



Unilever Report 1987

ENGLISH VERSION IN GULDERS



The greater part of Unilever's business is in branded consumer goods such as soaps and detergents, margarines, personal products and a wide range of food and drinks. Unilever's other core activities include speciality chemicals and agribusiness operations.

There are two parent companies: Unilever N.V. and Unilever PLC. These companies operate as nearly as is practicable as a single entity, have identical Boards of Directors and are linked by a series of agreements of which the principal is the Equalisation Agreement. Among other things, this Agreement equalises the dividends payable on the ordinary capitals of N.V. and PLC according to a formula set out in the Agreement with the result that shareholders, whether of N.V. or PLC, participate equally in the prosperity of the whole business.

As a consequence, it is the combined affairs of N.V. and PLC that are of importance to shareholders and this review accordingly deals with the operations and results of Unilever as a whole.

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The first part of this booklet comprises an English translation of the Unilever N.V. Directors' Report for 1987. The second part, entitled 'Salient Figures', contains extracts from the combined consolidated annual accounts for 1987 of Unilever N.V. and Unilever PLC, comparative figures for earlier years, and further information of interest to shareholders. The currency figures given in this booklet are expressed in guilders and are for N.V. and PLC combined, except where stated otherwise.

The complete Unilever N.V. annual accounts for 1987, together with the auditors' report thereon and some additional information, are contained in a separate publication in Dutch, which is also available in an English translation entitled 'Unilever Accounts 1987'. That booklet comprises the annual accounts expressed in guilders of N.V. and the N.V. Group, the PLC Group, and the combined N.V. and PLC Groups.

The original Dutch versions of the two booklets mentioned above comprise the complete annual report and accounts and further statutory information, as drawn up by the Board of Directors of Unilever N.V. in accordance with Dutch legislation.

There are also English versions of both booklets issued by Unilever PLC with currency figures in pounds sterling. In addition an English version of this booklet is available with currency figures translated into US dollars.

For further information about the various booklets and where these can be obtained, see page 40.



F. A. Maljers



M. R. Angus

Directors of N.V. and PLC

F. A. Maljers
Chairman N.V.
Vice-Chairman PLC

M. R. Angus
Chairman PLC
Vice-Chairman N.V.

Sir Geoffrey Allen
 R. W. Archer
 M. Dowdall
 P. V. M. Egan
 H. Eggerstedt
 J. P. Erbé (*Vice-Chairman N.V.*)
 N. W. A. FitzGerald
 W. K. Grubman
 M. G. Heron
 J. A. Houtzager
 H. Meij
 J. Peelen
 M. S. Perry
 G. K. G. Stevens
 M. Tabaksblat
 T. Thomas
 E. J. Verloop

Advisory Directors of N.V. and PLC

B. W. Biesheuvel
 T. Browaldh
 Fletcher L. Byrom
 Sir Robert Haslam
 A. Herrhausen
 The Rt. Hon. the Lord Hunt of Tanworth
 François-Xavier Ortoli
 D. Spethmann
 E. P. Wellenstein

Secretaries of N.V. and PLC

D. C. Buijs
 S. G. Williams

Auditors of N.V.

Coopers & Lybrand Nederland

Auditors of PLC

Coopers & Lybrand

This list contains the names of all the Directors in office both at 31st December, 1987, and at the date of signing the Report and Accounts 18th March, 1988.

Mr K. H. Veldhuis retired at the Annual General Meetings in 1987.

1987 has been a very satisfactory year for Unilever in which earnings per share rose by 24% at constant exchange rates. Significant growth in volume and margin is the prime reason for this improved performance; the special factor of the change in depreciation policy augments an already good result.

It will be no surprise that the decline of the dollar and other currencies causes significant divergence when earnings are expressed at year-end exchange rates in our principal reporting currencies. On this basis the earnings growth in guilders was 17%, in sterling 14% and in dollars a remarkable 44%.

Exchange rates are also the cause of the decline in turnover and conceal the fact that sales volume increased by 9%. The underlying business contributed 4% volume growth, the balance being due to acquisitions, notably Chesebrough-Pond's, less disposals.

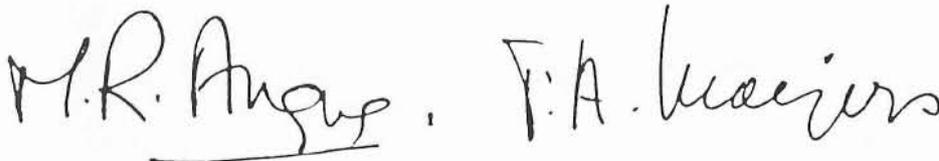
We are now well on the way to completing the disposal of those businesses which were not strategically important and which tended to under-perform. The upgrading of our performance in Europe was an important strategic objective and the good progress which has been achieved has made a major contribution to the marked improvement in operating margin.

Acquisitions have also contributed to the overall improvement in profitability. Chesebrough-Pond's has significantly strengthened our position in the United States of America and its integration worldwide has been quickly effected. The Stauffer Chemical Company and other companies which did not fit into Unilever were sold without delay and at good prices, so much so that the final cost of the business we wished to retain was well within expectations. The strategic investment during the last few years in our detergents and margarine businesses in the United States has resulted in a major boost to our market shares. With a dollar turnover of some \$5 billion we now have a substantial presence in that country.

During 1987 the management of our businesses outside Europe and North America was reorganised into separate regions. This has brought about a much sharper focus on those issues which by reason of custom, geography or language are relevant to a number of markets in different parts of the world. At the same time the UAC Group ceased to be a separate operation and was combined with our other activities in Africa and the Middle East.

We strongly believe that there will continue to be opportunities for profitable growth in our markets and that our employees have the skills and determination to seize them. They have responded magnificently to the challenge of improving corporate performance and we wish to record our appreciation of the contribution which they have made.

The proposal to create a single internal market in the European Community by the end of 1992 is now receiving increasing political attention. This is a welcome development and we are already incorporating its implications in our forward planning. We believe that the unfettered flow of goods, services and capital in a market of some 300 million people can only enhance the competitive potential of European companies such as Unilever.



M. R. Angus
Chairman Unilever PLC
Vice-Chairman Unilever N.V.

F. A. Maljers
Chairman Unilever N.V.
Vice-Chairman Unilever PLC

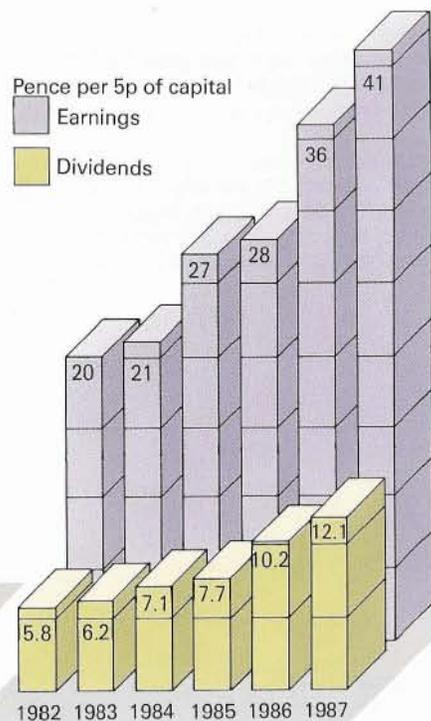
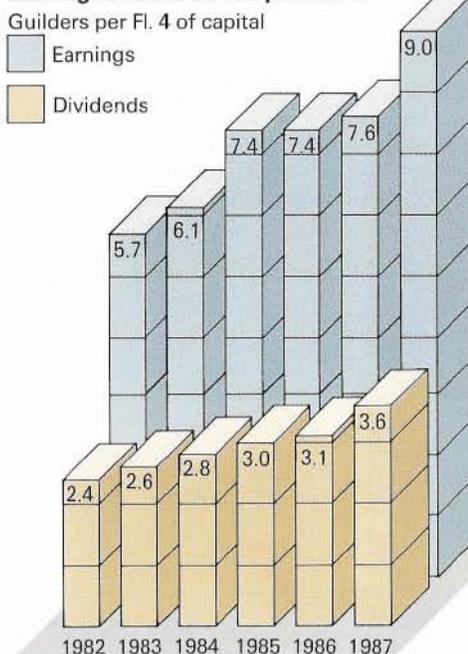
The reported financial results have been once again influenced to a large degree by the movement in year-end exchange rates. Not only did we witness the significant decline of the dollar, but sterling also strengthened against all currencies except the yen; the guilder too was strong, only losing ground against sterling, the Swiss franc and the yen of the major currencies.

Our European operations had another fine year with profit attributable 16% ahead of 1986 in guilders and 12% in sterling. In North America profit more than doubled despite the costs of financing the acquisition of Chesebrough-Pond's. Because of the exchange rate factor a good year for our companies outside Europe and North America resulted in a flat profit attributable. At constant rates, however, the growth was 17%.

The drive to maintain the cost-effectiveness of our activities continued and this year there was an exceptional charge of Fl. 200 million (1986: Fl. 221 million). The 1987 results also include a Fl. 213 million exceptional credit arising from the sale of four office properties. The effect of changes in accounting for depreciation has been to increase operating profit in 1987 by Fl. 160 million.

In 1984 we established an extraordinary provision of Fl. 356 million to cover estimated losses on the disposal of a number of businesses which no longer fitted our strategy. Much of that disposal programme has now been carried out with more success than originally expected and we have released Fl. 82 million of the provision as extraordinary income. This does not affect the calculation of earnings per share.

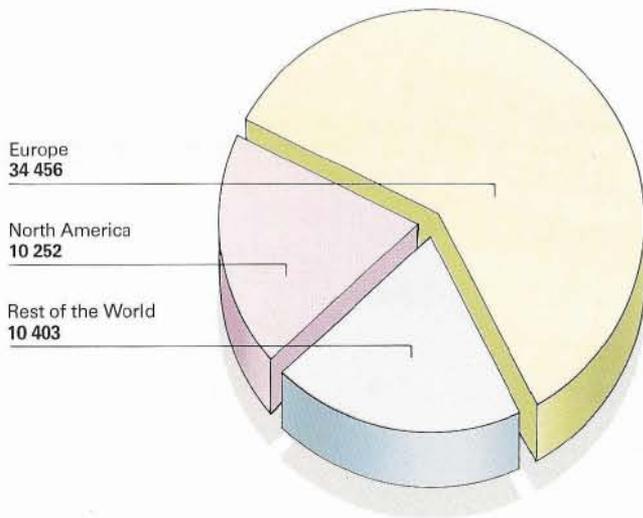
Earnings and dividends per share



| | 1986 | 1987 |
|--|--------|--------|
| Results | | |
| Fl. million | | |
| Turnover | 55 363 | 55 111 |
| Operating profit | 3 632 | 4 572 |
| Profit before taxation | 3 694 | 4 417 |
| Profit after taxation | 2 265 | 2 640 |
| Profit on ordinary activities attributable to shareholders | 2 144 | 2 516 |
| Extraordinary income | — | 82 |
| Ordinary dividends | (751) | (897) |
| Profit of the year retained | 1 377 | 1 685 |
| Earnings per share ^{a)} | | |
| Guilders per Fl. 4 of capital | 7.64 | 8.97 |
| Pence per 5p of capital | 35.51 | 40.54 |
| Ordinary dividends | | |
| N.V.: Guilders per Fl. 4 of capital | 3.066 | 3.62 |
| PLC: Pence per 5p of capital | 10.232 | 12.09 |
| Key ratios ^{a)} | | |
| | % | % |
| Operating margin | 6.6 | 8.3 |
| Return on capital employed | 11.3 | 13.6 |
| Return on shareholders' equity | 17.8 | 25.4 |

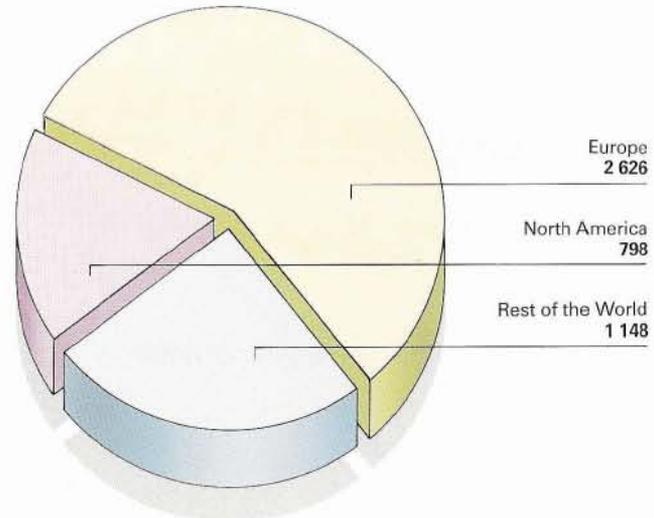
^{a)} For method of calculation see notes on page 37.

Turnover by geographical areas 1987
(Fl. million)



Total 55 111

Operating profit by geographical areas 1987
(Fl. million)



Total 4 572

Europe

| Fl. million | 1986 | 1987 |
|-------------------------|--------|--------|
| Turnover | 34 368 | 34 456 |
| Operating profit | 2 138 | 2 626 |

The economic environment continued to be favourable to our European businesses. Inflation was generally contained and consumer expenditure once again increased at a faster rate than overall economic growth. The prices of our raw materials remained at the low levels reached in 1986.

Our strategic emphasis on core activities, described in some detail in recent years, has significantly improved our cost-effectiveness and our capability to compete. As a result margins have again improved significantly whilst underlying volume has grown by 3%. Operating profit has increased by 24% at constant exchange rates and all parts of the business have contributed to this excellent outcome. It is gratifying to note the considerable contribution to profit of both the United Kingdom and Germany,

countries which over the last few years have borne the brunt of restructuring.

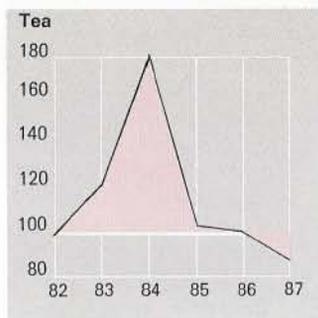
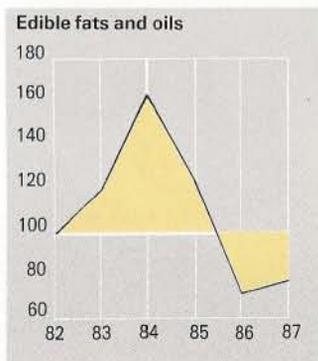
With the agreement to sell the Workington cartonboard mill in the United Kingdom we are now well on the way to completing the programme, started some four years ago, of disposing of those businesses which are no longer relevant to our longer term strategy. Our aim is to achieve profitable growth in our chosen core areas through innovative development and acquisition and good progress towards this end was achieved in 1987. There are opportunities for growth in Europe so long as we are imaginative in our marketing and pay close attention to the aspirations of the consumer.

The Revilla meat company in Spain and the European businesses of Chesebrough-Pond's and Naarden have been successfully integrated into our organisation; the last was merged with PPF to create Quest International, which now ranks as a leading supplier



In Spain Revilla is the market leader in high quality sausages and hams.

World raw material price developments
Indices are based on yearly average prices expressed in US dollars 1982 = 100



| Fl. million | 1986 | 1987 |
|-------------------------|-------|--------|
| Turnover | 9 726 | 10 252 |
| Operating profit | 369 | 798 |

worldwide of fragrances, flavours and food ingredients. During the year a number of small acquisitions were made to complement our existing activities. We also purchased the Plant Breeding Institute in the United Kingdom which is a renowned centre of expertise in its field. This is an important part of our strategy to strengthen our agribusiness interests.

Once again we have to note that the European Community has made little progress in solving the problems of the Common Agricultural Policy. Although butter stocks have declined, mainly because of sales to the Soviet Union at highly subsidised prices, and quotas have reduced milk production, the cost of the policy is still excessive. We

recognise that it has now been accepted that the quotas will remain in force until 1992, but we strongly believe that a further reduction of surplus milk production is essential. Another factor which cannot be ignored is the policy of generous subsidies for oil seeds. This has induced an explosive growth in production and a consequent additional burden on the budget. The Commission's proposal to alleviate this burden by imposing a levy on all vegetable and marine oils and fats intended for human consumption was ill-conceived and, we are glad to say, has not been taken up. Any attempt to re-introduce the idea should be opposed as it would create yet another market distortion.

North America

Operating profit more than doubled, despite the fall in value of the dollar. This result was substantially influenced by the acquisition of Chesebrough-Pond's and the improved results in Lever Brothers.

Competition in the United States remained intense and so it is pleasing to report once again good growth in underlying sales volume of which the greater part was attributable to increases in market shares. This was particularly so in household products. We also extended our leadership of the margarine market. Our weak personal products operation was merged with the larger Chesebrough-Pond's business and we now have a broadly based and profitable presence in this market.

Our foods interests were considerably enhanced by the Ragú spaghetti sauce business, acquired with Chesebrough-Pond's, which achieved excellent results and a substantially improved market share. Lipton once again surpassed its previous year's result with good volume growth, improved share in side dishes and continuing success with innovative new products.

National Starch enjoyed profitable growth, particularly in speciality starches. The formation of Quest has provided a platform from which to take advantage of the significant opportunities which the flavours and fragrances markets have to offer.

In Canada the reorganisation of the business continued: this included a margarine acquisition and the disposal of a cheese business.



Surf powder has substantially increased our share of the fabrics washing market in the United States.

Rest of the World

Operating profit at constant exchange rates increased by 16%. This gain is totally eliminated by the movement of exchange rates, thereby masking a good performance by many of our companies in their own currencies.

Our companies in Latin America have on the whole done well considering the extreme economic conditions with which many of them have had to contend. High rates of inflation and continuous depreciation of currencies are facts of life in many of these countries. Nevertheless the experience and expertise of our management have ensured satisfactory results.

The economies of Africa and the Middle East were constrained by low world prices for their mineral oils and other commodities; the availability of foreign exchange for key imports was therefore restricted and a decline in consumer expenditure was

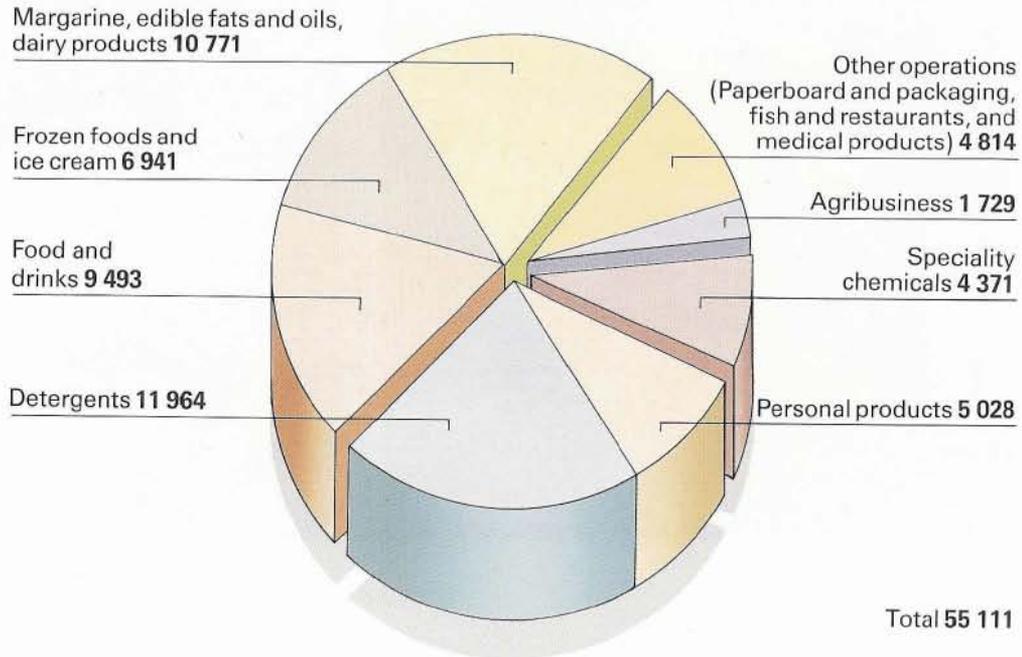
experienced in many countries. This created difficulties especially for our UAC trading operations. The manufactured consumer products businesses in general performed well.

In the Indian sub-continent the economies have suffered from extreme climatic conditions including drought in some areas and flooding in others. Again this has tended to restrict consumer expenditure but despite this our companies have managed to produce satisfactory results.

By contrast, the economies of the East Asian and Pacific region have performed strongly and we have continued to enjoy good growth in both volume and profits; market share increases have been achieved in most key areas. We have continued to invest in new products in Japan and have made significant progress in that market. Towards the end of the year we made a tender offer for the majority share capital which we did not already hold in Bushells Holdings, a tea and foods company in Australia.

| Fl. million | 1986 | 1987 |
|------------------|--------|--------|
| Turnover | 11 269 | 10 403 |
| Operating profit | 1 125 | 1 148 |

Turnover by operations 1987
(Fl. million)



Margarine, edible fats and oils, dairy products

| Fl. million | 1986 | 1987 |
|-------------------------|--------|--------|
| Turnover | 12 019 | 10 771 |
| Operating profit | 825 | 933 |

This was a good year in which, despite a continuing high level of restructuring costs in Europe, operating profit improved over an already strong 1986. The amount of subsidised butter sold inside the European Community did not increase and raw material costs remained at the relatively low 1986 levels. There was an active programme of new product introductions and at the same time established brands were strongly supported. We began to see the benefits of earlier restructuring and cost reduction programmes in a number of countries.

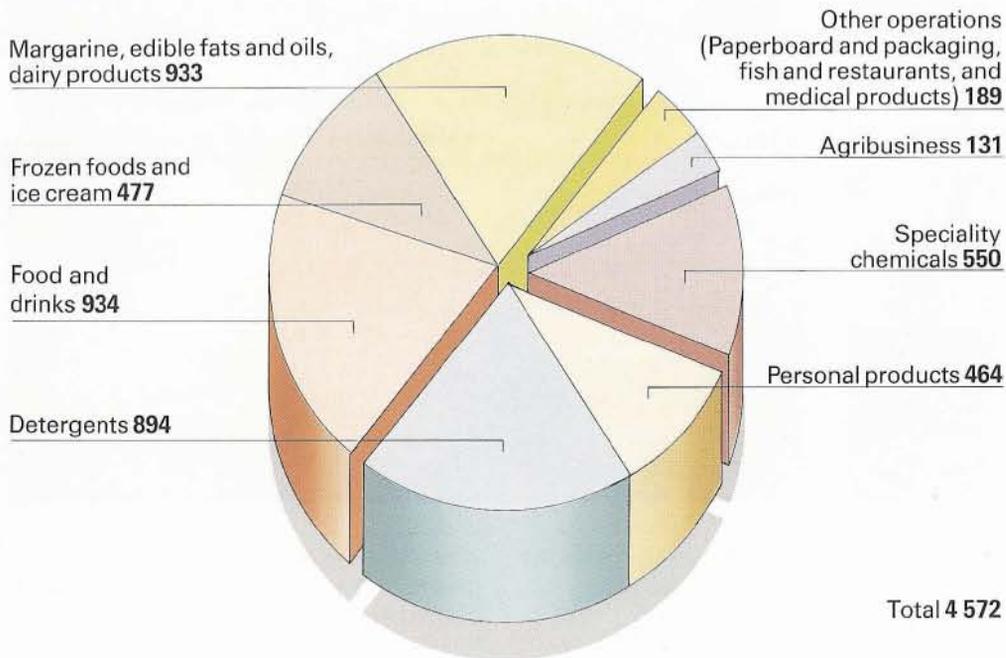
In northern Europe fat consumption continued to decline but our volume and market share increased. This is because our brands were competitive and satisfied a growing requirement

for healthy eating amongst consumers. Our polyunsaturated health brands again performed particularly well. Our new generation of low fat spreads is developing very well; new products under the *Lätta* brand name were introduced into the principal European markets. Our ranges of health and low calorie products continued to develop strongly and a wide variety of new lines was introduced. Low fat butter, already marketed in Germany, was introduced into Belgium and France.

Our share of the large edible oil market improved with good gains in the Mediterranean countries. Our German cheese business has continued to grow. Reduced calorie cheese forms an increasingly important part of our low calorie ranges and we have started test markets in both the United Kingdom, where we acquired a cheese processing plant, and in the United States.

Operating profit by operations 1987

(Fl. million)



Dante olive oil is a well-known brand in Italy.

A demonstration to customers at our bakery services centre in Belgium.



Very good progress has been made by our companies which supply the bakery and catering trades. We now offer a wide range of specialised bakery products supported by dedicated and professional customer service. We are responding to the trend towards healthier nutrition with products such as high fibre pastry mixes and multi-grain bread mixes as

well as polyunsaturated fats. The growth of fast food outlets and portion packs provides major opportunities in the catering markets.

In the rest of the world volume and profit improved in most markets. The integration of the Anderson Clayton business in Brazil and Mexico was successfully completed.

Frozen foods and ice cream

| Fl. million | 1986 | 1987 |
|------------------|-------|-------|
| Turnover | 6 743 | 6 941 |
| Operating profit | 401 | 477 |

Our ice cream business had an excellent year despite inclement weather in northern Europe. Market growth continued and most of our companies improved their market share. Our companies in southern Europe did particularly well, taking full advantage of fine weather, increased tourism and a growing internal market. Our new operation in Greece has established a sound position in the market.

The growing use of international advertising campaigns has reinforced

the already strong position of our ice cream brands. We have continued to bring creative and innovative new products to the impulse market where consumer tastes are constantly changing. We have also been active in other more specialised segments of the market; for example the *Carte d'Or* range of premium desserts, which is already well established in France, has been successfully transferred to other European markets.

Outside Europe our ice cream business is still small but profit has improved and in particular our business in Australia has progressed well. The construction of an ice cream factory in Thailand is under way.



Microwaveable ready meals cater for today's lifestyle in the United Kingdom.



Twister ice cream is a favourite with children in Portugal and in many other countries.

The European frozen food market grows at a steady 4% per annum, low rates of growth in fish and vegetables being offset by the more rapid increase in products such as complete meals, pizzas, snacks and a variety of potato products. This is the area of the market where we see growth potential and scope for product innovation. We are extending our range of menus and have successfully developed products which are ready for use in both

microwave and standard ovens. Calorie controlled menus have also been actively introduced in response to growing demand.

We have maintained our share of the frozen food market; profit has improved substantially thanks to the recovery in the United Kingdom after a long period of restructuring and reorganisation of production facilities.

Food and drinks

Our tea business had another excellent year. There were further gains in market share in Europe with new product launches and increasing sales of iced tea products. We entered the large market in Turkey with a range of locally produced teas. Our market

position in the United States was strengthened by the introduction of several new flavoured and herbal teas. Lipton Export had another good year in the Middle East; in the Far East and Australia results were good although volume did not grow in some markets as much as expected.

The market for regular soups in both Europe and North America remained sluggish but the instant soups sector

| Fl. million | 1986 | 1987 |
|------------------|-------|-------|
| Turnover | 8 774 | 9 493 |
| Operating profit | 747 | 934 |

continued to respond to ongoing quality improvements and new product lines; our position strengthened in a number of countries.

The profitable development of our meat business in continental Europe continued and particularly good results were achieved in the Netherlands. The recently acquired Revilla company in Spain is performing well. In the United Kingdom Mattessons Wall's had a difficult year, being in the throes of a major reorganisation. Nevertheless its sales of branded products improved and there were signs of renewed growth in some of its main markets.

Our sales of mayonnaise continued to grow. The upside down bottle concept for sauces and ketchups was extended to new markets and additional varieties were introduced. In the United Kingdom *Oxo* cubes had another

profitable year and new gravy and sauce products were launched. In the United States Lipton further increased the variety of its side dish products with extensions in potato and sauce varieties and new cool pasta salads. The rice and pasta varieties were introduced into Europe during 1987. New varieties of *Fun Fruits* snacks were launched in North America; this highly successful entry into the nutritional snack market continues to make a fine contribution to profit. Ragú Foods had an excellent year and its tomato based Italian sauces increased their share of the large pasta sauce market.

The decision has been taken to combine the Brooke Bond *Oxo* and Batchelors Foods companies in the United Kingdom so as to provide a more effective force in the grocery market.



A still taken from a recent TV commercial for *Ragú*, the leading spaghetti sauce in the United States.

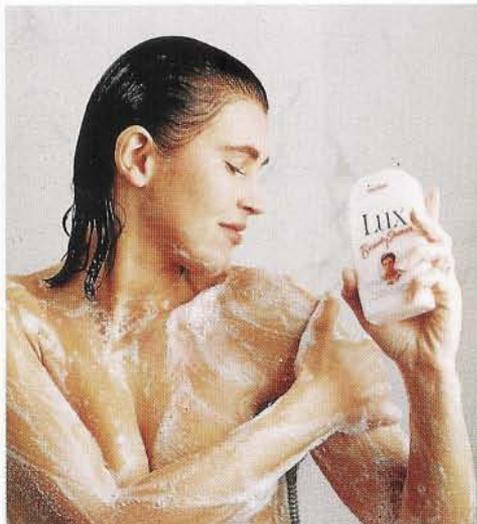


The *Sunsilk* hair care range in Thailand is widely used in salons as well as in the home.

Detergents

Our worldwide detergents business had another successful year in which profitability again improved.

In Europe there was as always fierce competition but we nevertheless increased our market share. Most important of all we gained ground in the fabrics washing market where we launched several products in the fast growing liquid detergents segment. We also made progress with fabric softeners and dish washing products, and the acquisition with Chesebrough-Pond's of *Lysoform* disinfectant in Italy, which is the market leader there, improved our position overall in the household cleaning market. We continued to improve our operating efficiencies and strengthen margins and there was another substantial improvement in the results of the European business. The ongoing recovery of the German company is particularly heartening. Our industrial business continued to grow and good results were achieved in a number of countries. Our base in the United Kingdom was enhanced by the acquisition of Sterling's industrial cleaning business.



A new shower gel bearing the famous *Lux* name.

| Fl. million | 1986 | 1987 |
|------------------|--------|--------|
| Turnover | 12 177 | 11 964 |
| Operating profit | 614 | 894 |

In the United States we further strengthened our market position as planned. Substantial gains with *Surf* laundry detergent and the extension of *Surf* liquid took this innovative brand to all parts of the country. Despite this and pressure from competition, *Wisk* liquid also made volume gains. A liquid automatic dishwashing product was introduced nationally.

In the rest of the world our business achieved substantial growth with good volume gains in the important markets of Brazil, Indonesia and Japan.

Personal products

The personal products market in Europe continued to grow by some 4% and our business has again grown faster than the market. Gains in market share have been achieved in toothpaste, deodorants and shampoos despite tougher competition, particularly in the toothpaste market. Our position in skin creams and lotions has been materially strengthened by the acquisition of Chesebrough-Pond's

and we now have a sound base for future growth.

Our continued focus on efficiency and low cost production has enabled us to strengthen support behind our brands and achieve growth in profit as well as sales. Rapid progress has been made with the integration of Chesebrough-Pond's and significant synergies have been achieved.

In the United States the Chesebrough-Pond's results were good. As expected its brands in the skin care market have proved to be

| Fl. million | 1986 | 1987 |
|------------------|-------|-------|
| Turnover | 3 389 | 5 028 |
| Operating profit | 201 | 464 |



Chesebrough-Pond's products have considerably strengthened our business in Mexico.

very strong. The Lever results on the other hand were disappointing because some of the marketing initiatives were not a success. The Personal Products Division of Lever has been merged into Chesebrough-Pond's, creating a business of substantial size and potential.

Elsewhere markets have continued to be buoyant providing significant growth across all product groups. The outstanding success has been the achievement of brand leadership by *Timotei* shampoo in Japan.

Speciality chemicals

| Fl. million | 1986 | 1987 |
|------------------|-------|-------|
| Turnover | 4 192 | 4 371 |
| Operating profit | 441 | 550 |

Profit has advanced strongly, reflecting substantial volume gains in many product sectors and the benefit of lower raw material and energy prices. Growth was further enhanced by acquisitions and includes the contribution of Naarden for a full year.

In National Starch all product sectors showed good gains. Increased volume of speciality starches from the new Kansas City plant particularly benefited the starch business in North America;

in Europe the new Hamburg speciality starch plant is now in full production. The adhesives business continued to perform well worldwide with substantial sales and profit improvement in all regions. Profit in the resin business increased strongly with the rapid growth of pressure polymers in both North America and, through Vinamul, in Europe.

The benefits of the merger of Naarden and PPF to form Quest are already evident. Operational efficiencies have been improved by combining the two businesses in many countries and action is being taken to strengthen our position in the important North



Consumer testing new fragrances by Quest in Japan.

American market. Quest now ranks as a leading supplier of fragrances, flavours and food ingredients. Results in 1987 were excellent.

Unichema increased its sales volume but value was slightly down because of generally lower raw material prices. Operating profit was better than in 1986 despite the high cost of expanding and modernising its North

American business. The European business performed well with stronger demand for glycerine and speciality oleochemicals; there were also good results in Australia and Malaysia.

Sales and profit in Crosfield continued the improving trend established in recent years, led by a strong performance in speciality silicas.

Agribusiness

Our agribusiness interests cover plantations and animal feeds which are established traditional businesses and aquaculture and planting materials which are new businesses with considerable growth potential.

Low palm oil prices continued to affect the profitability of our plantations

business for the greater part of the year and it was only towards the year end that prices began to rise. Our Cameroon plantation could not trade profitably and was put into liquidation. The new plantation in Colombia continued to produce excellent yields.

Tea estate profits were again affected by the continued decline in tea prices. Nevertheless further productivity increases and improved yields have enabled the estates to remain competitive.

| Fl. million | 1986 | 1987 |
|-------------------------|-------|-------|
| Turnover | 2 042 | 1 729 |
| Operating profit | 113 | 131 |

There was again significant shrinkage in the animal feeds market in the United Kingdom due to the lower milk quotas introduced this year. However our feed business maintained a satisfactory performance by means of improved productivity and product innovation.

Marine Harvest has grown significantly and is now the world's largest salmon farming business. A new factory has been built for processing the increased harvest and investment has been initiated to double the output of

farmed salmon in Scotland. A farm has been established in Southern Chile to breed Atlantic salmon from which the first harvest will be due in 1989/90.

During 1987 we acquired the Plant Breeding Institute, the leading seed breeding and marketing organisation in the United Kingdom, which was privatised by the British Government. It has a strong technological base which we plan to use in the development of an international planting materials business.

Other operations

UAC Group

UAC operates in tropical Africa as a distributor of consumer and industrial products and capital goods with complementary lead businesses in France and the United Kingdom. To an increasing extent these products are manufactured and assembled using local raw materials, skills and labour, thus stimulating the local economy and reducing the need for imports.

In 1987 the economies of many of the countries remained weak for a variety of reasons and trading conditions for our companies were very difficult. As a consequence the UAC Group has been undergoing further reorganisation towards an appropriate structure for its current business.

Packaging

The disposal of the paperboard business in the United Kingdom was

completed at the end of the year with the agreement to sell the cartonboard mill at Workington.

In Germany the 4P packaging group again registered gains in sales and profits.

Fish and restaurants

The entire fish industry in Germany received a setback when alarmist comments in the media about raw fish dramatically affected sales. The results of Nordsee were depressed by this development even though the comments did not apply to its operations. It has, however, been a temporary phenomenon and sales are back to normal levels.

Medical products

Our pregnancy testing kit was introduced into the United States where it has made good progress. A second test kit for indicating ovulation is now on sale in the United Kingdom market. Development work on products dealing with the diagnosis of infectious diseases is in progress.



Among the projects undertaken by the Plant Breeding Institute in the United Kingdom is the development of new high yielding varieties of wheat.

Research and development

During 1987 the Group's expenditure on research and development amounted to Fl. 1 100 million (1986: Fl. 985 million). This substantial investment was deployed partly in our principal research laboratories in the United Kingdom, the Netherlands and the United States and partly in smaller company development laboratories in over 40 countries. This international organisation enables us to exploit major technological developments worldwide and to tailor products to local consumer requirements and availability of raw materials.

The close cooperation of our research, development and engineering resources with other business functions, both at corporate and operating company level, guarantees the optimum contribution to product and manufacturing strategy. We are thus able to maintain the high rate of innovation of products and processes necessary for the continued health of the business.

Successful innovation for the core businesses of Unilever, however, does not always mean highly visible or revolutionary new products. Many innovations are concerned with the continued development of existing products through improvement of

performance or convenience for the consumer. Other advances relate to new manufacturing operations, the benefits of which emerge from improved cost effectiveness and from the best possible levels of product quality control. During 1987 there have been numerous examples of such innovations covering all product areas, including new toilet soaps, shower gels, low fat spreads, novel ice creams, washing and personal products for overseas markets, medical diagnostic kits, specialist polymers and computerised control of manufacturing processes.

The ability to generate and implement such innovations, with the necessary assurance of product safety and constant quality, derives from our understanding of the science underlying each raw material, product and process. To ensure that we remain at the forefront of such knowledge we not only maintain substantial research programmes in our own research laboratories but increasingly support and fund collaborative programmes with many key academic research institutes. This is an important element in maintaining our policy of recruiting and retaining international scientists of the highest calibre.

A combination of this technical expertise together with our proven marketing ability generates the growth on which the success of our business is based.

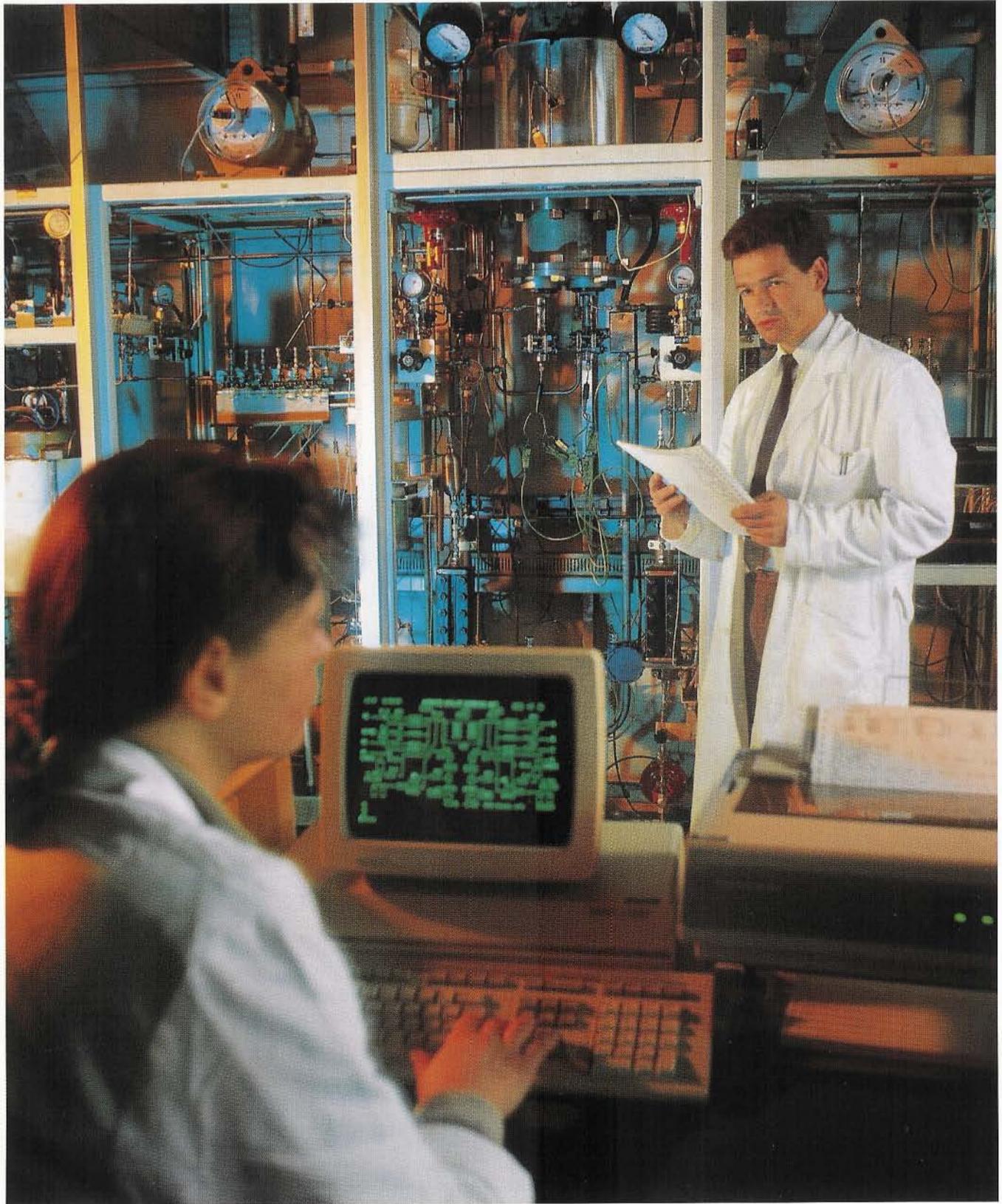
Personnel

At the end of 1987 the number of people employed by the Unilever Group around the world was 294 000. Unilever's continuing success depends upon their contribution. Management development remains a key objective. During 1987 we continued to increase the recruitment of high calibre management trainees and to accelerate the development and training of those young managers who

show the greatest potential so as to ensure that, in future years, Unilever enjoys committed and innovative management.

Today's successful manager must operate in an increasingly complex and turbulent environment. Our approach is to balance carefully the requirement for functional expertise with an ability to identify with and contribute to the achievement of our strategic objectives.

Unilever's focus on training and development does not stop with



A rig for testing petroleum cracking catalysts at the Unilever Research Laboratory in the Netherlands.

management. The need for training at all levels is well recognised, particularly as the development of leaner organisations requires employees to accept greater levels of personal responsibility. Such training, therefore, often covers both professional skills and business appreciation. These policies are developed and implemented at operating company level throughout the world.

Given the competitive nature of the markets in which Unilever companies operate, it is vital that operational effectiveness and productivity are maximised. We believe that all employees can make an important contribution to this process. This can only be achieved if employees are fully engaged with management in the running of the business. We believe

that the best way to achieve this is through consultation and involvement at the workplace, where employees can most readily contribute to decision making. Unilever's well established consultative arrangements, which are organised to suit the needs of the national and company environments, continue to provide a solid foundation for such involvement. Much, however, still needs to be done. This area will remain a focus for attention in 1988 and beyond.

In seeking to maximise the contribution of all employees, the Board remains totally committed to its policy of equal opportunity. This policy ensures that no person will be discriminated against because of his or her sex, marital status, race, ethnic origin or religious beliefs.

The table shows the numbers of employees in our parent and group companies and in our associated companies at the end of the year.

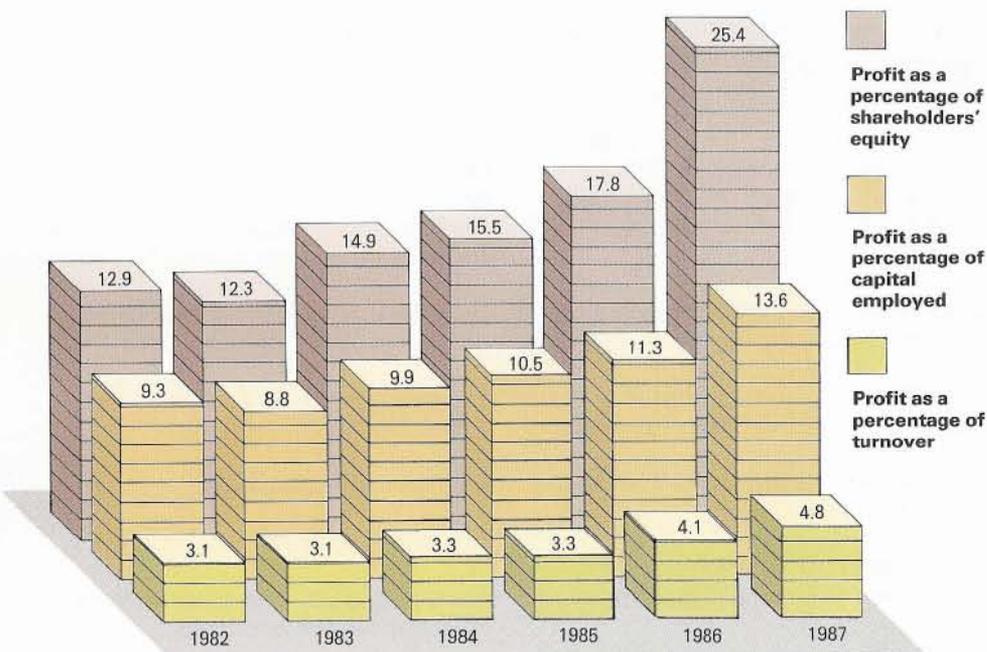
| (000's) | Parent and group companies | | Associated companies | | Total | |
|-------------------|----------------------------|------|----------------------|------|-------|------|
| | 1986 | 1987 | 1986 | 1987 | 1986 | 1987 |
| Europe | 122 | 115 | 4 | 4 | 126 | 119 |
| North America | 23 | 27 | — | — | 23 | 27 |
| Rest of the World | 153 | 152 | 38 | 38 | 191 | 190 |
| Total | 298 | 294 | 42 | 42 | 340 | 336 |

Finance

A key priority for financial management in 1987 was to restore balance sheet strength after the acquisition of Chesebrough-Pond's. The net purchase price after allowing for the successful completion of disposals was Fl. 2 515 million. This was funded entirely from our internal

cash resources and a temporary use of stand-by facilities. Despite this, net liquid funds only declined by Fl. 1 390 million during the year and at the year end amounted to Fl. 2 228 million. We took advantage of the fall in interest rates to refinance some long-term debt. By the end of the year our gearing was down to 26%, the lowest level for four years.

In the course of the year we reviewed the equity investment in Unilever



United States, Inc., our United States holding company, and decided to increase it by \$833 million (Fl. 1 482 million). The capital was provided by Unilever PLC at the end of the year, giving PLC a 25% interest in the share capital of the holding company. This utilised surplus funds held by PLC and spread the financial impact of the Chesebrough-Pond's acquisition between both parent companies. The change is reflected in the N.V. and PLC Group accounts by proportional consolidation of the assets and liabilities of the United States businesses. This transaction will improve our financial flexibility in the United States. It has no effect on the earnings, net equity or assets of the

combined Group, nor does it affect the position of the shareholders in either of the parent companies.

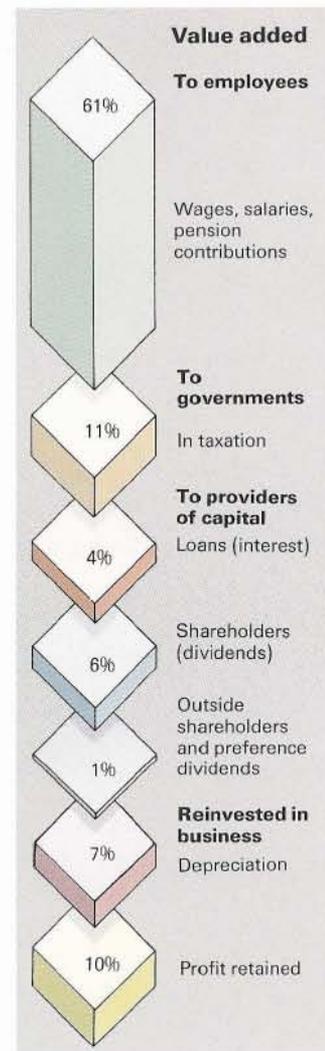
We took the opportunity towards the end of the year to increase our liquid funds through the placing of preference shares in our German business to the value of DM 700 million (Fl. 787 million). This has strengthened our cash resources and leaves us well placed to exploit further growth opportunities.

In addition to Chesebrough-Pond's we spent Fl. 441 million in 1987 on acquisitions. We also disposed of businesses for total proceeds of Fl. 357 million.

Capital expenditure

Capital expenditure in 1987 amounted to Fl. 2 379 million (1986: Fl. 2 245

million). The tables on page 35 give an analysis by geographical areas and by operations both for 1987 and for earlier years.



Capital projects

Capital projects totalling Fl. 3 082 million were approved in 1987 (1986: Fl. 2 799 million). These projects include:

Modernisation of oil refining plants in the Netherlands and Finland.

A new factory for bread improver products and bakery mixes in France.

Construction of a vegetable processing plant in Austria.

Modernisation of a factory for fish products in the United Kingdom.

Modernisation of the meat snacks and dried sausage factory in Belgium.

Expansion of salmon farming in the United Kingdom.

A new sulphonation plant and modernisation of the fabrics powder manufacturing facilities in France.

A new structured liquids plant in the United Kingdom for fabric washing liquids and cream cleaners.

Additional production facilities for detergents in the United States.

Additional warehouse capacity for dry foods in the United States.

New bottling equipment for salad dressings in the United States.

Expansion of an oil plantation in Colombia.

A salmon farm in Chile.

An ice cream factory in Thailand.

Construction of new toilet soap and NSD bar factories in India.

Construction of a fluid cracking catalyst plant in India.

Outlook for 1988

The coming year has been rendered somewhat less predictable by recent events in the financial markets of the world and the decline of the US dollar during the fourth quarter of 1987. Thus far there is no evidence that the market developments will have any significant effect on our operations. Fluctuations in the dollar and other currencies may continue to distort our reported results.

The costs of our principal raw materials expressed in the main European currencies have been at a low level for the past 18 months, but recently there have been signs of some increase. This may have some impact in the short term, but not one which could be regarded as material.

We plan to continue to invest substantial sums in our factories and in support of our brands. The level of capital expenditure will increase in 1988 and will be financed out of funds generated by the business.

We have made considerable gains in productivity in recent years and as a result our market positions and the business as a whole are stronger. We do not intend to relax our grip on efficiency; this is essential to ensure ongoing success in the very competitive markets in which we operate. This means that increases in employee numbers are only likely in those operating units which are in a phase of rapid growth.

We expect that the Company will continue to make good progress.

Directors of N.V. and PLC

F. A. Maljers

Age 54. A member of the Special Committee, Unilever's plural Chief Executive, since 1982. Elected to the Boards in 1974. Appointed Chairman of N.V. and a Vice-Chairman of PLC in 1984.

M. R. Angus

Age 57. A member of the Special Committee, Unilever's plural Chief Executive, since 1984. Elected to the Boards in 1970. Appointed a Vice-Chairman of PLC in 1984 and Chairman of PLC and a Vice-Chairman of N.V. in 1986.

Sir Geoffrey Allen

Age 59. Head of Research and Engineering Division. Elected to the Boards in 1982.

R. W. Archer

Age 58. Personnel Director. Elected to the Boards in 1978.

M. Dowdall

Age 58. Detergents Co-ordinator. Elected to the Boards in 1985.

P. V. M. Egan

Age 57. Regional Director for Latin America and Central Asia. Elected to the Boards in 1978.

H. Eggerstedt

Age 50. Frozen Products Co-ordinator. Elected to the Boards in 1985.

J. P. Erbé

Age 61. A member of the Special Committee, Unilever's plural Chief Executive, since 1986. Elected to the Boards in 1972. Appointed a Vice-Chairman of N.V. in 1983.

N. W. A. FitzGerald

Age 42. Financial Director. Elected to the Boards in 1987.

W. K. Grubman

Age 59. Chemicals Co-ordinator. Elected to the Boards in 1986.

M. G. Heron

Age 53. Regional Director for Europe. Elected to the Boards in 1986.

J. A. Houtzager

Age 53. Edible Fats and Dairy Co-ordinator. Elected to the Boards in 1982.

H. Meij

Age 59. Commercial Director. Elected to the Boards in 1975.

J. Peelen

Age 48. Regional Director for East Asia and the Pacific. Elected to the Boards in 1987.

M. S. Perry

Age 54. Personal Products Co-ordinator. Elected to the Boards in 1985.

G. K. G. Stevens

Age 62. Regional Director for North America. Elected to the Boards in 1976. He will retire on 4th May, 1988.

M. Tabaksblat

Age 50. Chairman, Chesebrough-Pond's. He will take over responsibility as Regional Director for North America on 4th May, 1988. Elected to the Boards in 1984.

T. Thomas

Age 60. Co-ordinator of Agribusiness and Medical Products. Elected to the Boards in 1979.

E. J. Verloop

Age 61. Food and Drinks Co-ordinator. Elected to the Boards in 1974.

As already announced, Mr G. K. G. Stevens, having reached the age of 62, will not be offering himself for re-election at the Annual General Meetings on 4th May, 1988.

Mr Stevens joined Unilever in 1949. After occupying various sales and marketing positions in the United Kingdom, the Netherlands and India, he became Chairman of our German frozen products company, Langnese-Iglo, in 1974. In 1976 he was elected to

the Boards of Unilever and became Personal Products Co-ordinator. He took up his present post as Regional Director for North America in 1984. His colleagues record their gratitude for the significant contribution he has made to the success of the business.

All the remaining Directors named above will, in accordance with the Articles of Association of N.V. and PLC, retire from office at the Annual General Meetings and will offer themselves for re-election.

In addition Dr J. I. W. Anderson and Mr C. M. Jemmett have been nominated for election as Directors of both Companies.

Dr Anderson (49) joined Unilever in 1965 as a marine microbiologist in

Unilever Research Laboratory, Aberdeen. He was appointed Chairman of Marine Harvest in 1976, of Food Industries in 1979 and of PPF International in 1981. After two years as Operations Member of Chemicals Co-ordination he became Chairman of Batchelors Foods in 1985.

Mr Jemmett (51) joined Unilever in 1958 in Purchasing Department. After working in the United Kingdom and Ghana he was Managing Director of our business in Japan. He was appointed Chairman of BOCM Silcock in 1978 and became a member of Overseas Committee in 1980. In 1987 he was appointed Chairman of UAC Limited and Regional Controller of the Africa and Middle East Regional Management Group.

Advisory Directors of N.V. and PLC

B. W. Biesheuvel

Age 68. Appointed an Advisory Director of N.V. 1973 and PLC 1978. Minister of Agriculture 1963-67 and Prime Minister of the Netherlands 1971-73. Chairman of the Supervisory Board of National Investment Bank, the Netherlands, since 1973.

T. Browaldh

Age 70. Appointed an Advisory Director of N.V. 1977 and PLC 1978. Chairman of Svenska Handelsbanken, Stockholm, 1966-78, Vice-Chairman since 1978. Vice-Chairman of Volvo and Nobel Foundation. He will retire on 4th May, 1988.

F. L. Byrom

Age 69. Appointed an Advisory Director of N.V. and PLC 1980. Chairman of U.S. Committee for Economic Development since 1978. Chief Executive Officer Koppers Co., Pittsburgh, since 1968, Chairman 1970-82.

Sir Robert Haslam

Age 65. Appointed an Advisory Director of N.V. and PLC 1986. Deputy Chairman of Imperial Chemical Industries 1980-83. Chairman of Tate & Lyle and British Steel 1983-86 and British Coal since 1986.

A. Herrhausen

Age 58. Appointed an Advisory Director of N.V. and PLC 1986. Member of Managing Board of Deutsche Bank since 1970 and one of its two spokesmen since 1985. He will become sole spokesman in 1988. Chairman of Supervisory Board Daimler-Benz since 1985.

The Rt. Hon. the Lord Hunt of Tanworth

Age 68. Appointed an Advisory Director of N.V. and PLC 1980. Senior positions in British Civil Service including Secretary of the Cabinet 1973-79. Chairman of Banque Nationale de Paris plc since 1980 and of Prudential Corporation since 1985.

François-Xavier Ortolé

Age 63. Appointed an Advisory Director of N.V. and PLC 1985. Important ministerial posts in French Government 1967-72. President Commission of the European Communities 1973-76 and Vice-President for Economic and Monetary Affairs 1977-84. Chairman of TOTAL-Compagnie Française des Pétroles since 1984.

D. Spethmann

Age 62. Appointed an Advisory Director of N.V. 1977 and PLC 1978. Chairman of Executive Board of Thyssen, Duisburg, since 1973 and of Supervisory Board of Munich Re since 1978.

E. P. Wellenstein

Age 68. Appointed an Advisory Director of N.V. and PLC 1978. Senior positions in the Netherlands Civil Service and later with the European Communities including Director General for External Relations 1973-76. Member of the Supervisory Boards of Royal Dutch Petroleum Company since 1978 and of Amsterdam-Rotterdam Bank since 1981.

Mr T. Browaldh, having reached the age of 70, will retire as an Advisory Director at the Annual General Meetings.

The Directors record their warm appreciation of his valuable advice and considerable experience in both financial and business matters.

Secretaries

Mr D. C. Buijs will resign at the Annual General Meetings to take up an

external appointment. He has served with Unilever for 21 years and has been a Secretary since 1986. The Directors record their appreciation of his counsel. He will be succeeded by Mr J. W. B. Westerburgen.

Dividends

The Boards have resolved to recommend to the Annual General Meetings on 4th May, 1988 the declaration of final dividends on the ordinary capitals in respect of 1987 at the rates shown in the adjacent table, which are equivalent in value in terms of the Equalisation Agreement:

| | 1986 | 1987 |
|---------------------------------|------------------|-----------------|
| N.V.—per Fl. 4 ordinary capital | | |
| Interim | Fl. 0.932 | Fl. 1.09 |
| Final | Fl. 2.134 | Fl. 2.53 |
| Total | Fl. 3.066 | Fl. 3.62 |
| PLC—per 5p ordinary capital | | |
| Interim | 2.998p | 3.54p |
| Final | 7.234p | 8.55p |
| Total | 10.232p | 12.09p |

The amounts shown in respect of 1986 have been adjusted to reflect the sub-division of shares on 29th June, 1987.

The N.V. final dividend will be payable as from 20th May, 1988 (or in the case of the New York shares on 1st June, 1988). The PLC final dividend will be paid on 18th May, 1988 (or in the case of holders of American Depositary Receipts on 26th May, 1988) to shareholders registered on 15th April, 1988.

For the purpose of equalising dividends under the Equalisation Agreement, Advance Corporation Tax (ACT) in respect of any dividend paid by PLC has to be treated as part of the dividend. PLC's 1987 final dividend has been calculated by reference to the rate of ACT announced by the United Kingdom Chancellor of the Exchequer in his Budget Statement on 15th March, 1988; if the effective rate applicable to payment of the dividend is different the amount will be adjusted accordingly and a further announcement made to the shareholders of PLC.

Auditors

Resolutions will be proposed for the reappointment of Coopers & Lybrand

Nederland as auditors of N.V. and Coopers & Lybrand as auditors of PLC. Their present appointments will end at the conclusion of the Annual General Meetings.

By Order of the Board

D. C. Buijs
S. G. Williams
Secretaries of Unilever N.V.

18th March, 1988

The following figures are largely extracted from the full combined consolidated Unilever N.V. and Unilever PLC annual accounts for 1987 and earlier years, which have been prepared under the historical cost convention. They are in accordance with accounting principles generally accepted in the Netherlands and the United Kingdom, except that the treatment of deferred taxation, for which full provision is made, complies with Dutch legislation as currently applied rather than with generally accepted accounting principles in the United Kingdom.

The figures on the following pages are expressed in Dutch guilders, except where stated otherwise. Fluctuations in exchange rates over time affect the combination of the financial statements of N.V. and PLC into a single currency, with the result that trends reflected in the guilder combined statements can differ significantly from the trends shown in the pound sterling and US dollar combined statements contained in other versions of this booklet.

Statement from the auditors

We have issued an unqualified report dated 18th March, 1988 on the full accounts of Unilever N.V. and Unilever PLC and their combined accounts for the year 1987, which are included in the 1987 annual accounts of Unilever N.V. and Unilever PLC.

Auditors of Unilever N.V.:

Auditors of Unilever PLC:

Coopers & Lybrand Nederland
Rotterdam

Coopers & Lybrand
London

18th March, 1988

for the year ended 31st December

| Fl. million | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|--|----------|----------|---------------------|----------|----------|---------------------|
| Turnover ^{a)} | 55 903 | 59 434 | 66 791 | 66 771 | 55 363 | 55 111 |
| Costs | (52 904) | (56 111) | (62 950) | (62 974) | (51 731) | (50 539) |
| Operating profit | 2 999 | 3 323 | 3 841 | 3 797 | 3 632 | 4 572 ^{b)} |
| Income from fixed investments ^{c)} | 295 | 264 | 292 | 302 | 166 | 152 |
| Other interest receivable and similar income | 477 | 494 | 459 | 494 | 579 | 372 |
| Interest payable and similar charges | (703) | (665) | (769) | (779) | (683) | (679) |
| Financial items | 69 | 93 | (18) | 17 | 62 | (155) |
| Profit before taxation | 3 068 | 3 416 | 3 823 | 3 814 | 3 694 | 4 417 |
| Taxation | (1 351) | (1 566) | (1 605) | (1 591) | (1 429) | (1 777) |
| Profit after taxation | 1 717 | 1 850 | 2 218 | 2 223 | 2 265 | 2 640 |
| Outside interests in group companies | (122) | (137) | (140) | (159) | (121) | (124) |
| Profit on ordinary activities attributable to shareholders | 1 595 | 1 713 | 2 078 | 2 064 | 2 144 | 2 516 |
| Extraordinary items | — | — | (108) ^{d)} | — | — | 82 ^{e)} |
| Profit attributable to shareholders after extraordinary items | 1 595 | 1 713 | 1 970 | 2 064 | 2 144 | 2 598 |
| Preference dividends | (16) | (16) | (16) | (16) | (16) | (16) |
| Dividends on ordinary capital | (578) | (634) | (684) | (718) | (751) | (897) |
| Profit of the year retained | 1 001 | 1 063 | 1 270 | 1 330 | 1 377 | 1 685 |
| Movements in profit retained | | | | | | |
| Profit of the year retained | 1 001 | 1 063 | 1 270 | 1 330 | 1 377 | 1 685 |
| Depreciation method change | — | — | — | — | — | 475 ^{b)} |
| Goodwill | (165) | (51) | (973) | (152) | (572) | (4 407) |
| Effect of exchange rate changes ^{f)} | 12 | 128 | 315 | (1 526) | (799) | (25) |
| Sterling/guilder realignment ^{f)} | (676) | 322 | (514) | (209) | (1 234) | 169 |
| Net movements during the year | 172 | 1 462 | 98 | (557) | (1 228) | (2 103) |
| Profit retained – 1st January | 11 176 | 11 348 | 12 810 | 12 908 | 12 351 | 11 123 |
| Profit retained – 31st December | 11 348 | 12 810 | 12 908 | 12 351 | 11 123 | 9 020 |

^{a)} Turnover comprises sales of goods and services after deduction of discounts and sales taxes. It includes sales to related companies but does not include sales by related companies or sales between group companies.

^{b)} See note ^{a)} on page 33.

^{c)} Includes share of associated companies' profit before taxation:

| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|------------------|------|------|------|------|------|------|
| UAC Group | 159 | 162 | 185 | 137 | 36 | 18 |
| Other operations | 73 | 56 | 72 | 93 | 81 | 104 |
| | 232 | 218 | 257 | 230 | 117 | 122 |

^{d)} Includes an extraordinary charge, net of tax relief, of Fl. 356 million for losses arising, and provisions for estimated losses less surpluses, consequent on the decision to withdraw from certain activities, and a deferred taxation credit of Fl. 248 million following the reductions in rates of corporation tax legislated in the United Kingdom Finance Act 1984.

^{e)} The results of 1984 contained an extraordinary provision of Fl. 356 million to cover estimated losses less surpluses on the disposal of a number of businesses which were seen as not central to core strategy. This disposal programme has been substantially completed with greater success than originally expected and Fl. 82 million of the provision has been released as extraordinary income in 1987.

^{f)} Exchange differences arising in the accounts of individual companies from transactions denominated in foreign currencies are dealt with in the individual companies' profit and loss accounts.

In preparing the consolidated accounts of N.V. in guilders and of PLC in sterling, (i) profit and loss accounts for the year, (ii) assets and liabilities at the year end and (iii) sources and uses of funds for the year are translated at year-end rates of exchange. The effect of exchange rate changes during the year on the assets and liabilities at the beginning of the year is recorded as a movement in profit retained. In arriving at the combined figures in guilders or sterling, the figures for N.V. in guilders or PLC in sterling are translated at the year-end sterling/guilder exchange rate, except for the ordinary capital of N.V. or PLC, which is translated at the Equalisation Agreement rate of £1 = Fl. 12. The effect of restating the assets and liabilities of N.V. and PLC at the beginning of the year at the year-end sterling/guilder exchange rate is described as sterling/guilder realignment and is shown as a movement in profit retained.

EXTRACTS FROM THE COMBINED CONSOLIDATED BALANCE SHEETS
OF UNILEVER N.V. AND UNILEVER PLC

as at 31st December

| Fl. million | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|--|--------|--------|--------|--------|---------------------|----------------------|
| Fixed assets | | | | | | |
| Tangible assets | 10 108 | 11 110 | 12 915 | 12 162 | 11 316 | 12 869 ^{a)} |
| Investment in Chesebrough-Pond's Inc. | — | — | — | — | 6 438 ^{b)} | — |
| Fixed investments | 1 562 | 1 454 | 1 626 | 1 246 | 795 | 734 |
| Current assets | | | | | | |
| Stocks | 8 390 | 9 267 | 11 501 | 9 744 | 8 210 | 8 250 |
| Debtors | 7 442 | 8 336 | 9 359 | 8 259 | 7 327 | 8 045 |
| Current investments | 865 | 1 744 | 1 856 | 3 492 | 6 467 | 1 804 |
| Cash at bank and in hand | 2 349 | 2 400 | 2 752 | 2 398 | 3 997 | 1 593 |
| | 19 046 | 21 747 | 25 468 | 23 893 | 26 001 | 19 692 |
| Less: Creditors due within one year | | | | | | |
| Borrowings | 1 952 | 2 032 | 4 285 | 3 919 | 7 146 | 1 169 |
| Trade and other creditors | 7 146 | 8 362 | 10 155 | 9 404 | 8 507 | 9 373 |
| Unpaid acceptances from previous shareholders of Chesebrough-Pond's Inc. | — | — | — | — | 6 438 ^{b)} | — |
| Taxation on profits | 931 | 949 | 1 048 | 1 020 | 945 | 1 525 |
| Dividends | 372 | 432 | 480 | 502 | 531 | 644 |
| Net current assets | 8 645 | 9 972 | 9 500 | 9 048 | 2 434 | 6 981 |
| Total assets less current liabilities | 20 315 | 22 536 | 24 041 | 22 456 | 20 983 | 20 584 |
| Creditors due after more than one year | | | | | | |
| Borrowings | 2 844 | 2 739 | 3 274 | 2 587 | 2 678 | 2 946 |
| Trade and other creditors | 76 | 209 | 189 | 228 | 280 | 439 |
| Taxation on profits | 128 | 220 | 247 | 191 | 239 | 202 |
| Provisions for liabilities and charges | | | | | | |
| Pensions and similar obligations | 2 066 | 2 526 | 2 930 | 2 978 | 3 166 | 3 364 |
| Deferred taxation and other provisions | 1 951 | 2 213 | 2 551 | 2 258 | 1 800 | 2 188 ^{a)} |
| Outside interests in group companies | 692 | 597 | 738 | 684 | 563 | 1 300 ^{a)} |
| Capital and reserves | | | | | | |
| Called up share capital | 1 476 | 1 477 | 1 400 | 1 399 | 1 396 | 1 396 |
| Share premium account | 90 | 91 | 89 | 87 | 81 | 84 |
| Profit retained and other reserves | 10 992 | 12 464 | 12 623 | 12 044 | 10 780 | 8 665 ^{a)} |
| | 12 558 | 14 032 | 14 112 | 13 530 | 12 257 | 10 145 |
| Total capital employed | 20 315 | 22 536 | 24 041 | 22 456 | 20 983 | 20 584 |

^{a)} Following a review of Unilever's methods and rates of depreciating tangible fixed assets, changes have been implemented in the accounting for depreciation with effect from 1st January, 1987. The changes have increased the balance sheet values of tangible fixed assets, deferred taxation, outside interests in group companies, and profit retained by Fl. 886 million, Fl. 407 million, Fl. 4 million and Fl. 475 million respectively, and have increased operating profit in 1987 by some Fl. 160 million. Fuller details of the changes appear on page 11 of the booklet 'Unilever Accounts 1987'.

^{b)} Unilever's offer for Chesebrough-Pond's Inc. was declared unconditional on 30th December, 1986 and legal ownership of 95.4% of the company's stock vested on that date, the company thus becoming a Unilever subsidiary.

In view of the temporary nature of Unilever's control over significant parts of the Chesebrough-Pond's group, and the imprecision with which the remaining parts could be valued in the time available, it was considered that the true and fair view in the Unilever 1986 Annual Accounts was better served by not consolidating Chesebrough-Pond's Inc. and its subsidiaries. Accordingly, the Unilever investment in Chesebrough-Pond's Inc. was included in the 1986 Unilever group accounts at cost.

EXTRACTS FROM THE COMBINED CONSOLIDATED SOURCE AND USE OF FUNDS
OF UNILEVER N.V. AND UNILEVER PLC

for the year ended 31st December

| Fl. million | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|---------|---------|---------|---------|---------|---------|
| Funds generated from operations | | | | | | |
| Profit on ordinary activities before taxation | 3 068 | 3 416 | 3 823 | 3 814 | 3 694 | 4 417 |
| Elimination of items not involving a flow of funds: | | | | | | |
| Depreciation | 1 153 | 1 319 | 1 395 | 1 385 | 1 282 | 1 128 |
| Others | 179 | 267 | 150 | 142 | 260 | 26 |
| | 4 400 | 5 002 | 5 368 | 5 341 | 5 236 | 5 571 |
| Funds from other sources | | | | | | |
| Increase/decrease in borrowings due after more than one year | (84) | (135) | 107 | (473) | 330 | (359) |
| Sale of preference shares in a group company | — | — | — | — | — | 787 |
| Total sources | 4 316 | 4 867 | 5 475 | 4 868 | 5 566 | 5 999 |
| Payments for: | | | | | | |
| Taxation | (1 091) | (1 325) | (1 198) | (1 406) | (1 317) | (1 736) |
| Dividends | (580) | (591) | (641) | (690) | (704) | (804) |
| Capital expenditure less disposals | (1 821) | (1 960) | (2 101) | (2 363) | (1 932) | (1 786) |
| Purchase/sale of group companies | (370) | (46) | (2 340) | 402 | (605) | (2 475) |
| Purchase/sale of fixed investments | 1 | 280 | (7) | 57 | 25 | 83 |
| Increase/decrease in stocks, debtors, trade and other creditors | (263) | (95) | (659) | 388 | 448 | (682) |
| Other uses | (21) | (152) | (141) | (257) | (303) | 11 |
| Total uses | (4 145) | (3 889) | (7 087) | (3 869) | (4 388) | (7 389) |
| Net increase/decrease in net liquid funds | 171 | 978 | (1 612) | 999 | 1 178 | (1 390) |
| Net liquid funds 1st January | 1 191 | 1 262 | 2 112 | 323 | 1 971 | 3 318 |
| Effect of exchange rate changes | (34) | (141) | (117) | 628 | 464 | 267 |
| Sterling/guilder realignment | (66) | 13 | (60) | 21 | (295) | 33 |
| Revised opening funds | 1 091 | 1 134 | 1 935 | 972 | 2 140 | 3 618 |
| Net increase/decrease in net liquid funds | 171 | 978 | (1 612) | 999 | 1 178 | (1 390) |
| Net liquid funds 31st December | 1 262 | 2 112 | 323 | 1 971 | 3 318 | 2 228 |
| of which: | | | | | | |
| Current investments | 865 | 1 744 | 1 856 | 3 492 | 6 467 | 1 804 |
| Cash at bank and in hand | 2 349 | 2 400 | 2 752 | 2 398 | 3 997 | 1 593 |
| Borrowings due within one year | (1 952) | (2 032) | (4 285) | (3 919) | (7 146) | (1 169) |

ADDITIONAL GEOGRAPHIC AND SEGMENTAL INFORMATION

Unilever 1987 Salient Figures

| Fl. million | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|---|--------|--------|--------|--------|--------|--------|
| Turnover | | | | | | |
| Europe | 36 770 | 38 224 | 41 028 | 42 919 | 34 368 | 34 456 |
| North America | 7 565 | 9 550 | 12 838 | 11 553 | 9 726 | 10 252 |
| Rest of the World | 11 568 | 11 660 | 12 925 | 12 299 | 11 269 | 10 403 |
| | 55 903 | 59 434 | 66 791 | 66 771 | 55 363 | 55 111 |
| Food products | 25 800 | 28 485 | 33 507 | 33 930 | 27 536 | 27 205 |
| Detergents and personal products | 13 763 | 15 407 | 17 371 | 16 242 | 15 566 | 16 992 |
| Speciality chemicals | 3 596 | 4 068 | 4 998 | 4 785 | 4 192 | 4 371 |
| Other operations | 12 744 | 11 474 | 10 915 | 11 814 | 8 069 | 6 543 |
| | 55 903 | 59 434 | 66 791 | 66 771 | 55 363 | 55 111 |
| Operating profit | | | | | | |
| Europe | 1 410 | 1 526 | 1 786 | 2 179 | 2 138 | 2 626 |
| North America | 428 | 622 | 784 | 432 | 369 | 798 |
| Rest of the World | 1 161 | 1 175 | 1 271 | 1 186 | 1 125 | 1 148 |
| | 2 999 | 3 323 | 3 841 | 3 797 | 3 632 | 4 572 |
| Food products | 1 445 | 1 622 | 2 001 | 1 958 | 1 973 | 2 344 |
| Detergents and personal products | 984 | 1 070 | 1 030 | 699 | 815 | 1 358 |
| Speciality chemicals | 309 | 433 | 533 | 508 | 441 | 550 |
| Other operations | 261 | 198 | 277 | 632 | 403 | 320 |
| | 2 999 | 3 323 | 3 841 | 3 797 | 3 632 | 4 572 |
| Profit on ordinary activities attributable to shareholders | | | | | | |
| Europe | 838 | 893 | 1 121 | 1 383 | 1 546 | 1 785 |
| North America | 194 | 298 | 349 | 159 | 97 | 223 |
| Rest of the World | 563 | 522 | 608 | 522 | 501 | 508 |
| | 1 595 | 1 713 | 2 078 | 2 064 | 2 144 | 2 516 |
| Net operating assets ^{a)} | | | | | | |
| Europe | 10 215 | 10 306 | 10 169 | 9 151 | 7 575 | 8 753 |
| North America | 2 480 | 3 062 | 4 515 | 3 941 | 3 385 | 3 459 |
| Rest of the World | 3 782 | 3 983 | 4 874 | 3 768 | 3 398 | 3 031 |
| | 16 477 | 17 351 | 19 558 | 16 860 | 14 358 | 15 243 |
| Capital expenditure | | | | | | |
| Europe | 1 236 | 1 283 | 1 358 | 1 540 | 1 406 | 1 497 |
| North America | 254 | 443 | 675 | 704 | 452 | 511 |
| Rest of the World | 543 | 454 | 433 | 409 | 387 | 371 |
| | 2 033 | 2 180 | 2 466 | 2 653 | 2 245 | 2 379 |
| Food products | 843 | 843 | 1 028 | 1 056 | 999 | 1 051 |
| Detergents and personal products | 522 | 574 | 698 | 616 | 583 | 620 |
| Speciality chemicals | 132 | 204 | 244 | 457 | 277 | 322 |
| Other operations | 536 | 559 | 496 | 524 | 386 | 386 |
| | 2 033 | 2 180 | 2 466 | 2 653 | 2 245 | 2 379 |

With effect from 1st January, 1987 Turkish operations, reported in previous years within the Rest of the World, are included in the European figures. Comparative figures for 1982 to 1986 inclusive have been restated.

^{a)} Net operating assets are tangible assets, stocks and debtors less trade and other creditors and less provisions for liabilities and charges other than taxation.

| | 1st quarter | 2nd quarter | 3rd quarter | 4th quarter | Total year |
|---|----------------|----------------|----------------|----------------|---------------|
| Turnover | | | | | |
| 1987 | | | | | |
| Fl. million | 13 454 | 13 960 | 13 968 | 13 729 | 55 111 |
| % | 25 | 25 | 25 | 25 | 100 |
| 1986 | | | | | |
| Fl. million | 13 196 | 14 153 | 13 526 | 14 488 | 55 363 |
| % | 24 | 26 | 24 | 26 | 100 |
| Operating profit | | | | | |
| 1987 | | | | | |
| Fl. million | 1 114 | 1 181 | 1 254 | 1 023 | 4 572 |
| % | 24 | 26 | 28 | 22 | 100 |
| 1986 | | | | | |
| Fl. million | 745 | 1 024 | 997 | 866 | 3 632 |
| % | 21 | 28 | 27 | 24 | 100 |
| Profit before taxation | | | | | |
| 1987 | | | | | |
| Fl. million | 1 054 | 1 146 | 1 198 | 1 019 | 4 417 |
| % | 24 | 26 | 27 | 23 | 100 |
| 1986 | | | | | |
| Fl. million | 762 | 1 003 | 1 031 | 898 | 3 694 |
| % | 21 | 27 | 28 | 24 | 100 |
| Profit on ordinary activities attributable to shareholders | | | | | |
| 1987 | | | | | |
| Fl. million | 585 | 654 | 659 | 618 | 2 516 |
| % | 23 | 26 | 26 | 25 | 100 |
| 1986 | | | | | |
| Fl. million | 420 | 540 | 585 | 599 | 2 144 |
| % | 20 | 25 | 27 | 28 | 100 |
| Earnings per share | | | | | |
| 1987 | | | | | |
| Guilders per Fl. 4 of capital | 2.08 | 2.34 | 2.35 | 2.20 | 8.97 |
| Pence per 5p of capital | 9.44 | 10.51 | 10.63 | 9.96 | 40.54 |
| 1986 ^{a)} | | | | | |
| Guilders per Fl. 4 of capital | 1.49 | 1.93 | 2.08 | 2.14 | 7.64 |
| Pence per 5p of capital | 6.95 | 8.95 | 9.70 | 9.91 | 35.51 |

The quarterly figures on this page differ from those published during each year in that they have been recalculated at the year-end rates of exchange adopted in the relevant annual accounts.

^{a)} The nominal values and earnings per share for 1986 have been adjusted to reflect the sub-division of shares on 29th June, 1987.

| | 1982 | 1983 | 1984 | 1985 | 1986 | 1987 |
|--|--------|--------|-------------------|--------|-------------------|--------|
| Earnings per share ^{a) b)} | | | | | | |
| Guilders per Fl. 4 of capital | 5.67 | 6.09 | 7.40 | 7.36 | 7.64 | 8.97 |
| Pence per 5p of capital | 20.08 | 20.57 | 26.87 | 27.59 | 35.51 | 40.54 |
| Ordinary dividends ^{b)} | | | | | | |
| N.V. – Guilders per Fl. 4 of capital | 2.408 | 2.604 | 2.822 | 2.964 | 3.066 | 3.62 |
| PLC – Pence per 5p of capital | 5.766 | 6.172 | 7.104 | 7.724 | 10.232 | 12.09 |
| Share prices ^{b)} | | | | | | |
| N.V. per Fl. 4 ordinary share | | | | | | |
| In Amsterdam (guilders) | | | | | | |
| High | 42 | 51 | 63 | 81 | 106 | 156 |
| Low | 29 | 38 | 46 | 63 | 69 | 90 |
| PLC per 5p ordinary share | | | | | | |
| In London (pence) | | | | | | |
| High | 161 | 179 | 220 | 275 | 442 | 718 |
| Low | 111 | 139 | 167 | 200 | 265 | 425 |
| Market capitalisation (Fl. million) ^{c)} | | | | | | |
| | 12 092 | 15 395 | 17 040 | 21 525 | 27 745 | 28 406 |
| Key ratios ^{d)} | | | | | | |
| Operating margin (%) | 5.4 | 5.6 | 5.8 | 5.7 | 6.6 | 8.3 |
| Return on capital employed (%) | 9.3 | 8.8 | 9.9 | 10.5 | 11.3 | 13.6 |
| Return on shareholders' equity (%) | 12.9 | 12.3 | 14.9 | 15.5 | 17.8 | 25.4 |
| Gearing (%) | 26.2 | 24.6 | 33.7 | 31.4 | 43.4 | 26.4 |
| Capital expenditure (Fl. million) | | | | | | |
| Depreciation (Fl. million) | 2 033 | 2 180 | 2 466 | 2 653 | 2 245 | 2 379 |
| | 1 153 | 1 319 | 1 395 | 1 385 | 1 282 | 1 128 |
| Employees (group companies) | | | | | | |
| Staff costs (Fl. million) | 10 697 | 11 491 | 11 701 | 11 418 | 10 006 | 9 873 |
| Number (in thousands) at 31st December | 283 | 267 | 254 ^{e)} | 304 | 298 ^{f)} | 294 |

^{a)} The calculation of earnings per share is based on the combined profit of the year on ordinary activities attributable to ordinary capital divided by the combined number of share units representing the combined issued ordinary capital of N.V. and PLC. For the calculation of combined ordinary capital the rate of exchange £1 = Fl. 12 has been used, in accordance with the Equalisation Agreement. This Agreement requires as a general rule that the dividends and other rights and benefits attaching to each Fl. 12 nominal of ordinary capital of N.V. shall be equal in value, at the relevant sterling/guilder rate of exchange, to those attaching to each £1 nominal of ordinary share capital of PLC as if each such unit formed part of the ordinary capital of one and the same company.

^{b)} The nominal values, earnings per share, ordinary dividends and share prices for the years 1982 to 1986 inclusive have been adjusted to reflect the sub-division of shares on 29th June, 1987.

^{c)} The calculation of the combined market capitalisation is based on the issued number of ordinary shares of N.V. and PLC, less internal holdings, multiplied by the respective ordinary share price of N.V. (in Amsterdam) and PLC (in London) as at 31st December of each respective year. The rates of exchange used for translation from sterling to guilders are the respective year-end rates of exchange.

^{d)} Operating margin is operating profit expressed as a percentage of turnover. Return on capital employed is the sum of profit on ordinary activities after tax and interest (after tax) on borrowings due after more than one year, expressed as a percentage of capital employed. Return on shareholders' equity is profit on ordinary activities attributable to ordinary shareholders expressed as a percentage of capital and reserves attributable to ordinary shareholders. Gearing is borrowings expressed as a percentage of the sum of borrowings, capital and reserves and outside interests in group companies.

^{e)} Excludes 65 000 employees of the Brooke Bond Group, for whom no staff costs were included in 1984 as a consequence of the decision to take up in Unilever's 1985 results the profits of the Brooke Bond Group for the fourth quarter 1984.

^{f)} Excludes 23 000 employees of the Chesebrough-Pond's group, acquired on 30th December, 1986, for whom no staff costs were included in 1986.

| 1987 above 1986 | Dutch Guilders | Sterling Pounds | Belgian Francs | German Marks | French Francs | Austrian Schillings | US Dollars | Swiss Francs |
|--|-------------------|--------------------|------------------------|------------------|--------------------|------------------------|------------------|------------------|
| Rates of exchange ^{a)} (one unit of currency = Fl.) | | 3.33 3.23 | 0.0537 0.0543 | 1.1250 1.1296 | 0.3317 0.3409 | 0.1598 0.1604 | 1.7800 2.1800 | 1.3930 1.3511 |
| In millions of currency | | | | | | | | |
| Turnover | 55 111 55 363 | 16 550 17 140 | 1 026 247 1 019 499 | 48 987 49 021 | 166 159 162 318 | 344 896 345 204 | 30 948 25 368 | 39 554 40 965 |
| Operating profit | 4 572 3 632 | 1 373 1 124 | 85 140 66 873 | 4 064 3 215 | 13 785 10 647 | 28 613 22 643 | 2 567 1 664 | 3 281 2 687 |
| Profit before taxation | 4 417 3 694 | 1 327 1 143 | 82 256 68 015 | 3 926 3 270 | 13 318 10 829 | 27 644 23 030 | 2 481 1 692 | 3 170 2 733 |
| Profit after taxation | 2 640 2 265 | 793 701 | 49 174 41 695 | 2 347 2 005 | 7 962 6 638 | 16 526 14 118 | 1 483 1 037 | 1 895 1 675 |
| Profit on ordinary activities attributable to shareholders | 2 516 2 144 | 756 664 | 46 855 39 483 | 2 237 1 898 | 7 586 6 286 | 15 747 13 369 | 1 413 982 | 1 806 1 586 |
| Ordinary dividends | 897 751 | 270 232 | 16 697 13 831 | 797 665 | 2 703 2 202 | 5 612 4 683 | 504 344 | 644 556 |
| Profit of the year retained | 1 685 1 377 | 506 427 | 31 386 25 365 | 1 498 1 220 | 5 082 4 038 | 10 548 8 589 | 946 631 | 1 210 1 019 |
| In units of currency | | | | | | | | |
| Earnings per share ^{b)} | | | | | | | | |
| Per Fl. 4 of capital | 8.97 7.64 | 269.37p 236.73p | 167.04 140.78 | 7.97 6.77 | 27.04 22.42 | 56.14 47.66 | 5.04 3.50 | 6.44 5.66 |
| Per 5p of capital | 1.35 1.15 | 40.54p 35.51p | 25.14 21.12 | 1.20 1.02 | 4.07 3.36 | 8.45 7.15 | 0.76 0.53 | 0.97 0.85 |
| Ordinary dividends ^{b) c)} | | | | | | | | |
| N.V. – per Fl. 4 of capital | 3.62 3.066 | 108.71p 94.922p | 67.41 56.464 | 3.22 2.714 | 10.91 8.994 | 22.65 19.114 | 2.03 1.406 | 2.60 2.270 |
| PLC – per 5p of capital | 0.40 0.330 | 12.09p 10.232p | 7.50 6.086 | 0.36 0.292 | 1.21 0.968 | 2.52 2.060 | 0.23 0.152 | 0.29 0.244 |

Movements between 1986 and 1987 will vary according to the currencies in which the figures are expressed.

^{a)} Rates of exchange are the respective year-end rates used in translating the combined figures in the various currencies.

^{b)} The earnings per share and ordinary dividends for 1986 have been adjusted to reflect the sub-division of shares on 29th June, 1987.

^{c)} The value of dividends received by shareholders in currencies other than guilders or sterling will be affected by fluctuations in the rates of exchange after the year end.

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

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

**Ordinary dividends
N.V. and PLC**

| | |
|---------|---|
| Interim | Announced November, Paid December |
| Final | Proposed March, Paid May/June |

Preferential dividends

N.V.

| | |
|---------------|------------------|
| 4% Preference | Paid 1st January |
| 6% Preference | Paid 1st October |
| 7% Preference | Paid 1st October |

PLC

| | |
|------------------------|------------------------------------|
| 5% Preference | } Paid 2nd January and 1st July |
| 7% Preference | |
| 8% Preference | |
| 20% Preferred Ordinary | |

Loan stock interest

N.V.

| | |
|-------------|-------------------|
| 6% 1972/91 | Paid 15th January |
| 4½% 1984/91 | Paid 7th June |
| 7¾% 1993 | Paid 4th February |

PLC

| | |
|-----------------------|-------------------------------------|
| Unsecured loan stocks | Paid 30th June and 31st December |
|-----------------------|-------------------------------------|

Interim announcements of results

| | |
|----------------------------------|--------------|
| First quarter results | Mid-May |
| First half-year results | Mid-August |
| Nine months results | Mid-November |
| Provisional results for the year | End February |

This booklet, in which the currency figures are expressed in guilders, is also available in the original Dutch version. In addition there is an English version issued by Unilever PLC with currency figures in pounds sterling and containing the Unilever PLC Directors' Report for 1987, as well as an English version with currency figures translated into US dollars. All these versions are identical with this booklet except for the difference in currencies and except that the PLC version contains some additional details which are not required by Dutch legislation.

The complete Unilever N.V. annual accounts for 1987, together with the auditors' report thereon and some additional information, are contained in a separate booklet entitled 'Unilever Accounts 1987', which is an English translation of the original Dutch publication and in which the currency figures are likewise expressed in guilders. In addition an English version of that booklet, issued by Unilever PLC, is available with currency figures expressed in pounds sterling and containing the complete Unilever PLC annual accounts for 1987.

Both N.V. and PLC make filings with the United States Securities and Exchange Commission (SEC) in the form required by United States legislation.

Copies of all versions of the above-mentioned booklets and of the filings made with the SEC, as well as of the quarterly results publications are available free of charge from Unilever N.V., External Affairs Department, P.O. Box 760, 3000 DK Rotterdam, the Netherlands, or from Unilever PLC, External Affairs Department, P.O. Box 68, London EC4P 4BQ, United Kingdom.

