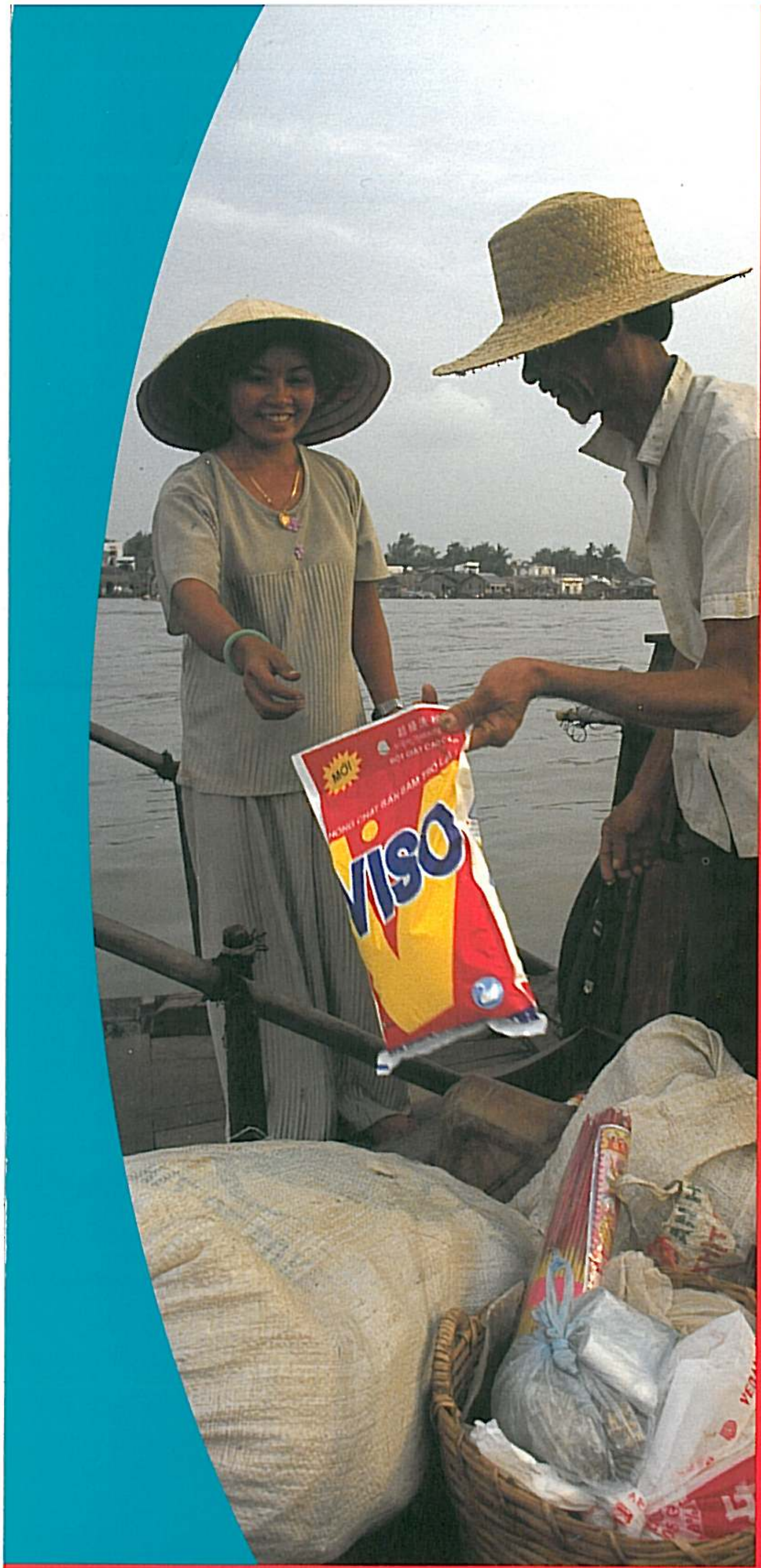
Annual Review 1996

And Summary Financial Statement

English Version in Pounds Sterling

Unilever



Contents

Unilever meets the needs of consumers around the world with a combination of international brands (front and back covers) and products tailored to local needs (this page and inside back cover).

The two parent companies, Unilever N.V. (NV) and Unilever PLC (PLC), operate as nearly as is practicable as a single entity. This Annual Review therefore deals with the operations and results of the Unilever Group as a whole.

Fluctuations in exchange rates can have a significant effect on Unilever's reported results. In order to highlight the currency impact, key 1996 comparisons are expressed both at the rates of exchange for the current year (current exchange rates) and also at the same exchange rates as were used for 1995 (constant exchange rates).

The brand names shown in italics in this Annual Review are trade marks owned by or licensed to companies within the Unilever Group.

Unilever's 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.

Morris Tabaksblat and Niall FitzGerald
Chairmen of Unilever

Chairmen's Statement

1996 was a good year for the world economy and, against this background, we are pleased to report an overall increase in turnover of 8% and in net profit of 10% at constant exchange rates. The improvement in operating margin in most regions was encouraging.

Our strategy is to focus resources on a portfolio of product categories and geographic regions which together offer good prospects for the creation of value through profitable growth.

Categories

The scale and scope of our core product categories require corporate strategic direction. Seven of these corporate categories are 'starred', and in our vernacular are called fabrics wash, personal wash, mass skin, prestige products, yellow fats, ice cream and tea-based beverages. Starred categories offer us the best prospects for value creation worldwide and, as a result, have priority call on capital and management resources.

All corporate categories have made good progress during the year. In particular those in detergents and personal products have done very well in developing and emerging markets, a performance which foods in total has yet to match. We are increasingly concentrating resources on our corporate categories, and this is reflected in investment allocation. The acquisitions in 1996 of Diversey and Helene Curtis considerably strengthen the global position of our industrial cleaning and hair care businesses.

Effective innovation is the key to sustainable, profitable growth. We have continued to focus our innovation more sharply on the corporate categories, and to relate it more closely to the needs and aspirations of our consumers and customers in developing and emerging markets. The network of innovation centres has been strengthened and extended, with important new development facilities in China and India.

Active portfolio management is the key to long-term value creation. In this ongoing process we have reached the conclusion that we should concentrate on fast moving consumer goods and services, which represent over 90% of Unilever's sales. In the light of this, it became clear that it is an appropriate moment to exit the speciality chemicals business. It has not been an easy decision. The companies concerned are successful and profitable and have been a valued part of the Unilever family for many years. But the world economy is changing and increasingly we all have to compete on a global basis, making cost-effective use of scale economies in capital and know-how. This applies with equal force to Unilever and to companies in the chemicals industry, and we believe our decision will provide greater scope for the speciality chemicals companies to develop further their considerable potential.

As a result of tightening the focus of our portfolio, corporate categories will account for the substantial majority of sales and profits. Our objective is that all parts of the portfolio must deliver sustained value, but we have a sizeable proportion of low priority and often poorly performing sectors which need urgent attention. They must be able to deliver sustained value, or leave the portfolio. During 1996, we disposed of businesses with an annual turnover of over £600 million. We are making progress in improving the contribution of the underperformers, but not yet fast enough. This will remain an important priority for 1997.

Regions

The changes in the structure at the very top of Unilever that we announced last year were a further step to match our resource allocation and organisation to the needs and opportunities presented in the different regions of the world. Developing and emerging markets account for a very large proportion of the world's population and, increasingly, its spending power, presenting excellent opportunities for consumer products and services. Our strategy is to give priority to China, India, South Latin America, South East Asia and Central and Eastern Europe, all of which are growing rapidly in our categories. In Western Europe and North America, where market growth is lower, Unilever's performance depends on a competitively low cost base and innovative products and services, both to improve profitability and market shares.

In 1996, we saw tangible benefits from the regionalisation of our strategy. Progress in developing and emerging markets, particularly in the five priority regions, was excellent. In North America, too, we made good progress. But conditions in Western Europe, with negligible growth in our markets and low consumer confidence, continued to be difficult, and our sales remained flat. A poor ice cream season and the BSE crisis in the United Kingdom knocked the underlying operating results. This was offset by improved margins in most other categories as a result of our restructuring programme, which has been accelerated, and by lower pension costs.

Last year important work was undertaken to enhance the effectiveness of our organisation and systems. We have been particularly concerned to share not only goals and strategy across the Unilever world, but also a clearly expressed common sense of purpose, with which all our people can identify. We have prepared a statement of corporate purpose and have begun discussing its implications widely within Unilever. It is an aspiration that expresses what we believe in and are committed to achieving, now and in the future. Sharing it throughout the business should make an important contribution to our success.

Flowing directly from the work on corporate purpose, we have begun to strengthen the commitment to long-term value creation, as expressed in our performance and assessment systems. Value creation starts with creating value for consumers and customers. We must motivate our people to keep them constantly at the centre of attention. By changing our internal performance measures, we will have a more explicit focus on value creation, both for target setting and remuneration.

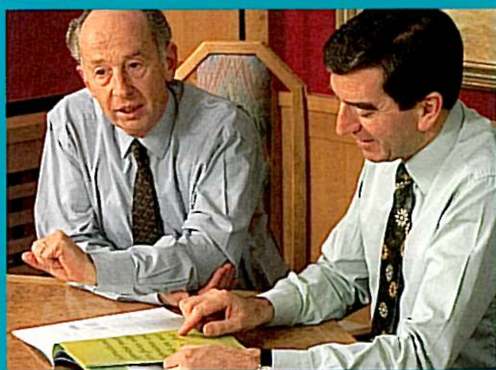
We have also made good progress during the year on enhancing and extending our international information network. This helps individuals and project teams from all over the world to work together, enabling the rapid spread of best practice and new ideas. The possibilities opened up by the increasing speed and ease of communication for a company like Unilever are an exciting challenge, allowing us to bring the best of international know-how to the service of local consumers and customers.

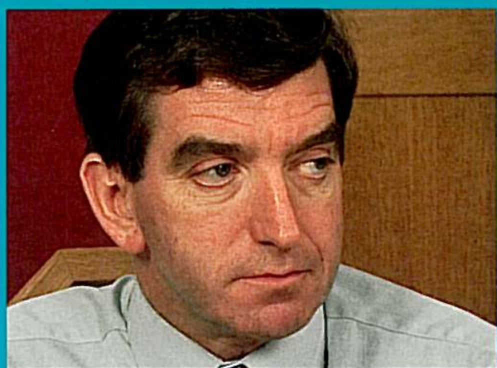
Looking ahead, the world economic situation in 1997 is likely to be similar to 1996: generally favourable. We see little reason, however, to believe that conditions in Europe, particularly in France and Germany, will improve. In the developing and emerging markets and in North America, we expect to build on the progress we have made in 1996. We are confident that the accelerated restructuring programme we have put in place, together with sharper category focus, better innovation and the new organisation, will enable us to improve profitability further in 1997.

Our performance and aspirations depend on the skills, dedication, motivation and teamwork of all those who work for Unilever. Again in 1996, a year of considerable change, the support and enthusiasm we have received has been immense. We would like to thank everyone for all their efforts and look forward to working together in the coming year.

Niall FitzGerald **Morris Tabaksblat**

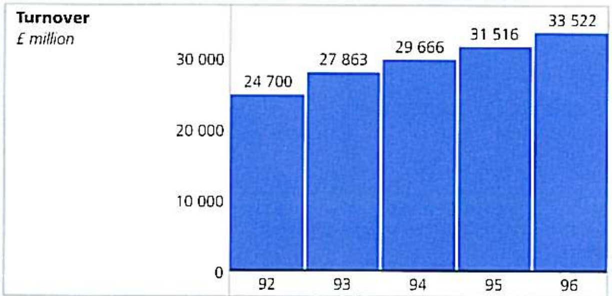
Chairmen of Unilever

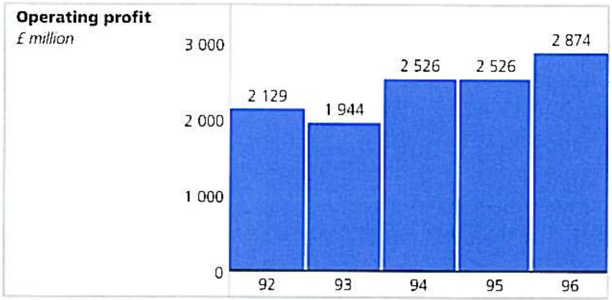


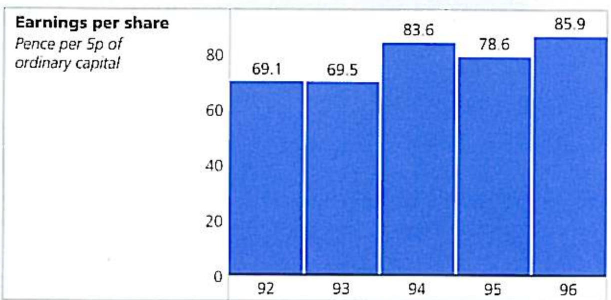


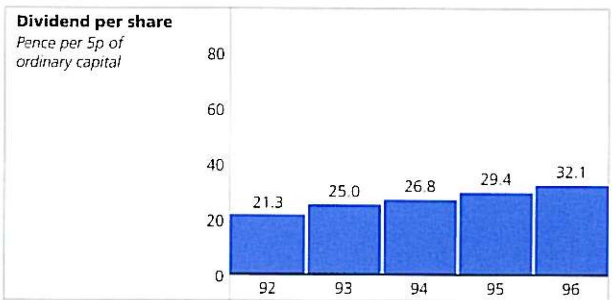
Our Performance

- Sales and operating profits at current rates of exchange increased by 6% and 14% respectively.
- Gross restructuring of £348 million; net restructuring, after business disposals, of £237 million, in line with 1995.
- Strong profitable growth in developing and emerging markets, driven by detergents and personal products.
- Overall good performance in North America.
- Dividend increased by 9%, in line with net income and earnings per share growth.

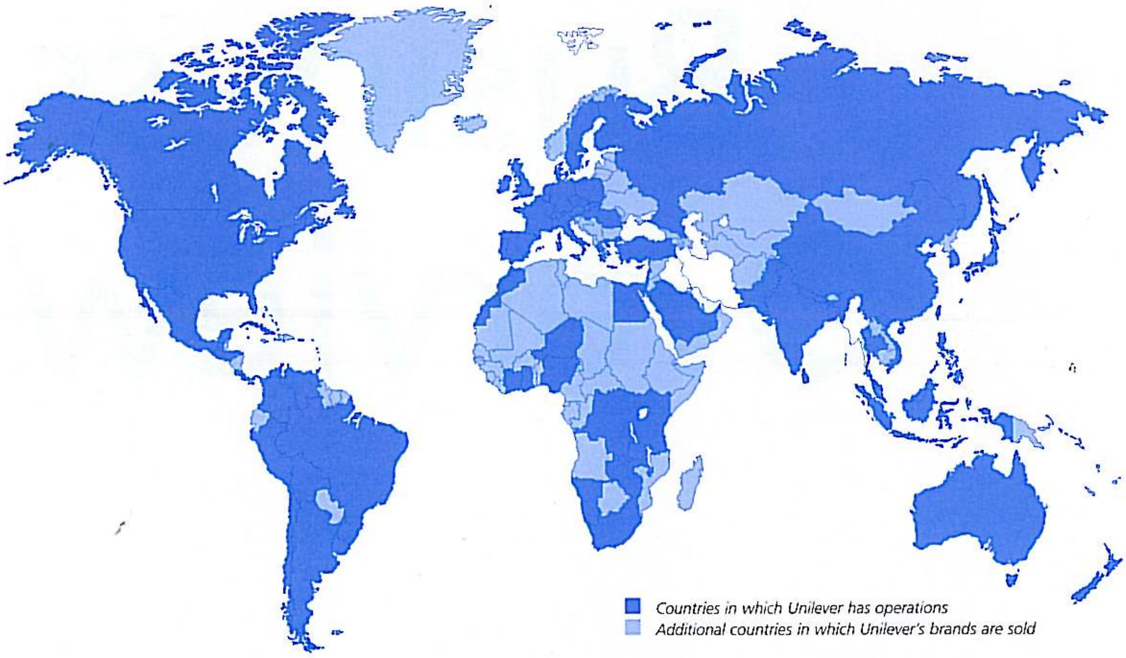








Around the World



Unilever has operations in more than 90 countries, spanning every continent. In addition, Unilever's brands are on sale in a further 70 countries through import arrangements or agreements with local companies. Nearly a third of Unilever's operating profits come from countries outside Europe and North America.

Turnover by geographical area %	**92**	93	94	95	**96**
Europe	57	52	51	52	49
North America	20	21	20	19	21
Africa and Middle East	6	6	6	6	6
Asia and Pacific	9	12	13	14	14
Latin America	8	9	10	9	10

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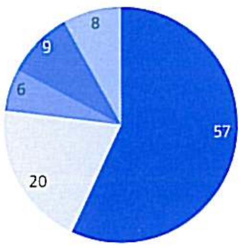

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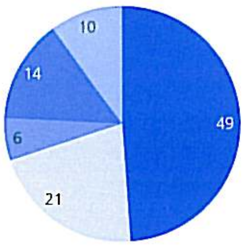

Operating profit by geographical area %	**92**	93	94	95	**96**
Europe	57	52	49	50	47
North America	18	13	20	17	22
Africa and Middle East	7	8	7	7	6
Asia and Pacific	9	16	13	15	14
Latin America	9	11	11	11	11

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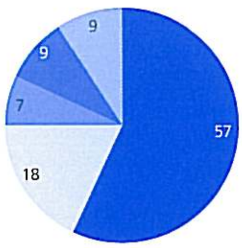

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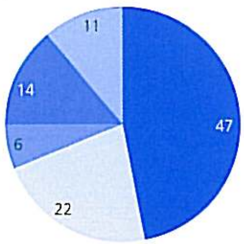


Business Overview

- In a difficult environment, sales and underlying operating profits in Western Europe were flat. Cost reduction and restructuring continued.
- In Central and Eastern Europe, economic conditions were much better. Underlying volumes rose by 25% and we increased profits despite heavy market investment.
- Underlying volumes and operating profits in North America showed good progress, with an improved performance in most businesses.
- In Africa and the Middle East, where economic conditions remained difficult, we did well to record good growth in both sales and profits.
- We again achieved very good growth in sales and profits in Asia and Pacific.
- Our businesses in Latin America again achieved strong, profitable growth and increased market share in all key categories, based on successful innovation programmes.

Results

Unilever's results are published in the currencies of the two parent countries, namely the guilder and pound sterling. Fluctuations between the currencies can lead to different trends for the same business. That is why we normally comment on performance at constant exchange rates (ie the same rates as in the preceding year), thus eliminating one variable over which we have no control. We also use constant exchange rates for the management of the business. In 1996, the year on year performance in guilders and pounds at current exchange rates was somewhat different. Therefore, in order to make the comparison with 1995 clearer, the comments which follow are based on profit trends at constant exchange rates, unless otherwise stated.

1996 Results

Sales rose by 8%. The net effect of acquisitions less disposals accounted for 4% of this sales increase. Underlying volume was 2.5% ahead of 1995.

Operating profit was 15% ahead of last year. The increase reflects the sales growth and an improvement in underlying margins. Profits were further lifted by lower pension costs, mainly in Europe, and the impact in 1995 of trade destocking in the United States. Higher tax costs and lower prior year tax credits, combined with increased minority interests, left net profit 10% ahead.

At current exchange rates, more than £1 200 million was spent on acquisitions in 1996, and almost £400 million received from disposals. The effect on turnover and operating profit of acquisitions was £1 258 million and £(11) million respectively, after charging restructuring costs. The principal acquisitions were Diversey and Helene Curtis.

Overall business development in 1996

The underlying 2.5% volume growth was driven by continued strong growth in our developing and emerging markets, where consumer demand remains strong, and improvements in North America, against the background of some progress in the economic conditions. In Western Europe, the trading environment was still marked by lower consumer confidence and underlying volumes were flat.

In Europe, reported profits rose by 7%. In North America, results were substantially ahead of last year. Both Asia and Pacific and Latin America regions had an excellent year.

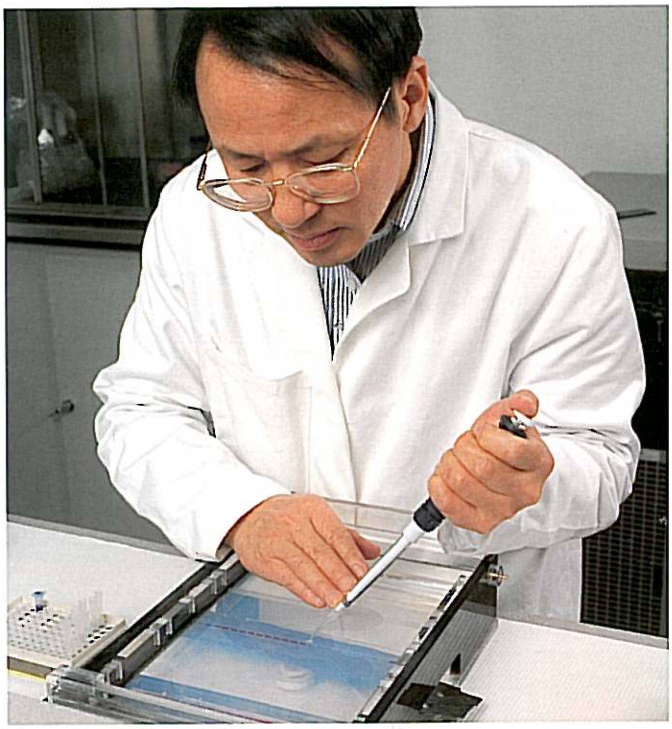
Net exceptional restructuring costs of £240 million have been charged to operating profit, the same level as 1995. However, business disposal profits of £111 million have been used to fund further restructuring, which reached £351 million gross in 1996. Over £100 million of this relates to Diversey, including its impact on the Lever Industrial business, and to Helene Curtis.

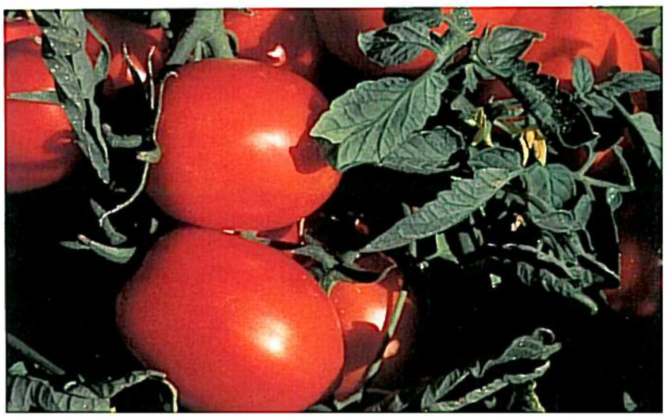
Cost savings of earlier restructuring initiatives are substantial and have boosted margins both in Europe and North America. Productivity, as we usually measure it, by volume per employee, excluding those in plantations, also increased by 6%.

Continued progress has been made with our strategy to improve the business portfolio. During 1996, 27 companies with operations in priority categories and regions were acquired, and 23 companies were sold. Following the initial costs of integration, the acquisitions are expected to bring a net improvement in margin.

The Regional Highlights and Product Areas are based on results at constant rates of exchange and before exceptional items, except as otherwise stated.

Tomato products to meet differing needs
Unilever's Tomato Innovation and Technology Centre is based in California, the most important area for tomato growing in the world. The Centre's work on tomato products with a variety of colour, taste and texture characteristics will focus on meeting differing consumer needs around the world.



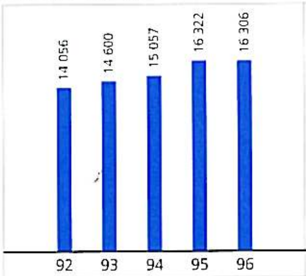


Regional Highlights

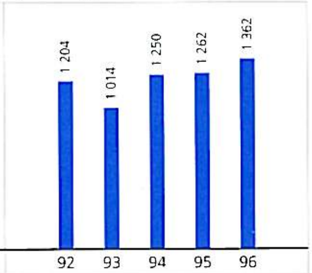
Europe

£ million	1996 *at current rates*	1996 *at constant rates*	1995	Change *at constant rates*
Turnover	16 306	16 466	16 322	1%
Operating profit	1 362	1 370	1 262	9%
Operating profit before exceptional items	1 528	1 541	1 439	7%

Turnover *£ million*



Operating profit *£ million*



Western Europe

The difficult Western European environment deteriorated. Inflation remained low – but there was little economic growth. Unemployment is over 10%, and yet there is still considerable scope for productivity improvement. There are intractable long-term issues associated with competitiveness in international markets, social security costs, pensions, fiscal deficits and the adjustments necessary to meet EMU criteria. Consumer confidence is understandably low. Conditions have been worst in France and Germany and somewhat more favourable in the Netherlands and the United Kingdom. Prevailing conditions have required considerable emphasis on cost reduction and restructuring. Net exceptional costs were £160 million in Western Europe and restructuring is likely to have to continue at or about this rate for several years. Benefits from restructuring in earlier years are being achieved. In some countries timescales are long, which in turn leads to competitive disadvantage.

Our sales have been flat. Operating profits rose by 6%. Excluding the recognition of increased pension fund surpluses, underlying profits were also flat. Benefits from restructuring and portfolio improvements were offset

Tailored teabags for market entry

Unilever entered the green tea market in 1996, using an innovative teabag concept tailored to local needs. In addition to launching *Lipton Ming Han Ching* long leaf tea teabags in Hong Kong, where green tea has long been popular, we also introduced the product to consumers in France in round teabags under the *Lipton Tchaé* brand.

by lower results in frozen foods and ice cream. The pension credits, which are recognised in accordance with the applicable accounting standards, were caused by better investment performance in funds in the Netherlands and the United Kingdom.

Results were significantly below last year in Austria, France, Germany and the United Kingdom. We performed strongly in the Netherlands, and made satisfactory progress in Italy and Switzerland.

In foods, the weather-sensitive ice cream market declined by 5% and the margarine market fell by 2%, continuing its longer-term trend. Ready-to-drink tea and leaf tea grew but most other foods markets were flat. Our foods sales were flat and operating results fell, as significant cost savings were insufficient to offset lower ice cream sales due to the poor weather, and the effect of BSE. We continued to rationalise our foods portfolio by disposing of meat and chilled meals activities in the Benelux.

The detergents market was flat overall, with growth in the personal wash liquids and machine dishwash markets offset by a small decline in the fabrics wash market. We recorded some growth in sales and results, helped by a strong contribution from the Diversey acquisition. In personal products, sales were slightly below 1995 as a result of disposals; profits, however, improved. We made good progress in deodorants. We integrated the Helene Curtis business and disposed of our Rimmel-Chicogo mass market cosmetics business.

Profits advanced in all our speciality chemicals businesses despite difficult market conditions.

Central and Eastern Europe

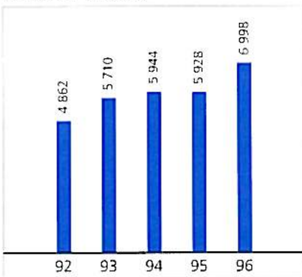
Conditions were better in Central Europe, but somewhat worse in the Commonwealth of Independent States (CIS). Central and Eastern Europe now represents some 10% of the GDP of Western Europe. There is considerable consumer demand and hence growth potential which, given our continued investment and focus in this region, we are increasingly well placed to meet. Some markets stagnated and others suffered a variety of growing pains as their political and economic systems evolved.

Progress in 1996 was very encouraging, particularly in the Czech Republic and Poland, with underlying volumes up 25% on 1995 and a strong increase in profits despite heavy market investment. There was double-digit volume growth in all main product groups, led by foods and personal products.

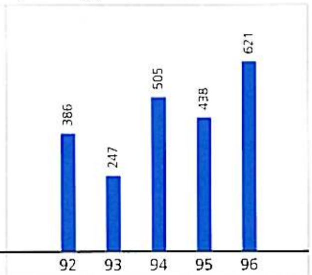
North America

£ million	1996 at current rates	1996 at constant rates	1995	Change at constant rates
Turnover	6 998	6 896	5 928	16%
Operating profit	621	612	438	40%
Operating profit before exceptional items	643	634	484	31%

Turnover *£ million*



Operating profit *£ million*



1996 saw some economic growth in North America. Results were substantially ahead of last year, and the acquisitions, Helene Curtis and Diversey, performed well.

Excluding acquisitions and the impact on 1995 of trade destocking, volumes and operating profits grew by 3% and 7% respectively, with improved performances in most businesses. Significant progress has been made in the last two years in restructuring our operations, reducing the cost base, strengthening our portfolio and driving innovation.

Underlying volume growth in foods was some 3%. In a strongly competitive environment, this reflected improvements in our strong share in a declining margarine market, share gain in pasta sauce, salad dressings and frozen foods, and a small decline in beverages. Ice cream was adversely affected by higher raw material costs. Gorton's frozen foods business achieved good growth, mainly on the strength of innovative products. Our bakery business remained weak. After adjustment for the effect of trade destocking in foods, operating profits were in line with last year.

Detergents improved performance with profits encouragingly ahead of 1995 helped by the Diversey acquisition. The closure of the St Louis powders facility was amongst a number of important factors which will enable us to exploit fully the consumer switch from fabric powders to liquids. Competition was fierce in both laundry and personal wash markets but, overall, margins improved.

In personal products, Elizabeth Arden began the recovery from the set-back suffered in 1995 with some promising innovation, and Calvin Klein worldwide sales again grew strongly. In the mass market segments, dental products and *Vaseline Intensive Care Lotion* performed well. Sales and operating profits were well up on last year, thanks to the Helene Curtis acquisition. Higher marketing expenditure, following product launches at Elizabeth Arden and Calvin Klein, held back profit growth.

In speciality chemicals, profits grew strongly, supported by good cost control. Excellent progress was made with new product introductions.

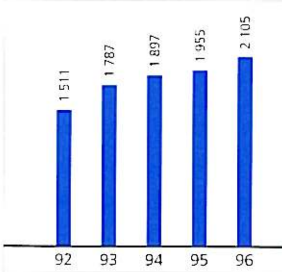
Other key events in North America included the effective integration of Helene Curtis, which brings us a leading position in the hair products market. Major restructuring was undertaken to exploit synergies. The worldwide merger of the acquired industrial and institutional cleaning business, Diversey, with our existing Lever Industrial business, is proving successful.

Towards the end of 1996 we announced the plan to integrate Thomas J. Lipton and Van den Bergh Foods, with a clear strategy to achieve significant improvements in customer service, improved focus on individual categories, and significant cost synergies. We disposed of our Mrs Butterworth's business in late 1996, continuing the process of product portfolio rationalisation.

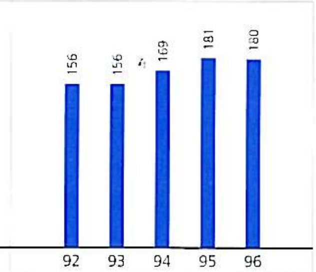
Africa and Middle East

£ million	1996 *at current rates*	1996 *at constant rates*	1995	Change *at constant rates*
Turnover	2 105	2 228	1 955	14%
Operating profit	180	196	181	8%
Operating profit before exceptional items	181	196	167	17%

Turnover *£ million*



Operating profit *£ million*



Currently the region is home to a large proportion of the world's political and social difficulties. One effect of this is that average incomes are only growing slowly, and economic conditions remain difficult. In such a climate, our strong business did well. Volume growth was widespread and results improved. South Africa again led the way, but we also recorded good performances in Arabia, Côte d'Ivoire, Ghana and Israel. We incurred a serious loss in Kenya. Excluding the change in status from associate to subsidiary of our business in Nigeria, sales and operating profits were 10% ahead of last year.

South Africa had a good year despite the 25% devaluation of the Rand eroding most of the progress. In detergents, we maintained our strong market position and profits advanced well. Our foods business also made good progress. South African innovation centres for detergents, cooking aids and mass market skin care products were established in 1996, and are intended to serve most of Africa.

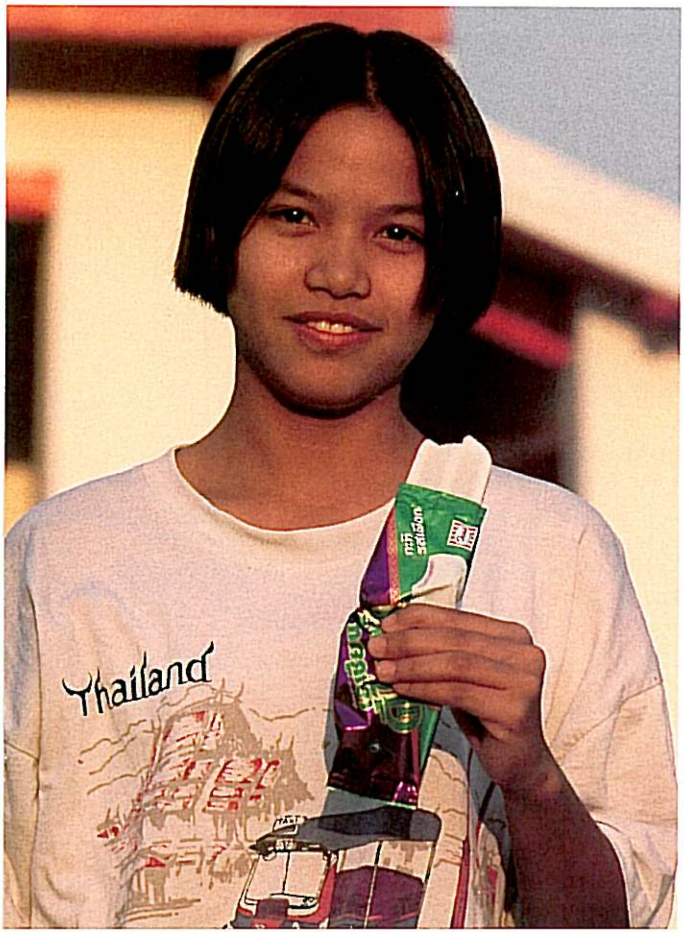
In the rest of Africa, deep-rooted underlying economic difficulties of inflation, high external debt and low investment continued, and purchasing power remained low. In some countries where political stability and sound economic management are increasingly visible, our businesses have done reasonably well. Results were disappointing in Kenya, as we failed to hold share in

Meeting specific skin care needs

Locally produced shea butter has long been used for skin protection in Côte d'Ivoire. *Vaseline Karite* combines the familiar benefits of shea butter with a light perfume and a little petroleum jelly to improve application. By meeting very specific local preferences the product has quickly built a strong market share.

Responding to local tastes

Wall's Asian Delight ice cream in Thailand is designed to taste like traditional coconut-based desserts. The combination of authentic local flavours in a modern ice cream format has proved popular and the brand has already been rolled out to Malaysia and Singapore.



white fats and oils, and in detergents, as demand shifted to low-priced products. We acquired a substantial interest in oil palm plantations to safeguard raw material supplies and disposed of brewery and textile interests. We merged Sewards with Lever Brothers Nigeria, and realised a majority share in the combined business from the beginning of 1996.

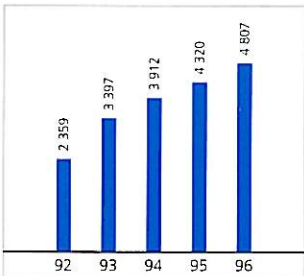
Results in our important Turkish business were ahead of 1995 levels, but still well below 1994. The business climate remains difficult, with inflation of 80%. Prices and competitive pressures were severe, particularly in the detergents and oils and fats markets. The ice cream business further strengthened its position.

Good volume growth was achieved in the Middle East. In Israel, sales and profits grew strongly, led by ice cream and by detergents, and assisted by the acquisition of a detergents and personal products business. Underlying performance in Egypt was good and in Arabia profits improved, despite losses in ice cream.

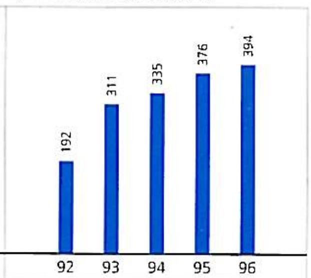
Asia and Pacific

£ million	1996 *at current rates*	1996 *at constant rates*	1995	Change *at constant rates*
Turnover	4 807	4 985	4 320	15%
Operating profit	394	408	376	9%
Operating profit before exceptional items	415	429	393	9%

Turnover *£ million*



Operating profit *£ million*



Economic growth remained good in the region although, in Japan, conditions remained difficult. Our operations again recorded a very good performance, with sales and profits growing strongly, mainly in detergents and personal products, led by India, Indonesia and Thailand. We made very satisfactory progress in building businesses in China and Vietnam.

The only exceptions to this buoyant performance were Australia and Japan. With continued heavy investment in the region, operating margin declined slightly.

Central Asia had an excellent year, with the performance of India exceeding expectations, and sales and profits significantly ahead of 1995. In detergents, we gained share. Our personal products business again achieved strong growth, both in global and in regional brands. In foods, our tea business improved share and results. We acquired the Polka business in Pakistan, and ice cream sales grew strongly as we integrated the *Kwality* and *Wall's* brands in India. We established a 50% associate company, Lakme Lever India, to build a mass skin business aimed at the young population.

South East Asia recorded another year of double-digit growth in sales and results. Personal products performed particularly well, especially in Indonesia and Thailand, with market share increases in hair products and skin care. In Vietnam, our two detergents joint ventures have made a good start, capturing early leadership of the laundry market against strong competition. We signed an agreement to take a 55% interest in a toothpaste joint venture with the PS Company, the market leader in Vietnam, and we began work on a new ice cream plant, which is due to start operations in the second half of 1997.

Our profitable Australasian business had a difficult year, with flat sales. Profits, whilst remaining satisfactory, were 7% below 1995, with improvements in detergents, continued strong results in culinary, but lower results in most other areas.

In Japan, sales and profits were lower, reflecting difficult trading conditions. There was a high rate of innovation, focused on our household and personal products categories. The integration of the Helene Curtis retail operation into our existing business has been completed and performance is in line with expectations. Our share in the laundry market fell to a low level and results in foods were disappointing. In Korea, losses were reduced.

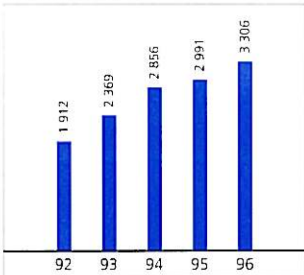
In China, our sales grew by a further 50%, driven by strong performances in personal products and detergents, with about one-third of this coming from acquisitions. In personal products, we have improved our leading position in skin care, with both international and Chinese brands. The Hazeline business fell below expectations, but integration has progressed well and we remained overall leaders in personal wash. In the laundry market, *Omo* continues to make progress. The ice cream operations continued to expand, and we commissioned a new factory in Shanghai and opened cold stores in Wuhan and Guangzhou. Considerable effort continues to go into the recruitment and training of Chinese managers and into an improved, more efficient sales and distribution system.

Profits in speciality chemicals in the region were well ahead of last year.

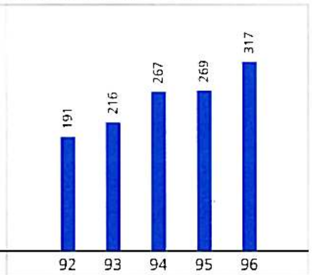
Latin America

£ million	1996 at current rates	1996 at constant rates	1995	Change at constant rates
Turnover	3 306	3 338	2 991	12%
Operating profit	317	323	269	20%
Operating profit before exceptional items	344	349	274	27%

Turnover *£ million*



Operating profit *£ million*



1996 was yet another year of good growth, accompanied by an excellent increase in profits, led by detergents and personal products, and by Brazil, Chile, and encouraging signs of improvement in Mexico. Results were less satisfactory in Colombia and Venezuela. Market share gains were recorded in all key categories, driven by strong innovation programmes and a significant increase in marketing investment. Performance was further improved by disposals of commodity businesses and acquisitions in key consumer categories.

In the South, the Mercosur trading block, comprising Argentina, Brazil, Paraguay and Uruguay, made encouraging progress, and Bolivia and Chile have now become associate members. Our Brazilian company had an excellent year, particularly in detergents and personal products. In foods, profitability improved, helped by reorganisation of production facilities and by tomato products. The oil milling business was sold. Chile also recorded a strong overall performance in sales and profits, despite losses in ice cream. We acquired the Malloa culinary products company, which helped lift profits. The Argentinian economy, although still weak, improved. Sales volume grew across almost all categories but profits remained flat. We completed major investments at two of our detergent plants, increasing capacity and improving efficiency.

In the North, economic conditions were mixed, as was our performance. In Venezuela, sales and results were below 1995. Mexico recovered from the very severe conditions of 1995 – but consumer confidence remained low. Our business, however, made satisfactory progress and results improved markedly. We also disposed of the animal feeds business.

We made acquisitions in Panama and El Salvador, mainly in detergents, and bought the outstanding voting shares in our Peruvian operation. We also acquired an ice cream business in Ecuador and a foods, detergents and personal products business in Paraguay.

We established regional innovation centres in Argentina (hair care and deodorants), Brazil (oral, culinary products and yellow fats) and Mexico (skin care). Brazil continues to play a major role in the global innovation programmes for laundry and personal wash products.

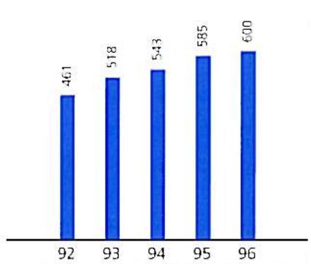
Technology and Innovation

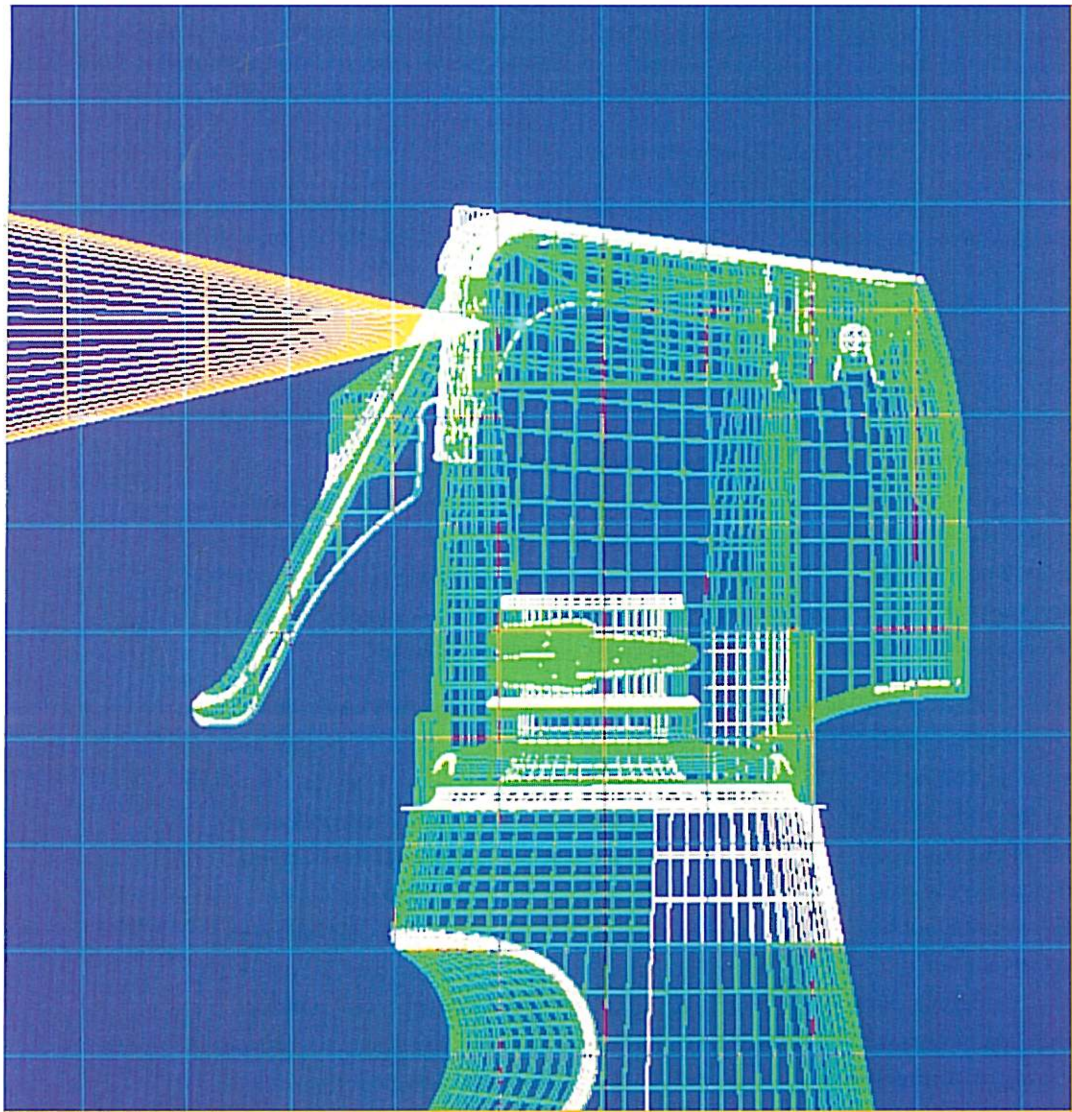
Unilever strives to obtain competitive advantage by harnessing the benefits of global scale and world class research and technology to the specific requirements of local consumers. Investment in research and development in 1996 was £600 million.

We made progress in 1996 in bringing innovation and technology closer to the local consumer by improving and expanding our network of innovation centres in key countries. Their role is to ensure that Unilever understands local consumers and their requirements and meets them with relevant innovation quickly. An example was the collaboration between the innovation centre in Japan and central research in the United Kingdom to bring a better *Jif* hard surface cleaner to the Japanese market through improvements in formulation, spray system and packaging. The balance of innovation and associated investment is being increasingly refocused towards developing and emerging markets. We opened a research unit in China and began construction of a new laboratory in India.

We strengthened links with science in universities, and leading researchers were appointed to help lead parts of the exploratory programme, for example, in molecular modelling and materials science. We marked the 40th anniversary of the Vlaardingen laboratory in the Netherlands with the presentation of the Unilever Science Awards to three eminent scientists for their outstanding work in two areas of bioscience.

Research and development expenditure *£ million*





International science, local innovation
Matthew Leach was formulations researcher in an international team from central research at Port Sunlight in the United Kingdom and the innovation centre for household cleaners in Japan. The team brought together international experience and closeness to the Japanese consumer and applied them to the challenge of developing an innovative kitchen spray.

The result is *Jif* hard surface cleaner, a product designed for the Japanese consumer, with a formulation which tackles the toughest grease using a unique spray system.

Success depends on high quality teamwork across nationalities and disciplines within a defined framework. We invest considerable effort in continuously improving this process – in consumer understanding, in project management, in advanced IT systems for sharing experience and knowledge and in continuous learning at all levels.

The output of research and development investment comprises new products, improvements of all kinds to existing brands, and advances in the efficiency of manufacturing operations. Some of our major innovations in 1996 are described elsewhere in this Annual Review. Wherever possible we endeavour to maintain our competitive advantage by the use of patents. In 1996, we filed over 400 patent applications to protect the outcome of our research and development activities and tightened the monitoring of infringements of patents. We also allocated more specific resources to patenting in the developing and emerging economies.

Information Technology

Bringing our international knowledge and expertise to bear on the specific requirements of local consumers depends on Unilever people having access to it. During 1996, our electronic network was extended to cover 70 000 employees in over 90 countries.

Information technology reaches every aspect of operations. Transaction and accounting systems have become quicker, cheaper and better integrated with our day-to-day management processes. On-line electronic 'conferences' are used to maintain all the complex details of, for instance, a proposed new product. Many managers with different skills in, for example, formulation, packaging, perfume and safety, can bring their various skills to bear to improve the model so that the final result represents the best expertise we have. Other conferences help spread best practice in manufacturing, buying and the supply chain, in environmental protection and in disseminating information quickly to employees. In this way information technology plays a vital role in making global knowledge, best practice and new ideas more readily and speedily available to our employees in their work across the globe. Use of the Internet is expanding, giving our employees access to external research and industry databases and giving third parties on-line access to published Unilever information.

Developments in information technology continue at a high rate. It is very important that we remain well positioned to take advantage of potential benefits as they arise. A global infrastructure organisation for information technology has been established to secure this in the years ahead.

Environmental Responsibility

Unilever is committed to meeting the needs of customers and consumers in an environmentally sound and sustainable manner, through continuous improvement in environmental performance across all our activities. Improvement is best pursued through common programmes of action. In 1996, Unilever renewed its commitment as a signatory to the ICC Charter for Sustainable Development and continued its support for the OECD Guidelines for Companies. We embarked on a partnership with the World Wide Fund for Nature (WWF) to form the Marine Stewardship Council. The aim of the Council is to harness market forces and the power of consumer choice in favour of sustainable fisheries, and we believe it will make a major contribution to marine conservation in the years ahead.

Product safety is a corporate responsibility, and no product is marketed to consumers without central clearance. The highest standards of occupational health are required in our factories and offices, and it is an explicit responsibility of line management to achieve them.

1996 saw the publication of our first Environment Report, under the authority of the Boards. The Report sets out responsibilities and systems for setting targets for regular improvement, for monitoring achievement and for regular auditing of environmental performance. The Report includes an independent Verification Statement.

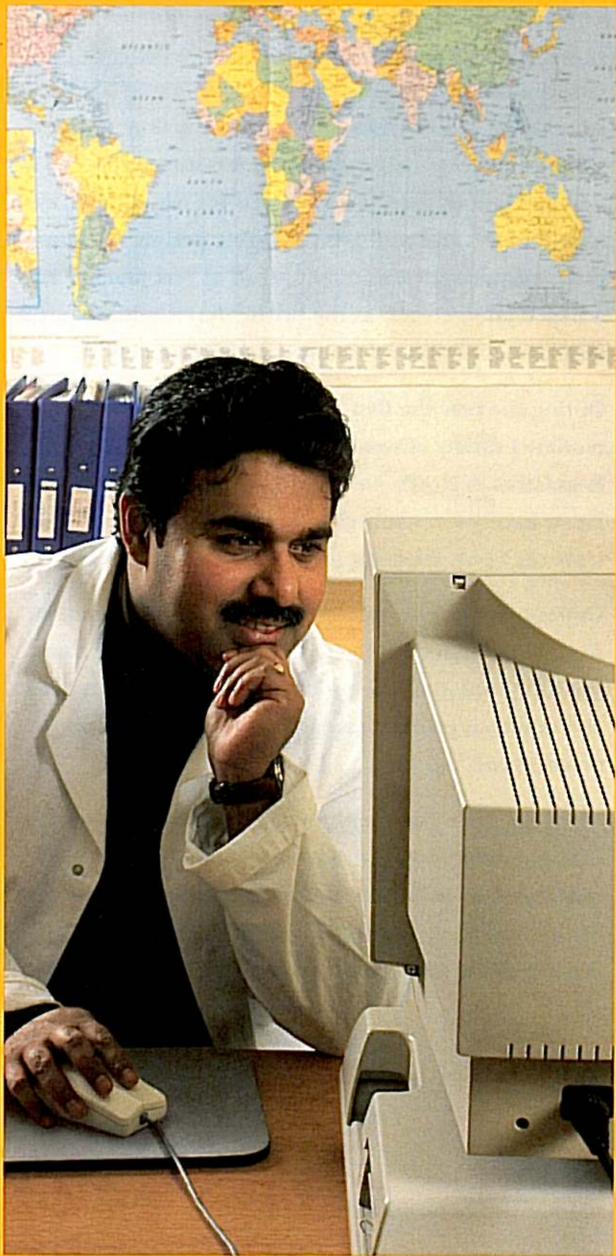
The major environmental impacts associated with our business tend to occur either during raw material production or as a result of product use and disposal. The challenge we face is to improve the environmental performance of products and services over their entire life cycle. The Report sets out for each of our product groups an analysis of the environmental impact of our operations using the technique of Life Cycle Assessment. While this technique is still being refined, it has the potential to quantify impacts in an objective, scientific way and to steer our performance improvement.

The Environment Report covers a large number of varied activities including: drip irrigation methods to reduce water and chemical usage; recycling of solid waste as compost and in waste-to-energy production; reduced water and energy consumption in factories; and development of detergent products for use at lower wash temperatures and with less packaging per wash. Training, employee awareness and the spread of best practice are pursued energetically as the driving force behind our environment improvement programmes worldwide.

During the year the first crop grown from a genetically modified variety of soyabean reached the market. Regulators in North America, the European Union and Japan have given safety clearance to these materials, and Unilever's own scientific studies have supported this.

Unilever companies can use the new soya. However, we recognise the need to keep consumers informed about the composition of our products, and work with retailers and others to provide easy access to information about this material.

Much has been done and much remains to be done. An external Environmental Advisory Group has now been established to help with further progress in this exciting, if complex, area. The second, detailed Environment Report will be published during 1998.



Innovation through international teamwork

International teamwork enables National Starch to meet its demanding innovation targets. The Global Innovation Network (GIN) links the company's research and development experts in North America, Europe and Asia, enabling them to share ideas and contribute to projects in real time, wherever they are based.

People

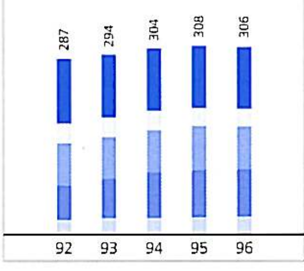
'Our long-term success requires a total commitment to exceptional standards of performance and productivity, to working together effectively and to a willingness to embrace new ideas and learn continuously.' This clear vision, articulated in Unilever's Statement of Corporate Purpose, has set the priorities for our people for 1996 and beyond.

In 'Shaping for Outstanding Performance', we launched a new organisation for the business, where clarity of roles and single point responsibility are paramount. This begins at the Unilever Executive Council but cascades through the operating companies, to include not only our 24 000 managers, but all 306 000 of our employees. Giving people the opportunity to achieve high standards of performance is one of our major objectives.

Setting stretching goals helps everyone perform to the best of their capabilities and is strongly encouraged throughout the business. There is a determination to have clear target setting at all levels. This will be reinforced by a new Performance Development Plan which will be introduced at senior levels in 1997, and extended throughout the organisation in 1998.

Human resource targets are also agreed for each Business Group. As part of its annual contract each Group will commit to people development activities. These may include recruitment and training targets or the supply of skilled managers for expatriate assignments in other Business Groups, often in developing and emerging markets.

Employees *average in thousands*



	92	93	94	95	96
Europe	105	102	101	101	100
North America	32	32	32	29	29
Africa and Middle East	69	68	69	72	70
Asia and Pacific	56	64	74	77	77
Latin America	25	28	28	29	30

The supply of expatriates to these markets is a source of Unilever strength, and in 1996 some 1 670 managers were working outside their home country, with an increasing number from outside Europe.

We maintain in every country a strong graduate recruitment programme, and this is increasingly supplemented by strategic recruitment of experienced managers too. Expansion into Central and Eastern Europe and China has required extensive recruitment and training programmes – more than 200 managers in 1996. Rigorous selection means that we will have recruited exceptional quality people who will now have opportunities for challenging assignments and continuous training.

Our training programmes are extensive and located at the appropriate level – either site, national, regional or international. 1 000 managers, for example, attended the international programmes at Four Acres in the United Kingdom in 1996, drawn from nearly all our countries around the world. Additionally, we have launched a major programme in distance learning using video and CD-ROM. This enables people in one region to learn from another through tailor-made programmes with clear practical applications.

Working together effectively is essential if we are to achieve the most from our resources. Team success is apparent in so many places including, in 1996, several factory awards. The Van den Bergh team at Purfleet was recognised as 'Factory of the Year' in the United Kingdom by 'Management Today'. Teams in Jakarta and Surabaya in Indonesia, Warrington and Port Sunlight in the United Kingdom and Utsonomiya in Japan won worldwide first category awards in total productive maintenance.

As with our consumers and customers, so we seek to keep our people at the centre of our attention. We aim to provide opportunities both for professional growth and for adding value to the business, in a context of the highest standards of corporate behaviour. Unilever requires its people to work within a written code of conduct laid down by the Boards, and is committed to equal opportunities.

Product Areas

- Profitability in margarine improved. Volumes in Western Europe and North America were maintained. Overall market shares improved.
- Sales in ice cream increased by 4%, but underlying volumes and profit declined as a result of poor weather. In tea, we achieved strong growth in sales and profit.
- The culinary category showed a good advance in operating profit. In frozen foods, our United States business increased both sales and profit but European performance was depressed by the BSE crisis.
- Sales and operating profit in detergents showed a very satisfactory increase, led by strong performances in Brazil and India, and further lifted by the acquisition of Diversey.
- In personal products, sales increased by 18%, with the newly acquired Helene Curtis business making a significant contribution. Underlying volumes and operating profit were well ahead of last year.
- Speciality chemicals achieved another strong increase in operating profit.

Adapting to nutritional needs

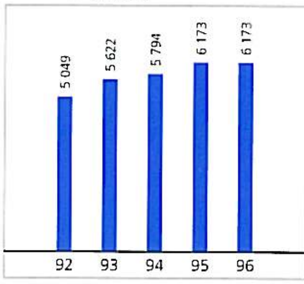
Blue Band, one of the earliest Unilever margarine brands, continues to expand its international popularity. It does so by adapting its formulation to local nutritional needs. High calcium and liquid versions have been launched in the Netherlands and the brand is sold in many countries, including Indonesia, Kenya, Trinidad and Venezuela.

Foods

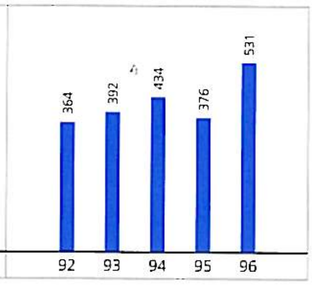
Oil and dairy based foods and bakery

£ million	1996 *at current rates*	1996 *at constant rates*	1995	Change *at constant rates*
Turnover	6 173	6 280	6 173	2%
Operating profit	531	540	376	44%
Operating profit before exceptional items	512	520	458	14%

Turnover *£ million*



Operating profit *£ million*



Overall, turnover increased by 2%, but operating profit was markedly above 1995 levels, especially in Europe and North America. This reflects lower raw material costs for margarine. In Europe, profits improved in Germany, Italy, the Netherlands and the United Kingdom, although performance in France was weak. Exceptional items in 1996 were focused on restructuring projects in Europe, in particular in France and Germany, and included profits on the disposal of the Mrs Butterworth's business in the United States.

The margarine market in our most important regions, Western Europe and North America, continued its decline, but we maintained sales volume. Overall market shares improved as a result of gains in the United States. We continued to advance in Central Europe, where we further strengthened our leading market positions in the Czech Republic and Hungary, whilst in Poland volume grew strongly. We entered the Russian yellow fats market and have already established *Rama* as the leading brand in the major urban areas. Volume developments, well ahead of expectations, confirmed the large potential of the Russian market. We also made good progress in Latin America. Unilever remained a strong leader in yellow fats worldwide.

Important innovation activity in the year included the introduction of two liquid margarines in several European countries and the launch of *Country Crock Light* in the United States.

For olive oil, 1996 proved to be a difficult year as the drought in Spain persisted and the consequent shortage of supply resulted in prices reaching record highs. This had a negative impact on volumes and profitability, although our strong brands, such as *Bertolli* and *Gallo*, held their market positions. Raw material prices are already dropping and sales volumes are expected to recover to traditional levels.

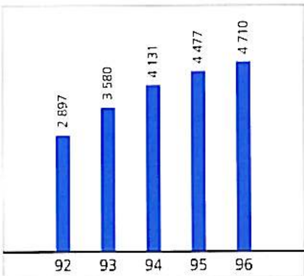
In cheese, we maintained margins in Europe, in spite of difficulties in France and Germany. Our business in Egypt continues to develop well.

Within our bakery portfolio we are placing more focus on frozen bakery products. The progress in profit seen in 1995 was further consolidated in 1996.

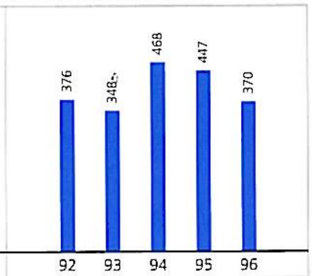
Ice cream and beverages

£ million	1996 at current rates	1996 at constant rates	1995	Change at constant rates
Turnover	4 710	4 737	4 477	6%
Operating profit	370	372	447	(17)%
Operating profit before exceptional items	413	415	488	(15)%

Turnover *£ million*



Operating profit *£ million*



Ice cream turnover advanced by some 4% over 1995, but underlying volume and profits declined because of the poor weather in nearly all our major markets. We continued our strategic expansion in developing and emerging markets with new operations in Central America, further regional roll-outs in China, continued progress in Central and Eastern Europe, and acquisitions in Ecuador and Pakistan. These new operations, whilst still requiring some further up-front investments, provide an excellent foundation for profitable growth in the near future. Through our operations, combined with a network of local distributors, Unilever ice cream is now available in over 80 countries and we lead this category strongly worldwide.

The 1996 summer in Europe was particularly poor, and our ice cream turnover and profits fell. Despite an increasingly competitive environment, there were particularly strong performances from *Solero* and *Carte d'Or* products.

In North America, our ice cream business showed satisfactory growth in turnover by further strengthening its market position. A high rate of innovation and new product launches, like *Breyers Blends*, contributed to this good performance. Profits were, however, below 1995, reflecting investment and higher raw material costs.

Ice creams both local and international

In Poland, international and local ice cream brands come together to give consumers the quality and flavours they want. *Magnum*, one of Unilever's most international brands, and *Big Trio*, a recently launched regional brand, are both highly successful.

We have now established ice cream innovation centres internationally. In addition to ensuring coherent development of key brands, such as the worldwide roll-out of *Solero*, they are focusing on local tastes and developing a full range of affordable products, with particular emphasis on children's brands such as *Max*. We have also made important innovative advances in the cold supply chain, which will reduce operating costs and improve product quality at the point of sale. Considerable work is being carried out to improve the quality of the cold supply chain in an environmentally responsible manner.

Our investment in factories continued in 1996. We are building a new factory in Australia; a greenfield factory is under construction in Vietnam; we commissioned a new factory in France; and in Italy we have built a new cone production line with significant technological improvements.

For some years, aspects of the distribution arrangements employed by some of Unilever's European ice cream businesses have been the subject of investigations by the European Commission and regulatory authorities in various countries, and of legal dispute. Notable among these, the practice of cabinet exclusivity in Ireland remains under investigation by the Commission, whilst certain issues relating to outlet ties in Germany are under appeal at the Court of Justice.

In beverages worldwide, we recorded satisfactory progress in both sales and profits, after adjusting for the Thomas J. Lipton United States trade destocking in 1995.

In tea, we showed growth in sales as well as in profits, with a particularly good performance in the developing and emerging markets of India – our biggest market – Arabia, Indonesia and Pakistan. Unilever has the world's leading market share in packaged and branded tea.

Lipton Yellow Label is a truly international brand and, to address the mass market, it is now complemented by brands specially designed to suit local needs, anchored in local culture. With the same strategy, we are continuing our successful expansion into the large tea markets of the Commonwealth of Independent States (CIS).

New *Pyramid* teabags were launched in the United Kingdom, achieving a considerable sales uplift, and will be rolled out nationally in 1997. We have made an entry in the green tea market, using innovative teabag concepts tailored to local needs: in Hong Kong, we launched long leaf tea teabags under the *Lipton Ming Han Ching* name, while, in France, round teabags and packs were introduced under the *Lipton Tchaé* brand.

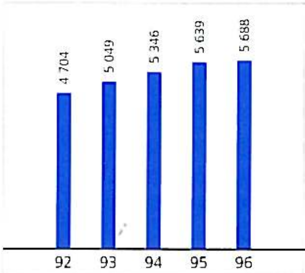
The acquisition of the Lyons tea business in Ireland has given us market leadership there.

In ready-to-drink tea, we continue to consolidate our world leadership and are now present in over 40 countries. We have shifted the focus from geographical expansion towards further strengthening our operations in existing countries. For international brands, like *Lipton Ice Tea* and *Liptonice*, we tailor the business systems to market circumstances using our local management structure. Our ready-to-drink tea business in Europe delivered significantly higher profits despite adverse weather. In the United States, we maintained clear market leadership.

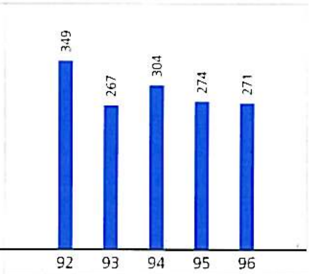
Culinary and frozen foods

£ million	1996 at current rates	1996 at constant rates	1995	Change at constant rates
Turnover	5 688	5 720	5 639	1%
Operating profit	271	268	274	(2)%
Operating profit before exceptional items	385	384	313	23%

Turnover *£ million*



Operating profit *£ million*



The culinary category continues to show encouraging growth in the main areas of tomato products, meal sauces, cooking ingredients, mayonnaise and dressings. The strong advance in operating profit before exceptional items includes the impact of the steps taken in 1995 to reduce trade stocks in the United States. Restructuring continued in 1996, with the major focus in Europe and North America. Unilever is now amongst the world's largest processors of tomatoes.

In the pasta sauce market, we have consolidated our leadership position with *Ragú* and *Five Brothers* in the United States through quality improvements and new variants. *Aardappel Anders*, a cook-in sauce for potato gratins, will be launched in several European countries following its initial success in the Netherlands. The position in mayonnaise was further strengthened with launches of *Calvé* in Russia, chilled mayonnaise in France and *Yogonesa* in Mexico. Launches like *Royco* bouillon in Ghana and Côte d'Ivoire, new *Colman's* sauces in the United Kingdom and *Bong* bouillon in Sweden, have helped growth in the culinary market.

Many of these product innovations are examples where internationally available technology and science have been applied to meet local tastes. Whilst the main components and preparation methods vary widely from region to region, there is a universal need for culinary product concepts. Taste and appetite appeal are essential contributors to consumers' enjoyment of food. Based upon detailed local understanding of consumers' eating and food preparation habits, attitudes and preferences, the science and technology bases are being further developed, particularly in tomatoes and flavours.

In frozen foods, our United States business had a successful year. Performance in Europe was distorted by the BSE crisis, which significantly depressed sales and results in the United Kingdom in red meat and meals; there was, however, a good performance in fish and vegetables. In Europe, restructuring provisions have been increased to improve future profitability. Profits were good in other market segments and, in snacks, we acquired Van Lieshout in the Netherlands. Innovations included the launch of fish grills and *Dippers*, a poultry product, in Europe, and *Gorton's* grilled and flavoured fish fillets in the United States.

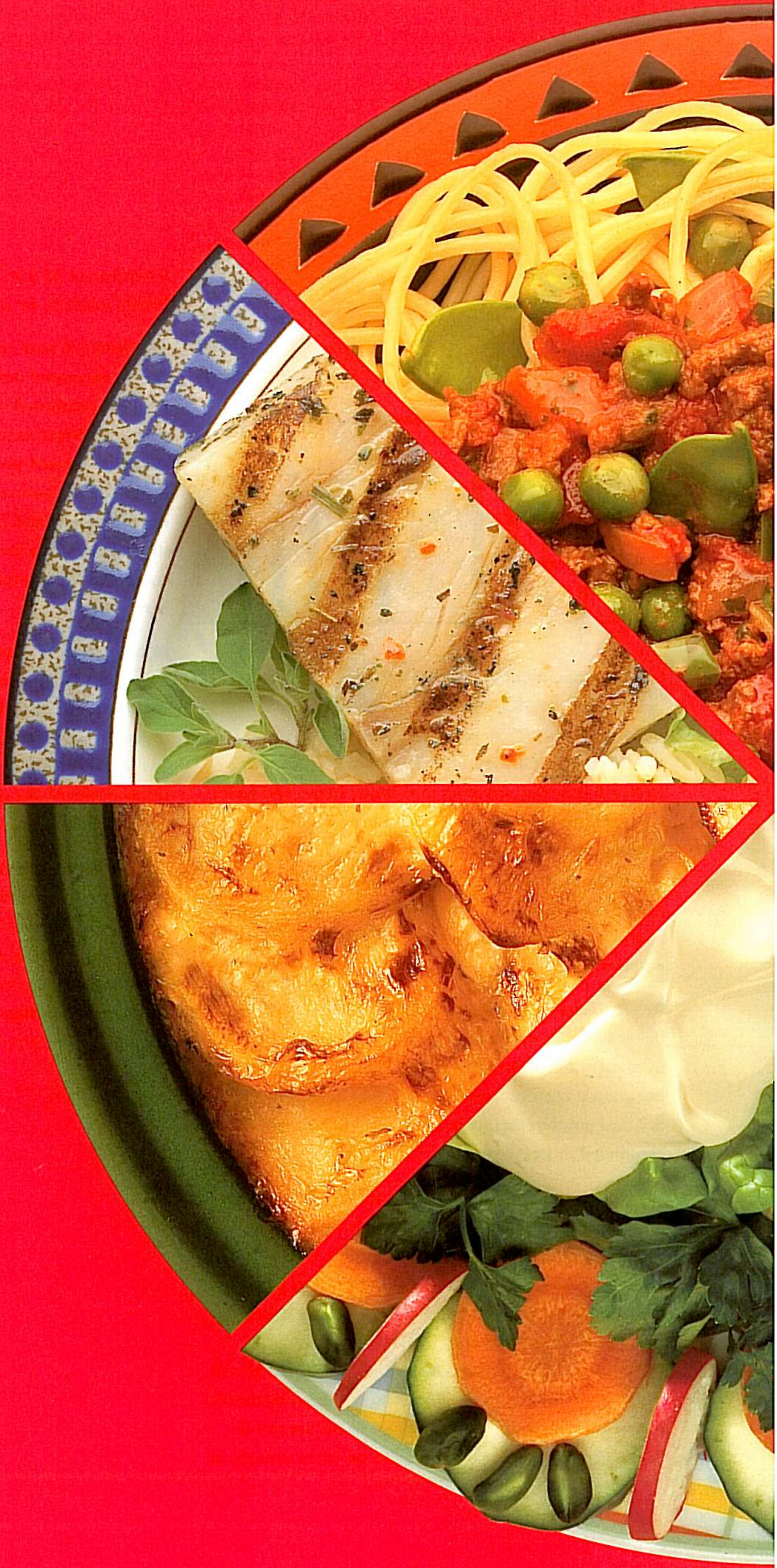
Innovation centres were established for fish, poultry and vegetables, while additional capacity was installed in our United Kingdom poultry factory. In Spain, we closed the L'Alcudia factory and consolidated production in our other two facilities.

Regional brand, local sauces
The *Royco* brand is familiar across Africa but flavourings differ according to tastes and cooking habits. *Mschuzi-Mix* is a popular product in Kenya.

Local brand, local appeal
Gorton's grilled and flavoured fish fillets were launched in 1993 and 1995 respectively in the United States and Canada to meet local consumer needs for convenient, tasty dinner alternatives.

Local innovation, regional appeal
Aardappel Anders, a new cook-in sauce for potato gratins, was developed in the Netherlands with the rest of Europe in mind. It is now being rolled out to other countries in Europe.

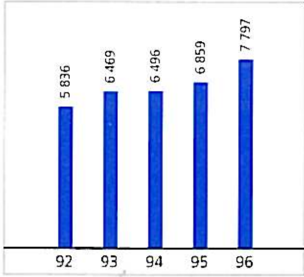
Local taste, European success
Calvé is a strong European brand which adapts flavours to meet local preferences. *Calvé* mayonnaise has recently been launched in Russia.



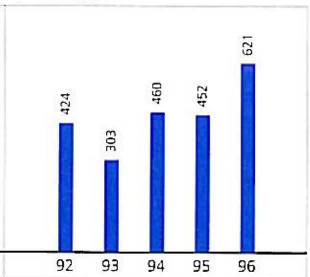
Detergents

£ million	1996 at current rates	1996 at constant rates	1995	Change at constant rates
Turnover	7 797	7 895	6 859	15%
Operating profit	621	634	452	40%
Operating profit before exceptional items	679	693	552	26%

Turnover *£ million*



Operating profit *£ million*



Sales and operating profits showed a very satisfactory increase in 1996, led by very strong performances in Brazil and India. Underlying sales growth was 9% and the Diversey acquisition increased overall sales to 15%. In North America, progress in volume, share, and lower costs put our business there on a more solid footing. Volume growth continued to be significantly higher in the developing and emerging markets. Operating profits grew significantly faster than sales, reflecting the benefits of cost reductions from earlier restructuring, and better margins.

Restructuring costs in total were some £40 million below last year, with lower charges in consumer goods in Europe and North America partially offset by the integration costs of DiverseyLever. The closure of the St Louis powders facility in the United States was completed in December.

In fabrics, market share in Europe was held, with gains in some countries, notably in Northern and Eastern Europe, offset by modest losses elsewhere. In North America, consumers continued to switch from powders to liquids, and our business is well placed to exploit this trend. The restaging of *all* has improved brand performance and the introduction of *Wisk* liquid bleach has strengthened sales. *Omo* continues to be substantially our largest brand and was a key part of the success in Brazil. Elsewhere, *Omo* continued to perform strongly in a number of African markets and in Chile. In Asia and Pacific markets, we also increased our market share.

The personal wash market showed further good growth and we increased our leading worldwide market share. *Dove* bar continued to perform well in the European and North American markets and grew rapidly elsewhere. *Baby Dove* showed promise in Australasia and Brazil. *Lux* continues to dominate the beauty segment, especially in Central Asia and Latin America. *Lever 2000* had a successful year in the United States, despite a very competitive marketplace and continuing change from bars to liquids.

In household products, in several European markets, there have been successful launches of lavatory rim blocks with the added hygiene and cleaning benefits of bleach. In Japan and Australasia, excellent progress was made with a new *Jif* cleaner using a trigger spray which gives smaller drop sizes and improved cleaning performance.

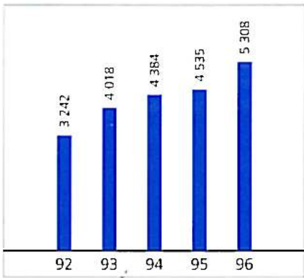
The acquisitions of AutoChlor in 1995 and Diversey in April 1996 have been successfully integrated with Lever Industrial. The new DiverseyLever Group is a strong global player in the industrial cleaning market. The integration will provide significantly improved market coverage and savings through elimination of overlap in administration, supply, innovation and sales.

Getting close to consumers
An international study of washing habits has brought Unilever detailed knowledge of the different conditions in which fabrics are washed around the world. Water source, container type, length of soak and temperature of water have all been studied so that products can be tailored to local needs.

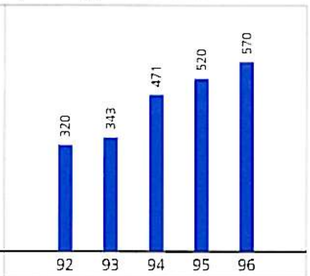
Personal Products

£ million	1996 at current rates	1996 at constant rates	1995	Change at constant rates
Turnover	5 308	5 365	4 535	18%
Operating profit	570	573	520	10%
Operating profit before exceptional items	642	648	520	25%

Turnover *£ million*



Operating profit *£ million*



Sales growth in total was 18%, with the Helene Curtis acquisition making a significant contribution. Underlying volumes and operating profit showed a strong increase. Restructuring charges were well ahead of last year, reflecting the worldwide integration costs of the Helene Curtis business, together with higher restructuring costs in Europe.

Growth excluding acquisitions varied significantly by region. There was modest growth in Europe despite the disposal of our colour cosmetics interest, Rimmel-Chicogo. There was also moderate growth in North America. By contrast, growth rates in Latin America and, particularly, in Asia continued at double-digit levels. Overall profit performance broadly mirrored this picture, except in Europe where margins improved.

In skin care, we saw another very successful year for *Pond's*, which combined with strong local brands to meet the different needs of local markets. *Fair & Lovely* continues to grow very strongly in Central Asia and was successfully introduced into South East Asia. In North America, *Vaseline Intensive Care Lotion* grew by over 20%.

The acquisition of Helene Curtis has substantially improved our global position in hair care, giving us a strong position in the large North American market. Our market share showed a substantial increase. Integration of the Helene Curtis business has been rapidly achieved, especially in North America, where *Salon Selectives* showed good growth. *Lux* continues to perform well in Japan and was extended to other markets in Asia. *Organics* continued to grow very strongly, with the continuation of its roll-out and the introduction of variants adapted to local market needs.

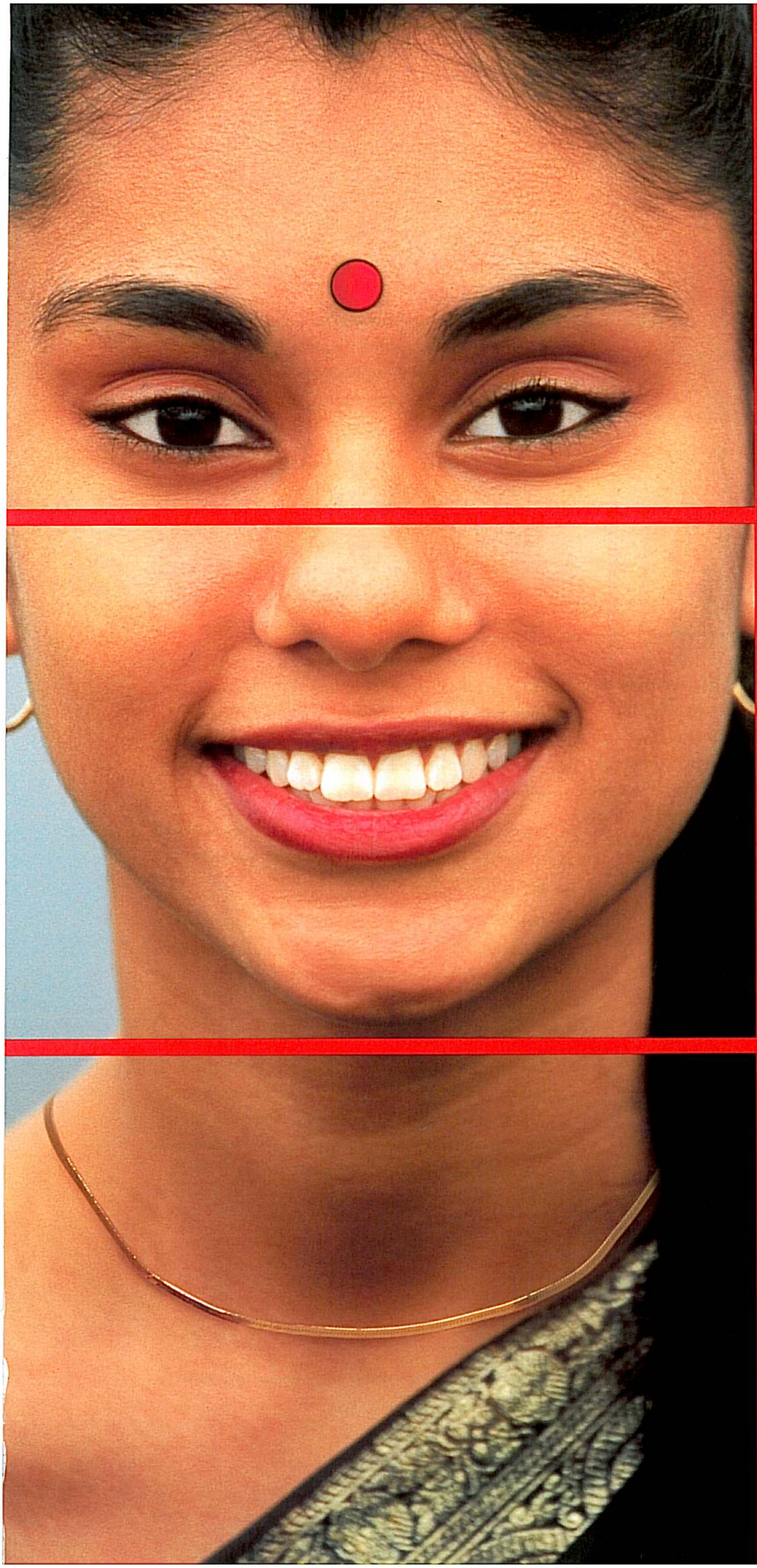
In oral care, competition in North America increased significantly. However, *Mentadent* maintained its position. In Central Asia, we improved our market position further, with both *Signal* and *Close-Up* toothpastes gaining market share. Volume growth was also very strong for these brands in the Asian markets and for *Zhong Hua* in China. Latin America saw strong growth led by *Close-Up*.

Deodorants were successful in the European markets and *Axe/Lynx* and *Rexona* showed good progress. In North America, *Degree* and *Suave*, both Helene Curtis brands, did well and margins improved. In Latin America, *Rexona* made excellent progress in a rapidly expanding market.

In fragrances, *cK one* continued to grow by more than 20%, reaching worldwide sales of over US $ 200 million. *cK be* was successfully launched in North America in September. Following difficulties last year and a slow start to this year, Elizabeth Arden finished with a strong sales and profit improvement.

*Persona**, a natural method of birth control, with unique technology, was successfully introduced in the United Kingdom in September. By measuring a woman's hormone level, this non-invasive product determines on which days she can and cannot become pregnant. *Persona* will be launched in several other European countries during 1997, followed by the United States and Australasia.

* *Persona is a Unipath product. Unipath, which also had sizeable microbiology activities, is currently reported within our speciality chemicals operations. The microbiology activities were sold at the end of 1996, and, from 1997 onwards, Unipath will be reported as part of our personal products operations.*



Hair care

Organics shampoo, sold in over 70 countries, is a top performing shampoo in India. Its formulation has been adapted to local hair characteristics to meet the specific needs of Indian consumers.

Oral care

Close-Up toothpaste is another strong international brand. Consumers everywhere want the benefits of fresh breath and white teeth which *Close-Up* offers.

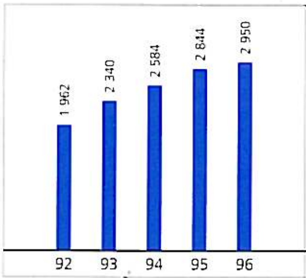
Skin care

Lakmé is a range of local skin care products and cosmetics, specifically designed for the Indian consumer.

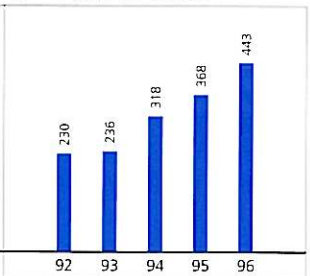
Speciality Chemicals

£ million	1996 at current rates	1996 at constant rates	1995	Change at constant rates
Turnover	2 950	2 978	2 844	5%
Operating profit	443	448	368	22%
Operating profit before exceptional items	415	420	351	20%

Turnover *£ million*



Operating profit *£ million*



The speciality chemicals business achieved good sales growth in 1996. Operating profits grew significantly faster than sales, reflecting the benefits of earlier investments and restructuring, together with good cost control. In Europe, market conditions were less buoyant in some areas. However, this was compensated for by very good progress elsewhere, most notably in Asia Pacific, Latin America and the United States.

Exceptional items were positive in both 1995 and 1996. Restructuring costs have been more than offset by profits following disposals in both years.

Speciality chemicals consists of five international companies, National Starch and Chemical, Quest International, Unichema International, Crosfield Group and Unipath, each managed on a worldwide basis. Our global networks established to meet customer needs were further strengthened in 1996 with the opening of new facilities in eight countries. Additional sales offices were opened in China, where the first adhesives plant also came on stream. Very good progress was made with the integration of local Indian chemicals businesses into the international operations.

In 1996, information technology has enhanced the operational network still further. The Global Innovation Network in National Starch is now delivering real benefits. In Quest and Unichema, similar linkages are clearly enhancing the quality and speed of their customer responsiveness. Global networking is also rigorously applied to support safety programmes, ensuring high standards and continuous improvement in performance.

In National Starch, resins showed strong growth. In adhesives, underlying volume growth was modest but progress was excellent in Asia Pacific and Latin America. Starch was able to deliver growth in both sales and profits, despite record corn costs and weakness in some North American industrial markets. Asia Pacific and Latin America performed particularly strongly.

Quest improved its sales and operating profit. After a slow start the fragrance business recovered well. The food flavour and ingredient businesses delivered excellent growth in China, Japan and North America. The speciality lipids business of Loders Croklaan achieved strong progress.

In Unichema, operating profit was excellent, at an all time high, driven by increased sales of specialities and reduced operating costs.

Despite difficult trading conditions in some major markets, Crosfield was able to realise satisfactory growth in both sales and operating profits.

Unipath had an outstanding year, with excellent growth, driven by new product launches in rapid diagnostics*. Despite heavy launch investments, profitability was very satisfactory. The microbiology operations continued to deliver good results. This part of the business was sold at the end of the year to allow attention to be focused on the consumer products.

* *including Persona, covered in the Personal Products section of this Review.*

Flavour appeal

Flavours from Quest International help products to appeal to the wide variety of consumer tastes around the world. For example, teriyaki is a savoury flavour used in oriental noodle dishes and vanilla helps to flavour many foods, including ice cream.

Breeding peas for specific tastes
PBI Cambridge is breeding varieties of peas with superior flavour and quality to meet local consumer preferences identified by Unilever's frozen foods companies in Europe, like Birds Eye Wall's in the United Kingdom.

Plantations, Plant Science & Trading Operations

A decline in sales and profits in 1996 reflected the disposal of oil milling operations in Brazil and the brewing interests in West Africa, together with the tea plantation in Malawi. The remaining activities in plantations and plant science made satisfactory progress in both sales and profit during the year.

The price of palm oil continued to be strong during 1996, with a consequently good trading performance from oil palm operations in Malaysia and Thailand. The price of tea from our East African plantations improved on the previous year, although these gains were partly offset by much stronger local exchange rates than had been anticipated. The tea plantation in Malawi was sold during the year as we continued to focus on developing world class plantations which offer value to Unilever's consumer tea business. This is now best demonstrated in India, where tea from both Assam and South India is supplied direct to the consumer business.

The integrated research and development programme for tea, which involves Unilever Research, Plantations and the consumer businesses, is now operating well.

At PBI Cambridge, good progress was made in building market shares for arable crops in Europe, and the strong leadership position for wheat in the United Kingdom was maintained. The plant science and breeding resource continues to assist Unilever food companies around the world in developing the raw materials for vegetables, tomatoes, edible oils and bakery categories.

Financial Review

The figures quoted in this Financial Review are in sterling, at current rates of exchange, unless otherwise stated. In this respect, the profit and loss account and cash flow information are translated at annual average rates of exchange, whilst the balance sheet is translated at year-end rates of exchange.

Results

Turnover for the Group increased by 6% to £33 522 million. As a result of the higher sales and improved margins, **operating profit** increased by 14% to £2 874 million. This was after charging net exceptional items of £237 million, a similar level to 1995 (£231 million).

Analysis of operating performance by geography and by business segment is given in Business Overview and Product Areas on pages 8 to 23 and 24 to 38 respectively.

Income from fixed investments further declined, mainly reflecting the change of status of our business in Nigeria, from associated company to subsidiary.

Net interest cost declined slightly to £251 million (1995: £255 million). Average net debt at constant exchange rates was £300 million higher than last year, mainly as a result of acquisition activity. This was offset by a positive mix effect resulting from lower debt levels in some higher interest rate countries. **Net interest cover** remained strong, increasing to 11.6 times (1995: 10.1).

The Group's effective **tax rate**, including the effect of tax adjustments from prior years, increased to 36.3% from 33.7% on a comparable basis in 1995. This increase reflects a number of one-off non-deductible items arising from acquisitions and disposals, and a further decline in tax credits arising on settlement of prior year liabilities.

Net profit, at constant exchange rates, increased by 10%. Sterling strengthened by 1% during 1996 against the basket of Unilever currencies. Net profit at current exchange rates therefore increased by 9%, both before and after exceptional items.

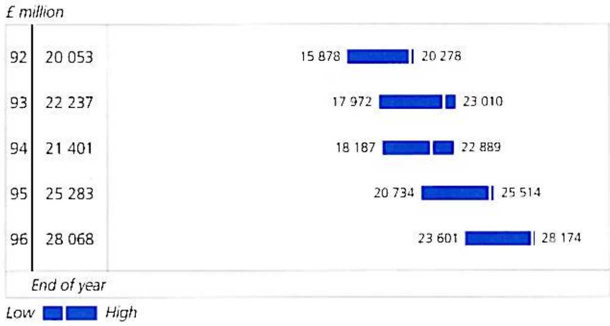
Minority interests increased by £16 million to £81 million, mainly due to the excellent performance of the Indian business and improved results in Arabia.

Return on capital employed, excluding goodwill eliminated in reserves, rose to 15.2% from 14.2% in 1995.

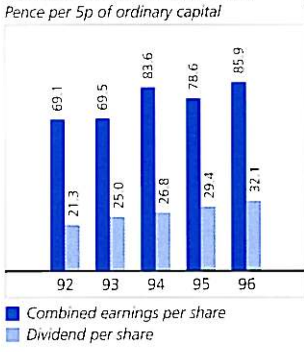
Dividends and Market Capitalisation

Earnings per share increased by 9% from 78.63p to 85.90p. **Dividends** paid and proposed on PLC ordinary capital amount to 32.05p, an increase of 9%, in line with the earnings growth. The ratio of dividends to profit attributable to ordinary shareholders was 42.6%, broadly the same as in 1995. Profit of the year retained was £920 million (1995: £840 million).

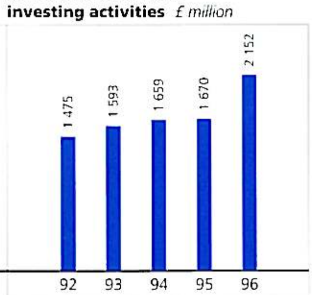
Combined market capitalisation
£ million



Earnings & dividend per share
Pence per 5p of ordinary capital



Net cash flow before investing activities *£ million*



In 1995 a decision was taken to set the interim dividend at 35% of the previous year's total dividend for the stronger of the two reporting currencies, so as to remove price sensitivity from the setting and declaration of the interim dividends. The total, and hence the final, dividend will continue to be based on overall business performance.

Unilever's combined **market capitalisation** at 31 December 1996 was £28.1 billion, compared to £25.3 billion at the end of 1995.

Balance Sheet

The net impact of the strengthening of sterling against most other currencies between the two balance sheet dates was a £611 million currency loss on retranslation of net assets.

Profit retained, after accounting for dividends, currency retranslation of balances and movements, and a £729 million net goodwill write-off on acquisitions and disposals, decreased by £374 million to £4 953 million. Total capital and reserves decreased by £440 million to £5 181 million, mainly as a result of the currency impact.

Cash Flow

The concentration on cash flow throughout the business continued in 1996. **Net cash flow from operations** improved by £578 million to £3 816 million (1995: £3 238 million), with significant gains coming from reductions in working capital levels.

Net cash flow before investing activities of £2 152 million was £482 million above 1995 levels of £1 670 million, after deducting net interest payments of £223 million, tax of £716 million and dividends on ordinary capital of £686 million.

Capital expenditure again fell, to £1 169 million from £1 214 million last year.

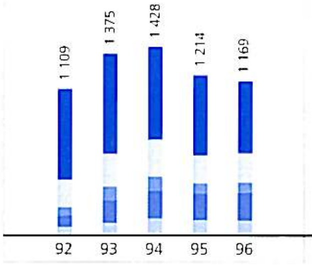
Major capital projects approved during the year included investments in new ice cream facilities in Australia and Vietnam, foods and detergent production in Latin America and in speciality chemicals in the United States.

A total of 27 businesses were acquired for a cash outlay of £1 216 million. Notable among these were the purchase of Helene Curtis and Diversey, worldwide businesses in core activities, which accounted for over 70% of the total spend.

Cash proceeds from 23 disposals were £348 million. These included Rimmel-Chicogo in the United Kingdom and Germany; Oxoid, the worldwide microbiology business of Unipath; and Mrs Butterworth's syrup and pancake mix business in the United States.

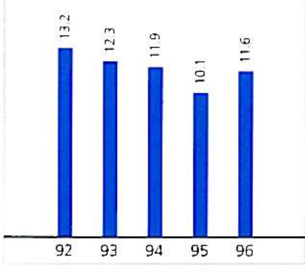
Net debt (borrowings less cash and current investments) of £1 693 million at the end of 1996 was £197 million lower than in 1995, despite the high level of expenditure on acquisitions. **Net gearing** was slightly lower at 23%, with the lower net debt largely offset by the impact of goodwill write-offs and currency movements on shareholders' funds.

Capital expenditure *£ million*

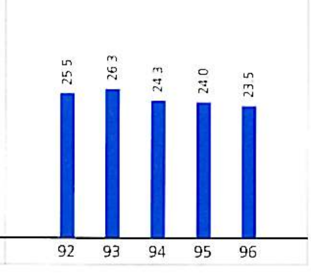


	92	93	94	95	96
Europe	683	753	698	603	541
North America	208	248	278	210	222
Africa and Middle East	64	104	109	80	77
Asia and Pacific	85	169	207	199	209
Latin America	69	101	136	122	120

Net interest cover *times*



Net gearing %



As in previous years, net debt peaked in the middle of the year, standing at £3 107 million at the end of June as a result of seasonal stock building, acquisition and disposal activity and dividend payments.

Finance and Liquidity

Unilever's continuing financial strength gives it the flexibility to raise funds in all the major global debt markets at the lowest costs available to corporate borrowers. Group policy is to finance operating subsidiaries through an appropriate mix of retained earnings, bank borrowings and loans from parent and Group finance companies.

The main source of long-term debt remains the international bond markets, accessed mainly through the Debt Issuance programme established in 1994. Long-term debt fell by £46 million in 1996. The most significant new issues were a five year US $ 250 million bond at a fixed rate of 6.625%, and Swiss Franc and Deutschmark denominated bonds totalling £245 million, with funding initially fixed at 3.5% and 5.125% respectively. Debt totalling £238 million which matures in 1997 was reclassified to short-term borrowings at the year end.

Long-term borrowings are raised at fixed interest rates in major currencies and swapped, if appropriate, to floating rates and different currencies. The maturity profile is spread over a nine year period to 2005. The proportion of long-term debt repayable within five years increased in 1996 to 69%, compared to 58% at the end of 1995.

For short-term finance, Unilever is active in commercial paper in the United States domestic markets and Europe, and operating subsidiaries fund day-to-day needs using local bank borrowings. At the end of 1996, short-term borrowings were £1 233 million, £48 million higher than in 1995.

More than one third of Unilever's total borrowings are in US dollars, with the remainder spread over a large number of other currencies, including Dutch guilders, French francs, sterling and Japanese yen.

Cash and current investments at the end of 1996 totalled £1 688 million, £199 million higher than at the end of 1995.

Unilever has committed multi-currency credit facility arrangements until the year 2000 with nine banks under which it may borrow up to US $ 2 700 million for general financing or acquisition purposes. No funds are currently drawn under these facilities.

Treasury and Hedging Policies

The Group treasury function operates as a cost centre, governed by financial policies and plans agreed by the directors. Its purpose is to serve the needs of the business through effective management of financial risk, to secure finance at minimum cost and invest liquid funds securely. All major areas of activity are covered by policies, guidelines, exposure limits, a system of authorities and independent reporting. Performance is closely monitored, with independent reviews undertaken by the corporate internal audit function.

Unilever operates an interest rate management policy aimed at reducing volatility and minimising interest costs. Interest rates are fixed on a proportion of debt and investments for periods of up to ten years. The proportion fixed is higher in the near term than in the longer term, so increasing the predictability of short-term interest costs, whilst maintaining flexibility to benefit from rate movements in the longer term. This is achieved through the issue of fixed rate long-term debt, combined with the use of a range of straightforward financial derivative instruments.

Under the Group's foreign exchange policy, trading exposures are generally hedged, mainly through the use of forward foreign exchange contracts. Some flexibility is permitted within overall exposure limits.

Assets held in foreign currencies are, to a large extent, financed by borrowings in the same currencies. Consequently, some 57% of Unilever's total capital and reserves at the end of 1996 was denominated in the currencies of the two parent companies. From an earnings perspective, some 26% of Unilever's 1996 net income was denominated in guilders, 19% in sterling, 15% in dollars and some 19% in dollar-related currencies.

To ensure maximum flexibility in meeting changing business needs, investment management policy is to concentrate Unilever's substantial liquid funds centrally in the parent and finance companies. These funds, mainly in guilders and sterling, are invested in short-term bank deposits and marketable securities, or on-lent to subsidiaries.

Credit risk exposures are minimised by dealing only with a limited range of financial institutions with secure credit ratings, and by working within agreed counterparty limits. Counterparty credit ratings are regularly monitored and there is no significant concentration of credit risk with any single counterparty.

Further details on derivatives, foreign exchange exposures and other related information on financial instruments is given in the separate 'Unilever Annual Accounts 1996' booklet on page 23.

Methods of calculation

Return on capital employed is the sum of profit on ordinary activities after taxation, plus interest, after tax, on borrowings due after more than one year, expressed as a percentage of the average capital employed during the year.

Net gearing is net debt (borrowings less cash and current investments) expressed as a percentage of the sum of capital and reserves, minority interests and net debt.

Net interest cover is profit before net interest and taxation divided by the net interest.

Combined earnings per share are net profit attributable to ordinary capital, divided by the average number of share units representing the combined ordinary capital of NV and PLC less certain trust holdings.

Organisation and Corporate Governance

Top Management Structure

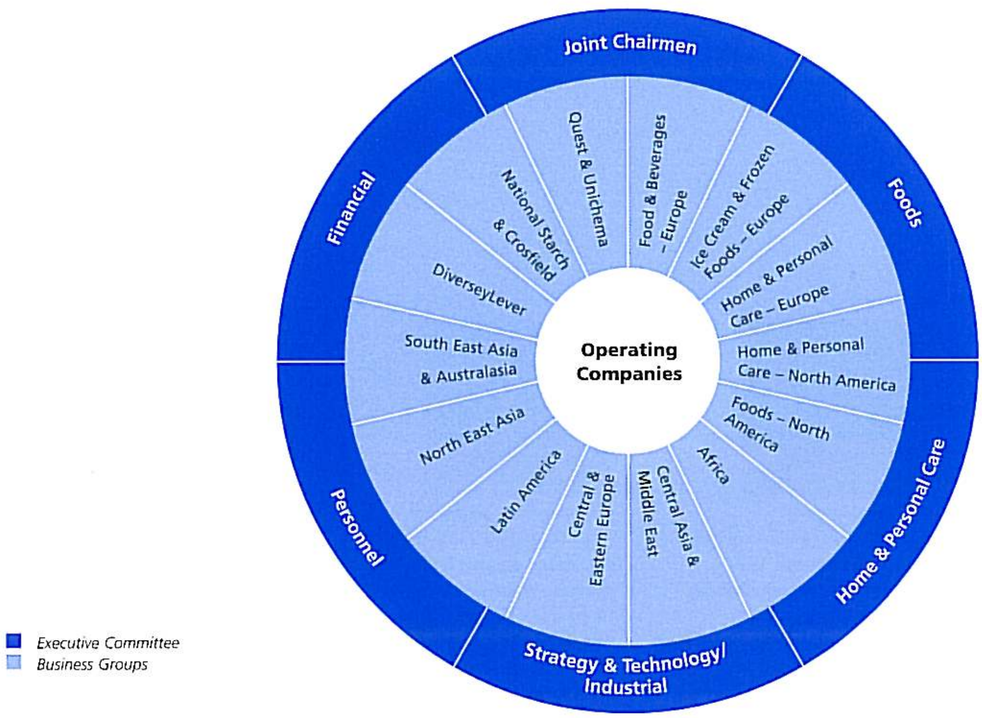
The Chairmen of NV and PLC are the principal executive officers of Unilever. They lead the seven-member Executive Committee, which is now Unilever's top decision making body, having replaced the Special Committee from September 1996. The Executive Committee is responsible for corporate strategic leadership.

Other members of the Executive Committee are: the two Category Directors for Foods and for Home & Personal Care; the Strategy & Technology Director who is also the Industrial Category Director; the Financial Director; and the Personnel Director. In the early phase of the new organisation there has been an additional member responsible for the transition from regional management groups to the new Business Groups.

The core building blocks in the Unilever organisation remain the individual companies operating in their particular markets. These are now organised into 14 Business Groups, each with a President as chief executive who is accountable, with full profit responsibility, for the operational companies within his group.

This grouping is essentially based on geographical markets. In the consumer businesses Unilever operates in eight regions. In the majority of these regions, all Unilever companies form one Business Group. However, some regional operations are too large to be managed as a single group. Companies in Europe and North America are therefore organised in two or three Business Groups, each focusing on specific product areas. The three industrial Business Groups, on the other hand, are organised globally. Between them they cover Unilever's operations in industrial cleaning and hygiene, in speciality chemicals and flavours and fragrances.

The Executive Committee comes together with the 14 Business Group Presidents within the Executive Council, which is led by the Chairmen.



Executive Committee of the Board


Niall FitzGerald*
Chairman, Unilever PLC


Morris Tabaksblat*
Chairman, Unilever N.V.


Alexander Kemner*
Category Director, Foods


Clive Butler*
Category Director, Home & Personal Care


Hans Eggerstedt*
Financial Director


Jan Peelen*
Personnel Director


Iain Anderson*
Strategy & Technology Director and Category Director, Industrial

Niall FitzGerald*
Chairman, Unilever PLC
Aged 51. Chairman of Unilever PLC and Vice-Chairman of Unilever N.V. since 1996. Joined Unilever 1967. Appointed director 1987. Previous posts include: Financial Director 87/89. Edible Fats & Dairy Co-ordinator 89/90. Member, Foods Executive 89/91. Detergents Co-ordinator 91/95. Member of Special Committee 1996. Non-executive director of Prudential Corporation plc and Bank of Ireland.

Morris Tabaksblat*
Chairman, Unilever N.V.
Aged 59. Chairman of Unilever N.V. and Vice-Chairman of Unilever PLC since 1994. Joined Unilever 1964. Appointed director 1984. Previous posts include: Personal Products Co-ordinator 84/87. Chairman, Chesebrough-Pond's 87/88. Regional Director, North America 88/89. Chairman, Foods Executive 89/92. Member of Special Committee 92/96. Member, Supervisory Board, Aegon N.V. and KPN N.V.

Alexander Kemner*
Category Director, Foods
Aged 57. Category Director, Foods since 1996. Joined Unilever 1966. Appointed director 1989. Previous posts include: Food & Drinks Co-ordinator 89/90. Member, Foods Executive 89/92. Regional Director, East Asia & Pacific 93/96.

Clive Butler*
Category Director, Home & Personal Care
Aged 50. Category Director, Home & Personal Care since 1996. Joined Unilever 1970. Appointed director 1992. Previous posts include: Corporate Development Director 1992. Personnel Director 93/96. Non-executive director of Lloyds TSB Group plc.

Hans Eggerstedt*
Financial Director
Aged 58. Financial Director since 1993. Joined Unilever 1965. Appointed director 1985. Previous posts include: Frozen Products Co-ordinator 85/90. Commercial Director 90/92.

Jan Peelen*
Personnel Director
Aged 57. Personnel Director since 1996. Joined Unilever 1966. Appointed director 1987. Previous posts include: Regional Director, East Asia & Pacific 87/92. Chairman, Foods Executive 93/96. Non-executive director of Barclays PLC and Barclays Bank PLC.

Iain Anderson*
Strategy & Technology Director and Category Director, Industrial
Aged 58. Strategy & Technology Director and Category Director, Industrial since 1996. Joined Unilever 1965. Appointed director 1988. Previous posts include: Corporate Development Director 88/92. Chemicals Co-ordinator 92/96; Regional Director, North America, 94/96; Detergents Co-ordinator 1996. Non-executive director of British Telecommunications plc.

Board Retirements

The following directors will retire at the 1997 Annual General Meetings:


Ashok Ganguly*
Aged 61. Joined Unilever 1962. Appointed director 1990. Last position: Responsible for Research & Engineering Division. Non-executive director of British Airways plc and Chairman of ICI India Ltd.


Christopher Jemmett*
Aged 60. Joined Unilever 1958. Appointed director 1988. Last position: Member of the Executive Committee. Non-executive director of Friends Provident Life Office. Council Member, Crown Agents Foundation.


Okko Müller*
Aged 61. Joined Unilever 1963. Appointed director 1989. Last position: Responsible for Foods Europe. Member, Supervisory Board, DSM N.V.

* *Unilever Board member*

Business Group Presidents

Roy Brown *
Food & Beverages – Europe

Antony Burgmans *
Ice Cream & Frozen Foods – Europe

Richard Goldstein
Foods – North America

John Sharpe
Home & Personal Care – Europe

Robert Phillips *
Home & Personal Care – North America

Çetin Yüceluğ
DiverseyLever

James Kennedy
National Starch & Crosfield

Viktor Rensing
Quest & Unichema

Henri Bonpun
Africa

Jeff Fraser
Central Asia & Middle East

Jean Martin
Central & Eastern Europe

Charles Strauss
Latin America

Rudy Markham
North East Asia

André van Heemstra
South East Asia & Australasia

Roy Brown *
Food & Beverages – Europe
Aged 50. Joined Unilever 1974. Appointed director 1992. Appointed Business Group President 1996. Previous position: Regional Director, Africa & Middle East and Central & Eastern Europe and responsible for Plantations and Plant Science Group. Non-executive director of GKN plc.

Antony Burgmans *
Ice Cream & Frozen Foods – Europe
Aged 50. Joined Unilever 1972. Appointed director 1991. Appointed Business Group President and Chairman of Unilever Europe Committee 1996. Previous position: Member of Foods Executive and responsible for Ice Cream & Frozen Foods – Europe and Marketing Projects Group.

Richard Goldstein
Foods – North America
Aged 55. Joined Unilever 1975. Appointed Business Group President 1996. Previous position: President & CEO, Unilever United States (in which position he continues) and Chairman & CEO, Unilever Canada Ltd.

John Sharpe
Home & Personal Care – Europe
Aged 55. Joined Unilever 1963. Appointed Business Group President 1996. Previous position: CEO, Lever Europe.

Robert Phillips *
Home & Personal Care – North America
Aged 58. Joined Unilever 1986 upon Unilever's acquisition of Chesebrough-Pond's. Appointed director 1995. Appointed Business Group President and Chairman of Unilever North America Committee 1996. Previous position: Personal Products Co-ordinator.

Çetin Yüceluğ
DiverseyLever
Aged 51. Joined Unilever 1973. Appointed Business Group President 1996. Previous position: CEO, Lever Industrial International.

James Kennedy
National Starch & Crosfield
Aged 59. Joined Unilever 1978 upon Unilever's acquisition of National Starch & Chemical. Appointed Business Group President 1996. Previous position: President & CEO, National Starch and Chemical Company.

Viktor Rensing
Quest & Unichema
Aged 57. Joined Unilever 1957. Appointed Business Group President 1996. Previous position: Chairman, Quest International.

Henri Bonpun
Africa
Aged 63. Joined Unilever 1960. Appointed Business Group President 1996. Previous position: Chairman, Unilever South Africa (Pty) Limited.

Jeff Fraser
Central Asia & Middle East
Aged 53. Joined Unilever 1967. Appointed Business Group President 1996. Previous position: Operations Member, Latin America and Central Asia.

Jean Martin
Central & Eastern Europe
Aged 52. Joined Unilever 1968. Appointed Business Group President 1996. Previous position: CEO, Personal Products in Europe.

Charles Strauss
Latin America
Aged 54. Joined Unilever 1986 upon Unilever's acquisition of Ragú Foods. Appointed Business Group President 1996. Previous position: President & CEO, Lever Brothers Company, New York.

Rudy Markham
North East Asia
Aged 50. Joined Unilever 1968. Appointed Business Group President 1996. Previous position: Chairman & CEO, Unilever's operations in Japan.

André van Heemstra
South East Asia & Australasia
Aged 51. Joined Unilever 1970. Appointed Business Group President 1996. Previous position: Chairman, Langnese-Iglo GmbH.

* *Unilever Board member*

Advisory Directors and Board Committees

Sir Derek Birkin
Bertrand Collomb
Oscar Fanjul

Frits Fentener van Vlissingen
Sir Brian Hayes
James W Kinnear

Karl Otto Pöhl
Onno Ruding
Lord Wright of Richmond

Sir Derek Birkin
Aged 67. Appointed 1993. Chairman, Tunnel Holdings 75/82. Director, RTZ Corporation 82/96, CEO 85/91 and Chairman 91/96. Director, Merchants Trust since 1986, Carlton Communications and Merck & Co. Inc. (USA) since 1992 and Watmough (Holdings) PLC since 1996.

Bertrand Collomb
Aged 54. Appointed 1994. French government administrator 66/75. Lafarge Group since 1975. Chairman and CEO, Lafarge since 1989. Member, European Round Table of Industrialists. Chairman, Institut de l'Entreprise. Director, Elf Aquitaine since 1994.

Oscar Fanjul
Aged 47. Appointed 1996. Secretary General and Under Secretary, Spanish Ministry of Industry and Energy 83/85. Chairman Instituto Nacional di Hidrocarburos 85/95. Chairman and CEO Repsol 86/96 and Honorary Chairman since 1996. Member of Trilateral Commission. Member of the International Advisory Boards of the Chubb Corporation and Marsh & McLennan. Director of Ericsson, S.A. since 1996.

Frits Fentener van Vlissingen
Aged 63. Appointed 1990. Member, Executive Board SHV Holdings 67/75, and Chairman, 75/84. Managing Director, Flint Holding since 1984. Member, Supervisory Board, Amsterdam-Rotterdam Bank 74/91, ABN AMRO Bank since 1991 and Akzo Nobel since 1984.

Sir Brian Hayes
Aged 67. Appointed 1990. Permanent Secretary, Ministry of Agriculture, Fisheries and Food 79/83. Joint Permanent Secretary, Department of Trade and Industry 83/85 and sole Permanent Secretary 85/89. Director, Tate & Lyle and Guardian Royal Exchange since 1989.

James W Kinnear
Aged 68. Appointed 1994. Vice-Chairman, Texaco Inc. 83/86, and President and CEO, 87/93. Director, Corning Inc. since 1978, ASARCO Inc. since 1990 and Paine Webber Group Inc. since 1994.

Karl Otto Pöhl
Aged 67. Appointed 1992. Secretary of State, German Ministry of Finance 72/77. Deputy President, Deutsche Bundesbank 77/79 and President 80/91. Partner, Sal. Oppenheim Bank since 1992.

Onno Ruding
Aged 57. Appointed 1990. Member of Board, Amsterdam-Rotterdam Bank 81/82. Minister of Finance, the Netherlands 82/89. Chairman, Netherlands Christian Federation of Employers 90/92. Vice-Chairman and Director, Citicorp and Citibank since 1992.

Lord Wright of Richmond GCMG
Aged 65. Appointed 1991. Permanent Under Secretary of State at the Foreign and Commonwealth Office and Head of the Diplomatic Service 86/91. Director, British Petroleum and De La Rue since 1991, and BAA since 1992. Chairman of Royal Institute of International Affairs since 1995.

Honorary Advisory Director
The Rt Hon The Viscount Leverhulme KG TD
Aged 81. Grandson of William Lever, the founder of Lever Brothers. Appointed Honorary Advisory Director of PLC for life on his retirement as an Advisory Director in 1985.

Board Committees

The memberships of the Board Committees are:

Audit Committee:
Sir Brian Hayes (Chairman)
KO Pöhl
Dr O Ruding

External Affairs and Corporate Relations Committee:
Lord Wright of Richmond (Chairman)
O Fanjul
JW Kinnear

Nomination Committee:
F H Fentener van Vlissingen (Chairman)
Sir Derek Birkin
B Collomb
NWA FitzGerald
M Tabaksblat

Remuneration Committee:
FH Fentener van Vlissingen (Chairman)
Sir Derek Birkin
B Collomb

Legal Structure

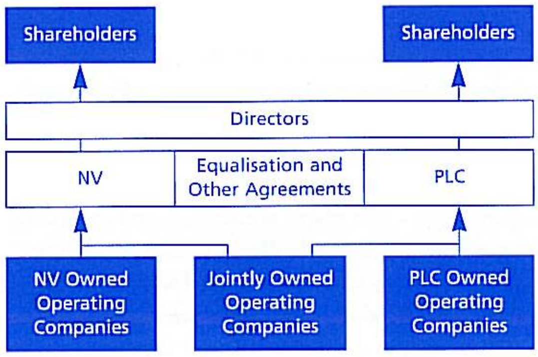
The Unilever Group was established in 1930 when the Margarine Unie and Lever Brothers decided to merge their interests, whilst retaining their separate legal identities. Now known as Unilever N.V. and Unilever PLC respectively, these are the parent companies of what today is one of the largest consumer goods businesses in the world, with its corporate centre located in London and Rotterdam.

Since 1930, NV and PLC have operated as nearly as is practicable as a single entity. They have the same directors and are linked by a series of agreements which have the result that all shareholders, whether in NV or PLC, participate in the prosperity of the whole business. There is, in particular, the Equalisation Agreement which regulates the rights of the two sets of shareholders in relation to each other.

NV and PLC are holding and service companies and Unilever's businesses are carried on by their group companies around the world. NV and PLC have agreed to co-operate in every field of operations, to exchange all relevant information with regard to their businesses and to ensure that all group companies act accordingly. In most cases the shares in the group companies are held by either NV or PLC.

Further particulars of these arrangements are set out on page 2 of the separate 'Unilever Annual Accounts 1996' booklet. In particular, there is an explanation as to why NV and PLC and their group companies constitute a single group for the purpose of presenting consolidated accounts.

Legal Structure of the Group



Corporate Governance

Directors and Advisory Directors

Each of the 13 directors is a full-time executive and is a director of both NV and PLC. In addition to their specific management responsibilities, Unilever's directors are jointly responsible as the Boards of Directors of NV and PLC for the conduct of the business as a whole.

The directors have adopted a schedule of matters which are reserved for decision by the Boards. Other matters are delegated to committees.

As the concept of the non-executive director, as recognised in the United Kingdom, is not a feature of corporate governance in the Netherlands, and the Supervisory Board, as recognised in the Netherlands, is unknown in the United Kingdom, it is not practicable to appoint non-executive directors who could serve on both Boards. However, a strong independent element has long been provided by Unilever's Advisory Directors.

The Advisory Directors are the principal external presence in the governance of Unilever. One of their key roles is to assure the Boards that the provisions for the corporate governance of Unilever are adequate and reflect, so far as practicable, best practice.

Although Advisory Directors are not formally members of the Boards, their appointment is provided for in the Articles of Association of both parents, and their terms of appointment, role and powers are formally enshrined in resolutions of the Boards. They comprise all, or a majority of, the members of certain key committees of the Boards. They attend the key quarterly meetings of the directors in addition to their committee meetings, other conferences of the directors and the Executive Committee, and other meetings with the Chairmen.

Advisory Directors are appointed by resolutions of the Boards for a term of, normally, three years. They are appointed for a maximum of, usually, three consecutive terms but retire at age 70. Their remuneration is determined by the Boards.

Board Committees

The directors have established the following committees:

a) the Executive Committee, which comprises the Chairmen of the two parent companies and, normally, five other members. It is responsible for agreeing priorities and allocating resources, setting overall corporate targets, agreeing and monitoring Business Group strategies and plans, identifying and exploiting opportunities created by Unilever's scale and scope, managing relations with the external world at the corporate level, and developing future leaders. It normally meets formally every two or three weeks.

b) an Audit Committee, which comprises three Advisory Directors. It reviews financial statements before publication and oversees financial reporting and control arrangements. It meets at least twice a year. Both the head of Unilever's corporate internal audit function and the external Auditors attend the Committee's meetings and have direct access to the Chairman of the Committee.

c) an External Affairs and Corporate Relations Committee, which comprises three Advisory Directors. It advises on external issues of relevance to the business and reviews Unilever's corporate relations strategy. It normally meets four times a year.

d) a Nomination Committee, which comprises three Advisory Directors and the Chairmen of NV and PLC. It recommends to the Boards candidates for the positions of director, Advisory Director and member of the Executive Committee. It meets at least once a year.

e) a Remuneration Committee, which comprises three Advisory Directors. It reviews the remuneration policy for directors and has responsibility for the Executive Share Option Schemes. It meets at least twice a year.

f) committees to conduct routine business as and when necessary, which comprise any two of the directors and certain senior executives. They administer certain matters previously agreed by the Boards or the Executive Committee.

All committees are formally established by Board resolutions with carefully defined remits. They report regularly and are responsible to the Boards of NV and PLC.

Reporting to Shareholders

The formal statements of the directors' responsibilities are set out on page 4 of the separate 'Unilever Annual Accounts 1996' booklet. These cover Annual Accounts, Going Concern and Internal Control. The report to shareholders by the Remuneration Committee, on behalf of the Boards, on directors' remuneration is set out on pages 34 to 40 of the 'Unilever Annual Accounts 1996'. The Annual Accounts also contains, on page 40, a formal statement on Corporate Governance.

The Reports from the Auditors on these matters are set out or reported, as appropriate, on pages 5 and 40 of the 'Unilever Annual Accounts 1996'.

Board Changes

As anticipated by last year's Annual Report, Mr Niall FitzGerald was elected as Chairman of PLC and Vice-Chairman of NV on 1 September 1996, upon the retirement of Sir Michael Perry.

Following the introduction of Unilever's new organisation during the latter part of 1996, the responsibilities of the directors changed, as indicated in the preceding pages.

As already announced, Dr Ashok Ganguly, Mr Christopher Jemmett and Dr Okko Müller will retire at the Annual General Meetings in 1997. Their colleagues wish to record their appreciation of their major contributions to Unilever over long and distinguished careers. The remaining directors will retire from office, in accordance with the Articles of Association of NV and PLC, at the Annual General Meetings and offer themselves for re-election.

J W B Westerburgen
S G Williams
Joint Secretaries of Unilever
10 March 1997

Summary Financial Statement

Introduction

This Annual Review booklet and the separate booklet entitled 'Unilever Annual Accounts 1996' together comprise the full Annual Report and Accounts for 1996 of NV and PLC when expressed in guilders and pounds sterling respectively. This Summary Financial Statement is a summary of the Unilever Group's full annual accounts set out in 'Unilever Annual Accounts 1996'. That separate booklet also contains additional financial information and further statutory and other information which forms part of PLC's full directors' report.

For a full understanding of the results of the Group and state of affairs of NV, PLC or the Group, 'Unilever Annual Accounts 1996' should be consulted. Shareholders have the right to obtain free of charge the appropriate version of 'Unilever Annual Accounts 1996' by request to Unilever's Corporate Relations Department, London. They may also elect to receive both booklets for all future years by request to PLC's Registrars. See page 52 for details.

The auditors have issued an unqualified audit report on the full accounts. The United Kingdom Companies Act 1985 requires the auditors to report if the accounting records are not properly kept or if the required information and explanations are not received. Their report on the full accounts contains no such statement.

The following summarised financial statements should be read with the directors' report set out earlier in this Review, which mentions, to the extent applicable, any important future developments or post-balance sheet events.

Dividends

The Boards have resolved to recommend to the Annual General Meetings on 6 May 1997 the declaration of final dividends on the ordinary capitals in respect of 1996 at the rates shown in the table below. The dividends will be paid in accordance with the timetable on page 52.

NV	1996	1995	PLC	1996	1995
Per Fl. 4 of ordinary capital			Per 5p of ordinary capital		
Interim	**Fl. 2.23**	Fl. 1.48	Interim	**10.29p**	7.05p
Final	**Fl. 4.75**	Fl. 4.71	Final	**21.76p**	22.35p
Total	**Fl. 6.98**	Fl. 6.19	Total	**32.05p**	29.40p

For the purpose of equalising dividends under the Equalisation Agreement, Advance Corporation Tax (ACT) in respect of any dividend paid by PLC has to be treated as part of the dividend. PLC's 1996 final dividend has been calculated by reference to the rate of ACT which is due to come into force on 1 April 1997; if the effective rate applicable to payment of the dividend is different the amount will be adjusted accordingly and a further announcement made to the shareholders of PLC.

Statement from the Auditors

This statement is addressed to the shareholders of Unilever N.V. and Unilever PLC. We have audited the Summary Financial Statement set out on pages 49 to 51.

The Summary Financial Statement is the responsibility of the directors. Our responsibility is to report to you on whether the statement is consistent with the annual accounts and directors' report.

In our opinion the Summary Financial Statement of the Unilever Group set out on pages 49 to 51 is consistent with the full accounts and directors' report for 1996 and complies with the requirements of Section 251 of the United Kingdom Companies Act 1985 and the regulations made thereunder.

Coopers & Lybrand N.V.
Registeraccountants
Rotterdam
As auditors of Unilever N.V.

Coopers & Lybrand
Chartered Accountants and Registered Auditors
London
As auditors of Unilever PLC

10 March 1997

Summary Consolidated Accounts

Unilever Group

Profit and loss account

for the year ended 31 December

	£ million 1996	1995
Turnover	**33 522**	31 516
Operating profit	**2 874**	2 526
Operating profit before exceptional items	**3 111**	2 757
Income from fixed investments	**34**	48
Interest	**(251)**	(255)
Profit on ordinary activities before taxation	**2 657**	2 319
Taxation on profit on ordinary activities	**(966)**	(781)
Profit on ordinary activities after taxation	**1 691**	1 538
Minority interests	**(81)**	(65)
Net profit	**1 610**	1 473
Attributable to: NV	**1 044**	915
PLC	**566**	558
Dividends	**(690)**	(633)
Profit of the year retained	**920**	840
Combined earnings per share		
Guilders per Fl. 4 of ordinary capital	**15.00**	13.26
Pence per 5p of ordinary capital	**85.90**	78.63

Directors

The directors of Unilever during 1996 are shown on pages 44 and 45. Their total emoluments for the year ended 31 December 1996 were £9 million (1995: £8 million).

Accounting policies

The accounts are prepared at current rates of exchange (see page 39).

The accounts are prepared, in all material respects, in accordance with accounting principles generally accepted in the Netherlands and the United Kingdom.

The treatment of deferred taxation, for which full provision is made, complies with Dutch legislation as currently applied rather than with Accounting Standards in the United Kingdom.

NV and PLC shares held by employee share trusts and subsidiaries to satisfy options are deducted from capital and reserves as required by Dutch law whereas the United Kingdom Accounting Standard, UITF Abstract 13, would classify such shares as fixed assets.

The cash flow statement is presented in accordance with the revised United Kingdom Accounting Standard FRS 1, issued in October 1996. Figures for the prior year have been restated to the same basis.

Unilever Group

Balance sheet

as at 31 December

	£ million 1996	1995
Fixed assets	**8 067**	8 856
Current assets		
Stocks	**3 906**	4 292
Debtors	**4 577**	4 724
Cash and current investments	**1 688**	1 489
	10 171	10 505
Creditors due within one year		
Borrowings	**(1 233)**	(1 185)
Trade and other creditors	**(5 880)**	(6 329)
Net current assets	**3 058**	2 991
Total assets less current liabilities	**11 125**	11 847
Creditors due after more than one year		
Borrowings	**2 148**	2 194
Trade and other creditors	**411**	370
Provisions for liabilities and charges	**3 042**	3 303
Minority interests	**343**	359
Capital and reserves	**5 181**	5 621
Attributable to: NV	**3 248**	3 728
PLC	**1 933**	1 893
Total capital employed	**11 125**	11 847

Cash flow statement

for the year ended 31 December

	1996	1995
Cash flow from operating activities	**3 816**	3 238
Returns on investments and servicing of finance	**(262)**	(299)
Taxation	**(716)**	(660)
Capital expenditure and financial investment	**(1 077)**	(1 168)
Acquisitions and disposals	**(868)**	(625)
Dividends paid on ordinary share capital	**(686)**	(609)
Cash inflow/(outflow) before management of liquid resources and financing	**207**	(123)
Management of liquid resources	**(293)**	258
Financing	**294**	(77)
Increase in cash in the period	**208**	58
(Increase)/decrease in net debt in the period	**197**	(127)

This Summary Financial Statement was approved by the Boards of Directors on 10 March 1997.

N W A FitzGerald
M Tabaksblat
Chairmen of Unilever

Additional Information

Financial calendar

Annual General Meetings

NV
10.30 am Tuesday 6 May 1997
Concert- en Congresgebouw de Doelen
Entrance Kruisplein 30
Rotterdam

PLC
11.00 am Tuesday 6 May 1997
The Queen Elizabeth II Conference Centre
Broad Sanctuary, Westminster
London SW1P 3EE

Announcements of results

First quarter	2 May 1997	Nine months	7 November 1997
First half year	1 August 1997	Provisional for year	10 February 1998

Dividends on ordinary capital

Final for 1996	**NV**	**PLC**	***NV New York Shares***	***PLC American Shares***
Proposal announced	11 February 1997	11 February 1997	*11 February 1997*	*11 February 1997*
Ex-dividend date	7 May 1997	7 April 1997	*9 May 1997*	*9 April 1997*
Record date	–	11 April 1997	*13 May 1997*	*11 April 1997*
Declaration	6 May 1997	6 May 1997	*6 May 1997*	*6 May 1997*
Payment date	23 May 1997	23 May 1997	*2 June 1997*	*2 June 1997*
Interim for 1997				
Announced	7 November 1997	7 November 1997	*7 November 1997*	*7 November 1997*
Ex-dividend date	17 November 1997	17 November 1997	*13 November 1997*	*19 November 1997*
Record date	–	21 November 1997	*17 November 1997*	*21 November 1997*
Payment date	19 December 1997	19 December 1997	*19 December 1997*	*29 December 1997*

Preferential dividends

NV

4% Preference	Paid 1 January
6% Preference	Paid 1 October
7% Preference	Paid 1 October

United Kingdom capital gains tax

The market value of PLC 5p ordinary shares at 31 March 1982 was £1.235.

Listing details

NV The shares or certificates (depositary receipts) of NV are listed on the stock exchanges in Amsterdam, London, New York and in Austria, Belgium, France, Germany, Luxembourg and Switzerland.

PLC The shares of PLC are listed on the Stock Exchange, London and, as American Depositary Receipts, in New York.

Both NV and PLC participate in Eurolist.

Financial publications

Versions of this booklet are available, with figures expressed in pounds sterling, in English and, with figures expressed in guilders, in Dutch and English. The 'Unilever Annual Accounts 1996' booklet is available in the same versions.

Copies of all versions of both booklets, plus the announcements of the Unilever Group's consolidated results for each quarter, can be obtained without charge from Unilever's Corporate Relations Department, Rotterdam or London (see below). They are also available from Unilever United States Inc., Corporate Affairs Department, 390 Park Avenue, New York NY 10022-4698 (telephone +1 212 906 4240; telefax +1 212 906 4666).

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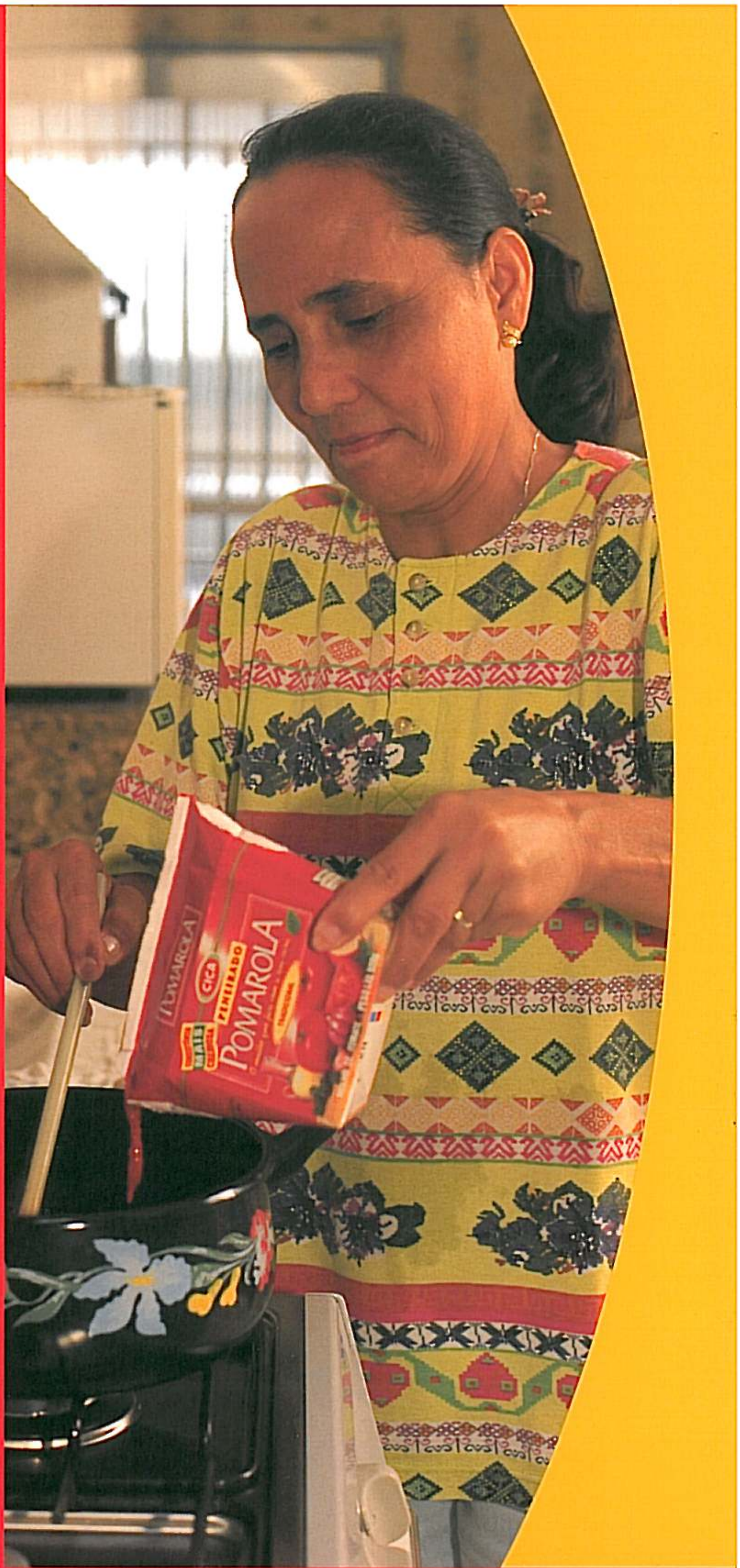

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