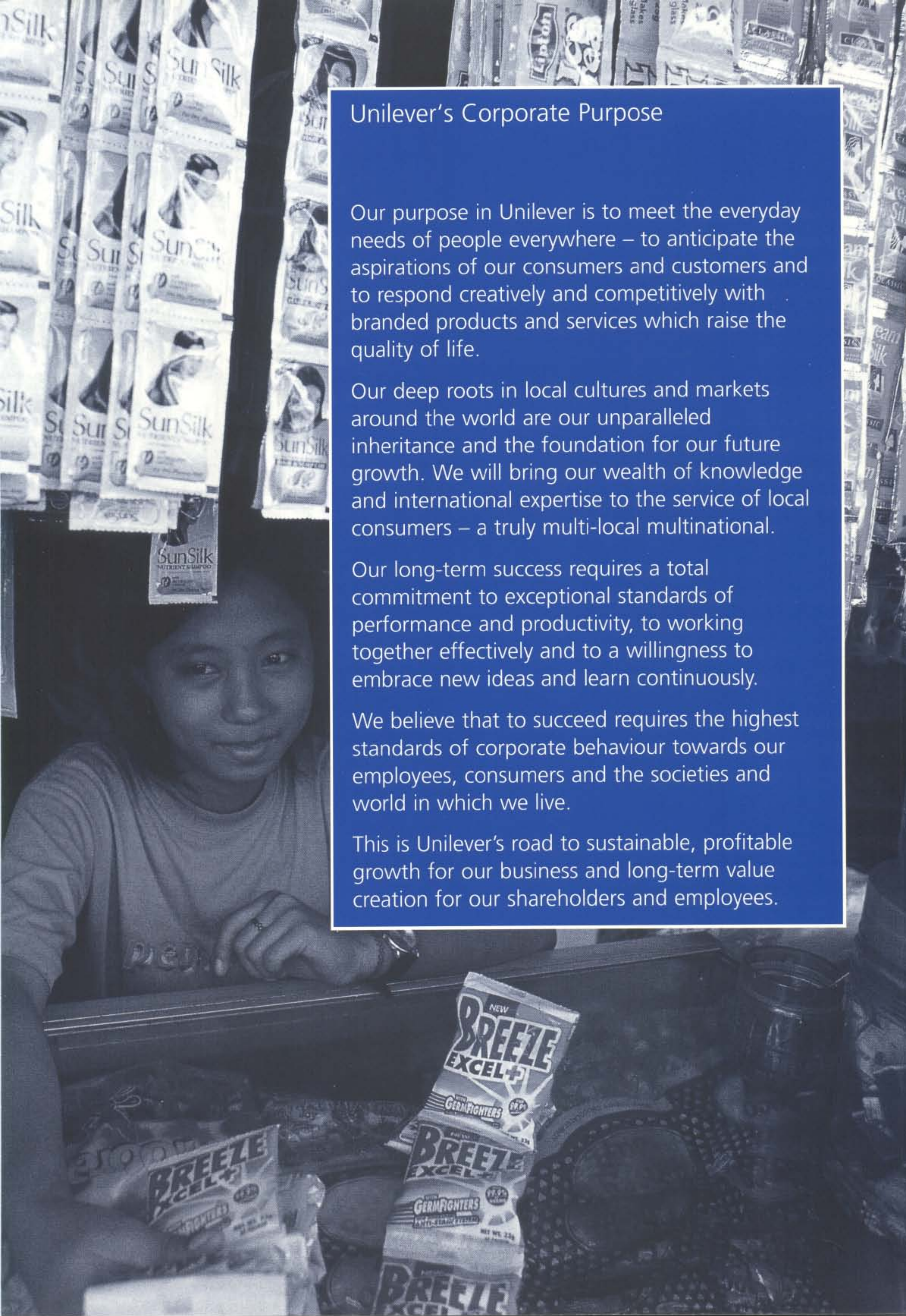
Annual Accounts 1998
And Additional Financial Information

English Version in Guilders

meeting everyday needs of people everywhere

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.

Unilever Annual Accounts 1998

This booklet and the separate booklet 'Unilever Annual Review 1998' together comprise the full Annual Report and Accounts for 1998 of Unilever N.V. (NV) and Unilever PLC (PLC) when expressed in guilders and pounds sterling respectively.

Financial publications

Versions of this booklet are available, with figures expressed in pounds sterling, in English and, with figures expressed in guilders, in Dutch and English. The 'Unilever Annual Review 1998' booklet is available in the same versions.

Both NV and PLC make filings with the United States Securities and Exchange Commission in the form required by United States legislation, Form 20-F.

A booklet 'Unilever Charts' gives key figures for the years 1988-1998, expressed in graphical form.

Copies of all these publications including Form 20-F, and of Quarterly Results Announcements can be obtained without charge on application to any of the following:

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Annual Accounts

Additional Financial Information

General information

Unilever

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

The Equalisation Agreement provides for both companies to adopt the same accounting principles and requires as a general rule the dividends and other rights and benefits (including rights on liquidation) attaching to each Fl. 12 nominal of ordinary capital of NV to be equal in value at the relevant rate of exchange to the dividends and other rights and benefits attaching to each £1 nominal of ordinary share capital of PLC, as if each such unit of capital formed part of the ordinary capital of one and the same company. The ordinary capitals of NV and PLC are currently denominated as Fl. 1 and 1.25p nominal per share respectively. Applying the formula under the Equalisation Agreement, therefore, gives the result that twelve NV ordinary shares enjoy the same dividend rights and other rights and benefits as eighty PLC ordinary shares, ie one NV share equates to 6.67 PLC shares.

The shares of each of NV and PLC are not convertible into or exchangeable for shares of the other. There is no fixed parity in the trading prices of the shares of NV and PLC and the relative share prices on the various markets can and do fluctuate from day to day and hour to hour for various reasons, including changes in exchange rates and taxation regimes applicable to various shareholders. Over time, the prices of the shares of NV and PLC stay in close relation to each other because the dividends and other rights and benefits attaching to those shares are fixed in the manner referred to above.

Each of NV and PLC has always paid its own dividends and, therefore, neither company has ever been called upon to make a payment to the other, as might be required under the Equalisation Agreement.

A contractual agreement has been established between NV and PLC under which each company agrees on request to guarantee the borrowings of the other or of any Unilever Group company where the other parent itself guarantees them. These arrangements are applied as a matter of Unilever's financial policy to certain significant public borrowings of each parent and of group companies. The purpose of the arrangement is for lenders of such borrowings to be able to rely on the combined financial strength of the Group.

Basis of consolidation

By reason of the operational and contractual arrangements referred to above and the internal participating interests set out in note 20 on page 19, NV and PLC and their group companies constitute a single group under Netherlands and United Kingdom legislation for the purposes of presenting consolidated accounts. Accordingly the accounts of the Unilever Group are presented by both NV and PLC as their respective consolidated accounts. These accounts are supplemented in note 33 on page 28 by additional information for the NV and PLC parts of the Group in which group companies are consolidated according to respective ownership.

General information

Companies legislation

The consolidated accounts of the Unilever Group comply with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985. The company accounts, the notes to those accounts and the further statutory information given for each of NV and PLC comply with legislation in the Netherlands and the United Kingdom respectively. As explained under 'Group companies' on page 7, in order to give a true and fair view, the presentation of the consolidated capital and reserves differs from that specified by the United Kingdom Companies Act 1985.

Accounting standards

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

United Kingdom Statement of Standard Accounting Practice Number 15 (SSAP 15) requires that no provision should be made for deferred taxation where it is probable, based on reasonable assumptions, that a liability will not crystallise. In this respect, SSAP 15 is not in agreement with Dutch law as currently applied. For this reason, and because of the Equalisation Agreement, full provision continues to be made for deferred taxation. The effects of this departure from SSAP 15 are shown in the notes to the accounts.

United Kingdom Urgent Issues Task Force Abstract 13 (UITF 13) requires that NV or PLC shares held by employee trusts to satisfy options should be classified by the sponsoring company as fixed assets. Dutch law requires such shares to be deducted from capital and reserves. In order to comply with Dutch law and the Equalisation Agreement, the disclosure requirement of UITF 13 has not been followed. The effects of this departure are shown in note 22 on page 21.

United Kingdom Financial Reporting Standard 9 'Associates and Joint Ventures', Financial Reporting Standard 10 'Goodwill and Intangible Assets', Financial Reporting Standard 11 'Impairment of Fixed Assets and Goodwill' and Financial Reporting Standard 14 'Earnings per Share' have been applied for the first time in 1998. Prior year figures have been restated on the same basis where appropriate.

OECD Guidelines

In preparing its annual accounts Unilever adheres to the disclosure recommendations of the OECD Guidelines for Multinational Enterprises.

Statements of directors' responsibilities

Annual accounts

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

The directors consider that in preparing the accounts the Group, NV and PLC have used appropriate accounting policies, consistently applied and supported by reasonable and prudent judgements and estimates, and that all accounting standards which they consider to be applicable have been followed, except as noted under 'Accounting standards' on page 3.

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

This statement, which should be read in conjunction with the 'Report of the auditors' set out on page 6, is made with a view to distinguishing for shareholders the respective responsibilities of the directors and of the auditors in relation to the accounts.

Going concern

The directors continue to adopt the going concern basis in preparing the accounts. This is because the directors, after making enquiries and following a review of the Group's budget for 1999 and 2000, including cash flows and borrowing facilities, consider that the Group has adequate resources to continue in operation for the foreseeable future.

Internal control

Unilever has a well established control environment which is well documented and regularly reviewed. This incorporates internal financial control procedures which are designed to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information is reliable. The directors have also established a clear organisation structure, including delegation of appropriate authorities. The Group's control environment is supported through a Code of Business Principles which sets standards of professionalism and integrity for its operations worldwide.

Unilever's corporate internal audit function plays a key role in providing an objective view and continuing assessment of the effectiveness of the control environment throughout the world to both operating management and the directors. The Group has an independent Audit Committee, entirely composed of Advisory Directors. This Committee meets regularly with Corporate Audit and the external Auditors.

The directors have overall responsibility for establishing key procedures designed to achieve a system of internal financial control. The day to day responsibility for implementation of these procedures and monitoring the effectiveness of these controls rests with the Group's senior management at individual operating company and Business Group level. Business Groups, each of which have their own Risk Committees, are required each year to review, in a structured way, internal control arrangements throughout their group, and to provide a written report to the Corporate Risk Committee which is comprised mainly of Board members and chaired by the Financial Director.

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

Pending publication of the relevant guidance by the Institute of Chartered Accountants in England and Wales, the Statements of directors' responsibilities for Internal control on this page only reports on internal financial controls.

Corporate governance

A vital factor in the arrangements between NV and PLC is their having the same directors. 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. The Articles of Association of NV and PLC make provision for the appointment of Advisory Directors by the Boards and they perform many of the functions of supervisory and non-executive directors. The Audit, External Affairs and Corporate Relations, and Remuneration Committees consist exclusively of Advisory Directors and the majority of the members of the Nomination Committee are Advisory Directors. Details of the Advisory Directors, their role and the arrangements for their appointment are given on pages 54 to 57 of the 'Unilever Annual Review 1998'.

The Committee on Corporate Governance in the Netherlands issued its report 'Recommendations on Corporate Governance in the Netherlands' in 1997. NV applies the Committee's recommendations for supervisory directors to its Advisory Directors in so far as these are in line with their specific role within Unilever. NV complies with all other recommendations of the Committee, except that the Board of Directors takes the view that requests for an item to be placed on the agenda for a shareholders' meeting must be supported by more than an insignificant proportion of the shareholders and will therefore only accept requests from a shareholder or group of shareholders holding at least 1% of the voting rights attaching to the issued share capital of NV. Requests must be submitted, at the latest, 60 days prior to the date of the meeting.

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

Unilever's corporate governance arrangements are described on pages 55 to 57 of the 'Unilever Annual Review 1998'. As explained there, the Board controls the company through the Executive Committee. Responsibilities are shared by the Chairmen of NV and PLC, while the Advisory Directors perform many of the functions of the supervisory board members or non-executive directors, although they are not formally members of the Board. For the purposes of the Code, the Board has not appointed a senior independent director, on the basis that issues for the Board can be raised with whichever Advisory Director is the Chairman of the relevant Board Committee.

Unilever's remuneration policy is contained within the report by the Boards on the Directors' remuneration and interests on pages 29 to 37 of this volume. This also deals with any non-compliance with the Code in this area.

At the PLC Annual General Meeting in May 1999 the Chairman will for the first time, on his own initiative, announce the number of proxy votes lodged on each resolution. Members of the Audit, Remuneration and Nomination Committees will be available to answer questions at the Annual General Meetings of both NV and PLC. The members attending each meeting will not necessarily include the Chairman of the Committee, since these meetings take place at about the same time in Rotterdam and London respectively.

Unilever has, since its inception, adopted the principle that it is good practice that the most senior roles in NV and PLC are shared and not concentrated in one person. As a consequence it is a principal tenet of its governance philosophy which finds expression in two people who each combine the roles of Chairman and Chief Executive. This carefully balanced arrangement has served Unilever's unique constitutional arrangements very well for many years and the Boards believe that to separate these roles would only introduce undesirable and unnecessary complexity. Since the Advisory Directors are not formally members of the Boards, it would be inappropriate for one of them to act as a Chairman.

Pending publication of the relevant guidance by the Institute of Chartered Accountants in England and Wales, the Statements of directors' responsibilities for Internal control on page 4 only reports on internal financial controls.

In all other respects, PLC has complied with the Code throughout 1998.

Report of the auditors

Report of the auditors to the shareholders of Unilever N.V. and Unilever PLC

We have audited the accounts set out on pages 2 and 3, 7 to 28 and 38 to 45.

Respective responsibilities of directors and auditors

As described on page 4, the directors are responsible for preparing the Annual Report and Accounts. Our responsibilities, as independent auditors, are established by United Kingdom and Netherlands law, relevant Stock Exchange rules and by our professional guidance.

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

As auditors of Unilever PLC we review whether the statement on page 5 reflects the company's compliance with those provisions of the Combined Code specified for our review by the London Stock Exchange and we report if it does not. We are not required to form an opinion on the effectiveness of the Group's corporate governance procedures or its internal controls.

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

Basis of audit opinion

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

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

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Unilever Group, Unilever N.V. and Unilever PLC at 31 December 1998 and of the profit, total recognised gains and cash flows of the Group for the year then ended. In our opinion the accounts of the Unilever Group, and of Unilever N.V. and Unilever PLC respectively, have been prepared in accordance with Book 2 of the Civil Code in the Netherlands and the United Kingdom Companies Act 1985.

PricewaterhouseCoopers N.V.
Registeraccountants
Rotterdam
As auditors of Unilever N.V.

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

8 March 1999

Unilever's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand N.V. changed its name to PricewaterhouseCoopers N.V. and continued as auditors of NV under its new name and Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers, as auditors of PLC. The report of the auditors is therefore signed by PricewaterhouseCoopers N.V. and by PricewaterhouseCoopers.

Unilever Group

Accounting policies

Group companies

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

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

Net profit and profit of the year retained are presented on a combined basis on page 9, with the net profit attributable to NV and PLC shareholders shown separately. Movements in profit retained are analysed between those attributable to NV and PLC shareholders in note 21 on page 21.

Foreign currencies

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

In preparing the consolidated accounts, the profit and loss account, the cash flow statement and all movements in assets and liabilities are translated at annual average rates of exchange. The balance sheet, other than the ordinary share capital of NV and PLC, is translated at year-end rates of exchange. In the case of hyper-inflationary economies, the accounts are adjusted to remove the influences of inflation before being translated. The profit on the sale of the speciality chemicals businesses and associated taxation were translated at the exchange rates prevailing on 8 July 1997, the transaction date. The 1997 results of these businesses, reported as Discontinued operations, were translated at the average rates of exchange for the period up to that date.

The ordinary share capital of NV and PLC is translated at the rate of £1 = Fl. 12 contained in the Equalisation Agreement. The difference between this and the value derived by applying the year-end rate of exchange is taken to other reserves (see note 22 on page 21).

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

Goodwill and intangible assets

No value is attributable to internally generated intangible assets. Goodwill (being the difference between the consideration paid for new interests in group companies, joint ventures and associated companies and the fair value of the Group's share of their net assets at the date of acquisition) and identifiable intangible assets purchased after 1 January 1998 are capitalised and amortised in operating profit over the period of their expected useful life, up to a maximum of 20 years. Periods in excess of 5 years are used only where the directors are satisfied that the life of the goodwill will clearly exceed that period. Goodwill and intangible assets purchased prior to 1 January 1998 were written off in the year of acquisition as a movement in profits retained.

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

Tangible fixed assets

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

Freehold buildings (no depreciation on freehold land)	33 – 40 years
Leasehold land and buildings	* 33 – 40 years
Plant and equipment	3 – 20 years
Motor vehicles	3 – 6 years

* or life of lease if less than 33 years

Current cost information is given in note 9 on page 15.

Unilever Group

Accounting policies

Fixed investments

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

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

Other fixed investments are stated at cost less any amounts written off to reflect a permanent diminution in value.

Current assets

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

Debtors are stated after deducting adequate provision for doubtful debts.

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

Retirement benefits

The expected costs of providing retirement pensions under defined benefit schemes, as well as the costs of other post-retirement benefits, are charged to the profit and loss account over the periods benefiting from the employees' services. Variations from expected cost are normally spread over the average remaining service lives of current employees.

Contributions to defined contribution pension schemes are charged to the profit and loss account as incurred.

Liabilities arising under defined benefit schemes are either externally funded or provided for in the consolidated balance sheet. Any difference between the charge to the profit and loss account in respect of funded schemes and the contributions payable to each scheme is recorded in the balance sheet as a prepayment or provision.

Deferred taxation

Full provision is made for deferred taxation, at the rates of tax prevailing at the year-end unless future rates have been enacted, on all significant timing differences arising from the recognition of items for taxation purposes in different periods to those in which they are included in the Group accounts.

Provision is not made for taxation which would become payable if retained profits of group companies and joint ventures were distributed to the parent companies, as it is not the intention to distribute more than the dividends, the tax on which is included in the accounts.

Financial instruments

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

Research and development

Expenditure on research and development is charged against the profit of the year in which it is incurred.

Turnover

Group turnover comprises sales of goods and services after deduction of discounts and sales taxes. It includes sales to joint ventures and associated companies but does not include sales by joint ventures and associated companies or sales between group companies.

Transfer pricing

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

Trade marks owned by the parent companies and used by operating companies are, where appropriate, licensed in return for royalties or a fee.

General services provided by central advisory departments, Business Groups and research laboratories are charged to operating companies on the basis of fees.

Leases

Lease payments, which are principally in respect of operating leases, are charged to the profit and loss account on a straight-line basis over the lease term, or over the period between rent reviews where these exist.

Shares held by employee share trusts

The assets and liabilities of certain trusts and group companies which purchase and hold NV and PLC shares to satisfy options granted are included in the Group accounts. The book value of shares held is deducted from capital and reserves, and trust borrowings are included in the Group's borrowings. The costs of the trusts are included in the results of the Group.

Unilever Group

Consolidated profit and loss account and Statement of total recognised gains and losses

Consolidated profit and loss account for the year ended 31 December

	Fl. million	
	1998	1997
Turnover 1	**89 112**	94 597
Continuing operations	**88 675**	90 600
Acquisitions	**437**	
Discontinued operations	**—**	3 997
Operating costs 2	**(79 394)**	(87 034)
Operating profit 1	**9 718**	7 563
Continuing operations	**9 695**	7 049
Acquisitions	**23**	
Discontinued operations	**—**	514
Operating profit before exceptional items – continuing businesses	**9 442**	8 849
Profit on sale of discontinued speciality chemicals businesses	**—**	8 482
Loss on disposal of fixed assets in continuing businesses	**—**	(484)
Income from fixed investments 10	**82**	85
Interest 5	**344**	(230)
Profit on ordinary activities before taxation	**10 144**	15 416
Taxation 6	**(3 338)**	(4 185)
Profit on ordinary activities after taxation	**6 806**	11 231
Minority interests	**(318)**	(308)
Net profit	**6 488**	10 923
Attributable to: NV 21	**3 655**	7 649
PLC 21	**2 833**	3 274
Preference dividends	**(15)**	(15)
Dividends on ordinary capital 7	**(2 727)**	(2 277)
Special dividend 7	**(16 374)**	—
Profit of the year retained	**(12 628)**	8 631

Statement of total recognised gains and losses

Net profit	**6 488**	10 923
Currency retranslation	**(1 356)**	728
Total recognised gains since last annual accounts	**5 132**	11 651
Combined earnings per share 29		
Guilders per Fl. 1 of ordinary capital	**5.80**	9.78
Pence per 1.25p of ordinary capital	**26.45**	44.74
On a fully diluted basis the figure would be:		
Guilders per Fl. 1 of ordinary capital	**5.66**	9.55
Pence per 1.25p of ordinary capital	**25.80**	43.68

Following the adoption of United Kingdom Financial Reporting Standard 14 'Earnings per Share', dividends paid on own shares held internally to meet Employee Share Option plans have been excluded both from the results for the year and from dividends. 1997 figures have been restated on the same basis.

Unilever Group

Consolidated balance sheet as at 31 December

			Fl. million 1998	1997
Fixed assets				
Goodwill and intangible assets 8			626	—
Tangible fixed assets 9			18 045	20 047
Fixed investments 10			324	328
			18 995	20 375
Current assets				
Stocks 11			10 461	10 378
Debtors due within one year 12			11 297	11 516
Debtors due after more than one year 12			3 552	3 836
Current investments 13			10 870	8 380
Cash at bank and in hand 14			12 011	11 150
			48 191	45 260
Creditors due within one year				
Borrowings 15			(5 123)	(3 139)
Trade and other creditors 16			(34 491)	(18 542)
Net current assets			8 577	23 579
Total assets less current liabilities			27 572	43 954
Creditors due after more than one year				
Borrowings 15			5 023	5 766
Trade and other creditors 16			1 679	1 497
Provisions for liabilities and charges				
Pensions and similar obligations 17			6 509	6 449
Deferred taxation and other provisions 18			2 998	4 469
Minority interests			899	1 039
Capital and reserves 19			10 464	24 734
Attributable to:	NV:	Called up share capital 20	905	905
		Share premium account	52	52
		Other reserves 22	(498)	(378)
		Profit retained 21	7 355	15 519
			7 814	16 098
	PLC:	Called up share capital 20	489	489
		Share premium account	293	312
		Other reserves 22	(958)	(805)
		Profit retained 21	2 826	8 640
			2 650	8 636
Total capital employed			27 572	43 954

Capital and reserves include amounts relating to preference shares in NV which under United Kingdom Financial Reporting Standard 4 are classified as non-equity. Minority interests in group companies are substantially all equity interests. Certain figures reported in 1997 have been reallocated between 'Debtors due after more than one year' and 'Deferred taxation and other provisions'. See note 18 on page 18.

Unilever Group

Consolidated cash flow statement for the year ended 31 December

	Fl. million	
	1998	1997
Cash flow from operating activities 26	**9 948**	12 249
Continuing businesses	**9 948**	11 693
Discontinued operations	—	556
Returns on investments and servicing of finance 27	**201**	(750)
Taxation	**(2 779)**	(4 157)
Capital expenditure and financial investment 27	**(3 083)**	(2 774)
Acquisitions and disposals 27	**744**	13 749
Dividends paid on ordinary share capital	**(2 365)**	(2 062)
Cash inflow before management of liquid resources and financing	**2 666**	16 255
Management of liquid resources 27	**(4 413)**	(14 122)
Financing 27	**92**	(1 517)
(Decrease)/increase in cash in the period	**(1 655)**	616

Reconciliation of cash flow to movement in net funds/(debt)

	1998	1997
Net funds/(debt) at 1 January 28	**10 625**	(5 014)
(Decrease)/increase in cash in the period	**(1 655)**	616
Cash flow from (increase)/decrease in borrowings	**(55)**	1 612
Cash flow from increase in liquid resources	**4 413**	14 122
Change in net funds resulting from cash flows	**2 703**	16 350
Borrowings within group companies acquired	**(37)**	(63)
Borrowings within group companies sold	**7**	292
Liquid resources within group companies acquired	—	1
Liquid resources within group companies sold	**(4)**	(10)
Non cash movements	**(22)**	72
Currency retranslation	**(537)**	(1 003)
Increase in net funds in the period	**2 110**	15 639
Net funds at 31 December 28	**12 735**	10 625

Unilever Group

Notes to the consolidated accounts

1 Segmental information

Fl. million	1998 Continuing operations	1998 Acquisitions	1998 Total	1997 Continuing operations	1997 Discontinued operations (c)	1997 Total
Turnover (a)(b)(e)						
By geographical area:						
Europe	**41 710**	**95**	**41 805**	43 274	1 558	44 832
North America	**18 417**	**135**	**18 552**	17 944	1 669	19 613
Africa and Middle East	**4 911**	**—**	**4 911**	4 773	53	4 826
Asia and Pacific	**12 727**	**59**	**12 786**	14 026	587	14 613
Latin America	**10 910**	**148**	**11 058**	10 583	130	10 713
	88 675	**437**	**89 112**	90 600	3 997	94 597
By operation: (c)						
Foods – Oil & dairy based foods and bakery	**16 880**	**72**	**16 952**	17 687		17 687
– Ice cream and beverages	**14 593**	**—**	**14 593**	14 198		14 198
– Culinary and frozen foods	**14 669**	**171**	**14 840**	15 331		15 331
Home Care	**19 277**	**145**	**19 422**	19 350		19 350
Personal Care	**21 922**	**49**	**21 971**	21 802		21 802
Plantations, Plant Science & Trading Operations	**1 334**	**—**	**1 334**	2 232		2 232
Speciality Chemicals					3 997	3 997
	88 675	**437**	**89 112**	90 600	3 997	94 597
Operating profit (e)						
By geographical area before exceptional items:						
Europe	**4 660**	**10**	**4 670**	4 467	251	4 718
North America	**1 998**	**(7)**	**1 991**	1 719	201	1 920
Africa and Middle East	**493**	**—**	**493**	454	6	460
Asia and Pacific	**1 120**	**—**	**1 120**	1 242	47	1 289
Latin America	**1 148**	**20**	**1 168**	967	9	976
Operating profit before exceptional items:	**9 419**	**23**	**9 442**	8 849	514	9 363
Exceptional items 4	**276**	**—**	**276**	(1 800)	—	(1 800)
Operating profit	**9 695**	**23**	**9 718**	7 049	514	7 563
By operation before exceptional items: (c)						
Foods – Oil & dairy based foods and bakery	**1 622**	**6**	**1 628**	1 702		1 702
– Ice cream and beverages	**1 312**	**—**	**1 312**	1 340		1 340
– Culinary and frozen foods	**1 444**	**20**	**1 464**	1 133		1 133
Home Care	**1 986**	**(3)**	**1 983**	1 711		1 711
Personal Care	**2 812**	**—**	**2 812**	2 723		2 723
Plantations, Plant Science & Trading Operations	**243**	**—**	**243**	240		240
Speciality Chemicals					514	514
Operating profit before exceptional items:	**9 419**	**23**	**9 442**	8 849	514	9 363
Exceptional items 4	**276**	**—**	**276**	(1 800)	—	(1 800)
Operating profit	**9 695**	**23**	**9 718**	7 049	514	7 563

Notes:

(a) The analysis of turnover by geographical area is stated on the basis of origin. Turnover on a destination basis would not be materially different. Inter-segment sales between operational segments and between geographical areas are not material. For the United Kingdom and the Netherlands, the combined turnover was Fl. 10 846 million (1997: Fl. 12 557 million) and the combined operating profit was Fl. 2 916 million (1997: Fl. 2 209 million).

(b) Group share of the turnover of joint ventures was Fl. 445 million (1997: Fl. 381 million) of which Fl. 192 million (1997: Fl. 87 million) was in Europe. These figures are not consolidated in the analysis above.

(c) In July 1997 Unilever sold its international speciality chemicals businesses – National Starch and Chemical Company, Quest International, Unichema International and Crosfield. These operations were reported as discontinued in 1997. No other business disposal qualifies to be treated as 'Discontinued operations' in these accounts.

(d) Net operating assets are tangible fixed assets, stocks and debtors less trade and other creditors (excluding taxation and dividends) and less provisions for liabilities and charges other than deferred taxation, deferred purchase consideration and certain balances arising as a result of the sale of the speciality chemicals businesses.

(e) The results for Turkey, formerly reported under Africa and Middle East region, are reported within Europe from 1 January 1998. Results for 1997 have been restated on the same basis.

Unilever Group

Notes to the consolidated accounts

1 Segmental information (continued)

Fl. million	1998	1997
Net operating assets [(d)(e)]		
By geographical area:		
Europe	**6 975**	6 782
North America	**3 759**	3 693
Africa and Middle East	**1 543**	1 705
Asia and Pacific	**2 664**	3 153
Latin America	**2 838**	2 999
	17 779	18 332
By operation:		
Foods – Oil & dairy based foods and bakery	**2 599**	3 074
– Ice cream and beverages	**4 816**	4 571
– Culinary and frozen foods	**2 948**	3 139
Home Care	**3 907**	3 944
Personal Care	**3 143**	3 180
Plantations, Plant Science & Trading Operations	**366**	424
	17 779	18 332

2 Operating costs

Fl. million	1998			1997		
	Continuing operations	**Acquisitions**	**Total**	Continuing operations	Discontinued operations	Total
Cost of sales	**(48 970)**	**(197)**	**(49 167)**	(49 898)	(2 460)	(52 358)
Distribution and selling costs	**(21 609)**	**(143)**	**(21 752)**	(21 835)	(465)	(22 300)
Administrative expenses	**(8 401)**	**(74)**	**(8 475)**	(11 818)	(558)	(12 376)
	(78 980)	**(414)**	**(79 394)**	(83 551)	(3 483)	(87 034)
Operating costs include:						
Staff costs 3			**(13 370)**			(14 091)
Raw materials and packaging			**(39 008)**			(41 519)
Amortisation of goodwill			**(17)**			—
Depreciation of tangible fixed assets			**(2 051)**			(2 336)
Advertising and promotions			**(11 432)**			(11 545)
Research and development			**(1 828)**			(1 734)
Lease rentals: Plant and machinery			**(280)**			(280)
Other			**(678)**			(663)
Remuneration of auditors:						
Audit fees			**(23)**			(23)
Payments to PricewaterhouseCoopers for non-audit services [(a)]			**(66)**			(46)

(a) Non-audit services include due diligence work in respect of acquisitions and disposals; tax compliance and advisory services and other general consultancy. The payments for non-audit services to PricewaterhouseCoopers are made up of payments to PricewaterhouseCoopers and to Coopers & Lybrand, the previous auditor for the period 1 January 1998 to 30 June 1998. In addition Fl. 1 600 000 was paid for non-audit services to the UK firm of Price Waterhouse for the period 1 January 1998 to 30 June 1998. Non-audit fees in 1997 comprise solely amounts paid to Coopers & Lybrand. In addition, Coopers & Lybrand were paid Fl. 19 million in 1997 for services in connection with the sale of the speciality chemicals businesses. This amount was charged against the profit on disposal.

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Notes to the consolidated accounts

3 Staff costs and employees

	Fl. million 1998	1997
Staff costs:		
Remuneration of employees	**(11 251)**	(11 771)
Emoluments of directors as managers	**(26)**	(26)
Pension costs:		
Defined benefit schemes:		
Regular cost	**(650)**	(733)
Other	**(245)**	(285)
Amortisation of surpluses/deficits 30	**626**	651
Defined contribution schemes	**(35)**	(80)
Post-retirement health benefits	**(154)**	(111)
Social security costs	**(1 635)**	(1 727)
Superannuation of former directors	**—**	(9)
Total staff costs	**(13 370)**	(14 091)

Details of the remuneration of directors which form part of these accounts are given in the following sections of the Directors' remuneration and interests report: 'Directors' pensions' on pages 30 and 31; 'Directors' emoluments' on page 32; 'Directors' interests: share options' on pages 33, 34 and 35 and 'Advisory Directors' on page 37.

	1998	1997
The average number of employees during the year was, in thousands:		
Europe	**83**	93
North America	**23**	27
Africa and Middle East	**58**	61
Asia and Pacific	**73**	76
Latin America	**30**	30
	267	287

4 Exceptional items

	Fl. million 1998	1997
Included in operating profit		
Restructuring	**(585)**	(1 492)
Other including business disposals	**861**	(308)
	276	(1 800)
By geographical area:		
Europe	**398**	(850)
North America	**86**	(808)
Africa and Middle East	**(3)**	(10)
Asia and Pacific	**(115)**	(61)
Latin America	**(90)**	(71)
	276	(1 800)
By operation:		
Foods – Oil & dairy based foods and bakery	**(154)**	(725)
– Ice cream and beverages	**(168)**	(248)
– Culinary and frozen foods	**(112)**	(465)
Home Care	**(135)**	(183)
Personal Care	**(49)**	(177)
Plantations, Plant Science & Trading Operations	**894**	(2)
	276	(1 800)

These amounts are mainly included in administrative expenses.

	1998	1997
Non-operating exceptional items		
Profit on sale of speciality chemicals businesses	**—**	8 482
Loss on disposal of fixed assets	**—**	(484)
	—	7 998

Of the above profit on sale of the speciality chemicals businesses Fl. 53 million was attributable to minority interests and was reported under this heading in the profit and loss account.

5 Interest

	1998	1997
Interest payable and similar charges:		
Bank loans and overdrafts	**(424)**	(306)
Bonds and other loans	**(424)**	(686)
Interest receivable and similar income	**1 187**	857
Exchange differences	**5**	(95)
	344	(230)

Unilever Group

Notes to the consolidated accounts

6 Taxation on profit on ordinary activities

	Fl. million 1998	1997
Parent and group companies [a]	(3 333)	(4 177)
Joint ventures	(5)	(8)
	(3 338)	(4 185)
Of which:		
Tax on non-operating exceptional items	—	(1 613)
Tax on profit on sale of discontinued speciality chemicals businesses	—	(1 771)
Tax on loss on disposal of fixed assets in continuing businesses	—	158
Adjustments to previous years	146	17
(a) United Kingdom Corporation Tax at 31.0% (1997: 31.5%)	(803)	(648)
less: double tax relief	172	182
plus: non-United Kingdom taxes	(2 702)	(3 711)
	(3 333)	(4 177)
Deferred taxation has been included on a full provision basis for:		
Accelerated depreciation	177	298
Other	(125)	383
	52	681
On a SSAP 15 basis the (charge)/credit for deferred taxation would be:	(87)	30
Profit on ordinary activities after taxation on a SSAP 15 basis would be:	6 667	10 580

Europe is Unilever's domestic tax base. The reconciliation between the computed rate of income tax expense which is generally applicable to Unilever's European companies and the actual rate of taxation charged, expressed in percentages of the profit on ordinary activities before taxation, excluding both the profit and the tax on the profit on non-operating exceptional items, is as follows:

	% 1998	1997
Computed rate of tax (see below)	32	31
Differences due to:		
Other rates applicable to non-European countries	1	2
Incentive tax credits	(1)	(1)
Withholding tax on dividends	1	1
Amortisation of goodwill	—	—
Adjustments to previous years	(1)	—
Other	1	2
Actual rate of tax	33	35

In the above reconciliation, the computed rate of tax is the average of the standard rates of tax applicable in the European countries in which Unilever operates, weighted by the amount of profit on ordinary activities before taxation generated in each of those countries.

7 Dividends on ordinary capital

	Fl. million 1998	1997
Dividends on ordinary capital		
– Interim	(831)	(756)
– Normal final	(1 896)	(1 521)
– Special final [a]	(16 374)	—

(a) Assuming all shareholders elect to take the cash dividend.

8 Goodwill and intangible assets [a]

Cost	
1 January	—
Acquisitions	677
Currency retranslation	(36)
31 December	641
Amortisation	
1 January	—
Charged to profit and loss account	17
Currency retranslation	(2)
31 December	15
Net book value 31 December [b]	626

(a) Arising on businesses purchased after 1 January 1998.
(b) Of which identifiable intangibles have a net book value of Fl. 164 million.

9 Tangible fixed assets

	1998	1997
At cost less depreciation:		
Land and buildings (a)	5 631	6 384
Plant and machinery	12 414	13 663
	18 045	20 047
(a) includes: freehold land	675	759
leasehold land (mainly long-term leases)	168	217
Approximate current replacement cost of tangible fixed assets net of accumulated current cost depreciation	21 255	23 374
On a current replacement cost basis the depreciation charge to the profit and loss account would have been increased by	(565)	(635)
Commitments for capital expenditure at 31 December	627	576

Unilever Group

Notes to the consolidated accounts

9 Tangible fixed assets (continued)

Movements during 1998	Fl. million Land and buildings	Plant and machinery
Cost		
1 January	**8 992**	**26 585**
Currency retranslation	**(495)**	**(1 554)**
Capital expenditure	**372**	**2 556**
Disposals	**(524)**	**(2 181)**
Acquisition/disposal of group companies	**(158)**	**(155)**
Other adjustments	**(42)**	**(23)**
31 December	**8 145**	**25 228**
Depreciation		
1 January	**2 608**	**12 922**
Currency retranslation	**(147)**	**(739)**
Disposals	**(216)**	**(1 664)**
Acquisition/disposal of group companies	**(45)**	**(111)**
Charged to profit and loss account	**184**	**1 867**
Other adjustments	**130**	**539**
31 December	**2 514**	**12 814**
Net book value 31 December	**5 631**	**12 414**
Includes payments on account and assets in course of construction	**245**	**456**

'Other adjustments' to depreciation includes Fl. 589 million of provisions for impairment which have been reallocated from restructuring provisions following the implementation of United Kingdom Financial Reporting Standard 11.

10 Fixed investments

	1998	1997
Share of joint ventures:		
Assets	**166**	97
Liabilities	**(99)**	(56)
Net assets	**67**	41
Other fixed investments	**257**	287
	324	328
Investments listed on a recognised stock exchange	**25**	35
Unlisted investments	**299**	293
	324	328
Market value of listed investments	**62**	63
Movements during the year:		
1 January	**328**	
Acquisitions/disposals	**9**	
Currency retranslation	**(24)**	
Additions/reductions	**(3)**	
Share of profits of joint ventures	**14**	
31 December	**324**	
Income from fixed investments		
Share of joint ventures' operating profit	**67**	50
Share of interest and other income	**—**	7
Share of joint ventures' profit before taxation	**67**	57
Income from other fixed investments	**15**	26
Profit on disposal	**—**	2
	82	85

11 Stocks

	Fl. million 1998	1997
Raw materials and consumables	**4 508**	4 564
Finished goods and goods for resale	**5 953**	5 814
	10 461	10 378

12 Debtors

Due within one year:		
Trade debtors	**8 204**	8 490
Prepayments and accrued income	**795**	839
Other debtors	**2 298**	2 187
	11 297	11 516
Due after more than one year:		
Prepayments to funded pension schemes	**1 258**	1 185
Deferred taxation 18	**1 939**	2 316
Other debtors	**355**	335
	3 552	3 836
Total debtors	**14 849**	15 352

13 Current investments

Listed	**10 711**	8 159
Unlisted	**159**	221
	10 870	8 380

Current investments includes short-term deposits, government securities and A- or higher rated money and capital market instruments.

14 Cash at bank and in hand

On call and in hand	**2 047**	2 214
Repayment notice required	**9 964**	8 936
	12 011	11 150

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Notes to the consolidated accounts

15 Borrowings

	Fl. million 1998	1997
Bank loans and overdrafts	**4 064**	2 268
Bonds and other loans	**6 082**	6 637
	10 146	8 905
The repayments fall due as follows:		
Within 1 year:		
Bank loans and overdrafts	**3 686**	1 824
Bonds and other loans	**1 437**	1 315
Total due within one year	**5 123**	3 139
After 1 year but within 2 years	**1 317**	587
After 2 years but within 5 years	**1 677**	3 069
After 5 years: By instalments	**7**	20
Not by instalments	**2 022**	2 090
Total due after more than one year	**5 023**	5 766
Total amount repayable by instalments any of which are payable after 5 years	**53**	66
Secured borrowings – mainly bank loans and overdrafts	**286**	188
Of which secured against tangible fixed assets	**99**	123

Bonds and other loans

	1998	1997
NV		
8% Notes 1999 (US $)	**375**	406
9% Bonds 2000 (a)	**485**	500
3½% Bonds 2001 (Swiss Frs.) (b)	**414**	414
5⅛% Notes 2001 (Deutschmarks) (c)	**338**	337
6% Notes 2001 (US $)	**375**	406
6⅝% Notes 2001 (US $)	**469**	507
6½% Bonds 2004 (a)	**350**	350
7⅛% Bonds 2004 (French Frs.)	**504**	505
7¼% Bonds 2004 (US $)	**469**	507
6⅝% Notes 2005 (US $)	**375**	406
Other	**879**	132
Total NV	**5 033**	4 470
PLC		
7⅜% Notes 1998 (d)	**—**	334
Total PLC	**—**	334
Sterling equivalent in millions	**—**	100
Other group companies		
USA		
8⅞% Notes 1998	**—**	304
9¼% Notes 2000 (e)	**749**	811
Other	**6**	189
Other loans	**294**	529
Total other group companies	**1 049**	1 833
Total bonds and other loans	**6 082**	6 637

15 Borrowings (continued)

Swapped into:
(a) floating rate guilders
(b) floating rate guilders and United States dollars
(c) floating rate Deutschmarks and fixed rate Canadian dollars
(d) floating rate sterling
(e) floating rate United States dollars

Derivative financial instruments are used to swap portions of fixed interest debt into floating rate debt as part of Unilever's interest rate management policy. Further details are set out in note 32 on page 27.

The average interest rate on short-term borrowings in 1998 was 8% (1997: 8%).

There are extensive credit facilities available to Unilever in all the principal countries in which it operates to meet the day to day needs of operating companies.

All facilities are in accordance with normal terms for prime commercial borrowers and carry commitment fees, the amounts of which are not material.

16 Trade and other creditors

	Fl. million 1998	1997
Due within one year:		
Trade creditors	**7 688**	7 948
Social security and sundry taxes	**869**	922
Accruals and deferred income	**4 040**	3 853
Taxation on profits	**1 422**	1 227
Dividends	**17 886**	1 561
Others	**2 586**	3 031
	34 491	18 542
Due after one year:		
Accruals and deferred income	**272**	199
Taxation on profits	**1 147**	1 050
Others	**260**	248
	1 679	1 497
Total creditors	**36 170**	20 039

17 Pensions and similar obligations

	1998	1997
These are predominantly long-term liabilities:		
Unfunded pension schemes	**4 681**	4 730
Funded pension schemes	**268**	163
Post-retirement health benefits	**1 560**	1 556
	6 509	6 449
Movements during the year:		
1 January	**6 449**	
Currency retranslation	**(241)**	
Profit and loss account	**458**	
Payments	**(342)**	
Acquisitions/disposals	**30**	
Other adjustments	**155**	
31 December	**6 509**	

Further details of Unilever's pension and post-retirement benefits are given in notes 30 and 31 on page 26.

Unilever Group

Notes to the consolidated accounts

18 Deferred taxation and other provisions

	Fl. million 1998	1997
Deferred taxation on:		
Accelerated depreciation	**2 547**	2 896
Stock reliefs	**126**	95
Pension and similar provisions	**(1 016)**	(1 045)
Short-term and other timing differences	**(2 305)**	(2 687)
Advance Corporation Tax	**—**	(151)
	(648)	(892)
Less asset balances reclassified as debtors due after more than one year 12	**1 939**	2 316
	1 291	1 424
Restructuring provisions	**1 216**	2 528
Other provisions	**491**	517
	2 998	4 469

The gross deferred tax asset and liability have been disclosed in debtors and provisions respectively. The prior year amounts, previously reported net, have been restated on the same basis.

	Fl. million 1998	1997
Movements in deferred taxation:		
1 January	**(892)**	
Currency retranslation	**53**	
Acquisition/disposal of group companies	**92**	
Profit and loss account	**(52)**	
ACT offset	**151**	
31 December	**(648)**	
On a SSAP 15 basis provision for deferred taxation would be:	**185**	100
Movements in restructuring provisions:		
1 January	**2 528**	
Currency retranslation	**(47)**	
Profit and loss account – new charges	**1 043**	
– releases	**(151)**	
Utilisation	**(2 157)**	
31 December	**1 216**	
Movements in other provisions:		
1 January	**517**	
Currency retranslation	**(44)**	
Acquisition/disposal of group companies	**22**	
Profit and loss account	**76**	
Utilisation	**(80)**	
31 December	**491**	

19 Capital and reserves

	Fl. million 1998	1997
Movements during the year:		
1 January	**24 734**	15 350
Profit of the year retained	**(12 628)**	8 631
Goodwill written back on the sale of speciality chemicals businesses	**—**	1 729
Other goodwill movements	**6**	(1 606)
Currency retranslation	**(1 329)**	701
Change in book value of shares or certificates held in connection with share options 20	**(319)**	(72)
Issue of new shares under PLC share option schemes	**—**	1
31 December	**10 464**	24 734
As required by United Kingdom Financial Reporting Standard 4 capital and reserves can be analysed as follows:		
Equity:		
Ordinary capital	**10 199**	24 469
Non-equity:		
7% Cumulative Preference	**29**	29
6% Cumulative Preference	**161**	161
4% Cumulative Preference	**75**	75
Total non-equity	**265**	265
	10 464	24 734

Unilever Group

Notes to the consolidated accounts

20 Called up share capital

Authorised 1998	Authorised 1997		Nominal value per share	Number of shares allotted	Allotted, called up and fully paid 1998	1997
		Preferential share capital				
Fl. million		**NV**			Fl. million	
75	75	7% Cumulative Preference	Fl. 1 000	29 000	**29**	29
200	200	6% Cumulative Preference	Fl. 1 000	161 060	**161**	161
75	75	4% Cumulative Preference	Fl. 100	750 000	**75**	75
350	350				**265**	265
		Ordinary share capital				
Fl. million		**NV**			Fl. million	
1 000	1 000	Ordinary	Fl. 1	640 165 000	**640**	640
2	2	Ordinary (shares numbered 1 to 2 400 - 'Special Shares')	Fl. 1 000	2 400	**2**	2
—	—	Internal holdings eliminated in consolidation (Fl. 1 000 shares)			**(2)**	(2)
1 002	1 002				**640**	640
		Total NV share capital			**905**	905
£ million		**PLC**			£ million	
136.2		Ordinary: (1998)	1.25p	3 260 695 640	**40.8**	
	136.2	(1997)	1.25p	3 260 613 800		40.8
0.1	0.1	Deferred	£1 stock	100 000	**0.1**	0.1
—	—	Internal holdings eliminated in consolidation (£1 stock)			**(0.1)**	(0.1)
136.3	136.3	Total PLC share capital			**40.8**	40.8
		Guilder equivalent in millions (at Fl. 12 = £1)			**489**	489

The classes of preferential share capital of NV are entitled to dividends at the rates indicated. A nominal dividend of ¼% is paid on the deferred stock of PLC.

The 4% cumulative preference capital of NV is redeemable at par at the Company's option either wholly or in part. The other classes of preferential share capital of NV and the deferred stock of PLC are not redeemable.

Each shareholder of NV has one vote for each Fl. 1 of capital held of whatever class. Each shareholder of PLC has one vote for each 1.25p of capital held. N.V. Elma and United Holdings Limited (see 'Internal holdings') may not, by law, exercise any votes in general meetings of shareholders of NV, and United Holdings Limited may not exercise any votes in general meetings of PLC.

In accordance with the Equalisation Agreement and the Articles of Association of NV and PLC, if either or both companies go into liquidation, the amounts available for distribution amongst shareholders are applied firstly to the repayment of preferential capital and arrears of dividends on preferential capital, and secondly to the distribution to ordinary shareholders of any reserves that have arisen under the Equalisation Agreement. Any remaining surplus is then pooled and distributed amongst the holders of ordinary shares of both companies such that the amount payable on each Fl. 12 nominal of ordinary capital of NV is equal at the relevant rate of exchange to the amount payable on each £1 nominal of ordinary capital of PLC. The holders of PLC's deferred stock are only entitled to repayment of capital.

The increase during the year in PLC ordinary shares and share premium account is due to the issue of shares under the PLC 1985 Executive Share Option Schemes.

Under the arrangements for the variation of the Leverhulme Trust, shares in a group company have been issued which are convertible at the end of the year 2038 into a maximum of 207 500 000 ordinary shares of PLC.

Internal holdings

The ordinary shares numbered 1 to 2 400 (inclusive) in NV and deferred stock of PLC are held as to one half of each class by N.V. Elma – a subsidiary of NV – and one half by United Holdings Limited – a subsidiary of PLC. This capital is eliminated in consolidation. It carries the right to nominate persons for election as directors at general meetings of shareholders. The above mentioned subsidiaries have waived their rights to dividends on their ordinary shares in NV.

The directors of N.V. Elma are NV and PLC, who with Mr N W A FitzGerald and Mr M Tabaksblat are also directors of United Holdings Limited.

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Notes to the consolidated accounts

20 Called up share capital (continued)

Share options

Options granted to directors and employees to acquire ordinary shares of NV and PLC and still outstanding at 31 December 1998 were as follows:

	Number of shares	Range of option prices per share	Date normally exercisable
NV Executive Share Option Scheme	123 532	Fl. 48.00 - Fl. 51.27	1999
(Shares of Fl. 1)	403 660	Fl. 50.30 - Fl. 56.62	1999 - 2000
	588 552	Fl. 58.52 - Fl. 71.62	1999 - 2001
	345 224	Fl. 94.30	1999 - 2002
	532 946	Fl. 143.20 - Fl. 152.70	1999 - 2003
(Shares of 1.25p)	2 282 940	£4.07	1999 - 2002
	3 508 977	£6.09 - £6.68	1999 - 2003
North American Executive Stock Option Plan	48 800	US $ 25.69	1999 - 2002
(Shares of Fl. 1 of the New York Registry)	122 536	US $ 26.81	1999 - 2003
	229 116	US $ 25.67	1999 - 2004
	303 682	US $ 31.60 - US $ 31.95	1999 - 2005
	418 340	US $ 33.89	1999 - 2006
	318 753	US $ 48.74	1999 - 2007
	261 073	US $ 76.69	1999 - 2007
(Shares of 1.25p in the form of American Depositary Receipts)	2 131 120	US $ 6.72	1999 - 2007
	1 747 196	US $ 10.85	1999 - 2007
PLC 1985 Executive Share Option Schemes	128 208	£1.62 - £1.66	1999
(Shares of 1.25p)	107 440	£1.83 - £1.84	1999 - 2000
	391 524	£2.07 - £2.27	1999 - 2001
	494 048	£2.54 - £2.62	1999 - 2002
	1 279 524	£2.54 - £2.83	1999 - 2003
	1 694 544	£2.83 - £2.98	1999 - 2004
	893 464	£3.07	1999 - 2005
	1 397 680	£3.08	1999 - 2005
	721 800	£3.43	1999 - 2006
	27 660	£4.07	2000 - 2006
	6 620	£4.53	2000 - 2007
	300 952	£6.68 - £6.79	2001 - 2007
PLC International 1997 Executive Share Option Scheme	215 416	Fl. 94.30	2000 - 2006
(Shares of Fl. 1)	1 436	Fl. 109.38	2000 - 2007
	329 476	Fl. 152.70 - Fl. 163.60	2001 - 2007
(Shares of 1.25p)	1 388 654	£4.07	2000 - 2006
	2 656	£4.53	2000 - 2007
	1 857 078	£6.68 - £6.79	2001 - 2007
NV Employee Share Option Scheme	61 266	Fl. 50.87	1999
(Shares of Fl. 1)	69 064	Fl. 68.75	1999 - 2000
	68 395	Fl. 94.75	1999 - 2001
	268 962	Fl. 127.00	2003
North American Employee Stock Purchase Plan			
(Shares of Fl. 1 of the New York Registry)	785 756	US $ 47.83	1999
PLC 1985 Sharesave Scheme	250 070	£2.28	1999
(Shares of 1.25p)	3 860 107	£2.29	1999 - 2000
	5 953 667	£2.68	2000 - 2001
	6 458 624	£2.78	2001 - 2002
	9 274 219	£3.71	2002 - 2003
	6 232 334	£5.94	2003 - 2004

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Notes to the consolidated accounts

20 Called up share capital (continued)

Share options

At 31 December 1998 certain group companies held certificates or depositary receipts representing 5 152 836 (1997: 5 061 068) Fl. 1 ordinary shares of NV and 9 750 637 (1997: 4 562 480) 1.25p ordinary shares of PLC in connection with NV share option schemes and North American stock option/purchase plans. The book values of these shares, Fl. 593 million (1997: Fl. 419 million), is eliminated in consolidation by deduction from other reserves (see note 22 on page 21). The market value of these shares at 31 December 1998 was Fl. 1 032 million (1997: Fl. 712 million).

Trusts exist in Jersey and the United Kingdom to purchase and hold NV and PLC shares to satisfy options granted under the share option schemes in the United Kingdom. At 31 December 1998 the trusts together held 551 802 (1997: 220 276) Fl. 1 ordinary shares of NV and 39 623 389 (1997: 43 072 741) 1.25p ordinary shares of PLC. The book value of these shares, Fl. 537 million (1997: Fl. 449 million), is deducted from other reserves (see note 22 on page 21). The trustees of each of the trusts have agreed, until further notice, to waive dividends on the PLC shares held, save for the nominal sum of 0.0025p per 1.25p ordinary share of PLC. The market value of these shares at 31 December 1998 was Fl. 859 million (1997: Fl. 776 million).

21 Profit retained

Fl. million	NV		PLC	
	1998	1997	**1998**	1997
Net profit	**3 655**	7 649	**2 833**	3 274
Preference dividends	**(15)**	(15)	**—**	—
Normal dividends on ordinary capital	**(1 594)**	(1 415)	**(1 133)**	(862)
Special dividend	**(9 282)**	—	**(7 092)**	—
Profit of the year retained	**(7 236)**	6 219	**(5 392)**	2 412
Goodwill written back on sale of speciality chemicals businesses	**—**	1 318	**—**	411
Other goodwill movements	**(181)**	(1 571)	**187**	(35)
Currency retranslation	**(747)**	563	**(609)**	165
Net movement during the year	**(8 164)**	6 529	**(5 814)**	2 953
Profit retained – 1 January	**15 519**	8 990	**8 640**	5 687
Profit retained – 31 December	**7 355**	15 519	**2 826**	8 640
Of which retained by:				
Parent companies	**2 388**	6 118	**1 929**	2 989
Other group companies	**4 965**	9 418	**893**	5 650
Joint ventures	**2**	(17)	**4**	1
	7 355	15 519	**2 826**	8 640
Cumulative goodwill written off	**(14 521)**	(14 340)	**(6 104)**	(6 291)

22 Other reserves

	NV 1998	NV 1997	PLC 1998	PLC 1997
Adjustment on translation of PLC's ordinary capital at £1 = Fl. 12	**—**	—	**(362)**	(353)
Capital redemption reserve	**—**	—	**36**	38
Book value of shares or certificates held in connection with share options [(a)]	**(498)**	(378)	**(632)**	(490)
	(498)	(378)	**(958)**	(805)

(a) Under UITF 13 these shares would be classified as fixed assets.

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Notes to the consolidated accounts

23 Commitments

	Fl. million 1998	1997
Long-term lease commitments under operating leases in respect of:		
Land and buildings	**2 661**	2 584
Other tangible fixed assets	**943**	1 177
	3 604	3 761
The commitments fall due as follows:		
Within 1 year	**708**	712
After 1 year but within 5 years	**1 856**	1 873
After 5 years	**1 040**	1 176
	3 604	3 761
Other commitments	**553**	346
Of which payable within one year	**187**	246

24 Contingent liabilities

Contingent liabilities amounting to Fl. 450 million (1997: Fl. 399 million) arise from guarantees. These guarantees are not expected to give rise to any material loss. Guarantees given by parent or group companies relating to liabilities included in the consolidated accounts are not included.

Other contingent liabilities arise in respect of litigation against companies in the Group, investigations by competition authorities and obligations under environmental legislation in various countries. These are not expected to give rise to any material loss.

25 Acquisition and disposal of group companies

The net assets and results of acquired businesses are included in the consolidated accounts from their respective dates of acquisition. The following table sets out the effect of acquisitions of group companies in 1998 on the consolidated balance sheet. Acquisition accounting has been applied in all cases.

Fl. million **Acquisitions**	Balance sheets of acquired businesses	Adjustments to align accounting policies	Revaluations	**Fair values at date of acquisition**
Intangible assets	181	(20)	23	**184**
Fixed assets	118	(10)	(95)[b]	**13**
Current assets	151	—	—	**151**
Creditors	(138)	(7)	(16)	**(161)**
Provisions for liabilities and charges:				
Pensions and similar obligations	(46)	3	10	**(33)**
Deferred taxation	—	(108)[b]	13	**(95)**
Other provisions	—	(6)	—	**(6)**
Minority interests	—	56	—	**56**
Total net assets acquired	266	(92)	(65)	**109**

	Fl. million 1998	1997
Acquisitions		
Net assets acquired	**109**	1 048
Goodwill arising on 1998 acquisitions	**493**	—
Goodwill written off (a)(b)	**181**	2 000
Consideration	**783**	3 048
Of which:		
Cash	**747**	2 941
Non cash and deferred consideration	**36**	107

(a) Adjustments to goodwill on acquisitions made before 1 January 1998.

(b) This is mainly in respect of final fair value adjustments arising on the Kibon acquisition of 1997.

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Notes to the consolidated accounts

25 Acquisition and disposal of group companies (continued)

Fl. million	1998 Total	1997 Speciality Chemicals businesses	1997 Other	1997 Total
Disposals				
Fixed assets	**161**	3 951	591	4 542
Current assets	**102**	3 069	792	3 861
Creditors	**(46)**	(1 141)	(384)	(1 525)
Provisions for liabilities and charges:				
Pensions and similar obligations	**(3)**	(365)	(145)	(510)
Deferred taxation	**(3)**	(432)	3	(429)
Other provisions	**16**	214	63	277
Minority interests	**(33)**	27	(1)	26
Net assets sold	**194**	5 323	919	6 242
Attributable goodwill	**187**	1 730	394	2 124
Profit on sale attributable to Unilever	**1 079**	8 419	(95)	8 324
Consideration	**1 460**	15 472	1 218	16 690
Of which:				
Cash	**1 460**	15 257	1 126	16 383
Non cash and deferred consideration	**—**	215	92	307

In 1998 consideration of Fl. 1 032 million and net assets of Fl. 46 million relate to the sale of Plant Breeding International. The values of net assets acquired and of consideration payable and receivable are provisional and will be subject to adjustment as fair values are finalised during 1999.

26 Reconciliation of operating profit to operating cash flows

Fl. million	1998 Total	1997 Continuing businesses	1997 Discontinued operations
Operating profit	**9 718**	7 049	514
Depreciation and amortisation	**2 068**	2 188	148
Changes in working capital:			
Stocks	**(940)**	259	(8)
Debtors	**(493)**	(331)	(151)
Creditors	**386**	901	(29)
Pensions and similar provisions less payments	**116**	(7)	17
Restructuring and other provisions less payments	**(101)**	1 258	57
Other adjustments	**(806)**	376	8
Cash flow from operating activities	**9 948**	11 693	556

In 1998 an exceptional credit of Fl. 276 million was taken in operating profit, of which a charge of Fl. 585 million was for restructuring.

The net cash flow in respect of these restructuring charges is expected to be Fl. 220 million. Of this, Fl. 204 million is in respect of employee compensation costs; proceeds of disposal of fixed assets Fl. 62 million, with other related cash outflows of approximately Fl. 79 million. Of these cash flows, Fl. 125 million arose in 1998 and Fl. 95 million is expected in 1999 and later years. Cash flows in 1998 from restructuring in earlier years were in line with expectations.

The other operating exceptional items, principally the disposal of businesses, amount to Fl. 861 million. The cash impact is Fl. 1 289 million all of which was received in 1998.

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27 Analysis of cash flows for headings netted in the cash flow statement

	Fl. million 1998	1997
Returns on investments and servicing of finance		
Dividends from joint ventures	**53**	58
Dividends from other fixed investments	**15**	27
Interest received	**1 521**	730
Interest paid	**(1 098)**	(1 160)
Preference dividend paid	**(15)**	(15)
Dividends and other payments to minority shareholders	**(275)**	(390)
	201	(750)
Capital expenditure and financial investment		
Purchase of tangible fixed assets	**(2 934)**	(3 038)
Disposal of tangible fixed assets	**172**	309
Acquisition/disposal of fixed investments	**(2)**	27
Purchase of own shares (employee share schemes)	**(319)**	(72)
	(3 083)	(2 774)

In 1997 the discontinued speciality chemicals businesses accounted for Fl. 249 million of net capital expenditure and Fl. 117 million of taxation. In addition, payments of approximately Fl. 1 300 million were made during 1997 in respect of taxation on the profit on disposal of these businesses.

27 Analysis of cash flows for headings netted in the cash flow statement (continued)

	Fl. million 1998	1997
Acquisitions and disposals		
Acquisition of group companies 25	**(747)**	(2 941)
Cash balances of businesses acquired	**35**	65
Consideration paid in respect of acquisitions made in previous years	**—**	—
Disposal of group companies 25	**1 460**	16 383
Speciality chemicals businesses	**—**	15 257
Other disposals	**1 460**	1 126
Cash balances of businesses sold	**(4)**	16
Speciality chemicals businesses	**—**	(77)
Other disposals	**(4)**	93
Consideration received in respect of disposals made in previous years	**—**	226
	744	13 749
Management of liquid resources		
Purchase of current investments	**(3 618)**	(7 177)
Sale of current investments	**640**	38
(Increase)/decrease in cash on deposit	**(1 435)**	(6 983)
	(4 413)	(14 122)
Financing		
Issue of ordinary share capital (employee share schemes)	**—**	1
Issue of shares by group companies to minority shareholders	**37**	94
Debt due within one year:		
Increases	**1 129**	1 584
Repayments	**(1 102)**	(3 199)
Debt due after one year:		
Increases	**79**	188
Repayments	**(51)**	(185)
	92	(1 517)

Included as liquid resources are term deposits of less than one year, government securities and A- or higher rated money and capital market instruments.

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28 Analysis of net funds/(debt)

Fl. million	1 January 1998	Cash flow	Acquisitions/ Disposals (excluding cash & overdrafts)	Other non cash changes	Currency movement	31 December 1998
Cash on call and in hand	2 214	31			(198)	2 047
Overdrafts	(812)	(1 686)			94	(2 404)
		(1 655)				
Borrowings due within one year	(2 327)	(27)	(6)	(517)	158	(2 719)
Borrowings due after one year	(5 766)	(28)	(24)	522	273	(5 023)
		(55)				
Current investments	8 380	2 978	—	(27)	(461)	10 870
Cash on deposit	8 936	1 435	(4)	—	(403)	9 964
		4 413				
Net funds/(debt)	10 625	2 703	(34)	(22)	(537)	12 735

Other non cash changes include profits and losses on disposal and adjustments to realisable value of current investments; exchange gains and losses on borrowings; and the reclassification of long-term borrowings falling due within one year at the balance sheet date.

29 Combined earnings per share

The calculations of combined earnings per share are based on the net profit attributable to ordinary capital divided by the average number of share units representing the combined ordinary capital of NV and PLC in issue during the year, after deducting shares held to meet Unilever employee share options which are not yet vested. For the calculation of combined ordinary capital the exchange rate of £1 = Fl. 12 has been used, in accordance with the Equalisation Agreement. The basis of the calculation has been changed in accordance with United Kingdom Financial Reporting Standard 14, and prior years have been restated.

	Thousands of Fl. 1 share units		Thousands of 1.25p share units	
	1998	1997	**1998**	1997
Average ordinary capital: NV	**640 165**	640 165	**4 267 767**	4 267 767
PLC	**489 099**	489 080	**3 260 662**	3 260 536
less: shares held by employee share trusts and companies	**(13 100)**	(13 913)	**(87 331)**	(92 754)
Combined average number of share units	**1 116 164**	1 115 332	**7 441 098**	7 435 549
	Fl. million		£ million	
Net profit	**6 488**	10 923	**1 973**	3 331
less: Preference dividends	**(15)**	(15)	**(4)**	(5)
Net profit attributable to ordinary capital	**6 473**	10 908	**1 969**	3 326
Divided by the combined average number of share units equals:	**Fl. 5.80**	Fl. 9.78	**26.45p**	44.74p

The calculations of fully diluted earnings per share are based on (a) conversion into PLC ordinary shares of the shares in a group company which are convertible in the year 2038 as described in note 20 on page 19, and (b) the exercise of share options, details of which are set out in note 20 on page 20.

	Thousands of Fl. 1 share units		Thousands of 1.25p share units	
	1998	1997	**1998**	1997
Combined average number of share units as above	**1 116 164**	1 115 332	**7 441 098**	7 435 549
add: shares issuable in 2038	**23 625**	23 625	**157 500**	157 500
add: shares under option	**11 898**	10 782	**79 317**	71 881
less: shares issueable at fair value	**(7 528)**	(7 338)	**(50 187)**	(48 920)
Adjusted combined average number of share units	**1 144 159**	1 142 401	**7 627 728**	7 616 010
	Fl. million		£ million	
Net profit attributable to ordinary capital as above	**6 473**	10 908	**1 969**	3 326
Divided by the adjusted combined average number of share units equals:	**Fl. 5.66**	Fl. 9.55	**25.80p**	43.68p

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29 Combined earnings per share (continued)

	Fl. million		£ million	
	1998	1997	**1998**	1997
On a SSAP 15 basis the calculations would be:				
Net profit attributable to ordinary capital before adjustment	**6 473**	10 908	**1 969**	3 326
SSAP 15 taxation adjustment	**(139)**	(651)	**(42)**	(205)
Net profit attributable to ordinary capital on SSAP 15 basis	**6 334**	10 257	**1 927**	3 121
Divided by the combined average number of share units equals:	**Fl. 5.67**	Fl. 9.20	**25.88p**	41.99p

30 Pension schemes

In the majority of countries in which the Group operates, employees' retirement arrangements are provided by defined benefit schemes based on employee pensionable remuneration and length of service. These are either externally funded, with the assets of the scheme held separately from those of the Group in independently administered funds, or are unfunded but with provisions maintained in the Group balance sheet. All are subject to regular actuarial review. Actuarial advice is provided by both external consultants and actuaries employed by the Unilever Group.

Valuations are carried out annually for the largest schemes and at least every three years for other schemes using the projected unit method, with the aim of ensuring that as far as possible current and future regular pension charges remain a stable percentage of pensionable payroll. The actuarial assumptions used to calculate the benefit obligation vary according to the economic conditions of the country in which the plan is situated. It is usually assumed that, over the long-term, the annual rate of return on investments will be higher than the annual increase in pensionable remuneration and in present and future pensions in payment. For the key factors influencing the actuarial valuations, the average assumptions for the principal schemes, weighted by market value, at their most recent valuation were: interest rate 7.7% p.a.; salary increases 4.9% p.a.; pension increases 3.5% p.a.; assets at smoothed market value.

At 31 December 1998 the market value of the assets of externally funded defined benefit schemes was Fl. 29 175 million (1997: Fl. 29 766 million), and net provisions in the accounts amounted to Fl. 3 691 million (1997: Fl. 3 708 million). The level of funding of all defined benefit schemes at the dates of the last valuations, in aggregate, was 127% (1997: 124%). The levels of funding represent the actuarial value of fund assets and the provisions held in the consolidated accounts at the dates of the most recent valuations expressed as a percentage of the value of benefits that had accrued to members at those dates, after allowing for expected future increases in pensionable remuneration and pensions in the course of payment.

Pension costs and company contributions to defined benefit schemes (as shown in note 3 on page 14) have been reduced in recent years by the amortisation of surpluses in some funds. It is expected that pension costs will continue to benefit from the amortisation of fund surpluses for a number of years, albeit at a lower level.

In 1998 the Group received a cash refund of Fl. 350 million from a Netherlands fund in a surplus position. This cash refund does not directly impact the pension charge for 1998 as the surplus is amortised in accordance with accounting policies. Further refunds from this fund are expected in 1999 and 2000 and from a Finnish fund in 1999.

The Group also operates a number of defined contribution schemes. The assets of all the Group's defined contribution schemes are held in independently administered funds. The pension costs charged to the profit and loss account represent contributions payable by the Group to the funds. The market value of the assets of externally funded defined contribution schemes as at 31 December 1998 was Fl. 3 378 million (1997: Fl. 3 140 million).

31 Post-retirement health benefits

Group companies provide post-retirement health care benefits to a number of retired employees in certain countries, principally the United States, under several different plans which are predominantly unfunded. In assessing the liability in respect of these benefits, advice is obtained from independent actuaries. The valuations typically assume that medical cost inflation will fall from its current level of approximately 8.5% over the next few years and reach a constant level of approximately 5.0% by the year 2005. The weighted average discount rate has reduced from approximately 6.5% at 1 January 1998 to approximately 6.0% at 31 December 1998. The net provisions in the accounts at 31 December 1998 amounted to Fl. 1 560 million (1997: Fl. 1 556 million). The level of funding of all schemes at the last valuation was, in aggregate, 99% (1997: 107%). The level of funding represents the actuarial value of plan assets and the provisions held in the consolidated accounts at the dates of the most recent valuations, expressed as a percentage of the value of the benefits that had accrued to members at those dates.

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32 Financial instruments

As outlined in the 'Unilever Annual Review 1998', in the Financial Review section on page 48, there are comprehensive policies in place, approved by the directors, covering the use of straightforward derivative financial instruments. Such instruments are used solely for hedging purposes. The use of leveraged instruments is not permitted. The accounting policies governing these instruments are fully in line with generally accepted practice. Details of the instruments used in connection with interest rate and foreign exchange risk management, together with information on related exposures, are given below.

Under the interest rate management policy, interest rates are fixed on a proportion of debt and investments for periods up to 10 years. This is achieved by using fixed rate long-term debt issues together with a range of derivative financial instruments such as interest rate swaps, cross currency swaps, forward rate agreements, swaptions, and interest rate caps and floors.

At the end of 1998 interest rates were fixed on approximately 72% of the projected debt for 1999 and 50% for 2000 (compared to 80% for 1998 and 74% for 1999 at the end of 1997). Similarly, interest receivable was fixed on approximately 31% of projected funds for 1999 and 16% for 2000 (compared to 48% for 1998 and 35% for 1999 at the end of 1997). Nominal values of interest rate derivative instruments are shown in the table below. These nominal values are relatively high in relation to total debt and investments because certain financial instruments have consecutive strike and maturity dates on the same underlying debt in different periods. In addition, derivatives are used to swap fixed interest long-term debt into floating rate debt. Whilst the nominal amounts reflect the volume of activity, they do not therefore properly reflect the considerably lower amounts of credit and market risks to which the Group is exposed. The market value of these interest rate instruments at the end of 1998 represented an unrealised gain of Fl. 243 million (1997: Fl. 107 million).

Fl. million	Nominal amounts at 31 December	
	1998	1997
Interest rate swaps	**11 280**	14 495
Forward rate agreements	**—**	—
Swaptions, caps, floors	**337**	337
Total	**11 617**	14 832

Under the Group's foreign exchange policy, exposures with a maximum of one year maturity are generally hedged; this is achieved through the use of forward foreign exchange contracts and, to a limited extent, foreign currency options. The market value of these instruments at the end of 1998 represented an unrealised loss of Fl. 190 million (1997: Fl. 46 million).

Fl. million	Nominal amounts at 31 December	
	1998	1997
Foreign exchange contracts – buy	**9 872**	4 670
– sell	**17 642**	8 590
Total	**27 514**	13 260

The undernoted table summarises the fair values and carrying amounts of the various classes of financial instruments as at 31 December.

Fl. million	Fair value		Carrying amount	
	1998	1997	**1998**	1997
Fixed investments	**294**	315	**257**	287
Current investments	**10 870**	8 380	**10 870**	8 380
Cash	**12 011**	11 150	**12 011**	11 150
Bonds and other loans	**(6 422)**	(6 912)	**(6 082)**	(6 637)
Bank loans and overdrafts	**(4 064)**	(2 268)	**(4 064)**	(2 268)
Interest rate swaps – assets	**362**	270	**—**	43
– liabilities	**(119)**	(163)	**(44)**	—
Forward rate agreements – liabilities	**—**	—	**(3)**	—
Foreign exchange contracts – assets	**66**	127	**(190)**	(47)
– liabilities	**(256)**	(173)	**—**	—
Swaptions, caps, floors – liabilities	**—**	—	**—**	—

The fair values of fixed investments are based on their market value. The fair values of forward foreign exchange contracts represent the unrealised gain or loss on revaluation of the contracts to year end rates of exchange. The fair values of bonds and other loans, interest rate swaps, forward rate agreements, swaptions, caps and floors are estimated based on the net present value of the discounted anticipated future cash flows associated with these instruments.

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33 Summarised accounts of the NV and PLC parts of the Group

The following summarised accounts present the profit and loss account and balance sheet of the Unilever Group, analysed between the NV and PLC parts of the Group according to respective ownership.

Profit and loss account for the year ended 31 December

Fl. million	NV		PLC	
	1998	1997	**1998**	1997
Turnover	**61 495**	65 239	**27 617**	29 358
Continuing operations	**61 107**	62 586	**27 568**	28 014
Acquisitions	**388**		**49**	
Discontinued operations	**—**	2 653	**—**	1 344
Operating profit	**5 565**	4 555	**4 153**	3 008
Continuing operations	**5 545**	4 217	**4 150**	2 832
Acquisitions	**20**		**3**	
Discontinued operations	**—**	338	**—**	176
Profit on sale of discontinued speciality chemicals businesses	**—**	6 463	**—**	2 019
Loss on disposal of fixed assets in continuing businesses	**—**	(330)	**—**	(154)
Income from fixed investments	**58**	69	**24**	16
Interest	**93**	(182)	**251**	(48)
Profit on ordinary activities before taxation	**5 716**	10 575	**4 428**	4 841
Taxation	**(2 024)**	(2 857)	**(1 314)**	(1 328)
Profit on ordinary activities after taxation	**3 692**	7 718	**3 114**	3 513
Minority interests	**(37)**	(69)	**(281)**	(239)
Net profit	**3 655**	7 649	**2 833**	3 274

Balance sheet as at 31 December

	NV 1998	NV 1997	PLC 1998	PLC 1997
Fixed assets	**12 712**	13 605	**6 283**	6 770
Current assets				
Stocks	**6 831**	6 738	**3 630**	3 640
Debtors due within one year	**8 868**	8 645	**2 429**	2 871
Debtors due after more than one year	**2 274**	2 487	**1 278**	1 349
Cash and current investments	**16 637**	14 415	**6 244**	5 115
	34 610	32 285	**13 581**	12 975
Creditors due within one year				
Borrowings	**(4 428)**	(1 919)	**(695)**	(1 220)
Trade and other creditors	**(21 981)**	(12 706)	**(12 510)**	(5 836)
Net current assets	**8 201**	17 660	**376**	5 919
Total assets less current liabilities	**20 913**	31 265	**6 659**	12 689
Creditors due after more than one year				
Borrowings	**4 771**	5 434	**252**	332
Trade and other creditors	**1 447**	1 180	**232**	317
Provisions for liabilities and charges	**7 320**	8 427	**2 187**	2 491
Intra-group – NV/PLC	**(567)**	(163)	**567**	163
Minority interests	**128**	289	**771**	750
Capital and reserves	**7 814**	16 098	**2 650**	8 636
Total capital employed	**20 913**	31 265	**6 659**	12 689

Unilever Group

Directors' remuneration and interests

Report to the shareholders

The following comprises the report to shareholders by the Boards. In drawing up this report, the Boards have taken into account the recommendations of the Committee on Corporate Governance in the Netherlands (Peters Committee).

The Boards have also given full consideration to the Combined Code appended to the Listing Rules of the London Stock Exchange ('Combined Code') in framing its remuneration policy. PLC's statement of compliance with respect to the Combined Code, as required by the said Listing Rules, is on page 5. This report deals with any non-compliance with the Combined Code in the area of remuneration policy.

The Boards are guided by a Remuneration Committee comprising FH Fentener van Vlissingen (Chairman), Sir Derek Birkin and B Collomb which makes recommendations to the Boards on Unilever's framework of executive remuneration. The Committee determines, on the Boards' behalf, specific remuneration packages for each of the executive directors, including pension rights, grants of share options and any compensation payments.

Policy: directors' emoluments

The objective of Unilever's remuneration policy for directors is to motivate and retain top class business people able to direct and lead a large global company, and to reward them accordingly.

The Remuneration Committee believes that the level of remuneration of Dutch or British directors resident in their home countries should be in line with that of executive directors of major international industrial companies based in the Netherlands and the United Kingdom respectively who have similar responsibilities to a Unilever director whilst recognising Unilever's size and special features. The levels of remuneration of the Chairmen and the members of the Executive Committee take into account their special responsibilities and provide differentials comparable to those found in other major international industrial companies. A director who is not resident in his home country is paid at the level of remuneration appropriate to his place of residence if this is higher than that in his home country. However, directors not of Dutch or British nationality are, in principle, to be no worse off than they would be if based in their home country in a job of comparable importance.

Levels of remuneration are reviewed annually by the Remuneration Committee in the light of external expert advice which assesses competitive levels of remuneration in the largest companies relevant to the residence of the group of Unilever directors concerned. Comparison is also made with the remuneration of other employees within Unilever.

The Remuneration Committee's policy is to seek to link reward closely to performance by using merit pay increases and bonuses based on both corporate and personal performance.

NV and PLC and their group companies constitute a single group. It is therefore the practice for directors to receive emoluments from both NV and PLC because they serve both companies. Emoluments, wherever stated, include payments from both NV and PLC. All emoluments and fees earned by directors from outside directorships and like sources are required to be paid to and are retained by Unilever.

All directors' emoluments, including those of the Chairmen, are made up of the following elements:

(i) Salary:
Salaries are fixed by the Remuneration Committee. They are usually fixed in the currency appropriate to the location, the Netherlands, United Kingdom or United States, where the director is based. Directors, like other employees, receive an additional month's salary in the year they complete 25 years' service with Unilever.

(ii) Allowances and value of benefits in kind:
In appropriate cases, and usually in accordance with the same rules as apply to all qualifying employees, directors receive allowances to help them meet expenses incurred by virtue of their employment, for example in respect of relocation and consequential disturbance and education expenses. Certain of the London based directors receive an allowance to take account of the fact that part of their remuneration is paid in the Netherlands. Benefits in kind are items such as a company car and medical insurance.

(iii) Performance related payments:
These arise primarily under an annual bonus scheme.

Bonuses are set by the Remuneration Committee. The maximum cash bonus for directors is 40% of salary. Bonuses are based on achievement of a target or target range which may involve two measures of performance:

(a) a corporate target; and
(b) individual targets.

The corporate target is based on the average of the increase in earnings per share expressed in guilders and in pounds sterling. The individual targets are based on previously agreed key objectives.

Directors are given the opportunity to use 25% of their cash bonuses, during the year of payment, to purchase shares in NV and PLC and to be awarded shares of equivalent value, upon condition that all the shares are retained for at least five years.

There has also been an incentive scheme related to Unilever's share price under which certain directors received PLC notional executive share options. This scheme was described in the 1996 report and information on these notional options is presented with the information on share options on pages 34 and 35. However, no notional options have been granted since 1993. As at 31 December 1998 there were no outstanding notional options and this scheme is now terminated.

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Policy: directors' pensions

The aim of the Remuneration Committee is that pension and other related benefits should be in line with good practice by major companies in the Netherlands and the United Kingdom, bearing in mind the need to establish reasonable comparability between the conditions for the various nationalities of directors.

All directors are members of the normal Unilever pension schemes. Because directors are paid by both NV and PLC, they participate in both the NV and PLC normal pension schemes. At 1 January 1998, changes were made to the NV normal pension scheme which provided for improved terms on early retirement. The NV scheme has been on a contribution holiday since 1990. The PLC scheme has been on a contribution holiday since January 1997.

All directors are also members of their respective early retirement scheme, which provides an overall pension coverage inclusive of benefits under other Unilever schemes. The current arrangements are that directors belong to either the NV or PLC scheme, depending on their contractual arrangements. NV finances the NV scheme and PLC finances the PLC scheme. Also, under the current arrangements, in order to equalise benefits amongst the directors, those directors who are members of the NV scheme and retire at normal retirement date, receive an additional lump sum amount equal to one year's final pensionable pay. The benefits received by directors under these early retirement schemes are, in most other respects, the same as those generally provided for senior management.

Under both the early retirement schemes, final pensionable pay takes into account the bonuses paid in the last three years prior to termination of service, subject to a maximum of 20%. The Remuneration Committee believes that the policy of allocating a significant part of directors' emoluments to performance related payments instead of salary, whilst retaining control over the overall package of emoluments, should not affect the directors' reasonable expectations of a pension at a level that is in line with that provided by major companies in the Netherlands and the United Kingdom. The Committee does not agree with the recommendations of the Combined Code in this respect but continues to keep the development of best practice in respect of the pensionability of bonuses under review.

Directors' pensions

The pension entitlements of directors are shown separately for those in the NV and PLC early retirement schemes.

NV scheme [1]

	Age, at 31 December 1998		Normal Retirement Age[2]		Contributions paid by director during 1998	Increase in accrued pension during 1998 [3][4]	Total accrued pension at 31 December 1998[4]
	yrs	mths	yrs	mths	Fl.	Fl.	Fl.
M Tabaksblat	61	3	60	0	0	109 564	1 594 620
A Burgmans [5]	51	11	60	0	0	185 428	637 464
H Eggerstedt	60	10	60	0	0	125 406	1 201 528
A Kemner	59	3	60	0	0	113 004	862 026
J Peelen	58	10	60	0	0	110 052	848 523

PLC scheme

	Age, at 31 December 1998		Normal Retirement Age[2]		Contributions paid by director during 1998	Increase in accrued pension during 1998 [3][6]	Total accrued pension at 31 December 1998[6]
	yrs	mths	yrs	mths	£	£	£
NWA FitzGerald	53	4	60	9	0	53 186	448 561
JIW Anderson [7]	60	6	60	0	0	18 317	363 285
RD Brown	52	1	60	0	0	14 371	210 193
AC Butler	52	6	60	0	0	23 254	235 731
RHP Markham [8]	52	10	60	0	0	42 229	204 685
RM Phillips [9]	60	6	60	0	0	16 660	508 735

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Directors' pensions (continued)

(1) The NV early retirement scheme operates on the basis of a justifiable expectation and does not provide a vested deferred entitlement. Members leaving before age 55 have not received any benefit, while those terminating service at age 55 or older can expect to receive an immediate pension under the expectations of the scheme.

(2) Normal Retirement Age is that established for the purposes of the respective early retirement scheme for the director, and generally does not coincide with the termination date of his employment under the terms of his service contracts (see 'Service contracts' on page 37).

(3) The increase in accrued pension during the year excludes any increase for inflation over the year, and is shown on a consistent basis with the accrued pension at the end of the year. For directors retiring during the year, the accrued pension and its increase are based on the position when the director retired. For directors appointed during the year, the increase is based on the difference between the accrued pension at the end of the year and the accrued pension immediately prior to the appointment.

(4) For directors in the NV early retirement scheme aged 55 and over, the accrued pension is the immediate annual pension payable under all Unilever schemes. For the NV director under age 55, no pension is included in respect of the NV early retirement scheme and the accrued pension is that payable in total, under the normal Unilever schemes, ignoring any future inflationary increases. The accrued pension under the normal PLC scheme is payable from age 65, while the accrued pension under the normal NV scheme is shown payable from age 62, which is the age at which the most valuable retirement terms are provided, and includes temporary pensions converted to lifetime equivalent pensions.

(5) 89% of the total accrued pension at 31 December 1998 and 95% of the increase in accrued pension correspond to the normal NV scheme. For the purposes of determining the increase in the accrued pension and following the changes to the normal NV scheme effective 1 January 1998, the element of the accrued pension at 31 December 1997 corresponding to the normal NV scheme was converted, on an actuarially neutral basis, to a pension payable from age 62.

(6) For the PLC scheme, the accrued pension shown is that which would be paid annually from Normal Retirement Age, based on service to 31 December 1998, and includes benefits from all Unilever schemes. It does not include allowance for any future inflationary increases.

(7) Retired during the year.

(8) Elected on 6 May 1998.

(9) The pension will be converted to US dollars upon retirement and will be increased in future to maintain US purchasing power.

Directors' pensions: further information

It is expected that the directors' pensions will be regularly increased in payment and in deferment in line with the increase in the consumer price index in the country, the Netherlands or United Kingdom, to which the scheme in which they participate relates. These pension increases are awarded at the discretion of NV or PLC, as appropriate, although the schemes in the United Kingdom guarantee increases in line with retail price inflation, up to a maximum of 5% per annum.

For directors in the NV early retirement scheme who are aged 55 or more, the immediate early retirement pension is shown. For the NV director who has not attained age 55 by the year end, the pension payable under the normal NV scheme is shown payable from the age at which it is most valuable, while that payable under the normal PLC scheme is payable unreduced (partly discretionary and partly by right) from age 60, and subject to a 5% per annum reduction for each year that retirement precedes age 60.

For directors in the PLC early retirement scheme, early retirement is possible from age 50, in which case the total accrued pension is reduced by 5% per annum for each year of early retirement prior to age 60.

Dependants' and children's pensions are payable under the normal and early retirement schemes in each country. Under the NV normal and early retirement schemes, the spouse's pension is 70% of the member's pension, while under the PLC early retirement scheme, the spouse's pension is 66.7% of the member's retirement pension. Under the normal PLC scheme, the spouse's pension is 50% of the member's pension.

Where, for directors in the NV early retirement scheme, the early retirement pension is shown, this amount will be reduced at age 65 by an allowance, currently Fl. 24 861, corresponding to the State benefits payable. The pension may also be subject to minor adjustments to equalise social security benefits.

Members may pay additional voluntary contributions. Neither the contributions nor the resulting benefits are included in the table of pension entitlements.

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Directors' emoluments

The aggregate emoluments of the directors were as follows:

	Fl. 1998	Fl. 1997	£ 1998	£ 1997
Salary	15 819 554	15 930 952	4 809 837	5 006 522
Allowances and value of benefits in kind	2 416 405	2 411 952	734 693	757 986
Performance related payments (1)	7 797 962	7 614 630	2 370 922	2 393 008
Total	26 033 921	25 957 534	7 915 452	8 157 516
Gains on exercise of share options (2)	8 008 505	15 761 225	2 434 936	4 953 245

The emoluments of the individual directors were as follows:

	Salary	Allowances and value of benefits in kind	Performance related payments (1)	Total 1998	Total 1997	Equivalent totals (9) 1998	Equivalent totals (9) 1997
Paid in guilders:	Fl.	Fl.	Fl.	Fl.	Fl.	£	£
M Tabaksblat (3)	2 200 000	192 891	880 000	3 272 891 (8)	3 015 366	995 102	947 632
JIW Anderson (4)	725 000	353 312	274 982	1 353 294	2 687 000	411 461	844 438
A Burgmans	1 287 500	121 212	501 250 (7)	1 909 962	1 757 757	580 712	552 406
A Kemner	1 250 000	35 298	573 250 (7)	1 858 548	1 674 126	565 080	526 124
J Peelen	1 275 000	272 082	604 500 (7)	2 151 582	1 934 130	654 175	607 835
Paid in pounds sterling:	£	£	£	£	£	Fl.	Fl.
NWA FitzGerald (5)	680 000	104 333	332 000 (7)	1 116 333	935 296	3 671 620	2 976 112
RD Brown	350 000	158 196	140 000	648 196	795 108	2 131 915	2 530 034
AC Butler	375 000	29 078	435 419	839 497	517 689	2 761 106	1 647 286
H Eggerstedt	496 000	18 315	188 480	702 795	717 583	2 311 491	2 283 349
RHP Markham (6)	226 667	11 505	125 800	363 972	0	1 197 104	0
Paid in US dollars:	$	$	$	$	$	Fl.	Fl.
RM Phillips	1 050 000	193 680	476 500 (7)	1 720 180	1 573 687	3 414 408	3 059 248
						£	£
						1 038 129	961 323

(1) Includes payments in respect of notional share options (see pages 29, 34 and 35).
(2) See pages 34 and 35.
(3) Chairman of NV.
(4) Retired on 30 June 1998.
(5) Chairman of PLC.
(6) Elected on 6 May 1998.
(7) Includes value of shares awarded under bonus scheme (see page 29).
(8) In addition Mr M Tabaksblat received Fl. 1 762 056 (£535 742) in respect of gains made on the exercise of share options.
(9) Based on average rates for the year of £1 = Fl. 3.289, £1 = US $ 1.657, US $ 1 = Fl. 1.985 (1997: £1 = Fl. 3.182, £1 = US $ 1.637, US $ 1 = Fl. 1.944).

Under Dutch fiscal legislation, tax is charged on the grant of options. For the years up to and including 1997 NV lent the amount of the tax to the recipients of the options. Amounts are repaid when the options are exercised. At 31 December 1998, a total of Fl. 1.1 million (1997: Fl. 1.3 million) was lent to directors. With effect from 1998 the amount of tax was lent to the recipients of options by a third party.

Mr CM Jemmett and Dr OOH Müller retired as directors at the Annual General Meetings in 1997 and as Unilever employees on 31 May 1997. As compensation for the early termination of their service contracts, each of Mr CM Jemmett and Dr OOH Müller was entitled to receive the difference between his pension and basic salary for one year from 1 June 1997 and the bonuses for 1997 and the period January to May 1998 that would otherwise have been paid. These amounts were reported in the 1997 report. In addition during 1998 Mr CM Jemmett received Fl. 1 936 234 (£588 700) in respect of compensation from NV for additional tax payable on the exercise of stock options occasioned by his early retirement.

No other compensation for loss of office, payments for loss of office or other termination payments were paid to directors in 1998.

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Directors' interests: share options

Directors are generally entitled to share options on the same basis as other employees. They participate in the NV Employee Share Option Scheme and the PLC 1985 Sharesave Scheme, which are all-employee schemes, and in the International 1997 Executive Share Option Scheme.

The NV Employee Share Option Scheme was introduced in 1995 and is open to all employees in the Netherlands. The PLC 1985 Sharesave Scheme is open to all employees who work a minimum number of hours in the United Kingdom. The North American Employee Stock Purchase Plan was also introduced in 1995 and is open to all employees in the United States and Canada.

Grants of share options to directors and other senior executives in 1998 were made under the International 1997 Executive Share Option Scheme (the 'International Scheme') which was established after taking into account the guidelines and views of institutional investor committees. The International Scheme comprises the NV Executive Share Option Scheme, the Unilever PLC International 1997 Executive Share Option Scheme, the Unilever PLC 1985 Executive Share Option Scheme and the North American Executive Stock Option Plan. The Boards granted options to acquire a number of ordinary shares in NV and a number of ordinary shares in PLC of approximately equal market value.

The Boards have established benchmark grant levels (the 'normal allocation') to assist in determining actual grant levels under the International Scheme. The actual level of grant made to each individual, which is decided by the Boards who are advised by the Remuneration Committee, is dependent on certain performance criteria, group and individual, which are set annually by the Boards and the Remuneration Committee. These criteria must be satisfied before an individual can be granted an option.

The Group criterion for 1998 was that the Group's earnings per share over the three financial years preceding the date of grant of any option should have cumulatively risen by at least 6% more than the rate of inflation. If it had not, no grants would have been made.

Once the Group criterion had been met, each individual's option grant varied according to the percentage increase, above the rate of inflation, of the Group's earnings per share over the financial year preceding the date of grant. The level of grant would vary according to the amount of the percentage rise. The Remuneration Committee decided that for 1998 the targets and levels of grant would be:

EPS achieved	Level of grant as percentage of normal allocation
Inflation + less than 4%	0%
Inflation +4%	50%
Inflation +5%	75%
Inflation +6%	100%
Inflation +7%	125%
Inflation +8% or more	150%

The normal allocations in 1998 to which the percentages above would be applied were:

	NV shares	PLC shares
Chairmen	12 000	80 000
Other directors	6 000 - 7 500	40 000 - 50 000

The price payable for each ordinary share under an option is not less than the closing price on the Stock Exchange Daily Official List on the date of grant. In normal circumstances, an option granted under the International Scheme may not be exercised earlier than three years after the date of grant.

Participants are further incentivised by the grant of 'premium options'. These are options granted to reward commitment and good performance over a five year period. The first premium options will be granted in 2002. To qualify for the grant of a premium option, the Group must have performed well over the preceding five years and each individual must not have realised free cash from the exercise of options granted in the previous five years and must have received on average at least 100% of his normal allocation over the preceding five years. Premium options will be granted over 20% of the number of shares subject to the individual's initial grant of options under the scheme.

Prior to 1997, options under the NV and PLC Executive Share Option Schemes were only granted if the Remuneration Committee was satisfied that there had been a sufficient improvement in the performance of the Group over the two to three years preceding the grant. The grant of options was discretionary. It was dependent on the Chairmen being satisfied that the grant was merited by the individual in the light of personal performance and potential for future contribution to the business. For the Boards, the Remuneration Committee had to be so satisfied. Options were phased in evenly over a three year period. The maximum number of options depended on seniority. The maximum aggregate value of the exercise prices of options that could be held at any one time was four times appropriate salary.

For convenience and ease of presentation, the information on share options and notional options is presented together on the next page.

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Directors' interests: share options (continued)

Options to acquire NV ordinary shares of Fl. 1 each and options and notional options to acquire PLC ordinary shares of 1.25p each were granted, exercised and held during 1998 as follows:

Name		1 January	Granted	Exercised	31 December	Weighted Average Exercise Price of Options at 31 December
N W A FitzGerald	(a)	27 924	18 000 [2]	2 992 [6]	42 932	Fl. 113.00
	(b)	0	50 [3]	0	50	Fl. 127.00
	(c)	515 392	120 000 [4]	0	635 392	382p
	(d)	7 996	1 161 [5]	4 132 [7]	5 025	343p
M Tabaksblat	(a)	104 872	0	18 752 [8]	86 120	Fl. 63.95
	(c)	120 000	0	0	120 000	407p
	(d)	4 132	0	4 132 [9]	0	0p
R D Brown	(a)	12 060	9 000 [2]	2 424 [10]	18 636	Fl. 121.28
	(c)	170 656	60 000 [4]	64 476 [11]	166 180	474p
	(d)	1 240	0	0	1 240	278p
A Burgmans	(a)	67 096	9 000 [2]	14 584 [12]	61 512	Fl. 75.67
	(b)	72	50 [3]	0	122	Fl. 91.34
	(c)	60 000	60 000 [4]	0	120 000	537p
	(d)	4 132	2 904 [5]	4 132 [13]	2 904	594p
A C Butler	(a)	18 984	11 250 [2]	4 784 [14]	25 450	Fl. 115.37
	(c)	313 212	75 000 [4]	0	388 212	395p
	(d)	4 652	0	0	4 652	371p
	(e)	67 472	0	67 472 [15]	0	0p
H Eggerstedt	(a)	59 920	0	9 620 [16]	50 300	Fl. 62.52
	(c)	75 000	0	0	75 000	407p
	(d)	3 864	0	0	3 864	268p
A Kemner	(a)	36 716	11 250 [2]	0	47 966	Fl. 86.10
	(b)	72	50 [3]	0	122	Fl. 91.34
	(c)	75 000	75 000 [4]	0	150 000	537p
	(d)	6 440	0	0	6 440	268p
R H P Markham	(a)	39 832 [1]	11 250 [2]	0	51 082	Fl. 81.52
	(b)	0	50 [3]	0	50	Fl. 127.00
	(c)	135 432 [1]	75 000 [4]	43 140 [17]	167 292	511p
J Peelen	(a)	59 608	11 250 [2]	0	70 858	Fl. 77.73
	(b)	72	50 [3]	0	122	Fl. 91.34
	(c)	75 000	75 000 [4]	0	150 000	537p
	(d)	6 884	1 161 [5]	3 020 [18]	5 025	343p
R M Phillips	(a)	9 000	9 000 [2]	0	18 000	Fl. 123.50
	(c)	397 928	60 000 [4]	0	457 928	361p
	(f)	71 800	0	0	71 800	US $ 26.05
J I W Anderson	(a)	42 472	0	11 332 [19]	31 140 [21]	Fl. 69.00
	(b)	40	0	40 [20]	0 [21]	Fl. 0.00
	(c)	75 000	0	0	75 000 [21]	407p
	(d)	3 864	0	0	3 864 [21]	268p

(a) Number of NV shares the subject of options under the NV or PLC Executive Share Option Schemes.
(b) NV Employee Share Option Scheme.
(c) Number of PLC shares the subject of options under the NV or PLC Executive Share Option Schemes.
(d) PLC 1985 Sharesave Scheme.
(e) PLC Notional Executive Share Option Scheme.
(f) North American Executive Stock Option Plan.

See also notes on page 35.

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Directors' interests: share options (continued)

All share options and notional options are exercisable at a range of dates between 1999 and 2007 (see note 20 on page 19). No options lapsed unexercised during the year. The market price of the ordinary shares at the end of the year was for NV Fl. 160.50 and US $ 82.94 and for PLC 674p, and the range during the year was between Fl. 107.00 and Fl. 168.90 and US $ 56.19 and US $ 85.88, and 460p and 707p respectively. There were no share options or notional options for which the exercise price exceeded the market price of the shares as at 31 December 1998.

Any payments in respect of PLC notional share options are included under 'Performance related payments' in the table of Directors' emoluments on page 32.

Notes:

Note number	Number of shares	Exercise price	Market price at date of exercise
(1)		On election as a director	
(2)	all	Fl. 152.70	n/a
(3)	all	Fl. 127.00	n/a
(4)	all	667.50p	n/a
(5)	all	594p	n/a
(6)	2 992	Fl. 48.00	Fl. 139.50
(7)	4 132	181.50p	560p
(8)	18 752	Fl. 48.00	Fl. 139.10
(9)	4 132	181.50p	577p
(10)	2 424	Fl. 50.30	Fl. 135.50
(11)	64 476	297.50p	585.50p

Note number	Number of shares	Exercise price	Market price at date of exercise
(12)	14 584	Fl. 49.27	Fl. 157.64
(13)	4 132	181.50p	568p
(14)	4 784	Fl. 48.00	Fl. 154.50
(15)	67 472	226.75p	672p
(16)	9 620	Fl. 49.27	Fl. 158.61
(17)	43 140	134.25p	585.50p
(18)	3 020	228.25p	642p
(19)	11 332	Fl. 48.00	Fl. 156.39
(20)	24	Fl. 68.75	Fl. 165.50
	16	Fl. 94.75	Fl. 165.50
(21)			On date of retirement

The exercise of all options under the NV Executive Share Option Scheme and North American Executive Stock Option Plan have always been satisfied by the transfer of shares purchased in the market at the time of grant and held until exercise. The same practice has been adopted in respect of the PLC 1985 Sharesave and Executive Share Option Schemes for grants made from 1990 onwards and in respect of the NV Employee Share Option Scheme and the North American Employee Stock Purchase Plan from their inceptions during 1995. The Board has continued the same practice with the Unilever PLC International 1997 Executive Share Option Scheme. During 1998, 1 092 135 NV shares and 10 820 633 PLC shares were purchased in the market in respect of options granted under these schemes.

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Directors' interests: share capital

The interests in the share capitals of NV and PLC and their group companies of those who were directors at the end of 1998 and of their families were as shown in the tables below:

	1 January	31 December
NV (ordinary shares)		
N W A FitzGerald	4 000	5 504
A Burgmans	—	856
A Kemner	—	870
J Peelen	—	894
R M Phillips	7 200	8 694
PLC (ordinary shares)		
N W A FitzGerald	22 472	33 140
	175 632 840 [a]	175 632 840 [a]
R D Brown	11 104	—
A Burgmans	7 704	17 894
A C Butler	22 328	24 828
H Eggerstedt	12 652	12 652
A Kemner	8 520	14 684
R H P Markham	— [b]	43 140
J Peelen	—	9 342
R M Phillips	—	10 572
Magarine Union (1930) Limited (shares)		
N W A FitzGerald	600 [a]	600 [a]

(a) Held jointly as a trustee of the Leverhulme Trust and the Leverhulme Trade Charities Trust with no beneficial interest.
(b) Upon election on 6 May 1998.

The directors, in common with other employees of PLC and its United Kingdom subsidiaries, have beneficial interests in the undermentioned NV and PLC ordinary shares acquired by the Unilever Employee Share Trusts for the purpose of satisfying options granted from 1990 onwards under the PLC 1985 Executive Share Option and Sharesave Schemes and the Unilever PLC International 1997 Executive Share Option Scheme.

	1 January	31 December
All directors – NV ordinary Fl. 1 shares	220 276	551 802
– PLC ordinary 1.25p shares	42 951 985	39 623 389

On election of R H P Markham as a director on 6 May 1998 the trusts held 39 837 354 PLC shares and 220 276 NV shares.

Further information, including details of the NV and PLC ordinary shares acquired by certain group companies in connection with other share option schemes, is given in note 20 on pages 20 and 21.

The only change in the interests of the directors and of their families in NV and PLC ordinary shares between 31 December 1998 and 28 February 1999 was that the holdings of the Unilever Employee Share Trusts have reduced to 39 151 901 PLC shares.

Unilever Group

Directors' remuneration and interests

Report to the shareholders (continued)

Service contracts

NV and PLC's Articles of Association require that at every Annual General Meeting all the directors shall retire from office. All directors' contracts of service with the Unilever Group are generally terminated no later than the end of the month in which the Annual General Meeting next before or after the director's 62nd birthday occurs.

Contracts are currently determinable by the employer at not less than two years' notice. Formerly, contracts were determinable by the employer at not less than three years' notice. The Remuneration Committee believes that this change for existing directors has brought their service contracts into line with the arrangements for the existing directors of many peer group companies. The Committee has noted the recommendation in the Combined Code in favour of one year contracts but continues to be concerned to have regard to best practice, as well as legal entitlements upon termination, in both the Netherlands and the United Kingdom. Developments in both countries are kept under regular review with respect to existing directors and new appointments.

The compensation payable to a director upon the termination of his service contract will be calculated in accordance with the law applicable. The directors have service contracts with both NV and PLC. The Remuneration Committee's aim is always to deal fairly with cases of termination whilst taking a robust line in minimising any such compensation. The Remuneration Committee has given due consideration to the recommendations contained in the Combined Code regarding the merits of providing explicitly in the directors' contracts of service provisions relating to compensation commitments in the event of early termination. However the companies have to take account of the law in the Netherlands that provides that, irrespective of what the service contract may say, the termination of employment for a reason other than misconduct or negligence entitles a long serving employee to compensation comparable to at least two year's remuneration. The Committee will continue to keep its current practice under review.

In 1998 two directors served for only part of the year. In 1997 three directors served for only part of the year.

Advisory Directors

The Advisory Directors are not formally members of the Boards of NV and PLC and are therefore excluded when reference is made to directors in the preceding text.

The remuneration of the Advisory Directors is decided by the Boards. Advisory Directors receive an annual fee and are reimbursed expenses incurred in attending meetings. They do not receive any performance related bonuses, pension provisions, share options or other forms of benefit.

The annual fee paid in 1998 to each of B Collomb, O Fanjul, F H Fentener van Vlissingen and H O C R Ruding was Fl. 80 000 and to each of Sir Derek Birkin, Sir Brian Hayes and Lord Wright of Richmond was £27 500. K O Pöhl and J W Kinnear retired during the year and received fees of Fl. 40 000 and £11 458 respectively. C X Gonzalez, H Kopper, Senator G J Mitchell and Lady Chalker of Wallasey were appointed during the year and received fees of £17 969, Fl. 60 000, £4 583 and £18 333 respectively.

At the end of 1998 the aggregate interests of the Advisory Directors in the share capital of NV and PLC were 8 375 (1997: 7 960) ordinary shares of NV and 4 000 (1997: 4 240) ordinary shares of PLC.

Unilever Group

Principal group companies and fixed investments

as at 31 December 1998

The companies listed below and on pages 39 to 40 are those which in the opinion of the directors principally affect the amount of profit and assets shown in the Unilever Group accounts. The directors consider that those companies not listed are not significant in relation to Unilever as a whole.

Full information as required by Articles 379 and 414 of Book 2, Civil Code, in the Netherlands has been filed by Unilever N.V. with the Commercial Registry in Rotterdam.

Particulars of PLC group companies and other significant holdings as required by the United Kingdom Companies Act 1985 will be annexed to the next Annual Return of Unilever PLC.

The main activities of the companies listed below are indicated according to the following key:

Holding companies	H
Foods	F
Home & Personal Care	P
Plantations, Plant Science, Trading & Other Operations	O

Unless otherwise indicated the companies are incorporated and principally operate in the countries under which they are shown.

The letters NV or PLC after the name of each country indicate whether in the country concerned the shares in the companies listed are held directly or indirectly by NV and/or by PLC.

The percentage of equity capital directly or indirectly held by NV or PLC is shown in the margin, except where it is 100%. All percentages are rounded down to the nearest whole number.

Principal group companies

%	Europe	
	Austria – NV	
	Eskimo-Iglo Ges.m.b.H.	F
	Österreichische Unilever Ges.m.b.H.	FP
	Austria Frost Nahrungsmittel Ges. m.b.H.	F
	Belgium – NV	
	Unilever Belgium N.V.	FPO
	Czech Republic – NV	
	Unilever ČR s.r.o.	FP
	Denmark – NV	
	Unilever Danmark A/S	FP
	Finland – NV	
	Suomen Unilever Oy	FP
	France – NV	
99	Astra-Calvé S.A.	F
99	Boursin S.A.	F
99	Choky S.A.	F
99	Cogesal S.A.	F
99	Elida Fabergé S.A.	P
99	Fralib S.A.	F
99	Frigedoc S.A.	F
99	Lever S.A.	P
99	Relais d'Or-Miko S.A.	F
99	Unilever France S.A.	H

%	Europe (continued)	
	Germany – NV	
	Deutsche Unilever GmbH	H
	DiverseyLever GmbH	P
	Fritz Homann Lebensmittelwerke GmbH	F
	Frozen Fish International GmbH	F
	HPC Deutschland GmbH	P
	Langnese-Iglo GmbH	F
	Meistermarken-Werke GmbH, Spezialfabrik für Back- und Grossküchenbedarf	F
	Union Deutsche Lebensmittelwerke GmbH	F
	Greece – NV	
51	'Elais' Oleaginous Products A.E.	F
	Unilever Hellas A.E.B.E.	FP
	Hungary – NV	
	Unilever Magyarország Beruházási Kft	FP
	Ireland – PLC	
	Lever Fabergé Ireland Ltd.	P
	Lyons Tea Ireland Ltd.	F
	Van den Bergh Foods Ltd.	F
	W. & C. McDonnell Ltd.	F
	Italy – NV	
	Unilever Italia SpA	FP
	Sagit SpA	F
	The Netherlands – NV	
	DiverseyLever B.V.	P
	Iglo-Ola B.V.	F
	Lever Fabergé Europe-Sourcing Unit Bodegraven B.V.	P
	Lever Fabergé Nederland B.V.	P
	Loders Croklaan B.V.	F
	Mora B.V.	F
⭑	Unilever N.V.	H
	Unilever Nederland B.V.	H
	UniMills B.V.	F
	Van den Bergh Nederland B.V.	F
	Poland – NV	
99	Unilever Polska S.A.	FP
	Portugal – NV	
74	IgloOlá-Distribuição de Gelados e de Ultracongelados, Lda.	F
60	LeverElida-Distribuição de Produtos de Limpeza e Higiene Pessoal, Lda.	P
	Romania – NV	
99	Unilever Romania	FP
	Russia – NV	
	Unilever SNG	FP
	Slovakia – NV	
	Unilever Slovensko spol. sr. o.	FP
	Spain – NV	
	Agra S.A.	F
99	Frigo S.A.	F
	Frudesa S.A.	F
	Unilever España S.A.	HP

⭑ See 'Basis of consolidation' on page 2.

Unilever Group

Principal group companies and fixed investments

as at 31 December 1998

Principal group companies (continued)

%	Europe (continued)	
	Sweden – NV	
	DiverseyLever AB	P
	GB Glace AB	F
	Lever Fabergé AB	P
	Unilever Sverige AB	H
	Van den Bergh Foods AB	F
	Switzerland – NV	
	DiverseyLever A.G.	P
	Lever Fabergé A.G.	P
	Lipton-Sais	F
	Pierrot-Lusso A.G.	F
	Meina Holding A.G.	H
	Sunlight A.G.	O
	Unilever Cosmetics International S.A.	P
	Unilever (Schweiz) A.G.	O
	Turkey – NV	
82	Lever Elida Temizlik ve Kişisel Bakım Ürünleri Sanayi ve Ticaret A.Ş.	P
	Unikom Sanayi ve Ticaret A.Ş.	F
	Unilever Sanayi ve Ticaret Türk A.Ş.	F
	Unilever Tüketim Ürünleri Satış Pazarlama ve Ticaret A.Ş.	FP
	United Kingdom – PLC	
	Birds Eye Wall's Ltd.	F
	Calvin Klein Cosmetics (UK) Ltd.	P
	DiverseyLever Ltd.	P
	Elida Fabergé Ltd.	P
	Elizabeth Arden Ltd.	P
	Lever Brothers Ltd.	P
	Lipton Ltd.	F
★	Unilever PLC	H
	Unilever U.K. Central Resources Ltd.	O
	Unilever U.K. Holdings Ltd.	H
	Unipath Ltd.	P
	Van den Bergh Foods Ltd.	F

%	North America	
	Canada – PLC	
	UL Canada Inc.	FP
	Unilever Canada Limited	H
	United States of America – NV (75%); PLC (25%)	
*	Calvin Klein Cosmetics Company	P
	Diversey Lever, Inc.	P
*	Elizabeth Arden Co.	P
*	Good Humor-Breyers Ice Cream	F
*	Gorton's	F
*	Lipton	F
	Unilever Capital Corporation	O
*	Unilever Home & Personal Care USA	P
	Unilever United States, Inc.	H

★ See 'Basis of consolidation' on page 2.

* A division of Conopco, Inc., a subsidiary of Unilever United States, Inc.

%	Africa and Middle East	
	Côte d'Ivoire – PLC	
90	Blohorn S.A.	FPO
	Democratic Republic of Congo – NV	
	Compagnie des Margarines, Savons et Cosmétiques au Congo s.a.r.l.	FP
76	Plantations et Huileries du Congo	O
	Dubai – PLC	
	Unilever Gulf Free Zone Establishment	O
	Egypt – PLC	
60	Fine Foods Egypt SAE	F
	Lever Egypt SAE	P
	Ghana – PLC	
67	Unilever Ghana Ltd.	FPO
	Israel – PLC	
50	Glidat Strauss Ltd.	F
	Lever Israel Ltd.	P
	Kenya – PLC	
88	Brooke Bond Kenya Ltd.	O
61	East Africa Industries Ltd.	FP
	Malawi – PLC	
	Lever Brothers (Malawi) Ltd.	FP
	Morocco – PLC	
	Lever Maroc S.A.	P
	Nigeria – PLC	
50	Lever Brothers Nigeria PLC	FP
	Saudi Arabia – PLC	
49	Binzagr Lever Ltd.	P
49	Binzagr Lipton Ltd.	F
49	Binzagr Wall's Ltd.	F
49	Lever Arabia Ltd.	P
	South Africa – PLC	
	Unilever South Africa (Pty.) Ltd.	FP
	Tanzania – PLC	
	Brooke Bond Tanzania Ltd.	O
	Uganda – PLC	
	Unilever Uganda Ltd.	FP
	Zambia – PLC	
	Lever Brothers Zambia Limited	FP
	Zimbabwe – PLC	
	Lever Brothers (Private) Ltd.	FP

Unilever Group

Principal group companies and fixed investments

as at 31 December 1998

Principal group companies (continued)

%	Asia and Pacific	
	Australia – PLC	
	Unilever Australia Ltd.	FP
	Bangladesh – PLC	
61	Lever Brothers Bangladesh Ltd.	FP
	China – NV	
60	Guangdong Lipton Foods Company Ltd.	F
70	Hefei Lever Detergent Co. Ltd.	P
90	Shanghai Elida Co. Ltd.	P
54	Shanghai Lever Company Ltd.	P
50	Shanghai Pond's Company Ltd.	P
50	Shanghai Van den Bergh Company Ltd.	F
	Unilever (China) Ltd.	H
	Unilever (Shanghai) Company Ltd.	P
60	Unilever (Shanghai) Toothpaste Company Ltd.	P
97	Wall's (China) Company Ltd.	F
70	ZhangJiaKou Unilever Detergent Co., Ltd.	P
	China S.A.R. – NV	
	Unilever Hong Kong Ltd.	FP
	India – PLC	
51	Hindustan Lever Ltd. (NV 2%)	FPO
	Indonesia – NV	
85	P.T. Unilever Indonesia	FP
	Japan – NV	
	Nippon Lever B.V.	
	(incorporated in the Netherlands)	FP
	Japan – PLC	
	Lever Brothers Ltd.	
	(incorporated in the United Kingdom)	P
	Malaysia – PLC	
70	Unilever (Malaysia) Holdings Sdn. Bhd.	FP
	Pamol Plantations Sdn. Bhd.	O
	New Zealand – PLC	
	Unilever New Zealand Ltd.	FP
	Pakistan – PLC	
69	Lever Brothers Pakistan Ltd.	FP
	Philippines – NV	
	Unilever Philippines Inc.	FP
	Singapore – PLC	
	Unilever Singapore Private Ltd.	FP
	South Korea – NV	
	Unilever Korea	P
	Sri Lanka – PLC	
	Unilever Ceylon Ltd.	FPO
	Taiwan – NV	
	Unilever Taiwan Ltd.	P
	Thailand – NV	
	Unilever Thai Holdings Ltd.	FP
	Vietnam – NV	
66	Lever VISO	P
66	Lever HASO	P

%	Latin America	
	Argentina – NV	
	Unilever de Argentina S.A.	FP
	Bolivia – NV	
	Quimbol Lever S.A.	FP
	Brazil – NV	
	Indústrias Gessy Lever Ltda.	FP
99	Kibon S.A. Indústrias Alimenticias	F
	Chile – NV	
	Lever Chile S.A. (PLC 25%)	FP
	Colombia – NV	
	Unilever Andina (Colombia) S.A.	FP
	El Salvador – NV	
60	Industrias Unisola S.A.	FP
	Mexico – NV	
	Anderson Clayton & Co. S.A.	FO
	Pond's de Mexico S.A. de C.V.	P
	Netherlands Antilles – NV	
	Unilever Becumij N.V.	O
	Paraguay – NV	
	Unilever Capsa del Paraguay S.A.	FP
	Peru – NV	
72	Industrias Pacocha S.A.	FP
	Trinidad & Tobago – PLC	
50	Lever Brothers West Indies Ltd.	FP
	Uruguay – NV	
	Sudy Lever S.A.	FP
	Venezuela – NV	
	Unilever Andina S.A.	FP

Principal fixed investments

Joint ventures

%	Europe	
	Portugal – NV	
40	FIMA – Produtos Alimentares, Lda.	F

%	North America	
	United States of America – NV (75%); **PLC** (25%)	
50	The Pepsi/Lipton Tea Partnership	F

Unilever N.V.

Company accounts

Balance sheet as at 31 December

	Fl. million 1998	1997
Fixed assets		
Fixed investments	**1 674**	1 795
Current assets		
Debtors	**21 712**	16 753
Current investments	**587**	661
Cash at bank and in hand	**1 385**	1 046
	23 684	18 460
Creditors due within one year	**(18 380)**	(8 884)
Net current assets	**5 304**	9 576
Total assets less current liabilities	**6 978**	11 371
Creditors due after more than one year	**3 780**	4 364
Provisions for liabilities and charges	**349**	307
Capital and reserves	**2 849**	6 700
Called up share capital:		
Preferential share capital 20	**265**	265
Ordinary share capital 20	**642**	642
	907	907
Share premium account	**52**	52
Profit retained and other reserves	**1 890**	5 741
Total capital employed	**6 978**	11 371

Profit and loss account for the year ended 31 December

	1998	1997
Income from fixed investments after taxation	**6 984**	2 294
Other income and expenses	**190**	716
Profit of the year	**7 174**	3 010

Pages 7 to 28 and 38 to 42 contain the notes to the NV company accounts. For the information required by Article 392 of Book 2, Civil Code, refer to pages 6 and 43.

As the accounts of NV have been included in the consolidated accounts, the profit and loss account mentions only income from fixed investments after taxation as a separate item. The balance sheet includes the proposed profit appropriation.

The Board of Directors
8 March 1999

References relate to a note on pages 19, 20 and 21.

Unilever N.V.

Notes to the company accounts

Fixed investments

	Fl. million 1998	1997
Shares in group companies	**1 674**	1 795

Shares in group companies are stated at cost in accordance with international accounting practice in various countries, in particular the United Kingdom. The cost of NV shares purchased and held by group companies has been deducted from this heading.

Movements during the year:	
1 January	**1 795**
Transfer of shares from/(to) group companies	**—**
NV shares held by group companies	**(121)**
Other movements	**—**
31 December	**1 674**

Debtors

	1998	1997
Loans to group companies	**7 935**	7 972
Other amounts owed by group companies	**13 338**	8 493
Amounts owed by undertakings in which the company has a participating interest	**155**	154
Other	**284**	134
	21 712	16 753
Of which due after more than one year	**2 810**	3 341

Current investments

	1998	1997
Listed stocks	**587**	661
Cost of current investments	**570**	655

Cash at bank and in hand

	1998	1997
This includes amounts for which repayment notice is required of	**1 169**	743

Creditors

	1998	1997
Due within one year:		
Bank loans and overdrafts	**33**	22
Bonds and other loans 15	**1 253**	132
Loans from group companies	**26**	495
Other amounts owed to group companies	**6 284**	6 929
Taxation and social security	**126**	115
Accruals and deferred income	**213**	191
Dividends	**10 375**	958
Other	**70**	42
	18 380	8 884
Due after more than one year:		
Bonds and other loans 15	**3 780**	4 338
Loans from group companies	**—**	26
	3 780	4 364
These include amounts due after more than five years: Bonds and other loans	**1 698**	1 768

References relate to a note on page 17.

Provisions for liabilities and charges

	Fl. million 1998	1997
Pension provisions	**275**	328
Deferred taxation and other provisions	**74**	(21)
	349	307
Of which due within one year	**41**	(8)

Ordinary share capital

Shares numbered 1 to 2 400 are held by a subsidiary of NV and a subsidiary of PLC. Additionally, 5 704 638 Fl. 1 ordinary shares are held by other group companies and trusts. Full details are given in note 20 on pages 19, 20 and 21.

Share premium account

For the application of Article 44 of the Income Tax Act 1964 only a small part, if any, of the premium shown in the balance sheet is available for issue of tax free bonus shares.

Profit retained and other reserves

	1998	1997
Profit retained 31 December	**2 388**	6 118
Cost of NV shares purchased and held by group companies	**(498)**	(377)
Balance 31 December	**1 890**	5 741

Profit retained shown in the company accounts and the notes thereto is less than the amount shown in the consolidated balance sheet, mainly because only part of the profits of group companies has been distributed in the form of dividends.

Contingent liabilities

These are not expected to give rise to any material loss and include guarantees given for group and other companies, under which amounts outstanding at 31 December were:

	1998	1997
Group companies	**4 303**	3 231
Other	**—**	1
	4 303	3 232
Of the above, guaranteed also by PLC	**868**	1 351

Unilever N.V.

Further statutory information

The rules for profit appropriation in the Articles of Association
(summary of Article 41)

The profit of the year is applied firstly to the reserves required by law or by the Equalisation Agreement, secondly to cover losses of previous years, if any, and thirdly to the reserves deemed necessary by the Board of Directors. Dividends due to the holders of the Cumulative Preference Shares, including any arrears in such dividends, are then paid; if the profit is insufficient for this purpose, the amount available is distributed to them in proportion to the dividend percentages of their shares. Any profit remaining thereafter is at the disposal of the General Meeting. Distributions from this remaining profit are made to the holders of the ordinary shares pro rata to the nominal amounts of their holdings. The general meeting can only decide to make distributions from reserves on the basis of a proposal by the Board and in compliance with the law and the Equalisation Agreement.

	Fl. million	
	1998	1997
Proposed profit appropriation		
Profit of the year	**7 174**	3 010
Preference dividends	**(15)**	(15)
Profit at disposal of the Annual General Meeting of shareholders	**7 159**	2 995
Ordinary dividends	**(10 889)**	(1 428)
Profit of the year retained	**(3 730)**	1 567
Profit retained – 1 January	**6 118**	4 551
Profit retained – 31 December	**2 388**	6 118

Special controlling rights under the Articles of Association

See note 20 on page 19.

Auditors

Unilever's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand N.V. changed its name to PricewaterhouseCoopers N.V. and continued as auditors under its new name. This appointment will end at the conclusion of the Annual General Meeting on 4 May 1999. A resolution will be proposed at the Annual General Meeting for the reappointment of PricewaterhouseCoopers N.V. as auditors of NV.

J W B Westerburgen
S G Williams

Joint Secretaries of Unilever N.V.
8 March 1999

Corporate Centre
Unilever N.V.
Weena 455
PO Box 760
3000 DK Rotterdam

Unilever PLC

Company accounts

Balance sheet as at 31 December

	£ million 1998	1997
Fixed assets		
Fixed investments	**1 421**	1 284
Current assets		
Cash and current investments	**501**	4
Debtors due within one year	**2 248**	486
Debtors due after more than one year	**—**	45
	2 749	535
Creditors due within one year	**(3 406)**	(777)
Net current liabilities	**(657)**	(242)
Total assets less current liabilities	**764**	1 042
Creditors due after more than one year	**—**	—
Capital and reserves	**764**	1 042
Called up share capital 20	**41**	41
Share premium account	**94**	94
Capital redemption reserve 22	**11**	11
Profit retained	**618**	896
Total capital employed	**764**	1 042

All amounts included in capital and reserves are classified as equity as defined under United Kingdom Financial Reporting Standard 4.

As permitted by Section 230 of the United Kingdom Companies Act 1985, PLC's profit and loss account does not accompany its balance sheet.

On behalf of the Board of Directors

N W A FitzGerald Chairman
M Tabaksblat Vice-Chairman

8 March 1999

References relate to notes on pages 19 to 21.

Unilever PLC

Notes to the company accounts

Fixed investments

	£ million 1998	1997
Shares in group companies	**1 272**	1 149
Book value of shares held in connection with share options	**149**	135
	1 421	1 284

Shares in group companies

Shares in group companies are stated at cost or valuation, less amounts written off.

	1998
Movements during the year:	
1 January	**1 149**
Additions	**144**
Disposals	**(21)**
31 December	**1 272**

Shares held in connection with share options

	1998
Movements during the year:	
1 January	**135**
Additions	**41**
Disposals	**(27)**
31 December	**149**

Debtors

	1998	1997
Due within one year:		
Amounts owed by group companies	**2 246**	477
Other	**2**	9
	2 248	486
Due after more than one year:		
Amounts owed by group companies	**—**	—
Advance Corporation Tax	**—**	45
	—	45
Total debtors	**2 248**	531

Creditors

	£ million 1998	1997
Due within one year:		
Amounts owed to group companies	**949**	380
Bonds and other loans 15	**—**	100
Taxation and social security	**36**	99
Dividends	**2 406**	181
Other	**15**	17
	3 406	777
Due after more than one year:		
Bonds and other loans 15	**—**	—

Profit retained

	1998	1997
1 January	**896**	879
Goodwill movements	**—**	—
Profit of the year	**2 222**	288
Dividends on ordinary and deferred shares	**(2 500)**	(271)
31 December	**618**	896

Contingent liabilities

	1998	1997
These are not expected to give rise to any material loss and include guarantees given for group companies, under which amounts outstanding at 31 December were:	**1 038**	1 216
Of the above, guaranteed also by NV	**278**	405

Remuneration of auditors

	1998	1997
Parent company audit fee	**1.1**	0.8
Payments for non-audit services provided by PricewaterhouseCoopers United Kingdom	**—**	4.1

The payments for non-audit services to PricewaterhouseCoopers are made up of payments to PricewaterhouseCoopers and to Coopers & Lybrand, the previous auditor for the period 1 January 1998 to 30 June 1998. In addition, £500 000 was paid to Price Waterhouse for non-audit services in the United Kingdom in the period 1 January 1998 to 30 June 1998. Non-audit fees in 1997 comprise solely amounts paid to Coopers & Lybrand.

Profit appropriation

The proposed appropriation of the profit of PLC is as follows:

	1998	1997
Interim and recommended final dividends	**2 500**	271
Profit of the year retained	**(278)**	17

References relate to a note on page 17.

Unilever PLC

Further statutory information and other information

Capital and membership

At 31 December 1998 PLC had 103 137 ordinary shareholdings.

The following table analyses the registered holdings of PLC's 1.25p ordinary shares at 31 December 1998.

Number of shares	Number of holdings	%	Total shares held	%
1 – 1 000	25 743	24.96	15 754 453	0.48
1 001 – 2 500	31 103	30.16	52 785 362	1.62
2 501 – 5 000	21 388	20.74	77 582 608	2.38
5 001 – 10 000	13 572	13.16	97 628 639	3.00
10 001 – 25 000	7 396	7.17	112 925 776	3.46
25 001 – 50 000	1 915	1.86	65 467 290	2.01
50 001 – 100 000	765	0.74	53 644 796	1.64
100 001 – 1 000 000	912	0.88	289 900 418	8.89
Over 1 000 000	343	0.33	2 495 006 298	76.52
	103 137	100.00	3 260 695 640	100.00

Substantial interests in the share capital of PLC

The Register maintained by PLC pursuant to Section 211 of the Companies Act 1985 shows that at the date of signing the Report and Accounts 175 632 840 ordinary shares in PLC, representing approximately 5% of the issued ordinary capital, were held jointly by Sir Michael Angus, The Rt Hon The Viscount Leverhulme, Sir Michael Perry, NWA FitzGerald and Dr. JIW Anderson as trustees of the Leverhulme Trust and the Leverhulme Trade Charities Trust.

The Register also shows the following interests in PLC's Ordinary and Deferred capital on that date:

Holder	Class	Approximate % held
Prudential Corporation plc	Ordinary	5
N.V. Elma	Deferred	50
United Holdings Limited	Deferred	50

Directors' interests

The Register of Directors' Interests in the share capital of PLC and its subsidiaries, which contains full details of the directors' PLC shareholdings and options, is open to inspection by shareholders and will be open for inspection at the Annual General Meeting.

Employee involvement and communication

Unilever's companies maintain formal processes to inform, consult and involve employees and their representatives. External benchmarks, such as Investors in People and the European Foundation for Quality Management, are employed to ensure that Unilever is at the forefront of best practice.

The European Works Council, which met for the first time in 1997 and embraces employee representatives from 15 countries of Western Europe, has become a more effective part of the programme of information and consultation, with a continuing dialogue during the year with the employee co-ordinating committee complementing the plenary meeting that takes place each year.

The directors' reports of the United Kingdom group companies contain more details about how they have communicated with their employees during 1998.

Equal opportunities and people with disabilities

Every Unilever company in the United Kingdom has an equal opportunities policy and action plans are reviewed annually and pursued within each company. In addition, resources are provided from Unilever's United Kingdom National Management to help companies develop best practice.

The directors' reports of these companies contain statements describing the positive approach of group companies to the employment, and continued employment, of people with disabilities.

Charitable and other contributions

During the year group companies made financial contributions of £4 million to United Kingdom charitable organisations and assisted them with a further £1 million of support in other forms. No contribution was made for political purposes. In addition, £2 million was invested in the Unilever Centre for Molecular Sciences Informatics at Cambridge University.

Unilever PLC

Further statutory information and other information

Supplier payment policies

Individual operating companies are responsible for agreeing the terms and conditions under which business transactions with their suppliers are conducted. The directors' reports of United Kingdom operating companies give information about their supplier payment policies as required by the Companies Act. PLC, as a holding company, does not itself make any relevant payments in this respect.

Interests in land

The majority of Unilever's land and buildings are used for the productive and distributive activities of the Group and are not held for resale. The directors take the view that any difference between their market value and the amount at which they are included in the balance sheet is not of such significance as to require that attention be drawn to it, as would be required by Schedule 7 (Part I) of the United Kingdom Companies Act 1985.

Auditors

Unilever's auditors, Coopers & Lybrand, merged with Price Waterhouse on 1 July 1998, following which Coopers & Lybrand resigned and the directors appointed the new firm, PricewaterhouseCoopers as auditors. This appointment will end at the conclusion of the Annual General Meeting. Special Notice, pursuant to Sections 379 and 388 of the Companies Act 1985, has been received of a resolution that will be proposed at the Annual General Meeting on 4 May 1999 for the reappointment of PricewaterhouseCoopers as auditors of PLC.

By Order of the Board

J W B Westerburgen
S G Williams

Joint Secretaries of Unilever PLC
8 March 1999

Corporate Centre
Unilever PLC
PO Box 68 Unilever House
Blackfriars
London EC4P 4BQ

Unilever PLC Registered Office
Port Sunlight
Wirral
Merseyside L62 4ZA

Unilever PLC Registrars
Lloyds TSB Registrars
54 Pershore Road South
Birmingham B22 1AD

Unilever Group

Five year record

Consolidated profit and loss account

Fl. million	1994	1995	1996	1997	**1998**
Turnover	82 590	79 703	87 795	94 597	**89 112**
Operating profit (f)	7 025	6 382	7 518	7 563	**9 718**
Non-operating exceptional items (a)	38	—	—	7 998	**—**
Income from fixed investments	174	120	89	85	**82**
Interest	(608)	(645)	(657)	(230)	**344**
Profit on ordinary activities before taxation	6 629	5 857	6 950	15 416	**10 144**
Profit on ordinary activities after taxation	4 507	3 882	4 419	11 231	**6 806**
Net profit (f)	4 334	3 718	4 205	10 923	**6 488**
Combined earnings per share (b)(c)(f)					
Guilders per Fl. 1 of ordinary capital	3.88	3.32	3.76	9.78	**5.80**
Pence per 1.25p of ordinary capital	20.88	19.70	21.54	44.74	**26.45**
Ordinary dividends (b)					
NV – Guilders per Fl. 1 of ordinary capital	1.55	1.55	1.75	2.23	**2.51**
PLC – Pence per 1.25p of ordinary capital	6.70	7.35	8.01	8.42	**10.70**
Special ordinary dividends					
NV – Guilders per Fl. 1 of ordinary capital					**14.50**
PLC – Pence per 1.25p of ordinary capital					**66.13**

Consolidated balance sheet

	1994	1995	1996	1997	**1998**
Fixed assets (e)	22 674	22 042	23 902	20 375	**18 995**
Stocks	10 168	10 683	11 573	10 378	**10 461**
Debtors	12 402	11 757	13 562	15 352	**14 849**
Trade and other creditors (g)	(17 305)	(16 675)	(18 644)	(20 039)	**(36 170)**
	27 939	27 807	30 393	26 066	**8 135**
Net (funds)/debt (d)	4 789	4 703	5 014	(10 625)	**(12 735)**
Provisions for liabilities and charges	8 221	8 220	9 014	10 918	**9 507**
Minority interests	783	895	1 015	1 039	**899**
Capital and reserves	14 146	13 989	15 350	24 734	**10 464**
	27 939	27 807	30 393	26 066	**8 135**

(a) Non-operating exceptional items in 1997 includes Fl. 8 482 million profit on sale of speciality chemicals businesses.

(b) Figures for earnings per share and dividends have been restated in all years to reflect the four-for-one share split in October 1997.

(c) For the basis of the calculations of combined earnings per share see note 29 on page 25.

(d) Net (funds)/debt comprises borrowings less cash and current investments.

(e) Includes goodwill and intangibles purchased after 1 January 1998.

(f) Prior year figures have been restated in accordance with United Kingdom Financial Reporting Standard 14 'Earnings per Share'.

(g) 1998 includes the special dividend of Fl. 16 014 million.

Unilever Group

Five year record

Consolidated cash flow statement (a)

Fl. million	1994	1995	1996	1997	**1998**
Cash flow from operating activities	9 099	8 182	9 983	12 249	**9 948**
Returns on investments and servicing of finance	(658)	(756)	(687)	(750)	**201**
Taxation	(2 317)	(1 669)	(1 877)	(4 157)	**(2 779)**
Capital expenditure and financial investment	(3 837)	(2 953)	(2 819)	(2 774)	**(3 083)**
Acquisitions and disposals	(1 135)	(1 581)	(2 275)	13 749	**744**
Dividends paid on ordinary share capital	(1 506)	(1 533)	(1 786)	(2 062)	**(2 365)**
Cash inflow/(outflow) before management of liquid resources and financing	(354)	(310)	539	16 255	**2 666**
Management of liquid resources	(791)	651	(766)	(14 122)	**(4 413)**
Financing	621	(195)	770	(1 517)	**92**
Increase/(decrease) in cash in the period	(524)	146	543	616	**(1 655)**
Key ratios (b)					
Return on shareholders' equity (%)	32.0	26.4	29.4	49.8	**24.6**
Return on capital employed (%)	16.9	14.2	15.2	28.5	**16.0**
Operating margin (%)	8.5	8.0	8.6	8.0	**10.9**
Net profit margin (%) (c)	5.3	4.7	4.8	11.6	**7.3**
Net interest cover (times)	11.9	10.1	11.6	68.0	**—**
Net gearing (%)	24.3	24.0	23.5	—	**—**
Sterling/guilder exchange rates					
Annual average £1 = Fl.	2.78	2.53	2.62	3.18	**3.29**
Year-end £1 = Fl.	2.72	2.49	2.96	3.34	**3.12**

(a) The cash flow statement and the associated notes are presented in accordance with United Kingdom Financial Reporting Standard 1. Figures for prior years have been restated on the same basis.

(b) Return on shareholders' equity is net profit attributable to ordinary shareholders expressed as a percentage of the average capital and reserves attributable to ordinary shareholders during the year.

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

Operating margin is operating profit expressed as a percentage of turnover.

Net profit margin is net profit expressed as a percentage of turnover.

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

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

Return on shareholders' equity is substantially influenced by the Group's previous policy of writing off purchased goodwill in the year of acquisition as a movement in profit retained. Return on capital employed and net gearing are also influenced but to a lesser extent.

(c) Net profit margin includes the profit on sale of the speciality chemicals businesses in 1997.

Unilever Group

Five year record

By geographical area

Fl. million	1994	1995	1996	1997	**1998**
Turnover (d)					
Europe	43 361	42 547	44 002	44 832	**41 805**
North America	16 548	14 993	18 328	19 613	**18 552**
Africa and Middle East	3 839	3 675	4 217	4 826	**4 911**
Asia and Pacific	10 891	10 924	12 589	14 613	**12 786**
Latin America	7 951	7 564	8 659	10 713	**11 058**
	82 590	79 703	87 795	94 597	**89 112**
Operating profit (d)					
Europe	3 573	3 241	3 593	3 868	**5 068**
North America	1 405	1 109	1 628	1 112	**2 077**
Africa and Middle East	375	400	436	450	**490**
Asia and Pacific	931	951	1 033	1 228	**1 005**
Latin America	741	681	828	905	**1 078**
	7 025	6 382	7 518	7 563	**9 718**
Net operating assets (a)(d)					
Europe	10 429	10 601	11 305	6 782	**6 975**
North America	5 651	5 067	6 121	3 693	**3 759**
Africa and Middle East	1 113	1 428	1 624	1 705	**1 543**
Asia and Pacific	2 886	2 876	3 289	3 153	**2 664**
Latin America	1 895	2 178	2 258	2 999	**2 838**
	21 974	22 150	24 597	18 332	**17 779**

By operation (b)

Fl. million	1994	1995	1996	1997	**1998**
Turnover					
Foods	43 033	41 690	43 841	47 216	**46 385**
Home & Personal Care	30 427	28 937	34 583	41 152	**41 393**
Plantations, Plant Science & Trading Operations	2 590	2 502	2 397	2 232	**1 334**
Speciality Chemicals (c)	6 540	6 574	6 974	3 997	
	82 590	79 703	87 795	94 597	**89 112**
Operating profit					
Foods	3 419	2 824	3 122	2 737	**3 970**
Home & Personal Care	2 592	2 458	3 211	4 074	**4 611**
Plantations, Plant Science & Trading Operations	196	225	195	238	**1 137**
Speciality Chemicals (c)	818	875	990	514	
	7 025	6 382	7 518	7 563	**9 718**
Net operating assets (a)					
Foods	11 052	11 176	11 918	10 784	**10 363**
Home & Personal Care	6 172	6 190	7 315	7 124	**7 050**
Plantations, Plant Science & Trading Operations	712	839	853	424	**366**
Speciality Chemicals (c)	4 038	3 945	4 511		
	21 974	22 150	24 597	18 332	**17 779**
Capital expenditure					
Foods	1 984	1 614	1 642	1 614	**1 708**
Home & Personal Care	1 161	870	906	1 117	**1 122**
Plantations, Plant Science & Trading Operations	346	73	83	70	**98**
Speciality Chemicals (c)	484	513	430	262	
	3 975	3 070	3 061	3 063	**2 928**

(a) See note 1 on pages 12 and 13.

(b) The segments formerly reported as Detergents and Personal Products have been combined into one segment, Home & Personal Care.

(c) The principal speciality chemicals businesses were sold in July 1997. Continuing businesses previously reported as Speciality Chemicals have been reallocated to other segments.

(d) The results for Turkey, formerly reported under Africa and Middle East region, are reported within Europe from 1 January 1998. Prior year figures have been restated on the same basis.

Unilever Group

Additional information for United States investors

Unilever's consolidated accounts are prepared in accordance with accounting principles which differ in some respects from those applicable in the United States. The following is a summary of the approximate effect on the Group's net profit, combined earnings per share and capital and reserves of the application of United States generally accepted accounting principles (US GAAP).

	Fl. million	
	1998	1997
Net profit as reported in the consolidated profit and loss account	**6 488**	10 923
US GAAP adjustments:		
Profit on sale of speciality chemicals businesses	**—**	244
Goodwill	**(437)**	(325)
Identifiable intangibles	**(240)**	(215)
Restructuring costs	**(412)**	89
Interest	**(54)**	(22)
Pensions	**16**	(192)
Taxation effect of above adjustments	**244**	79
Net decrease	**(883)**	(342)
Approximate net income under US GAAP	**5 605**	10 581
Approximate combined net income per share under US GAAP		
Guilders per Fl. 1 of ordinary capital	**5.01**	9.47
Pence per 1.25p of ordinary capital	**22.84**	43.25
Capital and reserves as reported in the consolidated balance sheet	**10 464**	24 734
US GAAP adjustments:		
Goodwill	**8 734**	9 999
Identifiable intangibles	**5 945**	6 638
Restructuring costs	**109**	539
Interest	**1 095**	1 225
Pensions	**491**	450
Dividends	**17 886**	1 558
Taxation effect of above adjustments	**(2 209)**	(2 702)
Net increase	**32 051**	17 707
Approximate capital and reserves under US GAAP	**42 515**	42 441
Net gearing under US GAAP (%) [a]	**—**	—

(a) See note (b) on page 49.

Unilever Group

Additional information for United States investors

The following is a summary of the more important differences between Unilever's accounting principles and US GAAP.

Profit on sale of chemicals businesses

Unilever calculates profit on sale of businesses after writing back any goodwill previously charged directly to reserves. Under US GAAP the profit on disposal of the discontinued speciality chemicals businesses is stated net of the relevant unamortised goodwill included on the balance sheet and the cumulative currency retranslation differences recognised through the statement of total recognised gains and losses.

Goodwill and other intangibles

Prior to 1 January 1998 Unilever wrote off goodwill and all other intangible assets arising on the acquisition of new interests in group companies and joint ventures directly to profit retained in the year of acquisition. Under US GAAP, goodwill and identifiable intangibles, principally trade marks, are capitalised and amortised against income over their estimated useful lives, not exceeding 40 years.

There is no difference between the accounting policy applied to goodwill and intangible assets purchased after 1 January 1998 and US GAAP.

Restructuring costs

Unilever charges all restructuring costs to the profit and loss account in the period in which the decision has been made to restructure a part of the Group's activities. Under US GAAP, certain types of restructuring costs are only recognised when further specific criteria are also met.

Interest

Unilever treats all interest costs as a charge to the profit and loss account in the current period. Under US GAAP interest incurred during the construction periods of tangible fixed assets is capitalised and depreciated over the life of the assets.

Pensions

Under Unilever's accounting policy the expected costs of providing retirement pensions are charged to the profit and loss account over the periods benefiting from the employees' services. Variations from expected cost are similarly spread. Under US GAAP, pension costs are also spread, but based on prescribed actuarial assumptions.

Dividends

The proposed final ordinary dividends are provided for in the Unilever accounts in the financial year in the year to which they relate. Under US GAAP such dividends are not provided for until they become irrevocable.

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