UNILEVER PLC
Form 20-F
March 24, 2005

As filed with the Securities and Exchange Commission on March 24, 2005

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 2004

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 1-4546

UNILEVER PLC

(Exact name of Registrant as specified in its charter)

ENGLAND
(Jurisdiction of incorporation or organization)

UNILEVER HOUSE, BLACKFRIARS, LONDON, ENGLAND
(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
American shares (evidenced by Depositary Receipts)	New York Stock Exchange
each representing four Ordinary Shares of the nominal amount of 1.4p each	

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 2 911 458 580 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

Back to Contents

2004 Unilever Annual Report and Accounts

Adding vitality to life

Back to Contents

Our corporate purpose

Unilever's mission is to add Vitality to life. We meet everyday needs for nutrition, hygiene and personal care with brands that help people feel good, look good and get more out of life.

Our deep roots in local cultures and markets around the world give us our strong relationship with consumers and are the foundation for our future growth. We will bring our wealth of knowledge and international expertise to the service of local consumers — a truly multi-local multinational.

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

To succeed also requires, we believe, the highest standards of corporate behaviour towards everyone we work with, the communities we touch, and the environment on which we have an impact.

This is our road to sustainable, profitable growth, creating long-term value for our shareholders, our people, and our business partners.

Back to Contents

Contents

Back to Contents

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 (depositary 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 2004 of NV and PLC. This document complies with Netherlands and 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 2004, and cross references to Form 20-F are set out on page 182. It is made available to all shareholders who request or elect to receive it, and on the website at www.unilever.com/ourcompany/investorcentre/.

The separate publication, Unilever Annual Review 2004, 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 2004 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/ourcompany/investorcentre/.

Reporting currency and exchange rates

Details of key exchange rates used in preparation of these accounts are given on page 153, together with Noon Buying Rates in New York for the equivalent dates.

Basis of Discussion and Analysis

In parts of this document, notably the Chairmens statement on pages 8 and 9 and the review of operations by product category and region on pages 24 to 49, 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 Unilevers Path to Growth strategy which commenced in 1999, concluding 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. During Path to Growth, Unilevers internal performance targets and management information have been measured on a BEIA basis. 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.

Back to Contents

General information

(continued)

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 at constant rates of exchange 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 has been 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 debt and amortisation or impairment of goodwill and intangible assets 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, 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 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. It is not a measure of liquidity.

Ungeared free cash flow generation and return on invested capital are key measures of value creation, used to monitor progress towards our long-term strategic objectives.

Tables reconciling certain of these measures to the statutory measures included in the Financial Statements are shown on pages 4 to 6 and throughout the section entitled Operating review on pages 24 to 49.

€ 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 document may contain forward-looking statements, including forward-looking statements within the meaning of the United States Private Securities Litigation Reform Act of 1995. Words such as expects, anticipates, intends or the negative of these terms and other similar expressions of future performance or results and their negatives 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. They are not historical facts, nor are they guarantees of future performance. Because these forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, 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, political, economic and social conditions in the geographic markets where the Group operates and new or changed priorities of the Boards. Further details of potential risks and uncertainties affecting the Group are described in the Groups filings with the London Stock Exchange, Euronext Amsterdam and the US Securities and Exchange Commission, including the Annual Report and Accounts on Form 20-F. These forward-looking statements speak only as of the date of this document. Except as required by any applicable law or regulation, the Group expressly disclaims any obligation or undertaking to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in the Groups expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

Back to Contents

Key performance measures
(including reconciliation to GAAP measures)

Key performance measures 2004 compared with 2003

	€ million 2004 at 2003 rates	**€ million** Exchange rate effects	**€ million** 2004 at 2004 rates	€ million 2003 at 2003 rates	% Change at actual current rates	% Change at constant 2003 rates
Group turnover	**41 817**	**(1 648)**	**40 169**	42 693	(6)%	(2)%
Group operating profit	**3 526**	**(115)**	**3 411**	5 483	(38)%	(36)%
Turnover	**42 023**	**(1 657)**	**40 366**	42 942	(6)%	(2)%
Operating profit BEIA	**6 386**	**(248)**	**6 138**	6 772	(9)%	(6)%
Exceptional items	**(1 672)**	**75**	**(1 597)**	(100)		
Amortisation goodwill and intangible assets	**(1 141)**	**55**	**(1 086)**	(1 143)		
Operating profit	**3 573**	**(118)**	**3 455**	5 529	(38)%	(35)%
Operating margin	**8.5%**		**8.6%**	12.9%		
Operating margin BEIA	**15.2%**		**15.2%**	15.8%		
Interest and other finance income/(cost)	**(753)**	**64**	**(689)**	(1 013)		
Taxation	**(806)**	**24**	**(782)**	(1 527)		
Net profit BEIA	**4 090**	**(121)**	**3 969**	3 923	1%	4%
Exceptional items in net profit	**(1 102)**	**45**	**(1 057)**	(67)		
Amortisation goodwill and intangible assets net of tax	**(1 088)**	**52**	**(1 036)**	(1 094)		
Net profit	**1 900**	**(24)**	**1 876**	2 762	(32)%	(31)%
EPS per €0.51 ordinary NV share (euros)	**1.94**	**(0.02)**	**1.92**	2.82	(32)%	(31)%
EPS per 1.4p ordinary PLC share (euro cents)	**29.14**	**(0.36)**	**28.78**	42.33	(32)%	(31)%
EPS BEIA per €0.51 ordinary NV share (euros)	**4.22**	**(0.13)**	**4.09**	4.02	2%	5%
EPS BEIA per 1.4p ordinary PLC share (euro cents)	**63.25**	**(1.88)**	**61.37**	60.31	2%	5%

Key performance measures 2003 compared with 2002

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

	2003 at 2002 rates	rate effects	2003 at 2003 rates	2002 at 2002 rates	actual current rates	constant 2002 rates
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%

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.

Back to Contents

Key performance measures (continued)
(including reconciliation to GAAP measures)

Turnover and underlying sales growth

(at constant exchange rates)	**2004 vs 2003**	2003 vs 2002
Underlying sales growth (%)	**0.4**	1.5
Effect of acquisitions (%)	**0.3**	0.6
Effect of disposals (%)	**(2.8)**	(4.3)
Turnover growth (%)	**(2.1)**	(2.2)

Return on invested capital

Return on invested capital is profit after tax but excluding net interest on net debt and amortisation or impairment[a] of goodwill and intangible assets both net of tax, divided by average invested capital for the year at current rates of exchange. Invested capital is the sum of tangible fixed assets and fixed investments, working capital, goodwill and intangible assets at gross book value and cumulative goodwill written off directly to reserves under an earlier accounting policy.

	€ million 2004	€ million 2003
Profit on ordinary activities after taxation	**2 057**	3 011
Add back interest expense (excluding joint ventures and associates) net of tax	**439**	569
Add back amortisation of goodwill and intangible assets (excluding joint ventures and associates) net of tax	**1 029**	1 086
Add back impairment charges net of tax(a)	**391**	□
Profit after tax, before interest and amortisation or impairment of goodwill and intangible assets	**3 916**	4 666
Year end positions for invested capital:		
Tangible fixed assets and fixed investments	**6 473**	6 854
Stocks	**3 758**	4 175
Debtors	**5 703**	5 881
Trade and other creditors due within one year	**(9 415)**	(9 640)
Goodwill and intangible assets at gross book value	**20 456**	21 202
Total	**26 975**	28 472
Add back cumulative goodwill written off directly to reserves	**7 246**	7 262
Year end invested capital	**34 221**	35 734
Average invested capital for the year	**36 214**	37 377

Return on average invested capital %	**10.8%**	12.5%

(a) Excluding write-downs of goodwill and intangible assets taken in connection with business disposals.

Back to Contents

Key performance measures (continued)
(including reconciliation to GAAP measures)

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 2004	€ million 2003	€ million 2002
Cash flow from group operating activities	**6 853**	6 780	7 883
Less capital expenditure and financial investment	**(1 044)**	(1 024)	(1 706)
Less tax charge adjusted to reflect an ungeared position:(b)	**(953)**	(1 817)	(1 967)
Taxation on profit on ordinary activities	**(782)**	(1 527)	(1 605)
Tax relief on interest and other finance income/(cost) (excluding tax relief relating to interest on pensions and similar obligations)	**(171)**	(290)	(362)
Ungeared free cash flow	**4 856**	3 939	4 210

(b) The 2004 adjusted tax charge reflects a low rate of tax as a result of non-cash charges taken in the fourth quarter including the *Slim•Fast* goodwill impairment charge and other exceptional items. Ungeared free cash flow based on actual cash tax paid would be €4.2 billion, a level which is more representative of the underlying trend.

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.

Adjusted EBITDA interest cover

Unilever uses an adjusted EBITDA net interest cover as one of its key measures for the management of its Treasury strategy. For this purpose adjusted EBITDA is defined as: earnings on ordinary activities excluding associates and non-cash share option costs before net interest on net debt, taxation, depreciation, amortisation and impairment divided by net interest on net debt excluding associates. Details of the calculation of adjusted EBITDA and adjusted net interest cover on adjusted EBITDA are given below.

	€ million 2004	€ million 2003	€ million 2002
Profit on ordinary activities before taxation	**2 839**	4 538	4 053
Add back share of operating profit of associates before tax	**4**	23	(7)
Add back non-cash share option costs	**218**	208	185
Add back net interest	**582**	799	1 146
Add back depreciation	**996**	899	1 337
Add back amortisation	**1 086**	1 143	1 261
Add back impairment	**777**	—	—
Adjusted EBITDA	**6 502**	7 610	7 975
Net interest	**628**	847	1 173
Less interest of associates	**(46)**	(48)	(27)

Adjusted net interest	**582**	799	1 146