Annual Review 1997

And Summary Financial Statement

English Version in Guilders

Unilever

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.

Front cover: *Lux* is the world's number one beauty soap, selling more than 3.5 billion bars in 1997.

The two parent companies, Unilever N.V. (NV) and Unilever PLC (PLC), operate as nearly as is practicable as a single entity (the Unilever Group, also referred to as Unilever or the Group). 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 1997 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 1996 (constant exchange rates).

Chairmen's Statement

1997 was another good year for the world economy and a busy one for the Company.

In our continuing businesses, underlying volume increased by 3½%, which was well up on recent years. At constant exchange rates, and before exceptional items, turnover increased by 3% and net profits were 13% higher than in 1996. Operating margins improved by almost 1% of turnover, with significant progress in Europe, in part as a result of earlier restructuring. The priority given to corporate categories and a differentiated approach by regions is working well and the quality of the portfolio has been improved. The organisational changes introduced in 1996 have proved effective and we are gathering momentum in our pursuit of sustained and outstanding performance.

The sale of our speciality chemicals businesses for US $8 billion was successfully completed in July. During the year we spent Fl. 3.0 billion at current exchange rates on new acquisitions, the largest of which was Kibon, a major ice cream business in Brazil. We also disposed of businesses in non-core areas with an annual turnover of over Fl. 4 billion.

Bottom line net profit at constant exchange rates increased by 141%, including the net profit on the disposal of the speciality chemicals businesses of Fl. 6.3 billion. The Company is now in a very strong financial position, with a net cash surplus of Fl. 10.6 billion at the end of 1997 at closing exchange rates due also to strong cash flows in the continuing businesses. This has facilitated the acceleration of restructuring and portfolio rationalisation. Whilst we plan to use our strong balance sheet to strengthen the businesses by acquisitions, we will do so only where these are clearly value-enhancing and in line with the corporate strategy.

Our objective is the creation of value through sustainable growth. Our strategy remains to focus on a portfolio of product categories and geographic regions which together offer the best prospect of achieving that objective. We now believe that we should aim to deliver a total return to shareholders which is in the top third of a group of peer companies. This is a stretching target but, we believe, appropriate, and we have made reasonable progress towards it in 1997.

Categories

There are 14 corporate product categories in which we aspire to meet the everyday needs of people everywhere and on which we focus corporate resources. They currently represent three-quarters of our continuing business and in 1997 their volume grew by 4%, with an operating margin of 10%. This is encouraging evidence that we are concentrating on the right areas. Other parts of the portfolio are required to deliver sustained value, the alternative being disposal.

Home and Personal Care businesses performed particularly well. In developing and emerging markets they again delivered double-digit growth in turnover and profits. We also saw encouraging turnover growth and profitability improvements in both Europe and North America. Most product areas performed satisfactorily, and hair care and deodorants made excellent progress. Performance in prestige products, however, was disappointing.

Our Foods operations are more heavily concentrated in Europe and North America and so have not shared to the same extent in the growth in the developing and emerging markets. There is also a greater proportion of 'other' categories within our foods portfolio and, consequently, the 1997 emphasis has been on higher profitability rather than higher volume. While overall turnover in 1997 was flat, largely as a result of portfolio rationalisation, turnover in the corporate categories grew by 6%. Ice cream enjoyed a successful year in Europe, and the acquisition of Kibon late in the year gave us the leading position in Latin America. In recent years we have made a considerable investment in building a global business in ice cream, and the focus will now be on profitable growth. Yellow fats did well to improve results in mature markets and we are successfully building a sizeable business in Russia. Turnover of tea-based beverages was up but profits were lower, in a more competitive environment.

Innovation – constantly improving the appeal and competitiveness of our products – remains the key to sustainable, profitable growth. As a consequence, much work has been done on improving our understanding of consumer needs and trends, and linking that to our innovation centres and research laboratories. 1997 saw the effective completion of our network of 68 innovation centres in 19 countries, many of these in developing and emerging markets, such as Argentina, Brazil, India, Indonesia, Mexico, South Africa and Thailand. Advanced information systems provide powerful tools for the speedy sharing of knowledge and best practice. We are proud of developments in this field, which are critical to our wish to bring global knowledge to the service of consumers everywhere.

Regions

Our strategy involves specific and differentiated roles for the regions where we operate. In the developed markets of Europe and North America, the priority has been portfolio rationalisation and margin improvement. This is yielding higher returns and an enhanced cash flow which, looking to the future, will support the pursuit of growth. We have put particular emphasis in the meantime on growth in developing and emerging markets. These account for nearly 90% of the world's population and offer great potential for long-term growth in the consumption of our products and services.

In our more mature Western European and North American operations, per capita consumption in our categories is relatively high and market growth is modest. Profitable growth therefore depends on share gain and market extension via effective innovation and a competitively low cost base. 1997 has seen significant improvement in operating margins, partly as a result of earlier restructuring, and we are stepping up marketing

Niall FitzGerald
and Morris Tabaksblat
Chairmen of Unilever

investment. In Western Europe, production continues to be rationalised on a large scale to further enhance competitiveness. Equally, in North America, having started the integration of our Foods businesses in 1996, we decided, this year, to do the same for our Home and Personal Care operations. The rationalisation of categories continued and, as a result, overall turnover was static. Operating margins improved, however, and operating results were significantly higher.

Developing and emerging markets now account for over 30% of our turnover. We have selected five priority regions: Central and Eastern Europe, China, India, South East Asia and South Latin America, where we will concentrate our investment. Progress in China in 1997 fell short of our plan, but such a large market requires a long-term perspective and we remain committed to our ambitious targets. We are pleased to record that we made considerable progress in realising our ambitions for the other priority regions.

Management and organisation

We are encouraged by the first full year of operation of our new structure. The greater clarity of roles and responsibilities has led to a release of energy and vigour in the pursuit of improved competitiveness. Satisfactory progress has also been made in embedding throughout the organisation our Statement of Corporate Purpose and the new measures of value creation*, and this will remain a priority during 1998.

Environment

We shall issue in parallel with this Annual Report our second Environment Report – evidence of our commitment to business practices which lead to sustainable economic development. We are particularly concerned to play our part in the efforts to sustain fertile soil for the agricultural products which comprise many of our raw materials; fertile seas and oceans for our fisheries-related products; clean, potable water which is essential for the application of our Home and Personal Care products and also, of course, the minimisation of waste and emissions everywhere. These are complex and interdependent aims and we trust the Environment Report will illustrate our objectives and the progress we have made.

Outlook

1998 will also be a critical year in relation to European Monetary Union. We expect it to proceed on time, but much remains to be done to ensure that product and labour markets are both flexible and competitive. With the advent of the single currency, there will be greater price transparency across Europe. This will require continuing priority to enhancing competitiveness. Our business will continue to adapt to this new reality.

In a constantly changing world, restructuring will be an on-going fact of life throughout our business. We expect costs of this nature to average some ½% – 1% of turnover per annum.

* see Total Shareholder Return, page 36

We continue to put major effort towards ensuring that all systems dependent upon computers are millennium-compliant and able to function effectively through and beyond the year 2000. However, we are concerned that not all our suppliers are giving this adequate attention, and certainly many governments are only now becoming aware of the nature and scale of the problem.

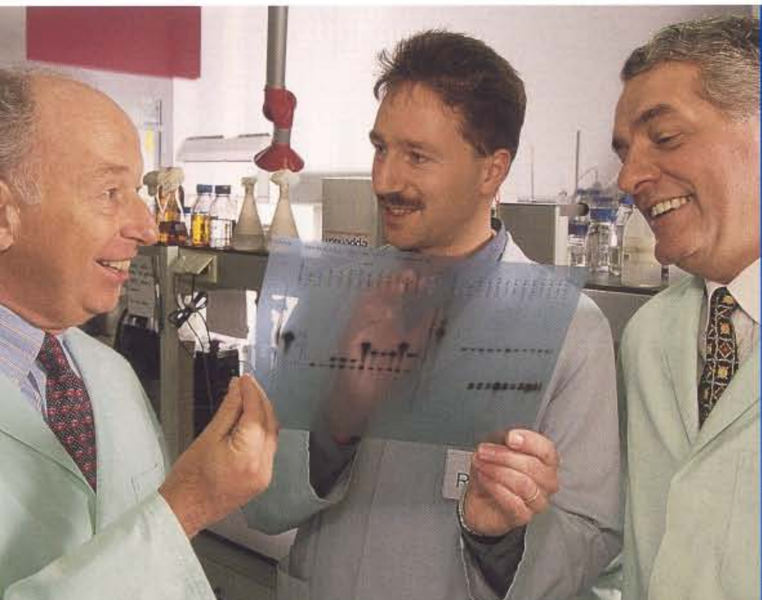
We are placing even greater emphasis on gaining competitive advantage from the corporate scale and scope of Unilever. Identifying the most effective business practice and best ideas, and sharing them widely and quickly, is a special and exciting challenge. This focus on managing our knowledge will be a continuing feature of 1998.

Looking ahead, the world economy will be affected by the problems in East Asia and economic growth is likely to be lower than in 1997. In developing and emerging markets as a whole, we expect slower growth than in recent years, with more variation between regions and countries. Despite recent economic setbacks in some parts of Asia, we remain confident in the longer-term outlook, given their young, well-educated and hardworking populations eager for a higher standard of living. Conditions in Europe are improving and overall economic growth may be ahead of 1997. North America should again see reasonable growth. Overall, we expect markets to be attractive enough to enable us to grow and to make further progress in improving underlying profitability.

Each year, Unilever's progress depends on the skills and dedication of its employees. We are proud to say that our colleagues at all levels have responded splendidly to the very particular challenges of 1997. Our thanks to everybody for an outstanding team effort.

Niall FitzGerald **Morris Tabaksblat**

Chairmen of Unilever



Left to right
Niall FitzGerald meets the Paddle Pop Lion at the opening of the Wall's ice cream factory in Vietnam.

Morris Tabaksblat presents prizes at the 1997 Unilever Advertising Awards in London.

Niall FitzGerald announces the 1997 results in London.

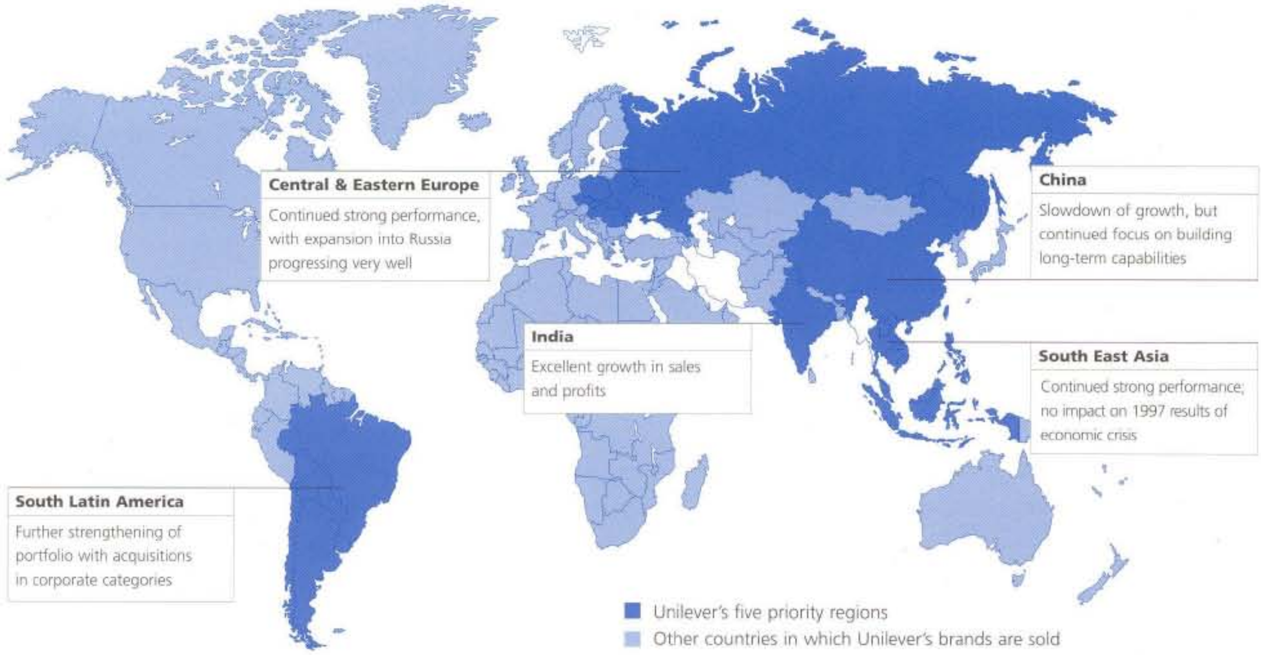
Morris Tabaksblat discusses developments in research at Unilever's Vlaardingen Laboratory.

Financial Highlights

- Underlying volume grew by 3.5%
- Operating profit in continuing operations and before exceptional items was 13% ahead of last year at constant exchange rates
- Strong margin increase, particularly in Europe
- Continued strong growth in developing and emerging markets, particularly in Home and Personal Care
- Mixed performance in North America
- Chemicals businesses sold for US $8 billion
- Net profit, at constant exchange rates, increased by 141%, boosted by the profit on the sale of the chemicals businesses

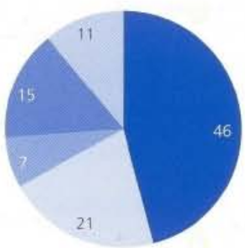
The tables above and on the facing page are Total Business results, after exceptional items, and at average current exchange rates. They include the speciality chemicals operations and, for earnings per share, the related disposal profit.

Around the World



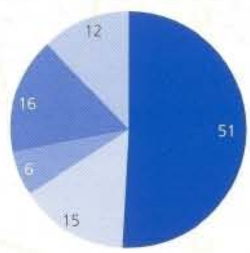
Turnover by region %

	93	94	95	96	97
Europe	52	51	52	49	46
North America	21	20	19	21	21
Africa and Middle East	6	6	6	6	7
Asia and Pacific	12	13	14	14	15
Latin America	9	10	9	10	11



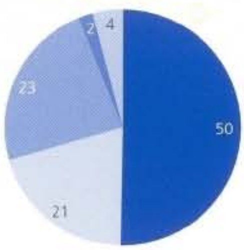
Operating profit by region %

	93	94	95	96	97
Europe	52	49	50	47	51
North America	13	20	17	22	15
Africa and Middle East	8	7	7	6	6
Asia and Pacific	16	13	15	14	16
Latin America	11	11	11	11	12



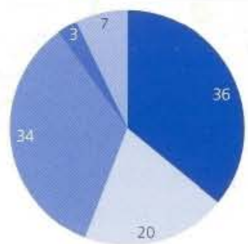
Turnover by product area %

	93	94	95	96	97
Foods	51	52	52	50	50
Home care & professional cleaning	23	22	18	18	21
Personal Care	15	15	19	21	23
Other	3	3	3	3	2
Speciality Chemicals	8	8	8	8	4



Operating profit by product area %

	93	94	95	96	97
Foods	52	48	44	41	36
Home care & professional cleaning	15	18	13	16	20
Personal Care	18	19	26	27	34
Other	3	3	3	3	3
Speciality Chemicals	12	12	14	13	7



Results

Unilever's results are published in the currencies of the two parent companies, namely the guilder and the pound sterling. Fluctuations between the currencies can lead to different trends for the same business. That is why we usually 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 1997, the year-on-year performance in guilders and pounds sterling at current exchange rates was markedly different. Therefore, in order to make the comparison with 1996 clear, the comments which follow are based on trends at constant exchange rates, unless otherwise stated.

1997 Results

Turnover decreased by 1%. In our continuing operations, ie excluding the speciality chemicals businesses, sales rose by 3% to Fl. 83 193 million. Underlying volume growth was 3.5%. Operating profit in our continuing business was 1% below 1996; excluding exceptional items of Fl. 1 645 million (1996: Fl. 620 million) operating profit rose, however, by 13% and margin improved by nearly 1%. This improvement mainly reflects the significant progress in Europe, partly as a result of earlier restructuring.

The successful conclusion of the sale of our speciality chemicals businesses in July 1997 resulted in an exceptional profit after tax of Fl. 6.3 billion. In addition, we have taken a charge of Fl. 437 million pre-tax to account for the exceptional loss on disposal of fixed assets. Net profit for the year increased by 141%; excluding all exceptional items, net profit was 13% ahead of last year.

At current exchange rates, Fl. 3.0 billion was spent on acquisitions in 1997 and Fl. 16.7 billion received from disposals, of which almost Fl. 15.5 billion related to the sale of our speciality chemicals businesses. The effect on turnover and operating profit of acquisitions was Fl. 637 million and Fl. 69 million respectively. The principal acquisition was Kibon, a major ice cream business in Brazil.

Overall Business Development in 1997

1997 was another good year for the world economy. In our continuing business, underlying volume growth of 3.5% was well up on recent years. The most significant improvement in the year came from Europe, with Western Europe doing much better, and Central and Eastern Europe again delivering high rates of growth. We continued to enjoy good growth in the developing and emerging markets, where consumer demand overall remains strong. In Europe, reported profits rose by 17%, partly as the benefits of restructuring in previous years came through; margins rose by over 1%. In North America, profits and margins were also well ahead of last year, driven by good performances in the mass market Home and Personal Care businesses and lower marketing costs in Foods. Asia and Pacific and Latin America had another strong year, and our performance in Africa and Middle East was satisfactory.

Net exceptional items in operating profit amounted to Fl. 1 645 million in 1997 (1996: Fl. 620 million), most of which were focused in Europe and North America. These included business disposal losses of Fl. 290 million. Cost savings from earlier restructuring initiatives continue to be substantial in both Europe and North America. Productivity, based on sales per employee, improved by 5% in 1997.

The underlying quality of our business portfolio has again improved. During 1997, 23 businesses were acquired and 19 businesses were sold.

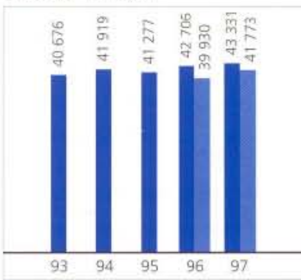
The Regional Highlights and Product Areas commentaries are based on results in the continuing business, at constant rates of exchange, and before exceptional items, unless otherwise stated.

Regional Highlights

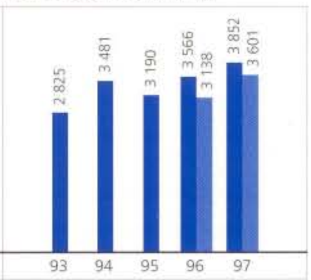
Europe

Fl. million – Continuing business	1997 at current rates	1997 at constant rates	1996	Change at constant rates
Turnover	41 773	39 869	39 930	0%
Operating profit	3 601	3 351	3 138	7%
Operating profit before exceptional items	4 461	4 179	3 558	17%

Turnover *Fl. million*



Operating profit *Fl. million*



Total business including discontinued operations
Continuing business

Western Europe

Overall economic growth was 2.5%, generally export-led, as domestic activity remained depressed. Unemployment was unchanged at over 11% and is a particularly serious problem in France, Germany, Italy and Spain. This, coupled with pressure on governments to balance budgets to meet EMU criteria, understandably affects consumer confidence. Inflation remained low. Other longer-term problems are arising from adjustment to increased competition in the expanding single market and competitiveness in international markets. It is clear that further considerable structural change is required if European industry is to achieve global competitiveness.

For our businesses in Western Europe, while our turnover fell slightly as a result of portfolio rationalisation, underlying volume grew by 2% (1996: decreased by 1.4%). Operating profits grew strongly, mainly in Foods, as the benefits of restructuring in earlier years came through and productivity, based on sales per employee, improved by 6% in 1997. Margins rose by 1.7%. Results were better in most countries. Exceptional items of Fl. 828 million in 1997 relate mainly to restructuring and portfolio rationalisation in Foods.

Foods sales were lower than in 1996, reflecting the sale of our Nordsee and John West businesses. There was an increased emphasis on margin at the expense of volume in non-priority categories. Underlying volumes improved by 0.7%, mainly in ice cream, olive oil and tea. In corporate categories, we maintained share in generally flat markets. Operating profits made good progress, reflecting more competitive cost structures, substantially improved ice cream results helped by good weather, and better results in olive oil. Despite better volumes in tea, results in 1997 fell due to intensified competitive activity.

Home and personal care markets were more buoyant. Underlying volume grew by 5%, with market shares improved or maintained in priority categories. Progress in deodorants was particularly good. The benefits of earlier restructuring came through strongly and margins improved, despite higher market investments, to give a satisfactory increase in operating profit.

Central and Eastern Europe

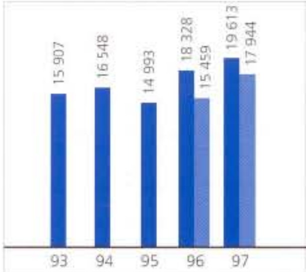
Central and Eastern Europe together have a large population of 419 million. Their GDP is now 10% of that of Western Europe, and grew by 1.8%. Economic reform programmes have resulted in good growth rates in some countries and have finally halted GDP decline in Russia. These are encouraging trends.

Our progress in 1997 was again very satisfactory, with underlying volume growth of 29%, mainly in the Czech Republic, Poland and Russia. In category terms, home and personal care, ice cream and yellow fats did particularly well. Operating profits made good progress after further significant market investment. There is plenty of scope for future market development in most of our corporate categories and we are encouraged by the progress to date.

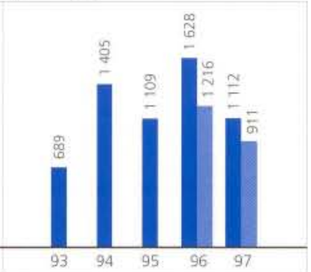
North America

Fl. million – Continuing business	1997 at current rates	1997 at constant rates	1996	Change at constant rates
Turnover	17 944	15 558	15 459	1%
Operating profit	911	790	1 216	(35)%
Operating profit before exceptional items	1 719	1 489	1 273	17%

Turnover *Fl. million*



Operating profit *Fl. million*



Total business including discontinued operations
Continuing business

The North American economy continued to expand during 1997. Real GDP grew at more than 3.5%, while inflation averaged less than 2.5%. Unemployment reached a 23-year record low level.

Against this favourable background, turnover grew by a disappointing 1% and underlying volumes were flat. In Home and Personal Care volume growth was 1%. In Foods volumes fell by 1%, with improvements in yellow fats, ice cream and frozen foods more than offset by lower volumes in beverages, culinary and oils.

However, restructuring activities are improving overall business performance, with operating profit growing by 17% and margins improving by more than 1% of turnover. This is mainly being accomplished through streamlined infrastructures, shared activities and services and, overall, a lower cost base which will make our businesses more competitive. Exceptional items in 1997 of Fl. 699 million relate mainly to the merger of the Home and Personal Care businesses and further portfolio rationalisation.

In Foods, the dominant activity has been the merger, announced in September 1996, of Thomas J. Lipton and Van den Bergh Foods into the new Lipton. This has been Unilever's largest food merger, requiring considerable attention and commitment to ensure the benefits are obtained while control is maintained. Results of the merger to date are in line with expectations.

The underlying fabric of the business is now healthier than it has been for several years, positioning it to be more innovative and customer focused. Exit from bakery and bulk oils, reinforces our strategy of rebalancing the portfolio for better focus and greater growth. Overall profits in Foods improved in most categories in 1997, partly as a result of lower support levels.

Home and Personal Care experienced good growth in North America in deodorants, laundry and personal wash; but volumes were lower in prestige. Many of Unilever's leading brands held or increased shares but non-strategic brands are being harvested or withdrawn, resulting in slightly lower overall shares in some categories. The *Cutex* nail polish remover business was sold in early 1997.

Overall profitability and margins increased, particularly in hair care and deodorants due to reduced costs in Helene Curtis. Laundry and personal wash categories also significantly increased profits on the strength of better volumes and the benefits of earlier restructuring.

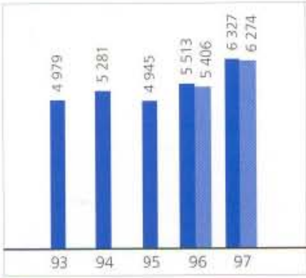
The merger of Unilever's three mass market Home and Personal Care businesses in the United States, announced in September 1997, has formed Unilever Home & Personal Care USA, organised around product categories to intensify the focus on innovation, supply chain management and deepening our partnership with customers to deliver superior value.

The operations include two global prestige businesses, Calvin Klein and Elizabeth Arden. Overall, the prestige business worldwide had slightly higher turnover; profits were, however, below last year's as Elizabeth Arden incurred a loss because of lower turnover in the United States and the failure of the *Black Pearls* launch.

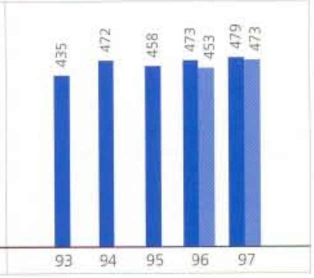
Africa and Middle East

Fl. million – Continuing business	1997 at current rates	1997 at constant rates	1996	Change at constant rates
Turnover	6 274	5 604	5 406	4%
Operating profit	473	434	453	(4)%
Operating profit before exceptional items	473	434	455	(5)%

Turnover *Fl. million*



Operating profit *Fl. million*



Total business including discontinued operations
Continuing business

The region is a very varied tapestry in both economic and political terms. Economic progress has generally been better in 1997 than in previous years. Relatively strong global economic conditions, together with a good rainy season in southern Africa, were contributory factors. South Africa, an important pillar of the region, remained stable. Sub-Saharan Africa was affected by political and economic difficulties in Kenya, Nigeria and Zambia, while the northern Africa and Middle East region enjoyed reasonable growth, despite civil unrest in Egypt and Israel. Turkey recorded good growth but inflation remained at very high levels.

Against this background, our strong business in the region maintained its overall position. While growth in turnover was impacted by disposals of non-core businesses, underlying volume growth was 5%, reflecting good progress, particularly in Home and Personal Care. Operating profits, excluding disposals, were slightly below 1996 levels; performance was mixed. On the positive side, our operations in South Africa recorded another excellent performance, with strong gains in home care and personal care. Côte d'Ivoire did well, particularly in palm oil based products. Kenya eliminated most of the losses incurred last year and encouraging progress was made in Arabia and Egypt. On the negative side, we made a loss in Nigeria as a result of economic problems coupled with serious control deficiencies. New management has been put in place. In Turkey, profits were sharply reduced, mainly in yellow fats, with a decline in market shares. Progress was made, however, in ice cream and personal care. Profits were also lower in Israel, due to product and market investments.

Good grooming

Vaseline continues to be a leading skin care brand in Africa and the Middle East. *Vaseline* petroleum jelly is one of Unilever's oldest, most well-respected brands and is used extensively as a grooming aid for both skin care and hair care.

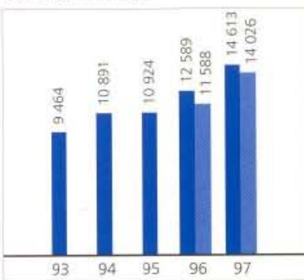
Open for business in Vietnam

Vietnamese consumers have been enjoying quality ice cream at affordable prices since Wall's began to manufacture locally in 1997. By developing a strong distribution network in 2 000 outlets in Ho Chi Minh City and by offering a variety of high-quality products, Wall's quickly secured market leadership.

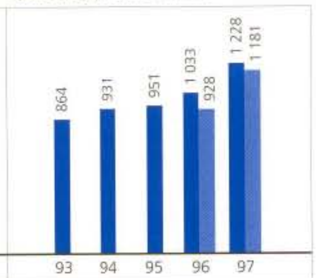
Asia and Pacific

Fl. million – Continuing business	1997 at current rates	1997 at constant rates	1996	Change at constant rates
Turnover	14 026	12 993	11 588	12%
Operating profit	1 181	1 102	928	19%
Operating profit before exceptional items	1 242	1 152	984	17%

Turnover *Fl. million*



Operating profit *Fl. million*



Total business including discontinued operations
Continuing business

The region's economies started the year well, but several countries hit serious financial problems during the second half. Growth in consumption and investment in China has slowed. In Japan, consumer expenditure declined after a consumption tax increase and continuing concerns over the health of the banking system weakened confidence. In South Korea and South East Asia, misgivings over credit and the financial system severely shook confidence and this led to dramatic falls in currencies and stock markets. These adverse economic developments in the region have not had a great impact on our operations in 1997, but are likely to be felt in 1998. In India, in 1997, there was some slowdown in GDP growth.

The region recorded, for the third successive year, a very good performance, with strong growth in sales, profits and margins.

In Central Asia, our Indian operations recorded another excellent performance with double-digit growth in turnover and operating profits. We gained market share in all categories, a high rate of innovation was sustained and significant improvements were achieved in both the effectiveness and competitiveness of the supply chain. In Pakistan, conditions were more difficult. The imposition of higher import duties caused a large increase in smuggled imports, and, as a consequence, volumes of our branded products fell, as did operating profits.

In South East Asia, growth in turnover and results were again double-digit, and just below 1996 levels, despite the second half economic turmoil; profit margins also improved. Performances in hair care, laundry and skin care were very encouraging. The Philippines and Thailand did particularly well, led by their Home and Personal Care categories. In Indonesia, we achieved satisfactory growth in a less buoyant market than that of recent years. We are again encouraged by progress in Vietnam, where our laundry and hair care businesses lead the market and are now profitable.

In China, our turnover did not grow in 1997. Progress was made in hair, oral and skin care products and ice cream, but this was offset by declines in the personal wash sector. While this is disappointing, building a major business in China will take time, and progress will be uneven. One of the largest training and development programmes we have ever undertaken improved our management capabilities in 1997.

Turnover in Japan fell below 1996 levels, partly due to the disposal of the Helene Curtis hair salon business; operating profits were maintained. Our hair care business improved its market position, led by further successes for the *Lux* brand.

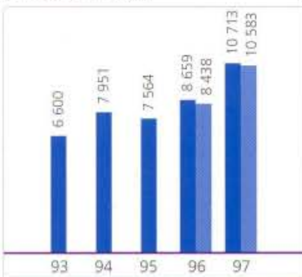
In South Korea, agreement has been reached to dissolve our foods joint venture. Skin and personal wash products made some progress but overall the business continued in loss. In Taiwan, our business recorded good growth in both sales and profits.

In Australasia, turnover was flat but improved margins resulted in an increase in operating profits. Skin care, deodorant and culinary products all did well, but laundry and beverages results were down.

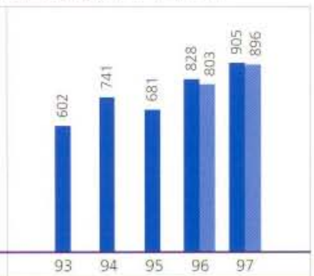
Latin America

Fl. million – Continuing business	1997 at current rates	1997 at constant rates	1996	Change at constant rates
Turnover	10 583	9 169	8 438	9%
Operating profit	896	775	803	(4)%
Operating profit before exceptional items	967	843	875	(4)%

Turnover *Fl. million*



Operating profit *Fl. million*



Total business including discontinued operations
Continuing business

The economies of Latin America grew strongly in 1997, with GDP rising, on average, by 5%.

The region delivered another year of good growth. Slightly lower operating profit mainly reflects a sharp increase in marketing investment.

Brazil, which remains the largest profit earner in the region, again delivered strong growth, particularly in all Home and Personal Care categories, with notable successes in deodorants, hair care and oral care driven by strong innovation programmes. However, higher marketing investments took profits below last year. There were continued advances in Chile, Colombia and Mexico with higher turnover driving strong profit growth. In Argentina, turnover also advanced strongly, but profits were lower due to investments in marketing, innovation and the costs of absorbing acquisitions in home care and ice cream. In Central America and Peru, growth in turnover was encouraging, but profits were less satisfactory.

Our Home and Personal Care business, especially the well-developed operations in southern Latin America, provided another year of strong growth. The leading positions of our brands improved, in spite of increased competitive activity. In Foods, which now accounts for one-third of our turnover, we continued to build a substantial business through acquisition and organic growth. We are now bringing these interests in line so as to improve growth and profits.

Across the region, market share gains were recorded again in most priority categories, with the exception of yellow fats and tomato products, where shares were flat. This expansion was driven by an active innovation programme, based on local understanding of consumer needs and a significant increase in marketing investment. Innovation centres to serve the region have now been established for ten key product categories.

Productivity and cost effectiveness programmes improved results margins and funded higher support behind leading brands. The foods businesses in Brazil, Chile and Mexico were reorganised. Operations in Colombia and Peru were restructured, and rationalisation of manufacturing of personal care products in Argentina was initiated. In Brazil, the streamlining of manufacturing was completed for margarine, and started for mayonnaise, toilet soaps and tomato products.

Several low-priority businesses were sold. These included cheese operations in Brazil, Chile and Mexico, a meats business in Mexico and minor fragrance brands in Chile. Acquisitions were made in key categories. In ice cream, leading positions were acquired in Brazil and Mexico, two of the region's largest ice cream markets. Ice cream businesses were also acquired in Argentina, Central America and Uruguay. We now have operations across the region and clear market leadership in this priority category in Latin America.

A brighter wash in Brazil

Market research in Brazil revealed that consumers on low incomes used hard soap and bleach when hand-washing clothes. Not only were these ineffective for brightening and odour removal but they could also irritate the skin. In response, Unilever developed *Ala*, a quality detergent at an affordable price.

People

We employ nearly 270 000 people in 88 countries. We expect our companies to be at the forefront in recruiting and developing all their people, in rewarding competitively on the basis of performance, potential and responsibility, and in providing an organisational environment best suited both for business results and for people to flourish and grow.

Developing people starts at their place of work and in recognising that each individual has a contribution to make to business results. Over the last few years, Total Productive Maintenance (TPM), the Japanese productivity programme, has been introduced in 80 Unilever factories. At the core of the programme is the active involvement of our people in raising efficiency. They receive appropriate training and progressively take over responsibility in teams for their operations. Some have won awards from the TPM institute. We will continue to extend this programme. In connection with TPM, companies have Total Quality Programmes running, again with high employee involvement. One excellent example is in Elais, the food company in Greece. A sustained initiative over six years has had a dramatic effect on business performance. Turnover per employee has risen by 50% and helped double profit per employee. Elais was independently assessed as being among the top seven quality companies in Europe.

Developing people has a great significance in the developing and emerging markets, where our businesses are growing rapidly and where there is a shortage of skilled people. This is especially so in countries which have recently opened their markets to private enterprise. In China there has been a rapid and effective expansion of our training activities and in Central and Eastern Europe we delivered over 70 000 man days of training in 1997 – nearly eight days per employee. Training in these countries is likely to continue at this rate for several years to come.

A dynamic change in the business environment often leads to organisational changes and the need for our employees to adapt to new structures and responsibilities. During 1997, we have seen a lot of change. Apart from the re-organisation of our management structure, the sale of our speciality chemicals businesses, the re-organisation of our North American businesses and the on-going restructuring of our European businesses have all involved considerable change for our people.

Notable this year has been the successful merger of Lever Industrial International with the Diversey Corporation. It involved a superb team effort, bringing together previously competitive operations through a number of innovative processes. The result has been a speedy integration of the two businesses, enabling the new entity to fully exploit the market opportunities. DiverseyLever was, consequently, the winner of the first Unilever HR Excellence Award.

Alongside these company initiatives are Unilever-wide activities designed for maximum leverage of skills and knowledge. International management training courses, secondments and expatriation are critical to knowledge transfer across the business. We run courses at corporate, regional and local level and secondments to all parts of the world. At our corporate training centre, the emphasis is on developing leadership and on building networks with colleagues from around the world. Over 1 600 people attended international programmes in 1997.

Also during 1997 we embarked upon two further worldwide initiatives to enhance individual and organisational effectiveness. Our traditional job classification system was replaced by a structure of work levels. This helps design flatter and simpler organisations and allows greater flexibility in remuneration. We also moved to an integrated approach to performance and potential assessment. This will lead to more focused individual career planning and development programmes. Both these initiatives are supportive of the programme of Shaping for Outstanding Performance.

Employees *year end in thousands*

Smooth operators

Total Productive Maintenance (TPM), the Japanese productivity programme, has been introduced at 80 Unilever factories. Results are impressive. Unilever Indonesia's Home and Personal Care factory at Surabaya (TPM team members pictured left) has one of the best performance records in the business.

Technology & Innovation

Unilever aims to deliver innovative products that meet consumer needs. We do this by harnessing the global scale and scope of our businesses, including our global research capabilities and expertise.

Teamwork and effective networking are essential to promote new ideas and to disseminate scientific knowledge. All our research and development facilities and innovation centres are linked through a single global innovation network and process, enabling ideas and technology for one region to be quickly applied to another product elsewhere. By bringing together innovation centres and research with sophisticated communication systems, we are able to tap into the best scientific talent available worldwide and harness it to the service of our business objectives.

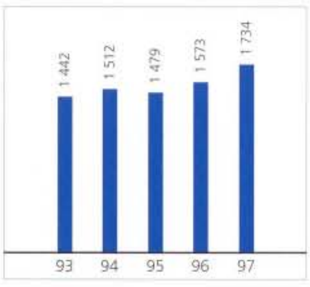
The responsibility for innovation lies chiefly with 68 innovation centres located around the world. Their task is to build a deep understanding of consumer needs and aspirations, feed them into our research and development programme and bring the resulting innovation quickly to the market. They focus not only on specific categories, such as ice cream, laundry and skin care, but also on their own region.

In 1997, we spent over Fl. 1.7 billion (1.7% of turnover) on research and development.

In addition to developing internal expertise, we also have extensive links with external scientists who participate in research programmes and share their expert knowledge. We also use eminent independent scientists to monitor the quality of Unilever's research. They help ensure the Company's science programme is world class, provide guidance on individual projects and recommend the use of resources beyond Unilever in order to confront scientific challenges. This external perspective complements the work of our own scientists.

Looking to the future, we continue to explore the potential of biotechnology within our business, particularly how it could be used to help meet the world demand for food and other renewable materials. However, we believe that novel ingredients should only be introduced in keeping with best practice within the industry, when they have been approved by the competent authorities, and with the informed consent of consumers. For this reason, we support an open debate about the role of modern biotechnology.

Research and development expenditure *Fl. million*



Information Technology

Our business requires us to operate across many regions and time zones. To do this effectively, we have continued to develop our global network, or 'Unilever intranet', this year.

Today, more than 70 000 of our employees use desktop computers as part of their jobs. Electronic mail facilities are available in 88 countries. These resources give employees rapid access to information, enabling them to make fast, informed decisions. This network also supports global teamworking and encourages the sharing of ideas. For example, companies from all over the world can contribute their experiences to a global project team and, at the same time, ensure that their local consumer preferences are fully understood.

Ten new Infrastructure Management Centres (IMCs) are now being equipped across the world. They will provide a range of services, from the purchase and management of all computing and network equipment to the provision of service desks for users, leaving local companies free to pursue their primary business goals.

The traditional one-way approach to information flows is also changing. First, a common IT tool – Innovation Process Management – has been adopted across the business to manage innovation. It enables all our operations to use the same methods for innovation projects, so that information can be easily shared. Secondly, electronic connections outside Unilever are being improved. On-line links allow interactive dialogue with both customers and suppliers. This leads to a more efficient supply chain, improved profitability and, hopefully, satisfied customers.

The Internet has also become an important communication tool. On-line links with consumers are being established to identify new opportunities for growth. Email is fast becoming an important source of market information, and messages received at our brand web sites generate valuable market research data, giving us a better understanding of the needs of current and potential consumers.

Research laboratories and innovation centres are also benefiting from the potential of the Internet. It takes only minutes to gather knowledge that would have taken days or weeks to assemble using traditional methods.

Our businesses in developing and emerging markets are also making full use of IT. In India, for example, satellite technology has been extended to more than 200 sites and is proving invaluable to Unilever in its sourcing and supply chain management.

Millennium compliance

The Year 2000 or millennium bug by itself may appear to be a simple technical problem. It is not. It presents a major business challenge because there are millions of corrections to be completed and tested by an absolute deadline.

The problem is extensive because, apart from information systems, the task involves correcting IT infrastructure, factory and process control facilities, and telecommunication networks for both voice and data. This is complex in a networked world, where failure of one link in the chain can quickly cascade into a business problem elsewhere.

We are addressing this threat as a critical corporate priority. This major project is being vigorously progressed in each of our Business Groups. It is tightly managed, with specific guidelines and milestones. Adequate resources are committed, including specialist external help.

Our work is not limited to the Company's internal processes. We are working with our business partners to ensure the smooth functioning of the supply chain. We are also making a contribution to the general Year 2000 debate within various industry and trade associations.

Environmental Responsibility

We are committed to the principle of sustainable development: meeting the needs of the present without compromising the ability of future generations to meet their needs.

In practice, this means, at the very least, minimising any negative environmental impact of current activities. Over the entire life cycle of our products – from initial research, development and design to sourcing materials and final disposal – we continue to take steps to reduce their impact on the environment. New low-calorie spreads, for example, contain less organic material and consequently have less impact on the environment but are just as good to eat.

In manufacturing, we have improved and standardised the environmental management of our systems in our factories around the world. All sites are now implementing systems based on best practice guidelines, which are also closely aligned to the recently introduced international environmental management standard, ISO 14001. By the end of 1997, following independent external verification, 13 sites had achieved this accreditation.

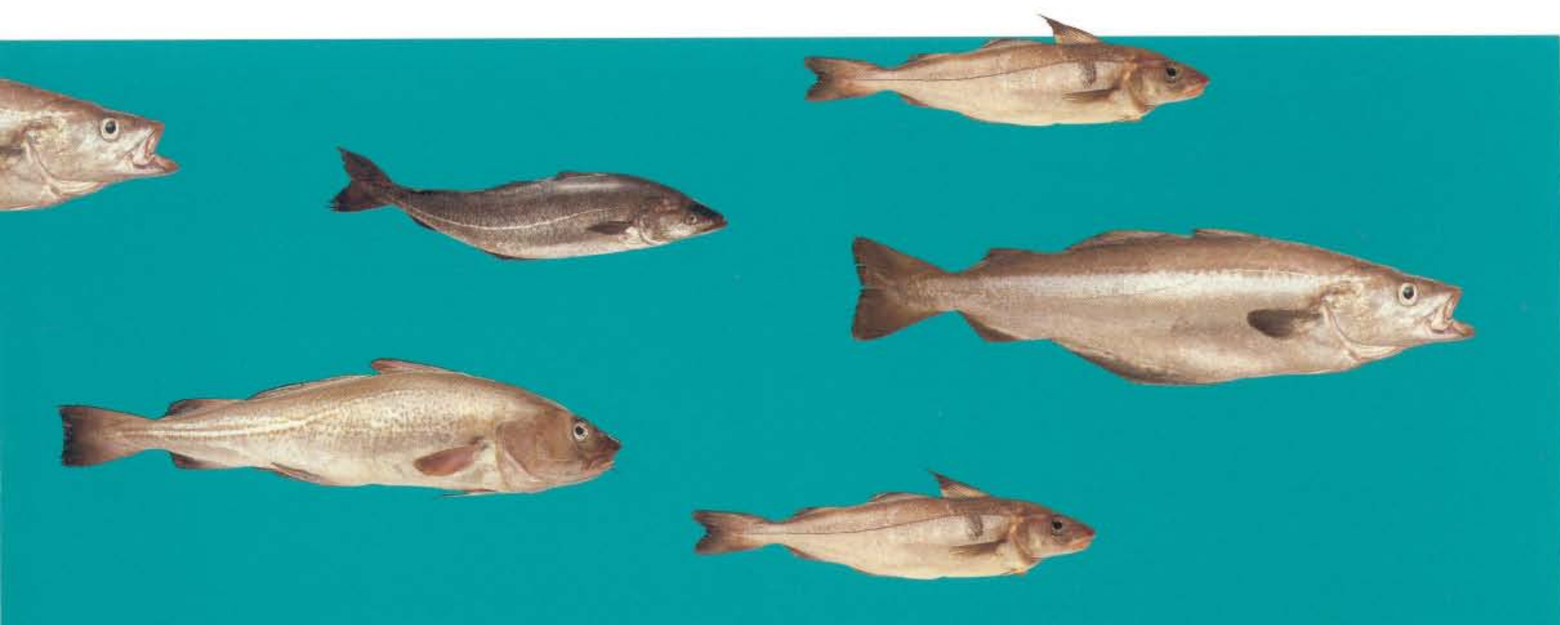
In the area of training, we have developed environmental awareness and audit-training programmes based on best practice guidelines. These have been used to train environmental managers, who in turn train other employees. These programmes are designed to help site managers assess their progress in following Unilever's guidelines. So far, 152 sites have been audited and the goal is to audit every site by the year 2000.

An important element of environmental management is to set challenging targets for improvement. Most sites have targets on emissions, waste, energy and water consumption. Performance data up to the end of 1996 shows declining emissions in most critical areas, except hazardous waste, which was influenced by new definitions of what constitutes hazardous by regulators in several countries. We are making every effort to reduce this in future. In order to monitor our environmental activities, we require each of our operations to manage and report on their environmental performance.

In recent years, we have examined areas where we could most effectively contribute to sustainable development and, in 1997, agreed three areas for priority action. These are sustainable fishing, sustainable agriculture and clean water stewardship.

Work had already begun in the area of fishing, through the formation of a conservation partnership with the World Wide Fund for Nature. This led, in 1997, to the establishment of the Marine Stewardship Council, whose aim is to achieve the sustainability of fish stocks.

Although work on sustainable agriculture and clean water stewardship within Unilever is at a relatively early stage, the process of developing practical programmes of action is now under way.



An international external environmental advisory group provides Unilever with independent advice on emerging and long-term complex environmental issues. The group's members represent a broad spectrum of opinion on the environment and sustainability of resources.

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

We publish a full report on our environmental activities every two years. Independent environmental auditors have verified the second Environment Report, published in parallel with this Annual Review. It sets out responsibilities and systems for setting targets for improvement, monitoring achievement and the regular auditing of environmental performance. It outlines our progress in the area of environmental management, as well as in sustainable fishing, sustainable agriculture and clean water stewardship.

Stewards of the sea

Consumer demand for fish is rising, but about 70% of the world's commercially important marine stocks have been over-exploited or depleted, or are slowly recovering. Unilever, with the World Wide Fund for Nature, has helped to set up the Marine Stewardship Council with the aim of securing the long-term sustainability of fish stocks.

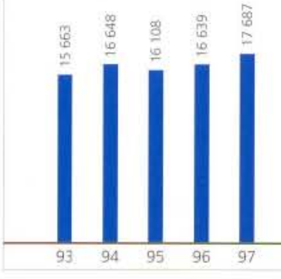
Foods

Foods sales in total were static. Profit development was satisfactory, reflecting improvements in the quality of the portfolio and the benefits of restructuring. In developing and emerging markets we are growing our relatively small business quickly, often by acquisition.

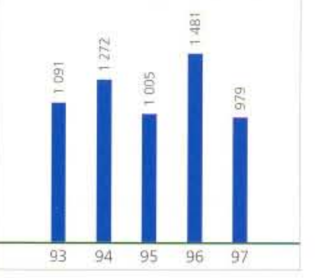
Oil and dairy based foods and bakery

Fl. million	1997 *at current rates*	1997 *at constant rates*	1996	Change *at constant rates*
Turnover	17 687	16 614	16 639	0%
Operating profit	979	940	1 481	(36)%
Operating profit before exceptional items	1 705	1 615	1 427	13%

Turnover *Fl. million*



Operating profit *Fl. million*



Whilst overall turnover in this product area was flat, mainly due to disposals, underlying volumes were 2% up on 1997. Profitability and margins were well above 1996 levels as a result of the strong performance in Europe. The benefits of recent restructuring initiatives delivered significant savings; profits improved in France, Italy and the United Kingdom, but results were much lower in Turkey. Exceptional items in 1997 of Fl. 675 million were focused in Europe and North America, an important element of which relates to portfolio rationalisation.

Oil and dairy based foods

In yellow fats, the overall market decline continued in Western Europe and North America. However, we gained market share in North America and maintained it in Western Europe. Good progress continued in Central and Eastern Europe, where Russia exceeded expectations.

Innovations in 1997 included the roll-out in the United States of *Brummel & Brown*, a spread made with yoghurt, and *Olivio*, an olive oil based spread, in Belgium and the United Kingdom. We continue to leverage our strong brand franchises in both developed and emerging markets. The *Rama* brand of margarine was enhanced by extensions to the range in the Czech Republic and Germany. *Rama* is now the number one brand in Russia and several other Central European countries.

Following the disposal of the speciality chemicals businesses and the 1996 business reorganisation, a number of products have been reclassified in the analysis by product area. Figures for prior years have been restated on a comparable basis.

Rama spreads the word

Rama margarine has taken the Russian market by storm, becoming the top-selling brand in just 18 months. It has set a new standard in quality for both product and packaging and Russia looks ready to become one of Unilever's biggest and most successful margarine markets.

In olive oil, following a difficult 1996, there was a significant improvement in performance in 1997, shared by all markets except Spain. This was due to a fall in raw material prices and improved economies between our companies. Growth in most countries continues and *Bertolli* performed well.

In cheese, we continued our focus on the key brands, with profit improvement now the priority.

Bakery

In bakery, results were lower. We disposed of the unprofitable business in North America and are aiming for increased profitability elsewhere.

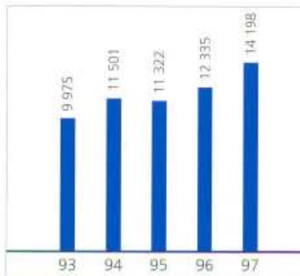
Food labelling

Debate surrounding genetically modified organisms continued in Europe. The proposal by the European Commission to label on the basis of DNA detection was not supported by member states. In the absence of a legal framework, we have started to label our foods products voluntarily, based on new protein presence, in line with proposals by the European foods industry.

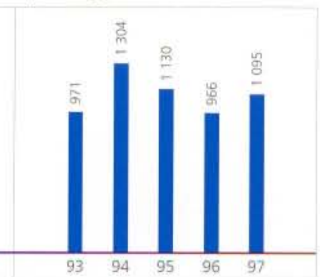
Ice cream and beverages

Fl. million	1997 *at current rates*	1997 *at constant rates*	1996	Change *at constant rates*
Turnover	14 198	13 134	12 335	6%
Operating profit	1 095	1 006	966	4%
Operating profit before exceptional items	1 343	1 239	1 083	15%

Turnover *Fl. million*



Operating profit *Fl. million*



Underlying volume growth for this product area was 4%, with gains in both ice cream and beverages. Profitability and margins were well ahead of last year, mainly in ice cream. Exceptional items of Fl. 233 million in 1997 relate to continued restructuring focused in Europe and North America.

Ice cream

Turnover grew in 1997, increasing by some 5% over 1996, with underlying volume growth of 4%. Profits and margins improved significantly, particularly in Europe and North America, mainly from better weather and efficiency improvement programmes. We continued our strategic expansion in developing and emerging markets, with acquisitions in Argentina, Brazil, Colombia and Mexico. A new operation was started in Vietnam, and we have extended to most major cities in China. Following

the progress of geographic expansion over the last few years, Unilever now has ice cream sales in nearly 90 countries worldwide.

The summer in Europe was better than 1996 and this was reflected in the improved results, with almost all countries ahead, particularly Germany and the United Kingdom. Major brands continue to do well.

Our United States business improved its profit position, despite a highly competitive environment. The Canadian business, however, had a difficult year. Turnover and profit performance in Latin America were very encouraging, helped by acquisitions.

New factories have been built in Australia, Sri Lanka and Vietnam and good manufacturing practices are being continually updated. We invested heavily in research and development.

The investigation by the European Commission into the practice of cabinet exclusivity in Ireland continued throughout the year. As at the date of writing, the Commission is shortly expected to announce its views on the compatibility of this practice in Ireland with EC competition rules.

Beverages

Turnover grew by 9% and underlying volume by 3%, due to aggressive brand development in India, Poland and Russia. Competitive activity has been greater than in recent years. Profits declined somewhat in 1997, mainly in Europe, largely reflecting higher marketing investments. New brand mixes include Fralib *Tchaé* green tea in France, Lipton flavoured *Sun Tea* in Scandinavia and *Ming Shien Ching* Chinese tea in Taiwan.

The ready-to-drink tea market continues to grow internationally and Lipton has brand leadership. The partnership with Pepsi-Cola in North America has made *Lipton Brisk* the leading North American iced tea brand. In Europe, there was good growth in turnover. *Lipton Ice Tea* was launched successfully in Saudi Arabia and Thailand and relaunched in Brazil, with a new partner, Brahma.

As scientific studies into the health properties of tea continue to reveal the effectiveness of the anti-oxidants present in the leaf, we anticipate that consumers will become more aware of these benefits, which will increase tea consumption, particularly in developed markets.

The right blend

Launched in India in 1995, Brooke Bond *A1 Tea* has become a brand worth over Fl. 80 million with a 6% volume share. Innovative marketing and a low-cost supply chain have meant regional blends, which suit consumer tastes, can be offered at great value.

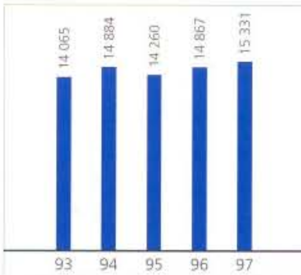
A passion for pasta sauce

Launched in the United States two years ago, *Five Brothers* pasta sauce has already established itself as a strong brand. Its swift success is the result of fresh ingredients, particularly tomatoes, which are processed within four hours of picking to ensure freshness.

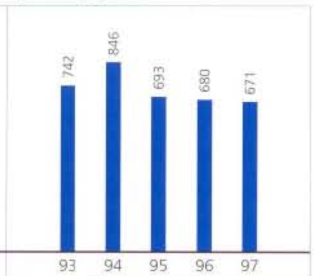
Culinary and frozen foods

Fl. million	1997 at current rates	1997 at constant rates	1996	Change at constant rates
Turnover	15 331	14 151	14 867	(5)%
Operating profit	671	594	680	(13)%
Operating profit before exceptional items	1 135	1 021	977	5%

Turnover *Fl. million*



Operating profit *Fl. million*



Turnover was below last year, due mainly to the disposal of Nordsee in Germany. Underlying volumes were flat. Profitability and margins improved in Europe and North America, the latter helped by lower support levels. Exceptional items of Fl. 427 million related to restructuring in Europe and North America.

Culinary

Turnover, excluding disposals, was flat. Our performance was mixed. In Western Europe, volumes were strong, particularly in cooking ingredients and meal sauces. Australia, India and Russia also did well. In North America, soups and side dishes, however, declined and overall profitability was lower.

Building on a successful introduction in 1996, *Calvé* mayonnaise was established as a leading brand in Russia. Chilled mayonnaise was launched in Belgium and Germany, and potato and vegetable gratin sauces in Austria, Germany, Spain and the United Kingdom.

Leveraging our strong culinary brands, *Colman's* was extended to meal sauces in the United Kingdom, cooking pastes were launched under the *Kissan* brand in India and the *Cica* range of products was further developed with new products, such as marinades, in Brazil.

The worldwide network of culinary innovation centres was expanded with the opening of the Latin American centre in São Paulo. In the United States, *Ragú* cheese pasta sauces and *Five Brothers* grilled vegetable flavour sauces were introduced. In France, *Mayokid*, a ketchup-and-mayonnaise-in-one sauce, was launched, while a new range of Asian sauces, pastes and dressings, under the *Sakim's* brand, was established in Australia.

Frozen foods

Whilst volumes were 1% below 1996, growth in fish and vegetables was satisfactory and we managed to expand our volume. In many cases this growth was supported by major new promotional campaigns. Profitability improved considerably, particularly in the United Kingdom, following setbacks in 1996, and we eliminated many product lines where profitability was poor. In addition, the effects of earlier restructuring are showing through in our margins.

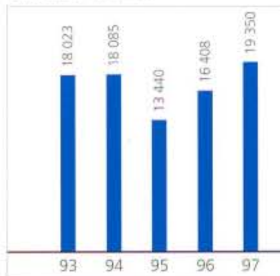
Home & Personal Care

Our business in Home and Personal Care is well spread geographically and in 1997 we saw excellent sales growth, particularly in our strong global brands. Growth in operating profits was even stronger with the benefits of cost savings and the full integration of the Helene Curtis and Diversey acquisitions. Exceptional items in 1997 of Fl. 306 million mainly relate to the merger of the mass Home and Personal Care businesses in the United States and continued restructuring in DiverseyLever.

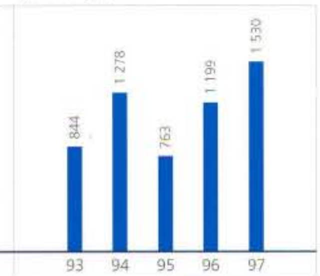
Home care and professional cleaning

Fl. million	1997 at current rates	1997 at constant rates	1996	Change at constant rates
Turnover	19 350	17 606	16 408	7%
Operating profit	1 530	1 388	1 199	16%
Operating profit before exceptional items	1 713	1 545	1 351	14%

Turnover *Fl. million*



Operating profit *Fl. million*



The home care and professional cleaning business includes products for laundry, household cleaning and dishwash in the home. This business is well spread geographically, with particular strength in a number of developing and emerging markets. The product area also includes DiverseyLever which operates in professional cleaning in the institutional and industrial markets.

These businesses progressed very well in 1997. Growth was strong in developing and emerging markets, but encouraging levels of growth were also achieved in the more mature European and North American markets. Operating profits grew faster than sales, despite increased marketing support costs. Margins therefore improved, mainly in Europe and North America, as we continue to benefit from the cost-saving measures undertaken in previous years.

Cleaning with peace of mind

Malaysia has proved a successful market for *Domestos* floor cleaner – sold there as *Vim*. This unique brand extension quickly embraced local consumer needs by leaving floors clean while safely repelling cockroaches. Its non-toxic formula gives excellent cleaning and peace of mind in protecting family health.

Home care

In laundry, we maintained our overall share of the relatively buoyant consumer market around the world. In Europe, we made gains in a number of markets. In North America, sales growth was strong and margins improved with the benefits of cost savings from the closure of the St Louis powders facility. The business in Latin America remains strong, despite intensified competition. *Omo* continues to grow and we extended a new brand, *Ala*, across the north east of Brazil. Our businesses in the rest of the world also showed encouraging growth.

Our household care business recorded satisfactory growth in 1997 and the increasing consumer concern for health and hygiene provided us with some new business opportunities. The *Domestos* brand performed well in Central and Eastern Europe. Hand dishwash products continue to expand in developing and emerging markets.

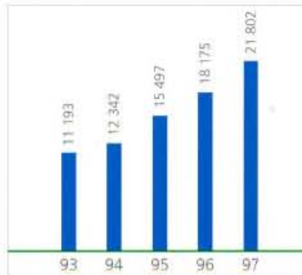
Professional cleaning

1997 was the first full year of operation of DiverseyLever following the merger of Diversey and Lever Industrial International in April 1996. Integration of the two operations has been completed satisfactorily and resulted in lower costs and better margins, mainly in Europe. Substantial operating improvements were made from restructuring and several new products were launched during 1997, including *LeverSelect*, a unit designed for the hotel industry, which dispenses a range of Unilever personal care products. DiverseyLever is now established as one of the leading institutional, industrial cleaning and hygiene companies in the world.

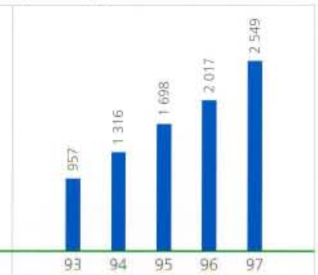
Personal care

Fl. million	1997 *at current rates*	1997 *at constant rates*	1996	Change *at constant rates*
Turnover	21 802	19 756	18 175	9%
Operating profit	2 549	2 313	2 017	15%
Operating profit before exceptional items	2 726	2 462	2 120	16%

Turnover *Fl. million*



Operating profit *Fl. million*



Our personal care business includes personal wash, skin care, hair care, oral care, deodorants and the prestige businesses of Calvin Klein and Elizabeth Arden.

The total personal care business had excellent turnover and profit growth in 1997, helped by the first full year of Helene Curtis and strong underlying volume and profit growth in almost all categories and regions. Our new organisation, focusing attention on the strong brands in this broad category, is working well.

In personal wash, *Lux* remained a strong favourite with consumers, selling more than 3.5 billion bars, and benefiting from a relaunch in 1997. Overall category growth was particularly strong in Egypt, India and Indonesia. *Dove* is our second major brand and continues to grow in all principal markets. *Lifebuoy* maintained its position as a key brand in the health segment.

Axe sharpens its edge

Axe male deodorant is enjoying outstanding success, powered by the launch of new varieties and backed by an innovative and hard-hitting advertising campaign. Elida Fabergé has excelled in understanding the brand's 15 to 25-year-old consumers and the need to keep the deodorant's marketing fresh and lively.

Only the best for guests

When the Holiday Inn hotel chain wanted premium personal care products for its guest bathrooms that would generate less packaging waste, DiverseyLever came up with *LeverSelect*, a wall-mounted system dispensing leading Unilever brands such as *Dove, Timotei* and *Lux*. A perfect example of the synergy between industrial and consumer brands.

Our skin care business showed very strong growth and improved profitability this year. The *Pond's* brand performed particularly well, especially in Asian markets. In North America, *Vaseline Intensive Care* continued to grow. *Fair & Lovely*, which is the main brand in the Indian market, also reported strong performance elsewhere. Our businesses in Central and Eastern Europe had an excellent year.

The hair care business did well, benefiting from the inclusion of the Helene Curtis brands *Salon Selectives* and *Finesse*. Profitability has been greatly improved through integration with Unilever. The *Organics* range, relaunched with improved formulations, continued to grow in many European countries. *Sunsilk*, our largest brand in hair care, performed very well in Latin America and South East Asia. Range improvements include variants based on natural ingredients targeted specifically at local consumers.

In oral care, *Mentadent* continues to have a strong position in North America, although the competition has now launched similar baking soda and peroxide products. *Pepsodent* progressed well in many developing and emerging markets. *Close-Up*, which is positioned for the younger generation of consumer, increased share in Latin America.

In deodorants, we had another strong year, with exceptional growth in our business in Europe, led by *Axe/Lynx* with some truly creative advertising campaigns. Our business in North America is now significantly stronger with the addition of Helene Curtis' *Degree* and *Suave* brands. *Rexona* reported excellent growth in Latin America.

In prestige, turnover was flat, and lower volumes in North America offset growth elsewhere. Calvin Klein continued to operate profitably and to build its franchise with the roll-out of *cK be* and the introduction of the new fragrance, *Contradiction*. Elizabeth Arden, on the other hand, had sales below 1996 levels and incurred a loss.

Plantations, Plant Science & Trading Operations

The Plantations and Plant Science Group provides Unilever with a profitable agribusiness and skills base, focusing on the development and sourcing of quality raw materials for its foods businesses.

The Plantations Group has oil palm plantations in Malaysia, Thailand and West Africa and tea plantations in India, Kenya and Tanzania. The Plant Science Group, based in the United Kingdom under the name of Plant Breeding International (PBI), helps build consumer benefits through the development of new and improved raw materials. This requires a combination of skills in biotechnology, conventional plant breeding, agronomy and primary processing.

In India, most of the Unilever tea estates are now supplying Hindustan Lever direct, rather than through the auction houses. This integrated supply chain has brought significant savings, together with the benefits of fresher quality and collaboration on new tea blends and curing processes.

Results were ahead of last year, particularly in plantations, as world commodity prices for palm oil and tea were stronger, largely reflecting higher demand and uncertainties over supply.

In our trading operations, turnover declined in 1997 due to disposals of textiles operations in Africa and the sale of the Leverton business in Africa and the United Kingdom.

Speciality Chemicals

Our four speciality chemicals businesses – National Starch & Chemical Company, Quest International, Unichema International and Crosfield – were sold in July for US $8 billion. Their contribution to turnover and operating profits in 1997 was Fl. 3.7 billion and Fl. 474 million respectively. At current exchange rates, turnover and operating profit in 1997 were Fl. 4.0 billion and Fl. 514 million respectively.

These companies have made a major contribution to Unilever and have been managed with great dedication and professionalism. We explained last year the rationale behind our decision to sell and we are confident that the companies too will benefit from that in the future.

From bush to brand

Unilever has a major presence in the global tea market through the *Brooke Bond* and *Lipton* brands. One of the Company's tea operations is located in its Kenyan tea estate, where a favourable climate of high light intensity and regular rainfall makes for excellent growing conditions.

Financial Review

The figures quoted in this Financial Review are in guilders, at current rates of exchange, unless otherwise stated. The profit and loss account for continuing operations and cash flow information are translated at annual average rates of exchange, the results of discontinued operations are at the average rates up to the date of disposal, and the profit on disposal of the speciality chemicals businesses is at the rates prevailing on the disposal date, 8 July 1997. The balance sheet is translated at year-end rates of exchange.

Discontinued operations

On 8 July 1997 Unilever sold its speciality chemicals businesses. The 1996 and 1997 results of these businesses, to the date of disposal, are reported as discontinued operations.

Results

Turnover for the Group rose by 8% to Fl. 94 597 million, with continuing operations increasing by 12% to Fl. 90 600 million; the 3.5% increase in underlying sales volume was augmented by the 9.5% weakening of guilders against the basket of Unilever currencies. **Operating profit** rose by 1% to Fl. 7 576 million; continuing operations operating profit was 8% higher at Fl. 7 062 million, with a 1% improvement in underlying operating margin partly offset by significantly higher net exceptional charges of Fl. 1 800 million (1996: Fl. 620 million).

Analysis of operating performance by geography and by business segment is given in Business Overview and Product Areas on pages 8 to 15 and 22 to 32 respectively.

The profit, before tax, on the disposal of the speciality chemicals businesses was Fl. 8 482 million; an exceptional charge of Fl. 484 million was taken for the loss on disposal of surplus and obsolete fixed assets following a global review.

Income from fixed investments declined, mainly as a result of the sale, at the end of 1996, of the Nigerian breweries.

Net interest cost of Fl. 230 million (1996: Fl. 657 million) was significantly lower as a result of the interest income from the proceeds of the disposal of the speciality chemicals businesses in the second half year, and strong business cash flow. Average net debt of Fl. 9.3 billion in 1996 became average net funds of more than Fl. 2.5 billion in 1997 at constant exchange rates. **Net interest cover** increased to approximately 68 times (1996: 11.6 times), and to more than 30 times if the profit on the disposal of the speciality chemicals businesses is excluded.

The Group's effective **tax rate**, including the effect of tax adjustments from prior years, was reduced to 27.1% in 1997 from 36.3 % in 1996. Excluding the impact of the disposal of the speciality chemicals businesses, the tax rate was 34.7%, reflecting lower tax and a reversal in the impact of one-off items from non-deductible losses in 1996 to non-taxable gains in 1997.

Minority interests increased by Fl. 94 million to Fl. 308 million, reflecting their share in the disposal of the speciality chemicals businesses.

Methods of calculation

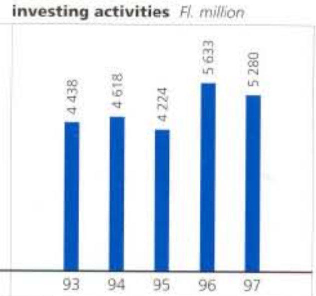
Return on capital employed is the sum of profit on ordinary activities after taxation, plus interest, after tax, on borrowings due after more than one year, expressed as a percentage of the average capital employed during the year.

Net 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.

Earnings & dividend per share
Guilders per Fl. 1 of ordinary capital

Net cash flow before investing activities *Fl. million*



Net profit after exceptional items, which include those in operating profit, together with the profit on disposal of the speciality chemicals businesses and the loss on disposal of fixed assets, at current rates of exchange increased by 159% to Fl. 10 936 million. Before these exceptional items net profit increased by 13% at constant rates; the 9.5% weakening of guilders increased this to 24% at current rates of exchange.

Return on capital employed, excluding goodwill eliminated in reserves, rose to 29.0% from 15.2% in 1996.

Dividends and market capitalisation

Earnings per share increased by 159% from Fl. 3.75 to Fl. 9.74. **Dividends** paid and proposed on NV ordinary capital amounted to Fl. 2.23 per Fl. 1 ordinary share (1996: Fl. 1.75), an increase of 27%. The ratio of dividends to profit attributable to ordinary shareholders was 21.0%, reduced from 42.6% in 1996 primarily as a result of the disposal of the speciality chemicals businesses. Profit of the year retained was Fl. 8 631 million (1996: Fl. 2 410 million).

Unilever's combined **market capitalisation** at 31 December 1997 was Fl. 136.7 billion (1996: Fl. 83.1 billion).

Balance sheet

The net impact of the weakening of guilders against other currencies between the two balance sheet dates was a Fl. 701 million currency gain on retranslation of net assets. Profit retained, after accounting for dividends, currency retranslation of balances and movements and the net goodwill adjustment on acquisitions and disposals, increased by Fl. 9 482 million to Fl. 24 159 million. Total capital and reserves increased to Fl. 24 734 million.

Cash flow

The strong cash generation of recent years continued, with **cash flow from operations** increasing to Fl. 12 262 million (1996: Fl. 9 993 million). For the continuing operations the increase was Fl. 2 722 million to Fl. 11 706 million, with significant gains again coming from a reduction in working capital. **Net cash flow before investing activities** of Fl. 5 280 million was Fl. 353 million lower than 1996 as the lower net interest payments of Fl. 430 million were more than offset by higher taxation payment at Fl. 4 157 million, mainly as a result of payments resulting from the disposal of the speciality chemicals businesses, and dividends on ordinary capital of Fl. 2 075 million.

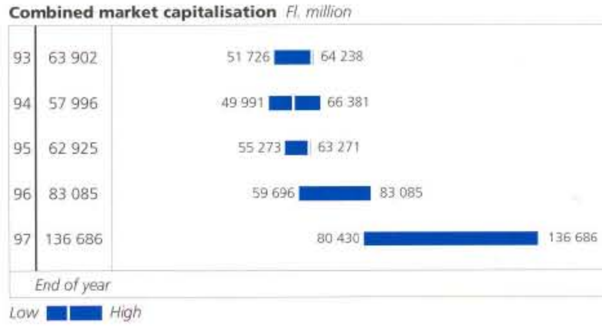
Capital expenditure at Fl. 3 063 million was almost the same as 1996.

A total of 23 businesses were **acquired** for a cash consideration of Fl. 2 941 million guilders, most notably the purchase of the Kibon, Monthelado and Holanda ice cream businesses in Latin America.

Cash proceeds from 19 **disposals** were Fl. 16 383 million, of which the sale of the speciality chemicals businesses accounted for Fl. 15 257 million. Other disposals included the Nordsee fish restaurants and wholesale business in Austria and Germany, John West, a canned foods business in the United Kingdom, Leverton, a Caterpillar equipment dealership in Africa and the

Capital expenditure *Fl. million*

Combined market capitalisation *Fl. million*



United Kingdom, and the Zwanenberg meat business in Mexico.

Net funds at the end of 1997 were Fl. 10 625 million, compared to **net debt** of Fl. 5 014 million in 1996, with the proceeds of the disposal of the speciality chemicals businesses augmented by the strong underlying cash generation.

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. In 1997 the net funds position resulting from the disposal of the speciality chemicals businesses, together with improved business cash flow, has led to a notable reduction in external funding activity.

Long-term debt fell by Fl. 599 million in 1997, debt totalling Fl. 1 086 million maturing in 1998 was reclassified to short-term borrowings at the year end, and there were no significant new borrowings. The maturity profile is spread over an eight-year period to 2005. The proportion of long-term debt repayable within five years fell in 1997 to 63%, compared to 69% at the end of 1996.

For short-term finance when required, Unilever has commercial paper programmes in place in the United States domestic markets and Europe, and operating subsidiaries fund day-to-day needs using local bank borrowings. At the end of 1997, short-term borrowings were Fl. 3 139 million, Fl. 513 million lower than in 1996.

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

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.

Cash and current investments at the end of 1997 totalled Fl. 19 530 million (1996: Fl. 5 003 million). Almost 86% of the funds are under direct Group Treasury control in the parent and Group finance companies. The funds are mainly invested in short-term bank deposits and high-grade marketable securities. Approximately 80% of these funds are held in US dollars (41%), Dutch guilders (23%) and sterling (16%) with the remainder spread over a large number of other currencies.

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 some 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 55% of Unilever's total capital and reserves at the end of 1997 was denominated in the currencies of the two parent companies. From an earnings perspective, excluding the net profit on the disposal of the speciality chemicals businesses, some 24% of Unilever's 1997 net income was denominated in guilders, 22% in sterling, 11% in dollars and some 21% 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 Group finance companies. These funds, mainly in dollars, 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 are given in the separate 'Unilever Annual Accounts 1997' booklet on page 26 and in the annual report to the United States Securities and Exchange Commission on Form 20-F.

Total Shareholder Return

Total Shareholder Return (TSR) is a concept used to compare the performance of different companies' stocks and shares over time. It combines share price appreciation and dividends paid out to show the total return to the shareholder. This is expressed as an internal rate of return, calculated from the initial price, dividends paid out and the closing price. It is generally regarded as the most relevant performance indicator.

The Company calculates this return over a three-year rolling period. This period is sensitive enough to reflect changes but long enough to smooth out short-term volatility. The return is expressed in US dollars and the US dollar share price is based on quotations for NV and PLC, combined in proportion to the number of shares in issue. We chose US dollars to facilitate comparison with our reference group companies.

A TSR represents the absolute return to the shareholder in that period. Shareholders could alternatively invest in bonds, which have a different risk profile. More realistically, their alternative would be to invest in companies with a similar profile and hence comparable risk. Unilever has chosen 20 international consumer goods businesses as a reference group, which together give a fair reflection of its category and regional spread.

Unilever has set itself a financial target of performing in the top third of this reference group. This, we believe, is appropriately stretching. The absolute size of the TSR will vary with stock markets, but the relative position is a reasonable reflection of overall financial performance.

In 1997 we improved our position by two places to just above the median on a three-year rolling basis. Although progressing in the right direction, we need to move up several places to achieve our target.

Organisation & 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 Unilever's top decision-making body. The Executive Committee is responsible for corporate strategic leadership.

Other members of the Executive Committee are: the Category Directors for Foods and for Home & Personal Care; the Strategy & Technology Director; the Financial Director; and the Personnel Director.

The core building blocks in the Unilever organisation remain the individual companies operating in their particular markets. These are organised into 12 Business Groups, each with a President as chief executive who is accountable, with full profit responsibility, for the operational companies within his group.

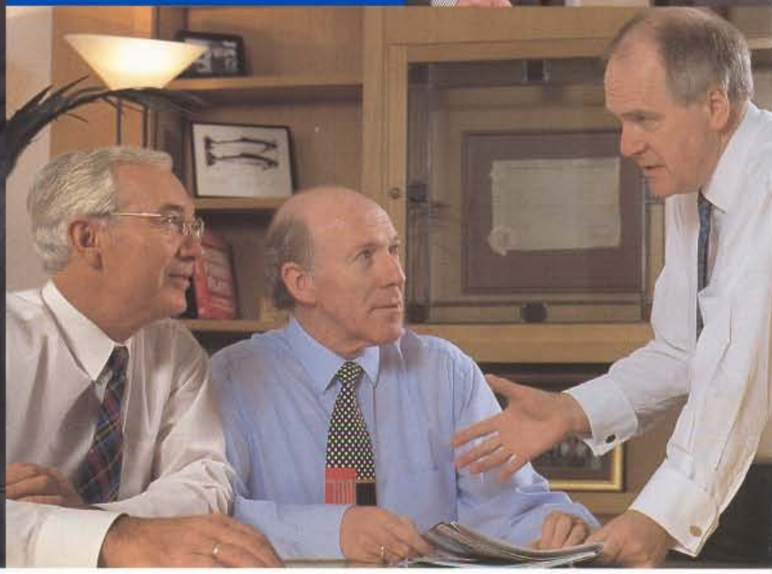
This grouping is essentially based on geographical markets. In the majority of regions, all Unilever companies form one Business Group. However, some regional operations are too large to be managed as a single group. Companies in Europe and North America are therefore organised in two or three Business Groups, each focusing on specific product areas. On the other hand, the DiverseyLever Business Group, which covers Unilever's operations in industrial cleaning and hygiene, is organised globally.

The Executive Committee comes together with the 12 Business Group Presidents within the Executive Council, which is led by the Chairmen.

Left
Niall FitzGerald and Morris Tabaksblat

Right
Jan Peelen and Clive Butler

Below
Alexander Kemner, Hans Eggerstedt and Iain Anderson



Executive Committee of the Board

Niall FitzGerald *
Chairman, Unilever PLC
Aged 52. 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 60. 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 of Aegon N.V. and KPN N.V.

Alexander Kemner *
Category Director, Foods
Aged 58. 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 51. 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 59. 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 58. 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
Aged 59. Strategy & Technology Director since 1996. Also Category Director, Industrial. Joined Unilever 1965. Appointed director 1988. Retiring 1998. 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.

** Unilever Board member*

Business Group Presidents

Roy Brown*
Food & Beverages – Europe
Aged 51. 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 51. 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. Member, Supervisory Board of KBB Nederland B.V.

** Unilever Board member*

Richard Goldstein
Foods – North America
Aged 56. 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 56. Joined Unilever 1963. Appointed Business Group President 1996. Previous position: CEO, Lever Europe.

Robert Phillips*
Home & Personal Care – North America
Aged 59. 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 52. Joined Unilever 1973. Appointed Business Group President 1996. Previous position: CEO, Lever Industrial International.

Henri Bonpun
Africa
Aged 64. Joined Unilever 1960. Appointed Business Group President 1996. Previous position: Chairman, Unilever South Africa (Pty) Limited.

Jeff Fraser
Central Asia & Middle East
Aged 54. Joined Unilever 1967. Appointed Business Group President 1996. Previous position: Operations Member, Latin America and Central Asia.

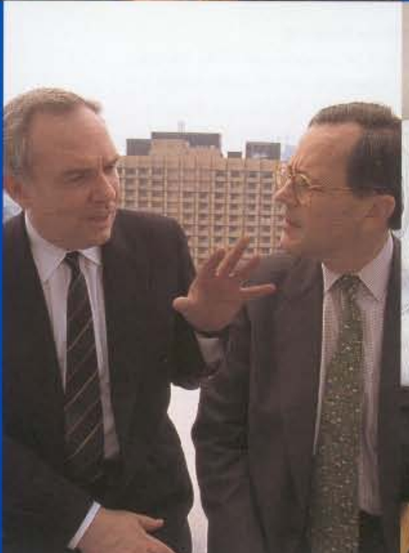
Jean Martin
Central & Eastern Europe
Aged 53. Joined Unilever 1968. Appointed Business Group President 1996. Previous position: CEO, Personal Products in Europe.

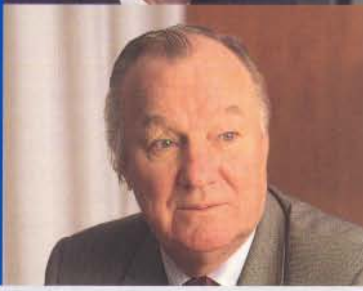
Charles Strauss
Latin America
Aged 55. Joined Unilever 1986 upon Unilever's acquisition of Ragú Foods. Appointed Business Group President 1996. Previous position: President & CEO, Lever Brothers Company, New York.

Rudy Markham
North East Asia
Aged 51. 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 52. Joined Unilever 1970. Appointed Business Group President 1996. Previous position: Chairman, Langnese-Iglo GmbH.

Left Robert Phillips, Çetin Yüceluğ and Roy Brown
Above Henri Bonpun, Jean Martin, Charles Strauss and Jeff Fraser
Below left Rudy Markham and André van Heemstra
Below right Antony Burgmans, Richard Goldstein and John Sharpe





Left
Sir Brian Hayes and
Frits Fentener van Vlissingen

Right
Bertrand Collomb
Sir Derek Birkin

Below left
Onno Ruding
James W Kinnear

Below right
Oscar Fanjul,
Lord Wright of Richmond
and Karl Otto Pöhl

Advisory Directors & Board Committees

Sir Derek Birkin
Aged 68. 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 55. 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 48. Appointed 1996. Secretary General and Under Secretary, Spanish Ministry of Industry and Energy 83/85. Chairman, Instituto Nacional de Hidrocarburos 85/95. Chairman and CEO Repsol 86/96 and Honorary Chairman since 1996. Member of the International Advisory Boards of the Chubb Corporation and Marsh & McLennan. Director of Ericsson, S.A. since 1996, Tecnicas Reunidas, S.A. and Chairman, Cofir, S.A. since 1997.

Frits Fentener van Vlissingen
Aged 64. 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 N.V. since 1991 and Akzo Nobel N.V. since 1984.

Sir Brian Hayes
Aged 68. 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, Guardian Royal Exchange since 1989.

James W Kinnear
Aged 69. Appointed 1994. Retiring 1998. 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 68. Appointed 1992. Retiring 1998. 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 58. 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 66. 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 82. 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.

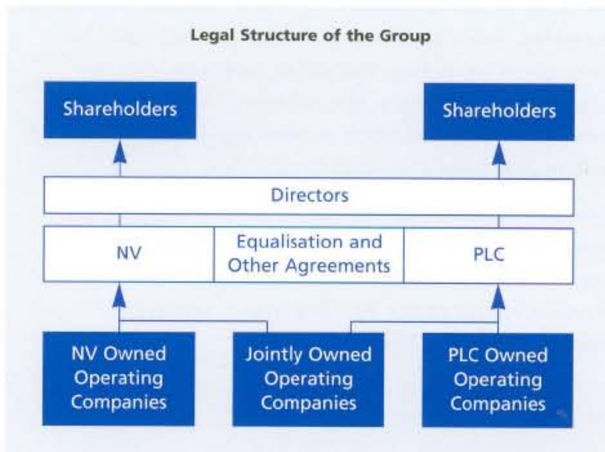
Legal Structure

The Unilever Group was established in 1930 when the Margarine Unie and Lever Brothers decided to merge their interests, while 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 1997' 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.



Board Committees

The memberships of the Board Committees are:

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

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

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

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

Corporate Governance

Directors and Advisory Directors

Each of the ten 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 supervisory or 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. In addition, the Advisory Directors may meet as a body, and when so meeting they will elect a chairman from among their number.

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 1997' 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 39 to 47 of the 'Unilever Annual Accounts 1997'. The Annual Accounts also contains, on page 5, 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 6 of the 'Unilever Annual Accounts 1997'.

Board Changes

Dr Iain Anderson will retire on 30 June 1998 and his colleagues wish to record their appreciation of his contribution to Unilever over a long and distinguished career. All directors will retire from office, in accordance with the Articles of Association of NV and PLC, at the Annual General Meetings on 6 May 1998 and, with the exception of Dr Anderson, offer themselves for re-election.

As already announced, Mr Rudy Markham, currently Business Group President, North East Asia, has been nominated for election as a director and will succeed Dr Anderson as Strategy & Technology Director and a member of the Executive Committee.

As anticipated by last year's Annual Report, Dr Ashok Ganguly, Mr Christopher Jemmett and Dr Okko Müller retired at the Annual General Meetings in 1997.

Mr James W Kinnear and Mr Karl Otto Pöhl will retire as Advisory Directors with effect from the Annual General Meetings in 1998. The directors wish to record their appreciation of their contributions during the past four and six years respectively.

Also as already announced, Baroness Chalker of Wallasey and Mr Hilmar Kopper have been appointed as Advisory Directors with effect from the 1998 Annual General Meetings.

J W B Westerburgen
S G Williams
Joint Secretaries of Unilever
9 March 1998

Summary Financial Statement

Introduction

This Annual Review booklet and the separate booklet entitled 'Unilever Annual Accounts 1997' together comprise the full Annual Report and Accounts for 1997 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 1997'. That separate booklet also contains additional financial information and further statutory and other information.

For a full understanding of the results of the Group and state of affairs of NV, PLC or the Group, 'Unilever Annual Accounts 1997' should be consulted. See page 48 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 1998 the declaration of final dividends on the ordinary capitals in respect of 1997 at the rates shown in the table below. The dividends will be paid in accordance with the timetable on page 48.

NV	1997	1996	PLC	1997	1996
Per Fl. 1 of ordinary capital			Per 1.25p of ordinary capital		
Interim	**Fl. 0.74**	Fl. 0.56	Interim	**2.80p**	2.57p
Final	**Fl. 1.49**	Fl. 1.19	Final	**5.62p**	5.44p
Total	**Fl. 2.23**	Fl. 1.75	Total	**8.42p**	8.01p

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 1997 final dividend has been calculated by reference to the current rate of ACT (twenty/eightieths); 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.

Sub-division of Shares – 1997

The ordinary shares of both NV and PLC were sub-divided at a 1 to 4 ratio with effect on 13 October 1997. NV Fl. 4 shares were sub-divided into four shares of Fl. 1 each; PLC 5p ordinary shares were sub-divided into four shares of 1.25p each.

On the New York Stock Exchange, trading in the NV New York Fl. 1 shares and the PLC American Depositary Receipts (each evidencing four ordinary shares of 1.25p each) commenced on 21 October 1997.

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 44 to 47.

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.

We conducted our work in accordance with auditing guideline 'The auditor's statement on the summary financial statement' adopted by the Auditing Practices Board.

In our opinion the Summary Financial Statement of the Unilever Group set out on pages 44 to 47 is consistent with the full accounts and directors' report for 1997 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

9 March 1998

Accounting policies

The accounts are prepared at current rates of exchange (see page 33).

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.

Sale of speciality chemicals businesses

On 8 July 1997 Unilever sold its speciality chemicals businesses to Imperial Chemical Industries PLC (ICI). The profit on disposal of these businesses is included in these accounts at the rates of exchange prevailing on that day. The results of these businesses for the period from 1 January 1997 to 8 July 1997, translated at the average rates of exchange for that period, are shown as discontinued operations.

Summary Consolidated Accounts

Unilever Group

Profit and loss account

for the year ended 31 December

	Fl. million 1997	Fl. million 1996
Turnover	**94 597**	87 795
Continuing operations	**89 963**	80 821
Acquisitions	**637**	
Discontinued operations	**3 997**	6 974
Operating costs	**(87 021)**	(80 267)
Operating profit	**7 576**	7 528
Continuing operations	**6 993**	6 538
Acquisitions	**69**	
Discontinued operations	**514**	990
Operating profit before exceptional items – continuing businesses	**8 862**	7 145
Profit on sale of discontinued speciality chemicals businesses	**8 482**	–
Loss on disposal of fixed assets in continuing businesses	**(484)**	–
Income from fixed investments	**85**	89
Interest	**(230)**	(657)
Profit on ordinary activities before taxation	**15 429**	6 960
Taxation	**(4 185)**	(2 531)
Profit on ordinary activities after taxation	**11 244**	4 429
Minority interests	**(308)**	(214)
Net profit	**10 936**	4 215
Attributable to: NV	**7 662**	2 733
PLC	**3 274**	1 482
Dividends	**(2 305)**	(1 805)
Profit of the year retained	**8 631**	2 410
Combined earnings per share		
Guilders per Fl. 1 of ordinary capital	**9.74**	3.75
Pence per 1.25p of ordinary capital	**44.55**	21.47

Directors

The directors of Unilever during 1997 are shown on pages 38, 39 and 43. Their total emoluments for the year ended 31 December 1997 were Fl. 26.0 million (1996: Fl. 23.7 million) and their aggregate gains on the exercise of share options were Fl. 15.8 million (1996: Fl. 0.7 million). All the directors participate in defined benefit pension schemes.

Unilever Group

Balance sheet

as at 31 December

	Fl. million 1997	1996
Fixed assets	**20 375**	23 902
Current assets		
Stocks	**10 378**	11 573
Debtors due within one year	**11 516**	12 264
Debtors due after more than one year	**2 412**	1 298
Cash and current investments	**19 530**	5 003
	43 836	30 138
Creditors due within one year		
Borrowings	**(3 139)**	(3 652)
Trade and other creditors	**(18 542)**	(17 424)
Net current assets	**22 155**	9 062
Total assets less current liabilities	**42 530**	32 964
Creditors due after more than one year		
Borrowings	**5 766**	6 365
Trade and other creditors	**1 497**	1 220
Provisions for liabilities and charges	**9 494**	9 014
Minority interests	**1 039**	1 015
Capital and reserves	**24 734**	15 350
Attributable to: **NV**	**16 098**	9 621
PLC	**8 636**	5 729
Total capital employed	**42 530**	32 964

Cash flow statement

for the year ended 31 December

	1997	1996
Cash flow from operating activities	**12 262**	9 993
Returns on investments and servicing of finance	**(750)**	(687)
Taxation	**(4 157)**	(1 877)
Capital expenditure and financial investment	**(2 774)**	(2 819)
Acquisitions and disposals	**13 749**	(2 275)
Dividends paid on ordinary share capital	**(2 075)**	(1 796)
Cash inflow before management of liquid resources and financing	**16 255**	539
Management of liquid resources	**(14 122)**	(766)
Financing	**(1 517)**	770
Increase/(decrease) in cash in the period	**616**	543
Increase/(decrease) in net funds in the period	**15 639**	(311)

This Summary Financial Statement was approved by the Boards of Directors on 9 March 1998.

N W A FitzGerald
M Tabaksblat
Chairmen of Unilever

Additional Information

Financial calendar

Annual General Meetings

NV
10.30 am Wednesday 6 May 1998
Concert- en Congresgebouw de Doelen
Entrance Kruisplein 30
Rotterdam

PLC
11.00 am Wednesday 6 May 1998
The Queen Elizabeth II Conference Centre
Broad Sanctuary, Westminster
London SW1P 3EE

Announcements of results

First quarter	1 May 1998	Nine months	6 November 1998
First half year	7 August 1998	Provisional for year	23 February 1999

Dividends on ordinary capital

Final for 1997	**NV**	**PLC**	**NV New York Shares**	**PLC American Shares**
Proposal announced	10 February 1998	10 February 1998	10 February 1998	10 February 1998
Ex-dividend date	7 May 1998	20 April 1998	11 May 1998	22 April 1998
Record date	–	24 April 1998	13 May 1998	24 April 1998
Declaration	6 May 1998	6 May 1998	6 May 1998	6 May 1998
Payment date	22 May 1998	22 May 1998	1 June 1998	1 June 1998
Interim for 1998				
Announced	6 November 1998	6 November 1998	6 November 1998	6 November 1998
Ex-dividend date	16 November 1998	16 November 1998	12 November 1998	18 November 1998
Record date	–	20 November 1998	16 November 1998	20 November 1998
Payment date	18 December 1998	18 December 1998	18 December 1998	29 December 1998

Preferential dividends

NV

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

United Kingdom capital gains tax

Since 1982, PLC ordinary shares have been sub-divided on two occasions. Firstly, with effect on 26 June 1987, the 25p shares were split into five shares of 5p each, and secondly, with effect on 13 October 1997, the 5p shares were split into four shares of 1.25p each.

The market value of PLC 1.25p ordinary shares at 31 March 1982 would have been 30.875p.

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 (each evidencing four ordinary shares of 1.25p each), in New York.

Financial and other 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 1997' booklet is available in the same versions.

Also available are, in Dutch and English, the NV Chairman's letter to NV's shareholders in response to the recommendations of the Committee on Corporate Governance established by the Amsterdam Stock Exchange Association and the Association of Securities Issuing Companies in the Netherlands, the announcements of the Unilever Group's consolidated results for each quarter, 'Introducing Unilever' and 'Unilever's Organisation', and, in English only, the Environment Report and the annual report to the United States Securities and Exchange Commission on Form 20-F.

Copies of these publications can be obtained without charge from Unilever's Corporate Relations Department:

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