

Disclaimer

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Certain sections of the Unilever Annual Report and Accounts 2004 have been audited. Sections that have been audited are set out on pages 96 to 148, 154 to 170 and 172 to 173. The auditable part of the Directors' Remuneration report as set out on page 89 has also been audited.

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

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

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

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

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 pages 155 to 159. We have shown reconciliations to net income and capital and reserves under US GAAP on pages 154 and 155.

For definitions of key ratios referred to in this review please refer to page 149.

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 Corporate Governance on page 52).

The figures quoted in the following discussion on pages 17 to 23 are in euros, at **current rates of exchange**, ie the average or year-end rates of each period, unless otherwise stated.

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 96 to 98. 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

We account for pensions and similar obligations in accordance with United Kingdom Financial Reporting Standard 17 'Retirement Benefits' (FRS 17). Under this standard the liabilities and assets of the plans are recognised at fair values in the balance sheet.

Pension accounting requires certain assumptions to be made in order to value our obligations and to determine the charges to be made to the profit and loss account. These figures are particularly sensitive to assumptions for discount rates, inflation rates and expected long-term rates of return on assets. The table below sets out these assumptions, as at 31 December 2004, in respect of the four largest Unilever pension funds. Details of all assumptions made are given on page 123.

	% UK	% Nether- lands	% United States	% Germany
Discount rate	5.3	4.5	5.7	4.5
Inflation assumption	2.8	1.8	2.5	1.8
Expected long-term rate of return:				
Equities	8.0	7.6	8.2	7.6
Bonds	5.0	4.1	4.6	4.1
Others	6.8	5.9	4.5	5.5

As required by FRS 17 these assumptions are set by reference to market conditions at each year end. Actual experience may differ from the assumptions made. The effects of such differences are recognised through the statement of total recognised gains and losses.

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 hedge our existing share option programmes by buying shares at the time of grant and taking the financing cost within interest. The accounting change was to include an additional non-cash charge against operating profit to reflect the fair value to the employee of the share options granted. The impact of the adoption of this change was reflected by means of prior period adjustments to the profit and loss accounts and balance sheets. In determining the additional charge, we apply a valuation based on modified Black-Scholes or multinomial models spread over the vesting period of the option. The fair value so calculated depends on certain assumptions which are described in note 30 on page 138. 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 development costs

Expenditure on market development 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 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.

Financial review

(continued)

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 (€13.3 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.

We have also reviewed the balances related to *Slim•Fast* in light of the significant decline in the weight-management category in North America that took place during the second half of 2004. This is expected to continue to impact market volumes in 2005. The results of the review indicated that a goodwill impairment charge of €591 million was necessary. Our assessment is based on a number of important assumptions regarding the future performance of the *Slim•Fast* business. In particular, the business is assumed to return to growth by 2007, and thereafter to achieve levels of growth and margin that are consistent with typical North American foods businesses. The review was based on a 10 year discounted cash flow methodology using a pre-tax discount rate of 11%.

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 97. Deferred tax assets are regularly reviewed for recoverability, and a valuation allowance is established to the extent that recoverability is not considered likely.

International Financial Reporting Standards

Unilever is adopting International Financial Reporting Standards (IFRS) with effect from 1 January 2005. In 2004 we substantially completed our assessment of the impact of the change to IFRS on our reported capital and reserves and on reported profit. We have also completed the modification of our accounting and reporting systems to facilitate the changes and we have designed and run an IFRS training programme for those employees that are affected by the changes.

The most important changes to our accounting policies are listed below. These changes will also affect the 2004 comparative information in the 2005 consolidated financial statements with the exception of the changes in accounting for financial instruments and the presentation of assets held for sale, which will be applied prospectively from 1 January 2005.

Under IFRS 3, from 1 January 2004 we will no longer apply systematic amortisation to goodwill and intangible assets with an indefinite life, but will instead test these assets for impairment on at least an annual basis. The amortisation charge for all goodwill and indefinite lived intangible assets in 2004 was €1 040 million.

Under IAS 10 we will no longer recognise a liability in any period for dividends which have been proposed but will not be approved until after the balance sheet date. The proposed final dividends for 2004 amount to €1.26 per €0.51 ordinary NV share and 12.82p per 1.4p ordinary PLC share, a total liability of €1 215 million.

Under IAS 12 we will recognise certain additional deferred tax balances arising on temporary differences between the tax base and the accounting base of balance sheet items. The most significant of these relates to intangible assets which were identified at the time of the Bestfoods acquisition, on which a deferred tax liability will be established via reserves.

Under IAS 38 we will capitalise and amortise purchased and internally developed software. The value of purchased and internally developed software as at 31 December 2004 amounted to €166 million.

From 1 January 2005 onwards we will present NV preference share capital as a liability rather than as a part of capital and reserves, in accordance with IAS 32. The carrying value of these preference shares as at 31 December 2004 was €1 502 million. Also from this date we will recognise all derivative financial instruments on balance sheet and will measure certain non-derivative financial assets at fair value with unrealised movements in fair value recognised directly within equity.

Other areas where our current accounting policies differ from IFRS and will therefore change include retirement benefits and biological assets (tea bushes and oil palm trees). In the case of retirement benefits, the recent amendments to IAS 19 mean that the impact on Unilever will be restricted to certain valuation differences which are not expected to have a significant impact on our reported numbers.

For further details of these and other reporting changes which may apply for 2005, please refer to our website at www.unilever.com/ourcompany/investorcentre/.

Financial review

(continued)

Results Commentary

Results 2004 compared with 2003 and 2002

Turnover

€ million

2004	40 366
2003	42 942
2002	48 760

Operating profit

€ million

2004	3 455
2003	5 529
2002	5 091

Operating profit BEIA

€ million

2004	6 138
2003	6 772
2002	7 054

Results 2004 compared with 2003

Turnover fell by 6% to €40 366 million. This decrease was primarily due to a 4% strengthening of the average euro exchange rate against the basket of Unilever currencies and disposals which contributed 2.5% of the decline. At constant rates of exchange, underlying sales grew by 0.4% in the year, but turnover fell by 2.1% as a result of business disposals. The main disposal impact arose from the sale of our chemicals business in India, certain household care brands in North America and the edible oils business in Mexico.

Group turnover was €40 169 million (2003: €42 693 million). Our share of turnover from joint ventures continued to fall in 2004 to €197 million (2003: €249 million) primarily as a result of increases in our holding in the Ajinomoto joint ventures in Asia and their consequent inclusion as subsidiaries.

Operating profit was down 38% to €3 455 million for the year (2003: €5 529 million) with operating margin decreasing to 8.6% (2003: 12.9%). €1 497 million of the reduction was due to higher net exceptional charges (discussed in further detail below), with currency movements contributing another €118 million. Operating profit BEIA was 9% lower at €6 138 million, compared with €6 772 million in 2003. Operating margin BEIA weakened from 15.8% in 2003 to 15.2% due mainly to declines in price and slightly higher advertising and promotions. Group operating profit BEIA was €6 092 million (2003: €6 719 million).

Amortisation of goodwill and intangible assets was €1 086 million compared with €1 143 million in 2003. The decrease was mainly due to a strengthening of the euro in 2004, particularly against the US dollar.

Net exceptional charges included in operating profit for the year were €1 597 million (2003: €100 million). Of this, €724 million is due to impairments of goodwill, including €591 million for *Slim•Fast*, with the majority of the remainder taken in connection

with business disposals that will complete following the year end. The net credit for the profit and losses on Path to Growth disposals during the year was €156 million. A €169 million provision was made for the potential repayment of certain sales tax credits in Brazil. Restructuring costs comprised €860 million in 2004, including the start of the overheads simplification project, announced in mid 2004. This marks the end of the Path to Growth restructuring programme. Associated costs of €82 million were included within operating profit BEIA for the year (2003: €121 million).

Group operating profit decreased by 38% to €3 411 million.

An overview of operating performance by product category and region is included in the category and regional reviews on pages 24 to 39 and 40 to 49 respectively.

Net interest cost, excluding pensions interest, fell to €628 million from €847 million in 2003 as a result of both net debt levels and rates lower than last year. Net interest cover for the year was 5.9 times compared with 6.7 times in 2003. Adjusted net interest cover on the basis of adjusted EBITDA was 11.2 times (2003: 9.5 times). The net interest charge on pensions for the year was €61 million compared with €166 million in 2003. This reduction is due to higher expected rates of return on assets and increased company contributions to funded pension plans.

The Group's effective tax rate was 27.6% for the year (2003: 33.6%) and reflects the impact of a reduction in the future tax rate in the Netherlands and favourable resolution of a number of outstanding tax issues in various countries. The underlying tax rate for the year, before exceptional items and amortisation, was 24.6% compared with 28.6% last year.

Minority interests decreased by 28% to €181 million (2003: €249 million). This decrease was due to lower profits from businesses with minority interests and currency movements.

Net profit was lower by 32% to €1 876 million caused primarily by the higher net exceptional charges and lower operating profit BEIA. Combined earnings per share decreased by 32% and combined earnings per share BEIA increased by 2%.

Return on invested capital for the year was 10.8%, down from 12.5% in 2003. This reflects lower profit offset by decreases in capital employed.

The definition and further details on return on invested capital are given on pages 149 and 151.

Results 2003 compared with 2002

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.

Financial review

(continued)

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 was mainly due to the strengthening of the euro in 2003.

Net exceptional charges included in operating profit for the year were €100 million (2002: €702 million), which included €470 million of restructuring investment costs and a net credit for the profit and losses on disposals of €370 million. The restructuring costs primarily related 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.

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 adjusted net interest cover on the basis of adjusted 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.

The Group's effective tax rate on profit was 33.6% for the year (2002: 39.6%) and reflected 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 was 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.

Acquisitions and disposals

Acquisitions

There were no material acquisitions during 2004.

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, for a total of US \$381 million (€338 million). Under this agreement, the remaining outstanding shares were purchased as planned in March 2004. 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. This business started trading on 1 January 2004, and the scope of the joint venture was expanded to include some additional territories during the year.

Disposals

In 2004 we disposed of more than 20 businesses with total turnover in excess of €700 million. Significant disposals included the sale of certain household care brands in North America, our edible oils business under the Capullo, Inca and Mazola brands in Mexico, the Dalda brand in Pakistan and the sale of our European frozen pizza and baguette business. Our chemicals business in India (Hindustan Lever Chemicals) was merged with Tata Chemicals. Our joint venture with Jerónimo Martins in Portugal agreed to acquire our Bestfoods Portugal business.

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

Financial review (continued)

In 2003, 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.

For further information on the impact of acquisitions and disposals refer also to the cash flow section of the Financial Review on page 22 and to note 26 on page 134.

2004

Dividends and market capitalisation

The proposed final dividend of €1.26 per €0.51 share brings the dividends paid and proposed on the NV ordinary capital to €1.89 per €0.51 share (2003: €1.74), an increase of 9% per share. The proposed final dividend of 12.82p per 1.4p share brings the dividends paid and proposed on the PLC ordinary capital to 19.15p per 1.4p share (2003: 18.08p), an increase of 6% per share. The ratio of dividends to profit attributable to ordinary shareholders was 98.2% (2003: 61.5%). Unilever's combined market capitalisation at 31 December 2004 was €49.3 billion (2003: €51.1 billion).

Balance sheet

During 2004, net debt decreased to €9 663 million (2003: €12 555 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 2004 totalled €12 048 million (2003: €15 900 million). Taking into account the various cross currency swaps and other derivatives, 58% (2003: 51%) of Unilever's borrowings were in US dollars, and 15% (2003: 30%) in euros, with the remainder spread over a large number of other currencies. Further details of the currency analysis are given in note 15 on page 118.

Long-term borrowings decreased by €1 573 million to €6 893 million at the end of 2004. At the end of 2004, short-term borrowings were €5 155 million (2003: €7 434 million), including €1 898 million of long-term debt coming to within a year of maturity at the year end. At the end of 2004, 63% of the long-term debt is repayable within five years (2003: 66%).

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 2004 were: bilateral committed credit facilities totalling US \$3 937 million, bilateral notes commitments totalling US \$200 million and bilateral money market commitments totalling US \$2 080 million. Further details regarding these facilities are given in note 15 on page 119.

During 2004, a total of €843 million was raised through term financing. This mainly consisted of bank loans in China for an equivalent of €121 million, a series of bank loans and a private note placement in Japan totalling an equivalent of €569 million and an equivalent of €130 million in the Philippines.

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 2004 included capital expenditure commitments, borrowings, lease commitments and other commitments. A summary of certain contractual obligations at 31 December 2004 is provided in the table below. Further details are set out in the following notes to the accounts: note 10 on page 114, note 15 on page 118 and note 25 on page 134. Details on derivatives are given in note 16 on pages 120 and 121.

Contractual obligations at 31 December 2004

	€ 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	8 791	1 898	3 808	528	2 557
Operating lease obligations	1 895	334	530	424	607
Purchase obligations ^(a)	218	139	62	2	15
Finance leases	285	55	102	53	75
Other long-term commitments	746	152	361	55	178

(a) Raw and packaging materials and finished goods.

Cash and current investments at the end of 2004 totalled €2 603 million (2003: €3 345 million); these funds were held in euros (77%), sterling (1%), US dollars (2%), Indian rupee (6%) and other currencies (14%). The funds are mainly to support day-to-day needs and are predominantly invested in short-term bank deposits and high-grade marketable securities. Further details of the currency analysis are given in note 14 on page 117.

In 2004, pension liabilities less plan assets (after allowing for deferred tax) amounted to €3 918 million (2003: €3 759 million).

Profit retained reduced slightly from €6 190 million to €6 097 million after accounting for dividends (€1 843 million) and a currency retranslation gain of €83 million. The main components of the decline were the actuarial losses net of investment returns on pension plans of €454 million net of tax, offset by a gain of €222 million in respect of the reversal of the non-cash share option costs recorded in operating profit.

Total capital and reserves decreased to €5 534 million (2003: €5 920 million), reflecting the above movements in profit retained together with a €324 million cost arising on the change in book value of shares or certificates held to meet share options. On the face of the balance sheet on page 101, 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, €24 million of collateral had been placed with counterparties.

Financial review

(continued)

Off-balance sheet arrangements

We have conducted a review of our contractual arrangements with potential variable interest entities (VIEs) as defined under US generally accepted accounting principle FIN 46R. This review confirmed that there are no significant VIE relationships which are not already appropriately reflected in the accounts. Further details are given on page 159.

Cash flow

Cash flow from operating activities increased by €73 million to €6 853 million. Lower group operating profit BEIA and increased contributions to pension funds were offset by reduced working capital levels.

Returns on investment and servicing of finance cash outflows were €373 million lower as a result of reduced interest cost and higher dividends paid to minority shareholders in the comparative period. The drivers of lower interest costs were reduced debt levels and lower interest rates.

Net capital expenditure and financial investment was at a similar level to the prior year, which included a €234 million cash inflow from the sale of a fixed rate investment. Net cash inflows from acquisition and disposals were €306 million lower than in 2003.

Ungeared free cash flow

Our ungeared free cash flow delivery in 2004 was strong at €4 856 million. However, this reflects a low tax rate and the effects of various non-cash provisions, such as *Slim•Fast* and other exceptional charges. A more representative base would be €4.2 billion. A definition of this measure and its reconciliation to cash flow from group operating activities can be found on page 6. The strong cash flow together with the weaker US dollar enabled net debt to be reduced to €9.7 billion at current exchange rates. This has enabled an increased dividend payout for 2004 and the announcement of a share buy-back programme for 2005.

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; and
- Optimal weighted average cost of capital, given the constraints above.

An adjusted 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 net interest cover ratios are given on page 6, 149 and 151.

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. 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 euromarket 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 mission is to ensure that Unilever maintains the financial flexibility necessary to execute its business strategies and create shareholder value. 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. 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 information and policies on page 98. The use of leveraged instruments is not permitted.

Other relevant disclosures are given in notes 15 and 16 on pages 118 to 121.

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 51.

Financial review (continued)

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

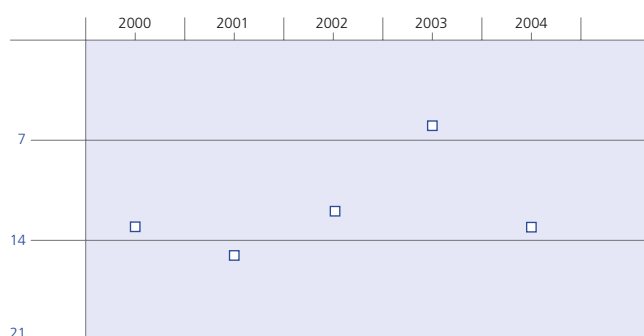
Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid to show the total return to the shareholder. The absolute level of the TSR will vary with stock markets, but the relative 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 2003 we were positioned 6th, and at the end of 2004 the ranking was 13th. In 2004, the following companies formed the peer group of comparative companies:

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

Unilever's position relative to the TSR reference group



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

Significant changes

Any important developments and post-balance sheet events that have occurred since 31 December 2004 have been noted in this Annual Report and Accounts 2004. Otherwise, there have been no significant changes since 31 December 2004.