3.1	8.0
Funds from operations after interest and tax over lease-adjusted net debt (%) <sup>(g)(h)</sup>	32	26	16	15	244
Adjustment for leases (%)	5	4	2	2	(855)
Funds from operations after interest and tax over net debt (%)	37	30	18	17	(611)
<b>Selected financial data and key ratios on a US GAAP basis<sup>(a)(i)(j)</sup></b>	<b>€ million 2003</b>	<b>€ million 2002</b>	<b>€ million 2001</b>	<b>€ million 2000</b>	<b>€ million 1999</b>
		Restated	Restated	Restated	Restated
Group turnover	41 455	46 933	50 235	46 345	39 912
Net profit	3 807	4 210	1 446	1 215	2 458
Capital and reserves	13 349	11 772	13 553	15 075	15 375
Total assets	44 145	48 146	56 546	63 818	35 067
Combined earnings per share <sup>(c)</sup>					
Euros per €0.51 of ordinary capital	3.90	4.27	1.42	1.18	2.33
Euro cents per 1.4p of ordinary capital	58.52	64.01	21.29	17.76	34.99
Diluted earnings per share					
Euros per €0.51 of ordinary capital	3.79	4.14	1.38	1.15	2.27

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Euro cents per 1.4p of ordinary capital	<b>56.81</b>	62.11	20.72	17.32	34.12
Return on invested capital	<b>11.4</b>	11.3	8.6	6.7	13.2
Net profit margin (%)	<b>9.2</b>	9.0	2.9	2.6	6.2
Net interest cover (times)	<b>7.4</b>	6.2	2.8	4.7	174.7
Adjustment for depreciation and amortisation	<b>1.3</b>	1.2	1.9	3.1	66.5
Net interest cover based on EBITDA (times)	<b>8.7</b>	7.4	4.7	7.8	241.2
Ratio of earnings to fixed charges (times)	<b>5.2</b>	4.8	2.4	3.0	7.4

- (a) Amounts previously reported in guilders have been restated and are now reported in euros using the fixed conversion rate of €1.00 = Fl. 2.20371 that became effective on 1 January 1999.
- (b) Interest cost in 2000 includes €37 million of exceptional interest.
- (c) For the basis of the calculations of combined earnings per share see note 7 on page 89.
- (d) In 1999 and prior years, NV dividends were declared and paid in guilders. For comparative purposes, guilder values have been converted into euros in this table using the official rate of €1.00 = Fl. 2.20371. Full details of dividends for the years 1999 to 2003 are given on page 161.
- (e) Amounts have been restated following a change in accounting policy for the presentation of securities held as collateral in respect of derivative financial instruments. See note 14 on page 94.
- (f) At 31 December 2000, capital and reserves on a restated basis would have been €11 211 million. Further details of movements in capital and reserves are given in note 20 on page 108.
- (g) Lease-adjusted net debt includes five times operational lease costs to reflect fully the various financing options adopted.
- (h) In the calculation for 2001, taxation is reduced by €430 million relating to tax paid on a disposal in the US.
- (i) During the year ended 31 December 2002, Unilever recognised for US GAAP reporting purposes SFAS 142 which ceased amortisation of goodwill and indefinite-lived intangible assets. Amortisation expense on goodwill and indefinite-lived intangible assets on a US GAAP basis for the years ended 31 December 2001, 2000 and 1999 were €1 748 million, €810 million and €369 million respectively.
- (j) During the year ended 31 December 2002, Unilever changed its method of calculating expected return on plan assets for US GAAP purposes by adopting the actual fair market value at the balance sheet date rather than a market-related value. Had this methodology been applied in previous years, it would have resulted in an increase in net income for the years ended 31 December 2001, 2000 and 1999 of €86 million, €210 million and €57 million respectively.

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## Five-year record

### Unilever Group

#### By geographical area

	€ million 2003	€ million 2002	€ million 2001	€ million 2000	€ million 1999
<b>Group turnover</b>					
Europe	18 208	19 573	20 119	18 967	18 040
North America	9 774	12 446	13 767	11 631	8 838
Africa, Middle East and Turkey	3 276	3 139	3 191	3 296	3 048
Asia and Pacific	7 063	7 679	7 846	8 038	6 723
Latin America	4 372	5 433	6 591	5 650	4 328
	<b>42 693</b>	<b>48 270</b>	<b>51 514</b>	<b>47 582</b>	<b>40 977</b>
<b>Group operating profit</b>					
Europe	2 563	Restated 1 598	Restated 2 412	Restated 1 642	Restated 2 088
North America	1 071	1 541	1 127	48	847
Africa, Middle East and Turkey	419	282	196	321	302
Asia and Pacific	1 072	1 081	873	776	642
Latin America	358	505	338	343	381
	<b>5 483</b>	<b>5 007</b>	<b>4 946</b>	<b>3 130</b>	<b>4 260</b>
<b>Net operating assets</b>					
Europe	11 306	Restated 12 301	11 243	12 174	3 215
North America	7 750	9 681	12 091	11 814	1 996
Africa, Middle East and Turkey	1 236	1 213	1 082	1 075	1 034
Asia and Pacific	1 346	1 232	1 525	1 487	1 499
Latin America	3 283	3 760	6 256	7 526	1 520
	<b>24 921</b>	<b>28 187</b>	<b>32 197</b>	<b>34 076</b>	<b>9 264</b>
<b>Capital expenditure</b>					
Europe	471	552	631	605	652
North America	210	334	355	310	222
Africa, Middle East and Turkey	96	108	114	116	123
Asia and Pacific	155	170	217	183	148
Latin America	106	134	196	142	159
	<b>1 038</b>	<b>1 298</b>	<b>1 513</b>	<b>1 356</b>	<b>1 304</b>

#### By operation

	€ million 2003	€ million 2002	€ million 2001	€ million 2000	€ million 1999
<b>Group turnover</b>					
Foods	23 971	26 937	28 155	23 898	20 339
Home & Personal Care	18 368	20 801	22 739	22 825	19 781
Other operations	354	532	620	859	857
	<b>42 693</b>	<b>48 270</b>	<b>51 514</b>	<b>47 582</b>	<b>40 977</b>



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**Group operating profit**

		Restated	Restated	Restated	Restated
Foods	<b>2 648</b>	2 083	2 136	1 707	1 770
Home & Personal Care	<b>2 766</b>	2 882	2 761	1 392	2 337
Other operations	<b>69</b>	42	49	31	153
	<b>5 483</b>	5 007	4 946	3 130	4 260

**Net operating assets**

		Restated			
Foods	<b>22 469</b>	25 156	28 960	30 341	5 315
Home & Personal Care	<b>2 180</b>	2 625	2 852	3 565	3 792
Other operations	<b>272</b>	406	385	170	157
	<b>24 921</b>	28 187	32 197	34 076	9 264

**Capital expenditure**

Foods	<b>602</b>	805	810	704	690
Home & Personal Care	<b>416</b>	466	678	619	577
Other operations	<b>20</b>	27	25	33	37
	<b>1 038</b>	1 298	1 513	1 356	1 304

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## Five-year record

### Unilever Group

#### Exchange rates

The information in the following table is based on exchange rates between euros and US dollars and euros and sterling. These translation rates were used in preparation of the accounts.

	2003	2002	2001	2000	1999
<b>Year end</b>					
€1 = \$	<b>1.261</b>	1.049	0.885	0.930	1.005
€1 = £	<b>0.708</b>	0.651	0.611	0.624	0.621
<b>Annual average</b>					
€1 = \$	<b>1.126</b>	0.940	0.895	0.921	1.065
€1 = £	<b>0.691</b>	0.628	0.622	0.609	0.659

Noon Buying Rates in New York for cable transfers in foreign currencies as certified for customs purposes by the Federal Reserve Bank of New York were as follows:

	2003	2002	2001	2000	1999
<b>Year end</b>					
€1 = \$	<b>1.260</b>	1.049	0.890	0.939	1.007
<b>Annual average</b>					
€1 = \$	<b>1.132</b>	0.945	0.895	0.923	1.065
<b>High</b>					
€1 = \$	<b>1.260</b>	1.049	0.954	1.034	1.181
<b>Low</b>					
€1 = \$	<b>1.036</b>	0.859	0.837	0.827	1.001

High and low exchange rate values for each of the last six months:

	September 2003	October 2003	November 2003	December 2003	January 2004	February 2004
<b>High</b>						
€1 = \$	1.165	1.183	1.200	1.260	1.285	1.285
<b>Low</b>						
€1 = \$	1.085	1.160	1.142	1.196	1.239	1.243

On 28 February 2004, the exchange rate between euros and US dollars and euros and sterling were as follows: €1.00 = US \$1.244 and €1.00 = £0.670.

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## Additional information for US investors

### Unilever Group

Unilever's consolidated accounts are prepared in accordance with accounting principles which differ in some respects from those applicable in the United States. The following is a summary of the effect on the Group's net profit, combined earnings per share and capital and reserves of the application of United States generally accepted accounting principles (US GAAP).

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
<b>Net profit</b> as reported in the consolidated profit and loss account	<b>2 762</b>	2 136	1 680
Attributable to: <b>NV</b>	<b>1 976</b>	1 679	764
<b>PLC</b>	<b>786</b>	457	916
US GAAP adjustments:			
Currency retranslation written back on disposals		(22)	
Goodwill	<b>864</b>	1 074	(124)
Identifiable intangible assets	<b>304</b>	284	(118)
Restructuring costs	<b>(110)</b>	34	(18)
Capitalised software	<b>72</b>		
Interest	<b>(45)</b>	(77)	(55)
Derivative financial instruments	<b>(8)</b>	201	(119)
Pensions and similar liabilities	<b>(219)</b>	(30)	126
Gain on partial disposal of a group company		56	
Taxation effect of above adjustments including differences in deferred tax accounting	<b>187</b>	32	80
Net increase/(decrease)	<b>1 045</b>	1 552	(228)
<b>Net income under US GAAP before cumulative effect of change in accounting principles for pensions and derivative financial instruments</b>	<b>3 807</b>	3 688	1 452
Cumulative effect of change in accounting principle net of tax charge of €249 million in 2002 and tax benefit of €3 million in 2001		522	(6)
Net income under US GAAP	<b>3 807</b>	4 210	1 446
Attributable to: <b>NV</b>	<b>2 832</b>	3 151	498
<b>PLC</b>	<b>975</b>	1 059	948
<b>Combined net income per share under US GAAP before cumulative effect of change in accounting principles</b>			
Euros per €0.51 of ordinary capital	<b>3.90</b>	3.74	1.43
Euro cents per 1.4p of ordinary capital	<b>58.52</b>	55.99	21.38
<b>Combined diluted net income per share under US GAAP before cumulative effect of change in accounting principles</b>			
Euros per €0.51 of ordinary capital	<b>3.79</b>	3.62	1.39
Euro cents per 1.4p of ordinary capital	<b>56.81</b>	54.33	20.81
<b>Cumulative effect of change in accounting principles combined net income per share</b>			
Euros per €0.51 of ordinary capital		0.53	(0.01)
Euro cents per 1.4p of ordinary capital		8.02	(0.09)
<b>Cumulative effect of change in accounting principles diluted combined net income per share</b>			

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Euros per €0.51 of ordinary capital	0.52	(0.01)
Euro cents per 1.4p of ordinary capital	7.78	(0.09)

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Amounts reported in the financial statements have been restated following changes in our accounting policies for pensions and similar obligations and for share-based payments. See note 17 on page 99 and note 29 on page 117.

From 1 January 2003, for US GAAP purposes Unilever has adopted SFAS 123 Accounting for Stock-Based Compensation . The economic fair value of the awards is calculated using an option pricing model (usually an adjusted Black-Scholes or multinomial model) and the resulting cost is recognised as remuneration cost amortised over the vesting period of the grant. Variable plans, being those with performance criteria other than a service period, are also accounted for in accordance with SFAS 123. The actual remuneration cost charged in each period is shown below. Amounts for prior years have been restated to reflect compensation costs for all the employee awards granted or modified in fiscal years beginning after 1994.

With effect from 1 January 2002, and for the purposes of determining the expected return on plan assets for US purposes, Unilever changed the method of valuing its pension plan assets from a market-related value calculated by smoothing gains and losses over a five-year period to an actual fair value at the balance sheet date. Management believe that the actual fair value methodology provides a better representation of the financial position and results of Unilever s pension plans.

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## Additional information for US investors

### Unilever Group

	€ million 2003	€ million 2002
		Restated
<b>Capital and reserves</b> as reported in the consolidated balance sheet	<b>5 920</b>	4 702
Attributable to: <b>NV</b>	<b>6 869</b>	5 938
<b>PLC</b>	<b>(949)</b>	(1 236)
US GAAP adjustments:		
Goodwill	<b>3 252</b>	2 645
Identifiable intangible assets	<b>2 544</b>	2 782
Capitalised software	<b>72</b>	
Restructuring costs	<b>83</b>	198
Interest	<b>309</b>	355
Other comprehensive income effect of derivative financial instruments transition adjustment	<b>(31)</b>	(61)
Derivative financial instruments	<b>66</b>	73
Pensions and similar liabilities	<b>878</b>	1 014
Dividends	<b>1 120</b>	1 119
Taxation effect of above adjustments including differences in deferred tax accounting	<b>(864)</b>	(1 055)
Net increase	<b>7 429</b>	7 070
<b>Capital and reserves under US GAAP</b>	<b>13 349</b>	11 772
Attributable to: <b>NV</b>	<b>11 960</b>	9 955
<b>PLC</b>	<b>1 389</b>	1 817

The aggregate amounts included in the consolidated Unilever Group capital and reserves (under Unilever accounting principles) in respect of cumulative currency translation adjustments are as follows:

	€ million 2003	€ million 2002	€ million 2001
		Restated	Restated
Balance 1 January	<b>(6 456)</b>	(4 954)	(3 669)
Arising during the year	<b>250</b>	(1 502)	(1 285)
Balance 31 December	<b>(6 206)</b>	(6 456)	(4 954)

The aggregate amounts of foreign currency transaction gains and (losses) charged in the consolidated profit and loss account are:

<b>(102)</b>	(84)	(30)
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The consolidated accounts of the Unilever Group have been prepared in accordance with accounting principles which differ in certain respects from those generally accepted in the United States (US GAAP).

The principal differences are set out below.

#### Profit or loss on disposal of businesses

Unilever calculates profit or loss on sale of businesses after writing back any goodwill previously written off directly to reserves as a movement in profit retained. Under US GAAP the profit or loss on disposal of the businesses is stated net of the relevant unamortised goodwill included on the balance sheet and the cumulative currency retranslation differences recognised through the

statement of total recognised gains and losses.

Under UK GAAP, gains on the partial disposal of group companies involving non-monetary consideration are recorded in the statement of total recognised gains and losses. Under US GAAP, these gains are recorded in the profit and loss account.

#### **Goodwill and intangible assets**

Under UK and Netherlands GAAP, goodwill (being the difference between the fair value of consideration paid for new interests in group companies, joint ventures and associated companies and the fair value of the Group's share of their net assets at the date of acquisition) and identifiable intangible assets purchased after 1 January 1998 are capitalised and amortised in operating profit over the period of their expected useful life, up to a maximum of 20 years. Periods in excess of five years are used only where the Directors are satisfied that the life of these assets will clearly exceed that period. Goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained.

On disposal of a business acquired prior to 1 January 1998, purchased goodwill written off on acquisition is reinstated in arriving at the profit or loss on disposal.

Under US GAAP prior to 1 January 2002, purchased goodwill and identifiable intangible assets were capitalised and amortised over their useful lives. From 1 January 2002, under SFAS 142, the amortisation of goodwill and identifiable intangible assets that have indefinite useful lives ceased. Intangible assets that have finite useful lives continue to be amortised over their useful lives.

Goodwill and identifiable intangible assets that have indefinite lives are assessed annually for impairment.

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## Additional information for US investors

### Unilever Group

Had the Group accounted for its goodwill and identifiable intangible assets that have indefinite lives under SFAS 142 for the year ending 31 December 2001, the impact on reported results would have been as follows:

	€ million 2001
	Restated
<b>Net income under US GAAP</b>	1 446
Amortisation, net of tax:	
Goodwill	1 266
Intangibles	404
<b>Adjusted net income under US GAAP</b>	<b>3 116</b>
Adjusted net income per share	3.12
Adjusted diluted net income per share	3.03

The differences between UK GAAP as applied by Unilever and US GAAP on accounting for goodwill and intangible assets are set out in the tables and footnotes below.

Impact of goodwill and intangible asset accounting differences on net profit (before tax):

	€ million 2003	€ million 2002	€ million 2001
Cessation of goodwill amortisation <sup>(a)</sup>	852	932	
Cessation of intangible assets amortisation <sup>(a)</sup>	257	277	
Pre-1998 goodwill and intangible assets <sup>(b)</sup>	48	127	(209)
Differences in calculation of goodwill on acquisition <sup>(c)</sup>			(33)
Cessation of goodwill amortisation on joint ventures and associates <sup>(a)</sup>	11	22	
<b>Total adjustment to net profit</b>	<b>1 168</b>	1 358	(242)

Impact of goodwill and intangible assets differences on capital and reserves:

	As at 31 December 2003	As at 31 December 2002
Cessation of goodwill amortisation <sup>(a)</sup>	1 579	866
Cessation of intangible assets amortisation <sup>(a)</sup>	472	246
Pre-1998 goodwill and intangible assets <sup>(b)</sup>	3 797	4 386
Differences in calculation of goodwill on acquisition <sup>(c)</sup>	(75)	(91)
Cessation of goodwill amortisation on joint ventures and associates <sup>(a)</sup>	23	20
<b>Total adjustment to capital and reserves</b>	<b>5 796</b>	5 427

(a) Under US GAAP prior to 1 January 2002, purchased goodwill and identifiable intangible assets were capitalised and amortised over their useful lives. From 1 January 2002, under SFAS 142, the amortisation of goodwill and identifiable intangible assets that have indefinite useful lives ceased. Intangible assets that have finite useful lives continue to be amortised over their useful lives.

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- (b) Under UK GAAP, goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained. On disposal of a business acquired prior to 1 January 1998, purchased goodwill written off on acquisition is reinstated in arriving at the profit or loss on disposal. Under US GAAP, such goodwill and intangible assets were capitalised and, prior to 1 January 2002, were amortised over their useful lives. These different accounting treatments give rise to differences between net profit calculated under UK GAAP and net profit calculated under US GAAP, both in respect of amortisation recorded for US GAAP purposes prior to 1 January 2002, and in respect of the calculation of profit and loss on disposal of a business. Similar differences arise in the calculation of capital and reserves under UK and US GAAP.
- (c) The detailed rules for determining the fair value of assets and liabilities acquired as part of the acquisition of a business differ between UK and US GAAP. These differences give rise to differing figures for goodwill arising on acquisition as calculated under UK and US GAAP.

Management have completed an impairment assessment during 2003 and have concluded that there was no impairment of goodwill or identifiable intangible assets with indefinite lives for the year ended 31 December 2003.

### Goodwill

An analysis of goodwill of group companies by reporting segment is given below:

	€ million							
	Savoury and dressings	Spreads and cooking products	Health & wellness and beverages	Ice cream and frozen foods	Home care	Personal care	Other operations	Total
As at 31 December 2001	16 620	212	1 685	1 135	733	633		21 018
Currency retranslation	(2 540)	(32)	(255)	(171)	(112)	(97)		(3 207)
Acquisitions	191	119			17	26		353
Disposals	(65)	(19)	(36)	(17)	(185)			(322)
As at 31 December 2002	14 206	280	1 394	947	453	562		17 842
Currency retranslation	(1 387)	181	59	(149)	(40)	(121)		(1 457)
Acquisitions	388	3		15	3	13		422
Disposals	(70)		(8)	(12)		(8)		(98)
As at 31 December 2003	13 137	464	1 445	801	416	446		16 709

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## Additional information for US investors

### Unilever Group

Goodwill from joint ventures amounting to €4 million (2002: €211 million) primarily relates to the savoury and dressings segment. The goodwill from associates amounting to €122 million (2002: €154 million) primarily relates to the home care segment.

#### **Intangible assets subject to amortisation**

Finite-lived intangible assets principally comprise technologies and have a net book value of €445 million as at 31 December 2003 (2002: €567 million), net of accumulated amortisation of €86 million (2002: €72 million). Amortisation expense recorded in the period in respect of finite-lived intangible assets was €30 million (2002: €36 million). This expense is not expected to change materially over the next five years.

#### **Intangible assets not subject to amortisation**

Indefinite-lived intangible assets principally comprise trademarks and have a net book value of €6 355 million as at 31 December 2003 (2002: €7 161 million).

#### **Capitalised software**

Under UK GAAP as applied by Unilever, certain costs relating to the development and purchase of software for internal use are expensed when incurred. Under US GAAP, these costs are capitalised and subsequently amortised over the estimated useful life of the software in conformity with Statement of Financial Position 98-1, Accounting for the Cost of Computer Software Developed or Obtained for Internal Use. During 2003 several IT projects met the criteria for capitalisation under US GAAP.

#### **Restructuring costs**

Under Unilever's accounting policy, certain restructuring costs relating to employee terminations are recognised when a restructuring plan has been announced. Under US GAAP, liabilities related to exit costs are recognised when incurred. Employee termination costs are generally considered to be incurred when the company has a liability to the employee unless further service is required from the employee in which case costs are recognised as benefits are earned.

Costs related to excess lease costs are reduced by assumed sub-lease income for the periods impacted.

#### **Interest**

Unilever treats all interest costs as a charge to the profit and loss account in the current period. Under US GAAP, interest incurred during the construction periods of tangible fixed assets is capitalised and depreciated over the life of the assets.

#### **Derivative financial instruments**

##### **Transition adjustment**

Unilever applied the provisions of SFAS 133 Accounting for Derivative Instruments and Hedging Activities in this divergence statement as from 1 January 2001. In accordance with the transition provisions of SFAS 133, an adjustment of €6 million (net of tax of €3 million) was recorded as the cumulative effect of a change in accounting principle to recognise the fair value of all the Group's derivative financial instruments and hedge items under US GAAP. In addition, Unilever recorded a one-time unrealised loss of €85 million (net of tax of €37 million) to consolidated other comprehensive income under US GAAP. During the year ended 31 December 2003, a reclassification of derivative losses from other comprehensive income to net income of €31 million was recorded as a result of the underlying hedged transactions which impacted earnings.

##### **Hedging policy**

Unilever's accounting policies in respect of derivative financial instruments are described in the accounting information and policies on page 75. In particular, under its accounting policies, Unilever applies hedge accounting to its portfolio of derivative financial instruments, meaning that changes in the value of forward foreign exchange contracts are recognised in the results in the same period as changes in the values of the assets and liabilities they are intended to hedge. Interest payments and receipts arising from

interest rate derivatives such as swaps and forward rate agreements are matched to those arising from underlying debt and investment positions. Payments made or received in respect of the early termination of derivative instruments are spread over the original life of the instrument so long as the underlying exposure continues to exist.

Under US GAAP, Unilever has not designated any of its derivative instruments as qualifying hedge instruments under SFAS 133 and, accordingly, under US GAAP, all derivative financial instruments are valued at fair value, and changes in their fair value are reflected in earnings. All gains and losses arising on derivative financial instruments are recognised immediately; payments made or received in respect of the early termination of derivative instruments represent cash realisation of these gains and losses and therefore have no further impact on earnings.

### **Pensions**

From 1 January 2003, Unilever has adopted UK Financial Reporting Standard (FRS) 17 as the basis for accounting for retirement benefits. Full details of this standard are given in note 17 on page 99.

Under FRS 17, the expected costs of providing retirement benefits are charged to the profit and loss account over the periods benefiting from the employees' services. Variations from the expected cost are recognised as they occur in the statement of total recognised gains and losses. The assets and liabilities of pension plans are included in the Group balance sheet at fair value. Under US GAAP, pensions costs and liabilities are accounted for in accordance with the prescribed actuarial method and measurement principles of SFAS 87. The most significant difference is that variations from the expected costs are recognised in the profit and loss account over the expected service lives of the employees.

Under US GAAP, an additional minimum liability is recognised and a charge made to other comprehensive income when the accumulated benefit obligation exceeds the fair value of plan assets to the extent that this amount is not covered by the net liability recognised in the balance sheet.

With effect from 1 January 2002, and for the purposes of determining the expected return on plan assets for US purposes, Unilever changed the method of valuing its pension plan assets from a market-related value calculated by smoothing gains and losses over a five-year period to an actual fair value at the balance sheet date. Management believe that the actual fair value methodology provides a better representation of the financial position and results of Unilever's pension plans.

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## Additional information for US investors

### Unilever Group

The impact of this change in methodology on reported results under US GAAP is given in the table below:

	€ million 2001	
	Restated	
Net income under US GAAP	1 446	
Change in basis of expected return on plan assets calculation	86	
Adjusted net income under US GAAP	1 532	
	Euro per € 0.51 2001	Euro cents per 1.4p 2001
Adjusted net income per share	1.51	22.60
Adjusted diluted net income per share	1.47	21.99

As required under US APB 20 for a change in accounting policy, a cumulative effect adjustment has been calculated to record the impact of the change as if the fair value methodology had been the accounting policy from the initial adoption of SFAS 87 by Unilever. The cumulative effect adjustment net of tax was €522 million in 2002.

#### Investments

Unilever accounts for current investments, which are liquid funds temporarily invested, at their market value, which is consistent with UK GAAP.

Unilever accounts for changes in the market value of current investments as interest receivable in the profit and loss account for the year. Under US GAAP, such current asset investments are classified as available for sale securities and changes in market values, which represent unrealised gains or losses, are excluded from earnings and taken to stockholders' equity unless such losses are deemed to be other than temporary at which time they are recognised through the profit and loss account. Unrealised gains and losses arising from changes in the market values of securities available for sale are not material.

Unilever accounts for fixed investments other than in joint ventures and associates at cost less any amounts written off to reflect a permanent impairment. Under US GAAP such investments are held at fair value. The difference is not material.

#### Dividends

The proposed final ordinary dividends are provided for in the Unilever accounts in the financial year to which they relate. Under US GAAP such dividends are not provided for until they become irrevocable.

#### Deferred taxation

Following the adoption of the new pension accounting standard (FRS 17) with effect from 1 January 2003, Unilever has restated its deferred tax charge for the years ended 31 December 2001 and 2002 together with its deferred tax balances as at 31 December 2002. Corresponding changes are therefore needed to the deferred tax charges and balances in the Group accounts and in the reconciliation to US GAAP. In addition, deferred tax balances in respect of pensions are now reported as a separate component of the pensions balances and no longer aggregated with the rest of the deferred tax balances. A full description of FRS 17 is given in note 17 on page 99